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HIS OWN FOUNDATION.**Taxpayer Tempted to Become Exempted****BY VINCENT J. BURKE***Times Staff Writer*

WASHINGTON — According to reports circulating here, John T. (for Tired) Taxpayer is threatening to set up his own private tax-exempt foundation and operate it on the theory that charity begins at home.

If the reports were true, it would be enough to panic Washington officialdom.

For if every taxpayer were to set up his own private foundation and operate it selfishly, there might be a significant drop in either federal tax revenue or in the flow of money into charity, or both. Certainly, more money would go into the pocket of John T. Taxpayer.

John Quizzed

In view of the fiscal and social implications, John T. Taxpayer was questioned about his plans by a reporter in the following interview:

Question—John, you're not serious about setting up your own private tax exempt foundation?

Answer—I sure am. At first, it was just a joke. When I read about the CIA using foundations as conduits to send money abroad, I told Mrs. Taxpayer that if there's any more surplus CIA money around, we might as well get our share. A private tax-exempt foundation provides one of the few ways still around of having your cake and eating it, too.

Contributes \$2,000

For years I've been contributing \$2,000 a year to my church and to charities and I have nothing to show for it but some used-up tax deductions and a feeling of having performed my duty. Twenty years ago I should have set up my own foundation and appointed myself, my wife and children as trustees. Anybody can do it. You fill out Internal Revenue Service Form No. 1023.

Q. Suppose that for the last 20 years you had given your \$2,000 in contributions to church and charity to the John T. Taxpayer Charity Fund, and claimed tax deductions for it. What difference would it make?

A. Well, by now I would have control of a fund of perhaps \$60,000. As a trustee, I would have bought stocks and bonds for the fund with the \$40,000 I had contributed to the fund and I would have plowed back into fund investments the tax-free earnings of the fund.

How About Charity?

Q. How about charity? Wasn't your fund set up to make grants to religious, charitable and educational institutions?

A. Sure, but not right away. In the first place the Internal Revenue Service isn't likely to know what my fund is doing. There's no penalty for failing to file reports every year. Some foundations don't bother to file reports. And the revenue agents inspect very few reports. Besides

the law merely bars unreasonable accumulations of capital in a private foundation. Who's to say what's unreasonable? One federal judge upheld a foundation's right to go for 10 years without making any grants. I would go for 20 years.

Q. What would you have done with the \$60,000 fund? You couldn't spend any of the money on yourself.

\$8,500 Profit

A. Don't be so sure about that. Right now I would like to sell my house. I paid \$20,000 for it. It probably would bring \$30,000 on today's market. After the brokerage fee, I'd net only \$8,500 in profit. But if the John T. Taxpayer Charity Fund held \$60,000, I would sell my house to my foundation. I'm sure that the house is worth \$40,000 to the foundation. So we'd have a \$20,000 profit on the house—no brokerage fee and no tax on the profit because we'd invest all of the \$40,000 in a bigger house.

My foundation then

would lease the old house to me for \$150 a month and I would sublease it to a third party for \$250 a month. After management expenses, I'd be making a modest sum every month as a management fee.

Q. But John, is that legal?

A. The law says you mustn't have dealings with your own foundation that result in a substantial