Mr. MORTON. If a foundation made a contribution to a university in any amount for endowment, for scholarship funds or for any legitimate purpose whatsoever, and a close relative of one of the founders of that foundation or principals involved in that foundation had a son or a daughter who attended this college under some sort of special privilege, reduced tuition, or the like, would this show up on the form?

Mr. COHEN. It should if they answered it properly. We have discovered such instances. These are prohibited transactions, and would generally cause the lifting of the exemption. The statute describes as a prohibited transaction the granting of certain types of benefits to the founder or close members of his family.

Mr. MORTON. Yesterday, the Secretary discussed the report that was submitted to the Committee on Ways and Means of the House and the Finance Committee of the Senate. It apparently is the result of a great deal of work in this area. The Secretary also spoke of legislative recommendtions that were made. He also said that conversations following that report were held with the proper people on those committees. Do you feel that there should be considerable legislative "tightening up" in this area? How do you appraise or evaluate the legislative requirements that you would like to have in this area?

Mr. COHEN. I think Assistant Secretary Surrey who is in charge of the Treasury's tax legislative program can perhaps answer this better.

From an administrator's point of view, the more explicit the statute and the more tools we have to work with and the more clearly the rules are spelled out, the more easily the statute is admininistered both from the governmental standpoint, and, indeed, from the private institution's standpoint.

From our standpoint, we would like considerable tightening up in the area of business activity and certainly in the area of sanctions, as I mentioned. There must be some better means of controlling exempt organizations.

We have a feeling—and this is a personal feeling as a lawyer and as an administrator, that the courts are somewhat liberal in their enforcement of the cases we bring before them because the alternatives that they face are stark black or white. For minor transgressions, we are required to disallow the exemption, consequently the courts tend to give liberal interpretations to the law to cover the minor transgression. That allows the next fellow who is not nearly so honest as the first one to try to take advantage of that minor expansion of the law that the courts have interpreted. To the extent that we can have rational and reasonable rules to operate under, we think that we could make our enforcement more effective with the same amount of manpower.

Mr. SURREY. I might add, Mr. Morton, of course, I agree with the Commissioner, but I think there are certain abuses in this foundation area that even with the best enforcement he is not permitted to reach because the law does not go that far, and that a number of the recommendations in the Treasury's report are necessary to reach what the Treasury thinks are abuses under the law. That is not said in relation to the ABC situation, which I think can be dealt with under