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STATEMENT BY SEN. STROM THURMOND (D-SC) ON PROPOSED BILL TO LIMIT LITIGATION PROMOTED BY TAX-EXEMPT MONEY, Nov. 17, 1955.

WASHINGTON, Nov. 17--Senator Strom Thurmond (D-SC) announced today he plans to introduce legislation in January that would deny tax-exempt status to any organization which engages in the promotion of litigation to which it is not a party.

Tax-free organizations would not be affected by the proposed law unless they engaged in the promotion of law-suits.

In addition to denying this freedom to organizations participating in outside litigation, the bill would also affect the tax status of contributions made to such organizations by individuals or other organizations. Donors would not be allowed to deduct such gifts in listing deductions on their income tax returns.

However, the proposal would not affect legal aid societies or similar organizations which provide free legal services to persons unable to pay litigation costs.

Approximately 35,000 organizations are free from taxation under provisions of the 1954 Internal Revenue Code which authorize exemptions from tax on "corporations, certain trusts, etc." Most are covered under the Section which provides:

"Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no party of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of

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which is carrying on propaganda, or otherwise attempting, to influence legislation."

In announcing plans to introduce the legislation, Senator Thurmond said:

"I believe passage of this bill will be a positive step toward good government. Our internal revenue laws require almost constant scrutiny and revision for the purpose of eliminating abuses and promoting fairness to the Government, organizations and corporations, and to every taxpayer.

"Allowing organizations to spend thousands and millions of tax-free dollars to promote law-suits to which such organizations are not parties is certainly not in the interest of fairness to our Government. Neither is it fair to organizations, corporations, and individuals that do not enjoy this privilege.

"I also hope the Internal Revenue Service will keep a closer watch on all tax-exempt organizations to make certain the privilege of tax exemption is not being abused in any manner. Mr. Rose, Undersecretary of the Treasury, has testified before a Congressional Committee that the status of certain organizations is being reviewed."

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