# TAX EXEMPT FOUNDATIONS: THEIR IMPACT ON SMALL BUSINESS

**THURSDAY, NOVEMBER 16, 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.

This morning we have a continuation of the hearing we had yesterday, and, first, we would like to have a statement from Mr. Sheldon S. Cohen, Commissioner of Internal Revenue.

Mr. Cohen, you may proceed in your own way.

## TESTIMONY OF SHELDON S. COHEN, COMMISSIONER OF INTERNAL REVENUE, ACCOMPANIED BY STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY, DEPARTMENT OF THE TREASURY

Mr. Cohen. Good Morning, Mr. Chairman.

I am glad to be with you this morning to give you and up-to-date report on our activities as they relate to your field of interest, both in the private foundation area and in the more broadly based tax-exempt organization area.

In the summer and early fall of 1964, former Commissioner Caplin and Acting Commissioner Harding appeaded before this subcommittee to discuss the administration of the tax laws as they may apply to tax-exempt organizations; in particular, as they apply to so-called private foundations. We ought to describe what we mean by "private foundation" since the statute nowhere defines the term. It is a term that is used and has no legal definition. By "private foundation" we mean organizations of the type described in section 501(c)(3) which are devoted to "charitable" purposes and which receive no substantial part of their support from the general public or governmental bodies.

At that time it was pointed out that beginning in 1961 the Internal Revenue Service embarked on a many faceted program for strengthening compliance with the tax law applicable to foundations and charitable trusts. The major points of this program included: (1) expanding audit coverage of exempt organization; (2) greater service effort in