

"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."

According to investigators for Rep. Wright Patman (D., Tex.), ABC is teaching ordinary business and professional men to employ the same techniques which enabled the Fords, the Mellons, the Carnegies and the Rockefellers to put much of their money beyond the tax collector's reach.

A case history to be aired in public hearings beginning Oct. 30 is that of Dr. Michael R. Saxon, who is listed as "medical director" of the "Saxon Foundation" of Aurora, Ill.

The foundation was created under Illinois law to do research and development in "health, education and welfare." It claims tax-exempt status.

Dr. Saxon's role as "medical director" of the foundation permits him to do pretty much what he did before it was founded—to work as a general practitioner, with the same office, same patients, and same fees.

Only the fees are paid to the foundation. In return, Dr. Saxon receives a house, a car, retirement benefits and insurance, all tax free.

Previously, Mrs. Saxon had been her husband's nurse. Now she is "assistant medical administrator," and shares in the benefits.

The foundation has made "educational grants" that pay college bills for the Saxons' four children.

Dr. Saxon's patients receive bills from the foundation, whose income is not taxable.

Patman investigators report that Dr. Saxon formed the foundation with the aid of ABC, and that neither he nor ABC officers see anything wrong with the arrangement.

ABC offers members a "start-to-finish" foundation plan similar to that created for Dr. Saxon. Persons who join receive some 30 hours of instruction in how to take advantage of tax and foundation laws.

The most complete package deal costs members up to \$14,000. However, a person with a six-figure income is said to be able to save much more than that amount in taxes in a single year.

Salaried persons can participate if their employers are willing to assign their earnings to the beneficiary foundation.

In return, the employee draws a living stipend from the foundation.

EXHIBIT NO. 14

[From the Washington Post, Oct. 13, 1967]

IRS CAUTIONS ON LEGALITY OF PRIVATE TRUSTS

(By Morton Mintz)

The Internal Revenue Service expressed doubts yesterday about the legality of widely promoted plans for tax avoidance that involve setting up private foundation for doctors, lawyers and others in the upper-middle income brackets.

The IRS also warned participants that they may yet have to pay the taxes they are trying to escape by operating a business "under cover of the foundation as an 'educational' or 'research' activity."

The "mere coloration of an otherwise profit-making business with ostensibly exempt purposes does not make it exempt under the law," the agency said.

REPLY TO INQUIRIES

The IRS statement was issued in response to inquiries made after Tuesday's announcement by Rep. Wright Patman (D-Tex.) that on Oct. 30 hearings will be started by his House Small Business subcommittee on foundations.

Patman said the inquiry will concern "massive tax dodging" by mass-produced foundations and will lead off with testimony from members and trustees of the pioneer merchandiser in the field, Americans Building Constitutionally (ABC) of the Chicago suburb of Barrington.

ABC is itself "a trust (not for profit)." Robert D. Hayes, chief administrator and one of three trustees, has an "educational" foundation of his own, the R. D. Hayes Family Foundation. In a phone interview Tuesday, Hayes said