

The consumer fraud section of the Illinois attorney general's office is investigating ABC, which has its main office in Barrington, Ill. A spokesman for the attorney general's office says the organization's activities were brought to its attention this year by the Illinois Bar Association, which had investigated the group. "We still are not sure what the plan consists of," says the spokesman.

WRIGHT PATMAN, TOO

A House of Representatives small business subcommittee, which has been studying private tax-exempt foundations since 1962, is about to consider ABC's operations. "I am deeply concerned about it," says Rep. Wright Patman of Texas, who is chairman of the subcommittee. H. A. Olsher, the subcommittee's director of foundation studies, has gone to Illinois to learn about ABC first hand.

A spokesman for the Internal Revenue Service says the IRS is "apprehensive" about ABC. But the IRS has taken no position toward it. "We expect an investigation of the whole organization by the IRS," says ABC's Mr. Hayes.

ABC's growing membership list is kept confidential, but it is known to include newly established foundations of some prominent professional men and women. It includes one foundation of some national repute, the Philippa Schuyler Memorial Foundation, on whose advisory board sits Henry Cabot Lodge. Officials of ABC have approached the National Farmers Organization (NFO) about the possibility of helping farmers establish tax-exempt foundations for themselves. One organization has been set up in Illinois to help foster such foundations. The NFO, however, has declined to connect itself with the ABC program.

ABC recruits members by word of mouth. Prospects get invited to an introductory meeting. An ABC representative spends three to four hours explaining the plan. If the prospect decides to join ABC, he makes an initial payment of \$1,050. This pays for 30 hours of instruction in how to use the complex legal web of foundations and trusts that ABC can create for him. But he is supposed to promise never to divulge any of the "methods, procedures or techniques" used, or the identity of any other member.

After instruction, the new member has the option of paying \$4,200 more to have a non-profit foundation created for his benefit, or paying \$9,540 more for the entire ABC "package" that would take over his business and assets. The package normally would include several related foundations and trusts.

A recent prospect for membership in ABC describes what took place at his introductory meeting. He first was introduced by an ABC member who told him the ABC plan was "not a program to evade or avoid taxation, but rather a philosophy, a veritable way of life, by which one through serving himself and his family would ultimately render a greater than normal benefit to mankind."

Then the prospect was given a paper of quotations about citizenship, including an excerpt from a decision by the late Federal Judge Learned Hand on taxation: "Anyone may arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the Treasury; there is not even a patriotic duty to increase one's taxes."

The prospect says the ABC package plan was explained something like this:

First, you establish a trust for a "recognized beneficial purpose" under your state's law. You give your home and car and possibly a money endowment to the trust; these assets are no longer subject to state or local real or personal property taxes.

WORKING FOR YOUR FOUNDATION

The trust establishes a nonprofit corporation, or foundation. You sign a contract with the nonprofit corporation that permits it to sell your services as a doctor, lawyer, engineer or what ever. Your patients, clients or employers pay the nonprofit corporation for your services; the income to the corporation isn't taxable income.

The nonprofit corporation pays you a small salary and reimburses you for most of your living expenses ("just about everything except your booze and cigarettes," says one familiar with the setup. The rest of its income is transferred to a second nonprofit organization. The transaction by which it is transferred supposedly changes the income into capital, which is invested.

The capital accumulated by the second nonprofit organization presumably could be used from time to time for your benefit or your family's—as in Dr. Saxon's case, for example, in the form of educational grants to children in college.

Joining ABC brings other benefits. If one member can convince another individual to join, his foundation receives a \$2,000 "endowment" out of the fees