

existing law. But with respect to some of the other matters that this committee has referred to, involvement of foundations in business and the like, those matters do require legislation to be dealt with, and that is why the Treasury Department is very much interested in our recommendations proceeding to legislation.

Mr. MORTON. Commissioner, at your district office level, or even regional office level, do you have foundation specialists who handle the returns of tax-exempt organizations and who are really qualified in this particular area beyond their qualification in general Internal Revenue matters?

Mr. COHEN. Yes, sir. In each district office we have a group that deals with pension problems and exempt-organization problems. This is their area of responsibility. They study the exemption applications that come in. The agents in the field who look at the returns of these organizations are the agents who have been through the special training course concerning exempt organizations. We do not have enough specialists yet, and we are training more.

Also, the instructions to the field are: If the problem is new and unique and you think you need help, call on the national office. We have technical advice procedures whereby field personnel are authorized—and, indeed, are encouraged—to send the difficult problems to the national office, to the 100-man technician group that I mentioned who have a great deal of expertise in the exempt organization area. Thus, we can become aware of the new problem nationally.

This is the way we coordinate our procedures. If new problems come up, for example if this ABC problem comes up, the agent in the field will notify us immediately that this is something new, it is unique. We get a bulletin out to all of our other district offices that something out of the ordinary has been identified in one district and others should be aware of what is going on. Such a bulletin went out in this case.

Mr. MORTON. To your knowledge, Mr. Commissioner, do the States which have income taxes require the same general type of reporting and ruling as far as State income taxes are concerned that you do?

Mr. COHEN. Most of them do. A number of the States merely rely on our activities. But most of the States have their own supervision, and, indeed, some of them, for example Michigan, Ohio and California have a registration procedure. The Attorney General in New York is now instituting a more active program. I use those states as illustrations and do not intend to suggest that other states are not doing a great deal also. Those States are the ones that come to mind since they have been working with us and keeping us informed of their more vigorous activities in this area.

Mr. PATMAN. Mr. Morton, would you find out if he is referring to foundation returns, now?

Mr. MORTON. Yes, I think we ought to clarify this. Do the States require the filing of annual returns by all tax-exempt organizations or just by foundations?

Mr. COHEN. We are talking about 50 States, and we are probably talking about many different systems. So, it would be difficult to generalize. By and large, they have some measure of control. Some have better procedures than others. Some have more effective registration systems; some less. Some States have done virtually nothing, and others have very sophisticated procedures.