

charitable organizations by which they were employed to carry on activities related to their practice of medicine. In each case the taxpayers failed to show that the organization was operated exclusively for charitable purposes. This result was in large part dictated by the facts showing that the individual doctors themselves received substantial benefits from the organizations they established. Without dwelling on the legal points involved, I think it fair to say that we anticipate equal success in denying tax-exempt status to any other organization set-up in the guise of a charitable organization but operating for the convenience of its founder.

Thank you, Mr. Chairman.

Mr. PATMAN. Thank you very much, Mr. Cohen. That is a very informative statement. We appreciate the information.

I would like to ask you to break down these tax-exempt organizations, with reference to foundations, the number of foundations in the several hundred thousand tax-exempt organizations.

Mr. COHEN. The rough figures are approximately 42,000 or 43,000 foundations in general. The ones that we classify as private, that is, the ones controlled—

Mr. PATMAN. Privately controlled.

Mr. COHEN (continuing). Are slightly under 25,000. We think that that figure needs some purification, and our people have been working for the last several months and hope to be finished by the end of the year with the purification of that list.

Mr. PATMAN. We want that list, Mr. Cohen. How soon can we get it.

Mr. COHEN. If you would like the purified list, after we have gotten some of the bugs out of it, we probably can have it for you shortly after the first of the year. In 1964 we sent out a questionnaire to all of the exempt organizations that we had any record of and we asked them to self-classify themselves. Then, we fed this information into the computer. In studying the records, our people have determined that a number of organizations, for example, Veterans of Foreign Wars posts, have classified themselves as foundations. It is an obvious error, and for your benefit as well as ours, we ought to purify that list.

Mr. PATMAN. Yes, sir.

Mr. COHEN. We could get you a record today of 325,000 exempt organizations less expensively than we can produce the smaller list, but if you want the list of foundations only we will need some time.

Mr. PATMAN. We want the ones we are concerned about, the privately controlled foundations.

Yesterday, Mr. Morton had the floor and he yielded to Mr. Corman. Mr. Corman, we will resume with Mr. Morton if he would like to ask questions at this time, and then we will continue with you.

Mr. MORTON. Thank you, Mr. Chairman.

First, Mr. Cohen, let me say that we are delighted to have you here. We appreciate your taking the time from what I know is a busy schedule.

Is there any action that an organization must take in setting itself up as a not-for-profit foundation, or otherwise eleemosynary institution with the Internal Revenue Service?

Mr. COHEN. Yes, sir.

Mr. MORTON. Specifically, what is that action?

Mr. COHEN. The regulations provide that for an organization to qualify for exempt status it shall file an application for exemption.