

Few of the persons in the IRS who examine foundation tax returns would be sufficiently familiar with the antitrust law to know whether the practices as cited may violate Section 5 of the FTC Act or the Sherman Act.

The IRS does not examine foundations to determine whether there is a conflict of interest between the duties of a foundation's directors or trustees and their interests as officers, stockholders and employees of business corporations whose stock is controlled by the foundation.

The Secretary of the Treasury says that the Treasury does not know how many tax exempt foundations there are.

The Acting Commissioner does not know how many IRS employees are assigned to supervising tax exempt foundations.

The IRS generally leaves it up to the officers of a foundation to decide what salaries they pay and the expenses they desire to pay.

The Acting Commissioner does not know of any cases where compensation of officers, directors or trustees among the large foundations has been unreasonable or unjustified. Yet, Mr. Benson Ford received \$15,000 for attending three meetings of the Ford Foundation.

The IRS does not review a foundation's individual charitable donations.

The IRS has no rule of thumb regarding the percentage of income that a foundation must spend for the purpose for which it was granted tax exemption.

The IRS does not examine foundations to determine whether contributions are being made to the foundations by persons or organizations that supply goods or services to companies interlocked with the foundations.

The IRS does not know how much money was spent overseas by U.S. foundations in 1963.

The IRS does not examine foundations to determine whether they are making loans overseas that may be contributing to our balance of payments problem.

This is the most impressive record of do-nothing that I have seen in my 36 years in Congress. When it comes to the proper policing of tax exempt foundations, the IRS appears to be totally impaled in the quicksands of absolute inertia.

I regret to say that those observations are just as pertinent today as they were 3 years ago in 1964.

The U.S. Treasury has distinguished itself by indifference, indolence and bungling in facing up to the problem of tax dodging via foundations. For 5 years, we have been trying to discover whether the Treasury is alive or dead when it comes to supervising and scrutinizing the affairs of this Nation's tax exempt foundations.

Up to this point, all I can say is that I hope the Treasury is not dead, but I have not detected any promising signs of life in its supervision of foundations.

Because the Treasury has been so completely incapable of doing the job, I have, for 5 years, stated that a special Government agency should be established to oversee tax-exempt foundations. In May 1963, Mortimer M. Caplin, then Commissioner of the Internal Revenue Service, publicly agreed with me that the IRS is not the proper agency to exercise effective supervisory control of tax-exempt foundations, "if the kind of supervision and control exercised, for example, by the Securities and Exchange Commission over investment companies and public utility holding companies, should ever become necessary."

The success of the ABC scheme is proof enough that such supervision is desperately needed.

I should add, however, that, during our 1964 hearings, Secretary of the Treasury Dillon became very bold indeed and stated that "It may well be that, after considering the matter further, regulatory agency supervision will be considered a wise thing." Yet, the last 3 years, the