

by right of inheritance - to the control of heirs or their trustees. This enables a few individuals to control ever increasing tax exempt wealth." Patman Report, Page 18 (1962)

"The Ford Foundation offords a good example of the use to solve the death tax problem and at the same time the problem of how to retain control of a great enterprise in the hands of the family. 90% of the ownership of Ford Motor Company was transferred to the Ford Foundation created for the purpose. Had it not been, it is almost certain that the family would have lost control." -- House Report No. 2681, 83rd Congress, Second Session, 1954. Page 6.

"Closed Corporations. Perhaps the greatest advantage is afforded closed corporations. Through the use of a foundation the operator of a closed corporation may be able to keep voting control of the corporation in the family after the death of the principal stockholder. Estate and gift taxes are frequently so high that sale of the stock is necessary in order to pay them, the result being that the family loses control of the corporation. However, the principal stockholder can avoid this result by granting or bequeathing nonvoting stock in the corporation to the foundation. Since such a gift or bequest is deductible for estate or gift tax purposes, the result may be that the taxes will then be small enough so that they can be satisfied out of the other estate assets without selling the voting stock." - Patman Report, Page IX (1963).

A-3 Pay Salaries to Family

The following answers are by former Commissioner Mortimer Caplin. Quoted in Patman. I. Page 73 (1962)

"Q. Will the IRS deny exemption to a foundation solely on the ground that it is controlled by one family?

A. No. The internal Revenue Service Code provides no basis upon which the Service may deny exemption to a foundation solely on the ground that it is controlled by one family."

"Q. In what way, if any, does the code prohibit a donor or testator from transferring the controlling stock of a business to a foundation and have it (the foundation) hold the stock in perpetuity with self-perpetuating directors or trustees voting the stock as they please?

A. The code does not in any way prohibit an arrangement of this sort."

"Q. Does the code permit a board of trustees and officers of a foundation to be staffed by the founder, his family and associates?

A. Yes."

Only judicial decision on "control" Barber v. Edwards, 130 F. Supp. 83 (M.D.Ga 1955) Exemption upheld.