able transfers, treated as incomplete for estate tax purposes, gain an ntirely unintended tax advantage over outright gifts.

To remove these unjustified and incongruous tax preferences, the 'reasury Department recommends that, where a donor secures an ıcome tax deduction for the transfer of an interest in property to a rivate foundation, the value of the property be excluded from the ase upon which his estate tax marital deduction is computed.[10] 3y placing contributions to donor-influenced foundations upon the ame estate tax footing as those to foundations which the donor does ot influence, such legislation would confine the tax reward for both lasses of transfers to the income tax benefits which they were speifically intended to receive. Similarly, where the recipient charitable rganization is a private foundation, it would eliminate the advantage hich lifetime charitable transfers, framed to retain donor connection ith the contributed asset, have over outright and unrestricted gifts.

D. SANCTIONS FOR FAILURE TO FILE INFORMATION RETURNS

To proceed with effective administration of the tax laws governing rivate foundations, the Internal Revenue Service must obtain ompleted copies of the annual information returns required of oundations. Unfortunately, not all foundations comply with the eporting rules prescribed by the Internal Revenue Code and the nplementing regulations. While the Internal Revenue Service has aken what steps it can to cope with this problem—it has, among ther things, undertaken the compilation of a master list of taxxempt organizations which will permit use of automatic data procesing equipment to facilitate identification of the nonfilers—its efforts ave been hampered by the absence of an effective sanction for nonompliance.

Under present law, the willful failure to file any return required y law is a criminal offense. The penalty provided is imprisonment ot exceeding 1 year and a fine not exceeding $10,000. This criminal enalty is the only sanction available in cases involving the failure to le foundation information returns. Plainly, its severity makes it nappropriate in most such cases.

To overcome this defect of existing law, the Treasury Department ecommends that private foundations which fail, without reasonable ause, to make timely and complete filing of a required information eturn be subjected to a penalty of $10 for each day of delay beyond he prescribed filing date. The penalty should be subject to a maxinum limit of $5,000. A similar penalty, with a similar maximum imit, should be imposed upon officers, directors, or trustees responsible or filing private foundation returns if, after notice from the Internal Revenue Service of failure to make a complete and timely return, hey omit (without reasonable cause) to remedy the defect within specified reasonable time. Measured by the seriousness of the oncompliance in individual cases and sufficiently moderate to be ppropriate in situations not warranting criminal treatment, these anctions would afford the Internal Revenue Service considerable ssistance in securing adherence to private foundation reporting equirements.

[10] Commentators upon the problems of the present section have treated them in a context wider than hat of private foundations. By restricting its recommendation to the area of the present Report, the 'reasury Department intends no implication that such views are in error.