

Judge Rules Against IRS Gift Policy

Washington

U.S. District Judge June Green overruled yesterday a controversial 1972 Internal Revenue Service ruling permitting big political donors to avoid paying gift taxes on campaign contributions by channeling the money through multiple fund-raising committees.

Judge Green ruled for the plaintiffs, tax Analysts and Advocates, a tax reform group, at the close of oral arguments yesterday afternoon.

The government is expected to appeal. Judge Green's ruling is not retroactive.

The IRS ruling had been widely criticized as a special favor to the Nixon re-election campaign. In depositions taken in connection with another lawsuit filed by Ralph Nader, and later dropped, IRS officials conceded that their procedure in granting the ruling was unorthodox.

The ruling was devised by the IRS general counsel, rather than the technical section, which normally handles tax rulings. It was requested by White House officials for chief Nixon fundraiser Maurice Stans.

The tax code provides a general exemption for gifts of \$3000 or less in the 1972 ruling. The IRS allowed donors

to divide large campaign contributions into \$3000 portions and thereby avoid paying the tax, so long as the committees were "bona fide."

In yesterday's decision, Judge Green held that the IRS ruling conflicted with a 1941 Supreme Court decision.

In that case, *Helvering vs. Hutchings*, the court held that what counts for gift tax purposes is the ultimate recipient of a gift. Judge Green indicated she accepted the argument offered by Tax Analysts and Advocates — that the Nixon re-election campaign, not the intermediary committees, must be considered the real recipient. Under this interpretation, a donor owes tax on the full amount of the gift.

Tax experts commented yesterday that the most unusual aspect of Judge Green's decision is that it apparently granted a public interest group standing to challenge a ruling by the IRS.

Washington Post