Mr. MORTON. Then, this list that you are going to furnish, pursuant to the request of the chairman, will be a list of foundations which have received this ruling and which have complied with this regulation. Is that correct?

Mr. COHEN. Our list would only include those which have met the proper test.

Mr. MORTON. Do you believe that there are many foundations or organizations operating as foundations under what they believe is a tax-free system which have never come to the attention of the IRS?

Mr. COHEN. Not a great many. There are some, and one of the reasons for developing the list which has just recently been completed and, as I indicated, now being purified, is that we are now working printouts of that list for each of our districts. We can distribute to each district office the names of the organizations that are on our list which operate in their areas. The district office can verify the existence of those organizations and, by various investigative techniques, verify if other organizations exist which should have filed. That kind of organization we would want to investigate.

We have also instituted a program with several of the States' attorneys general in which we have offered to supply them with lists of organizations operating within their States so they might aid us. This is, after all, primarily, a State responsibility, the creation of organizations coming within the State law. For example, if an organization is operating under a Maryland charter, the Maryland authorities do have the basic responsibility for overseeing its activities. So, we have experimented, and I think, in at least two or three instances, the States have cooperated with us in making information available to the State attorney general. The Texas attorney general was the first one to ask for a list of all the exempt organizations operating in the State of Texas. We supplied him with the list and he is going to aid us in policing this field.

Mr. MORTON. Mr. Commissioner, does this work in reverse? For example, we have had testimony here concerning the establishment of foundations in the State of Illinois. I assume that the office in the State of Illinois which would handle that would be the office of the secretary of state.

Mr. COHEN. I believe so.

Mr. MORTON. When these foundations are formed, is there liaison between IRS and the State governments which brings these foundations to your attention?

Mr. COHEN. In this particular situation there was excellent cooperation between State authorities in both California and in Illinois and our people beginning quite some time ago. We began getting reports about a year ago of the creation of numerous foundations that appeared to be out of the ordinary. We began a low-scale investigation, because we did not realize the extent of it. Starting about 8 or 9 months ago, we began a very intensive investigation to gather the names of any organizations that appeared to be operating in this pattern, and we had the cooperation of the State authorities in that effort.

Mr. MORTON. As far as the operation of foundations, has this investigation brought to light considerable malpractice or practice which does not fall within the spirit of the regulations?