

IRS, Probing Political Gifts, Calls for W. C. Stone Data

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Internal Revenue Service agents have subpoenaed records of political gifts by W. Clement Stone, the Chicago multimillionaire and foremost Republican financial supporter, from 35 banks in Chicago and New York.

Spokesmen for Stone said yesterday the subpoenas are part of an examination begun eight months ago into his potential liability for federal gift taxes.

Under review are hundreds of separate bank accounts for candidates, campaign organizations and specially created committees to which Stone made political donations running into the millions.

Many of the political committees received contributions from Stone and other big givers in amounts of \$3,000 or less to qualify for the gift-tax exemption allowed by IRS. Attacked for its campaign gift policy in two lawsuits, the IRS pledged to police the gifts to prevent the use of "sham" committees.

Stone, who has disclosed nearly \$7 million in gifts, mostly to Republicans, including nearly \$5 million to President Nixon's two election campaigns, has told the IRS he tried to be certain that each committee met IRS standards of legitimacy under gift-tax rules.

He acknowledged last summer that there was a possibility that some of his money had been "misused" after he had given it. James Rhind, one of his Chicago attorneys, said yesterday Stone freely gave the IRS his list of donees.

Tax experts speculated yesterday that the investigation, although triggered by IRS concern over gift taxation, could lead agents legitimately to trace actual committee expenditures to make sure they were made for their designed political purposes. Funds not so used could be ruled undeclared income on the part of the user. The IRS refused all comment on the case.

Rhind said the IRS "appears to be exploring the parameters of its own rules," which allow the tax exclusion up to \$3,000 for each committee, thereby permitting the accumulation of massive tax-free gifts for the benefit of individual candidates.

The attorney said it was unclear to what extent the IRS would expect the donor to investigate each committee to ensure its legitimacy, or whether the donor would later be taxed if the committee turned around and used the money for an illegal purpose.

In a controversial pair of rulings last year, IRS Commissioner Donald C. Alexander upheld the multiple-committee concept, but laid down guidelines for identifying "sham" committees.

The criteria included whether adequate records had been kept and whether the money was in fact distributed for campaign purposes. The implication of this standard was that a gift could later be held taxable despite the good faith of the donor at the time of the gift.

Two public interest groups

have challenged the IRS interpretation of federal tax laws, insisting that the gift tax exclusion must be read literally to apply only when a "person" receives the gift. The IRS, citing years of usage, defines the word "person" to include committees, not candidates.

One suit in which Ralph Nader was plaintiff was withdrawn after IRS disclosed some of the history of its 1973 rulings and issued its guidelines. The other, brought by Tax Analysts and Advocates, seeks a ruling from Judge June L. Green in U.S. District Court here that the IRS policy runs afoul of the Internal Revenue Code.