of certain noncash benefits it is, nonetheless, income. In the two cases that I mentioned in my opening statement, the *Cranley* case and the *Sonora* case, the courts there found benefits inuring to the founder of the organization and just threw the whole thing out.

Mr. CORMAN. So that as far as you can see—and as far as I can see—the only advantage of the foundation to the individual, assuming that it is legitimate, is that he gets around the percentage limitation that he is allowed as an individual for charitable contribution?

Mr. COHEN. Well, if he devotes the assets to charity, he can take a deduction for assets contributed; yes, sir. If there is income flowing from those assets which is permanently devoted to charity, fine. That is what the law contemplates. There may be some advantage to that.

Mr. CORMAN. As an individual, what is his limitation?

Mr. COHEN. The limitation is in most cases 20 percent of the individual's adjusted gross income for the year. In the case of contributions to certain types of charitable organizations, for example, educational organizations, the limitation is 30 percent of adjusted gross income.

Mr. CORMAN. He can give that 30 percent of his gross—If he sets up a foundation there is no limit?

Mr. COHEN. He is still limited in the number of dollars he can contribute to the foundation and deduct for income tax purposes. If the foundation has income, separate and apart from his own income, then the foundation, yes, sir, can have income of any amount without paying tax.

Mr. CORMAN. He can become an employee of the foundation, I take it.

Let us assume for the moment that the doctor is trying to do this thing legitimately and he makes a hundred thousand dollars a year gross. Can his patients pay the foundation?

Mr. COHEN. I think when we are talking about that kind of activity we are not talking about a reality. If the foundation's principal purpose is running a medical practice, it is not exempt from tax. Its principal purpose has to be an exempt purpose. So, you start from a fallicious assumption and your result is a fallicious result. These people just assumed the fallacious assumption.

Mr. CORMAN. That is very interesting.

Mr. COHEN. If you were to tell me that you would contribute General Motors stock, or the stock of a closely held company, to a foundation, the foundation can receive income from those assets without present limitations. There are ways it can be done. But you have given up your assets. You do not get them back.

Mr. CORMAN. You do not see any possibility of their being able to legitimately create a foundation to absorb the income from personal services of a professional man?

Mr. COHEN. I have not seen one yet.

Mr. CORMAN. Hypothetically under the code?

Mr. COHEN. I do not think so.

Mr. CORMAN. I am assuming for the moment that everything else is proper—he really does devote all of that income to the foundation and the expenditures are proper under the code.

Mr. COHEN. The end function can be charitable and the foundation can still be nonexempt, because its principal purpose is carrying on a