

Secretary FOWLER. Let me give you some rough figures which I think will give you a measure of what will happen. In the calendar year 1967, the taxable income for individuals was \$322 billion, for corporations, \$73 billion. Our estimate of the income of foundations during that period was 1 to 1½ billion, the income that they earned on their properties. I think that gives you a measure, 1 to 1½ billion as against 400 billion.

Mr. PATMAN. Mr. Morton has agreed to yield to Mr. Corman to make a brief comment, and then we have to go to the floor.

Mr. CORMAN. Mr. Secretary, we, among other things, are concerned about economic concentration and its effect on small business which may, in reality, be in competition with foundations that are in business. Would that be a concern of your Department? Or would that lie in some other executive branch?

Secretary FOWLER. Mr. Corman, the foundation involvement in business is a concern. It was the subject of intense examination by the Treasury, in the study I have referred to, and is the subject of one of the recommendations in the report.

Specifically, the report proposes the imposition of an absolute limit upon the participation of private foundations in active business, whether presently owned or subsequently acquired. The recommendation would prohibit a foundation from owning, either directly or through stockholdings, 20 percent or more of a business unrelated to the charitable activities of the foundation, within the meaning of section 501(c)(3) of the law. Foundations would be granted a prescribed reasonable period, subject to extension, in which to reduce their present or subsequently acquired business interests below the specified maximum limit.

This is a concern of the Treasury Department and the Internal Revenue Service, not only in the field of foundations but as to business activities of an unrelated nature carried on by other tax-exempt organizations and foundations.

The recent *Clay Brown* case in the Supreme Court which ruled against the Internal Revenue Service in a given situation, has caused us great concern. Legislation is pending before the Congress to deal with a change in the law to, in effect, meet the problem created by that Supreme Court decision.

Mr. CORMAN. Yes. The other question is this: You indicated that one of the basic purposes of a tax-exempt foundation is so that there can be activity in areas in which the Government should not enter, such as religion. But it seems to me that the moment you get tax exemption the Government is, maybe indirectly, rather substantially involved in that there is revenue which would come to the Government which would be the subject of public expenditure that is not available for public expenditure but goes into an area that, as you indicated, the Government probably should not enter, and that seems to be the position of ABC in their brochures, that the people who do not like the way that the public expenditures are being made, that they can set up a tax-exempt foundation and control how the money is spent, and I assume this may be legitimately done. Doesn't that present us some problems?

Secretary FOWLER. My assumptions and yours about the type of operation represented by the ABC are not the same, and Commissioner Cohen will deal with it.