

TREASURY PROPOSALS ON PRIVATE FOUNDATIONS

A summary of the Treasury Proposals regarding changed in the law on private foundations from a report prepared by the Senate Finance Committee, dated February 2, 1965.

I. There should be a general prohibition on self-dealing more stringent than the present Section 503 which would be expanded to include officers as well as donors and other related parties.

This prohibition would be subject to the following exceptions:

- (a) A foundation may purchase incidental supplies from such parties
- (b) Related parties may buy at fair market value assets from the foundation in forced sales.
- (c) Related parties may make interest-free loans where such loan is to be used for a bonafide charitable purpose.

II. Private non-operating foundations should be required to distribute all of their current net income on a reasonably current basis.

The purposes for which income would have to be expended are:

- (a) To publicly supported charities.
- (b) To privately supported operating organizations.
- (c) On direct expenditures for charitable programs conducted by the foundation.