

# SUIT SEEKS DATA ON I.R.S. DECISION

Asks Disclosure of Possible  
Pressure on Agency

By EILEEN SHANAHAN  
Special to The New York Times

WASHINGTON, May 19—An organization that was denied tax-exempt status by the Internal Revenue Service has sued to force disclosure of whether anyone in the White House, or elsewhere outside the Revenue Service, interfered in the case.

The organization is the Center on Corporate Responsibility, Inc., which conducts studies and litigation aimed at forcing corporations to take stronger action in such areas as environmental protection, minority hiring and product safety.

The exemption was denied partly because the center is closely associated with another organization that is engaged in activities that are not tax-exempt.

However, such close associations are common among organizations that have been granted tax-exempt status. Among such tax-exempt organizations are an educational group associated with the League of Women Voters and a litigation group associated with the National Association for the Advancement of Colored People.

## Decision Was Delayed

The center's application for tax-exempt status was denied Wednesday, after a delay of nearly two years and only after the center filed a lawsuit aimed at forcing Internal Revenue to make a decision, one way or the other.

Susan Gross, director of research for the center, said that an official of the center had been told by an individual at I.R.S. that the career technicians who make tax rulings had been ready to grant tax exemption to the center, but that they had been first delayed and then overruled by a Revenue Service official who is a political appointee.

The official was said to be Roger V. Barth, deputy chief counsel, whom Mrs. Gross described as "the eyes and ears of the White House at I.R.S." Mr. Barth would not comment on the charge.

The center this week filed interrogatories with the United States District Court for the District of Columbia aimed at

forcing disclosure of the identities of any persons outside Internal Revenue who talked to I.R.S. officials about the case.

The interrogatories were directed at Secretary of the Treasury George P. Shultz and R. F. Harless, acting commissioner of Internal Revenue.

## Objections Possible

They demanded information on the identities of "any and all persons" who are or were "attached to the executive office of the President, including but not limited to the White House office, the office of the assistant to the President for domestic affairs, the office of

counsel to the President and the domestic council" who communicated with anyone in the Treasury or Internal Revenue about the center's application for tax exemption.

The offices specifically named were, at the time the tax ruling was pending, headed by John D. Ehrlichman, John W. Dean 3d and Kenneth Cole.

Identification of persons elsewhere in the Government, and even outside the Government, who may have tried to interfere in the case was also sought.

Treasury and Internal Revenue officials have not yet had time to decide whether they will fight the interrogatory. Persons who do not wish to respond to interrogatories may object to them on many of the same grounds that questions in a trial are objected to. Among these are that the questions are irrelevant or not material or that they constitute a mere fishing expedition.

## Executive Privilege Issue

It also appeared possible that the Treasury or Internal Revenue might attempt to assert the doctrine of executive privilege in the case.

Lawyers for the center were prepared to argue, however, that any interference with Internal Revenue in a case of this kind constituted an impediment to the proper processes of Government and, therefore, was not covered by the doctrine of privileged communications within the executive branch.

The center has stated that it cannot continue in existence without tax-exempt status, which enables those who contribute to it to deduct their contributions on their tax returns.

The 42-page ruling denying tax-exempt status says that a major reason for the denial is that the center has many of the same directors as the Project on Corporate Responsibility, which conducts proxy contests to elect directors of corporations and submits proposals for changes in corporate policies to meetings of shareholders. These are activities that Internal Revenue said could not be granted tax-exempt status.

The financing of proxy contests over corporate directors and policies with tax-deductible funds could not be permitted. Internal Revenue said, because of the "possible adverse consequences in the field of corporate ownership."

Corporations are permitted to deduct all the costs of communicating with their shareholders, in proxy contests and otherwise, as a "necessary and ordinary" business expense.