mit a list of questions it would like to have answered about ABC's activities, the trustee said.

"We haven't done anything illegal," Mr. Hayes declared. "And we're going right ahead with what we're doing," he said.

Mr. Hayes said ABC officials had told the IRS that its membership list was regarded as "confidential" and that ABC "wouldn't divulge" any names.

Some of the individuals, according to the account, haven't ever sought IRS rulings conferring tax-free status on their foundations. "Without a ruling, they're completely vulnerable," the official maintained.

The organization's comments indicate, though, that it disputes the idea that such rulings are necessary, and officials suspect ABC or its members might well fight any IRS challenges in court.

The IRS, however, maintains that Federal law authorizes the service's ruling on tax exemptions. "I suspect we're going to have a good fight on our hands, but we won't lose it for lack of trying," an official said.

When advance rulings are requested, the IRS usually issues them on the strength of the organizers' own statements on the purposes of the foundation without taking time to thoroghly check them out. Such requests, numbering more than 14,000 annually, usually appear to be very "innocent," an official said, but he noted that whether a group is permitted to retain its exemption depends on its "actual operation" rather than just its stated purposes.

The matter of determining when tax-free status is justified by an organization's activities isn't a simple one, analysts conceded, and they aren't ruling out the possibility that they may have to seek a tougher law from Congress.

As an example of the foundations' workings, the Wall Street Journal story described one set up by a Midwest doctor who said his foundation collects all his fees and in return provides him, tax-free, with a house, a car, a retirement plan and insurance, and is providing grants with which his four children are attending college.

Revenuemen believe the providing of tax-free housing leaves a foundation open to question. Generally, the only situation in which housing can be provided without giving rise to a tax liability, they say, is when the nature of the job requires the person to live on his duty post. A doctor ordered to live in a hospital wouldn't be taxed on the value of his quarters, for example, one says, "but if he starts living down the street, he's open to challenge."

Another red flag to revenuers is when a foundation gives some of its money to members of the family that created it. They also are particularly skeptical when a foundation "pays" benefits that recipients in the family considered to be tax-free.

## EXHIBIT NO. 12

[From the Washington Post, Oct. 11, 1967]

### Tax-Exempt Fund Probe Set

(By Morton Mintz)

Rep. Wright Patman (D-Tex.) set hearings yesterday on possible "massive tax-dodging" by foundations that are produced on an "assembly line" and sold with a simple and appealing argument—that tax minimization in a democracy should not be for millionaires alone.

The first witnesses will be trustees and members of the pioneer foundation-manufacturing enterprise, the year-old Americans Building Constitutionally (ABC) of the Chicago suburb of Barrington.

If ABC's success tempts others into the field, Patman said, tax-exempt foundations could become as commonplace "as bathtub distilleries were during the prohibition era"—and could lead to "chaos for the Nation's tax structure."

The hearings, which will begin Oct. 30, will be held by Patman as Chairman of the House Small Business Subcommittee on Foundation. He has contended for years that the Treasury Department has made—and then only after "repeated goadings"—a "minimum effort" to curb abuses by tax-exempt foundations.

In announcing the hearings, Patman said that ABC's promoters "take the position that tax-dodging—via the foundation gimmick—should not accrue solely to the Rockefellers, the Fords, the Mellons, the Carnegies and other millionaires," and that "ordinary business and professional men should be allowed to do the same on a smaller scale. It is an argument that is hard to answer. . . ."