

TAX EXEMPT FOUNDATIONS: THEIR IMPACT ON SMALL BUSINESS

WEDNESDAY, NOVEMBER 15, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE No. 1
OF THE SELECT COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 2359 Rayburn House Office Building, Hon. Wright Patman (chairman of the subcommittee) presiding.

Present: Representatives Patman, Corman, and Morton.

Also present: H. A. Olsher, director, Foundations Study; Myrtle Ruth Foutch, clerk; and John J. Williams, minority counsel:

Mr. PATMAN. The committee will please come to order.

Today, we welcome Secretary of the Treasury Fowler. Aside from the fact that we try to be courteous to all who appear before this committee, we welcome him also because it is very seldom that anyone in the Treasury Department, let alone the Secretary himself, shows enough interest in the massive problem of tax dodging via foundations to travel all the way to the Hill to discuss the matter with Members of Congress.

During our 1964 hearings, I made the following statement:

The Secretary of the Treasury has testified that it is the Treasury's duty to be alert to all possible violations of law. The Secretary also says (1) he does not consider it proper for a foundation to engage in insider's stock deals, stock price manipulations, short sales, margin trading, speculation in commodity futures, or to act as an unregulated source of stock market credit, and (2) the SEC should be alerted to the possibility of a foundation's involvement in insider deals and stock price manipulations.

Yet, testimony before this Subcommittee indicates the following:

The IRS does not examine foundations to determine whether they are violating any Federal securities laws—including those relating to insider's stock deals, stock price manipulations, and unregulated sources of stock market credit.

The IRS has not collected any information as to the extent that foundations are involved in speculation and trading on margin.

The IRS has not collected any data on the involvement of foundations in corporate proxy fights.

The IRS does not examine the foundations to determine whether they are violating any CAB regulations.

The IRS does not examine foundations to determine whether their foreign operations may be in conflict with Government policies.

The IRS does not examine foundations to determine whether the foundations are channeling income and corpus in a direction that may hurt competitors and investors.

The IRS does not examine foundations to determine whether they are being used as a device for engaging in various trade practices which might be in violation of certain statutes administered by the Federal Trade Commission or the Antitrust Division.