

# Burns Linked to 1969 I.R.S. Inquiries

NYTimes JUN 7 1975

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, June 6—A Congressional staff report issued today said that it was Arthur F. Burns, now chairman of the Federal Reserve Board, who passed on to the Internal Revenue Service President Nixon's order that the tax agency make special investigations of student protesters, black militants and anyone who was financing them.

The order went to the I.R.S. through Dr. Burns on June 16, 1969, when Dr. Burns was counselor to the President, according to a report by the staff of the Joint Committee on Internal Revenue Taxation.

The committee's staff has been investigating the use of the tax agency to impede the activities of people and groups regarded by the Government as "extremist." A group called the special services staff was organized for this purpose in the Nixon Administration, and it ultimately collected files on 8,585 persons and 2,873 organizations.

Dr. Burns's role in transmitting President Nixon's order to Randolph W. Thrower, who was Commissioner of Internal Revenue in 1969, marked the first time that the Federal Reserve Board chairman, who is an internationally famed economist, had been identified with any

of the questionable activities of the Nixon Administration.

There is no implication of outright lawbreaking in Dr. Burns's transmissions of the Nixon order. However, the attempted use of the I.R.S. for political purposes by the Nixon Administration was one of the main items in the second article of impeachment of President Nixon that was voted by the House Judiciary Committee last summer.

In its final report, issued today, the staff also reported that President Kennedy and his brother Robert, then the Attorney General, had been directly involved in the origination of

Continued on Page 14, Column 2

Burns' denial, in letter to editor, 19 Jul 75.

# Burns Linked to 1969 I.R.S. Inquiries

Continued From Page 1, Col. 8

earlier but less extensive programs of I.R.S. concentration on "ideological organizations." These involved reviews of the activities of about 50 organizations, a heavy majority of which were right-wing. The operation begun in the Kennedy Administration continued into the Johnson Administration through early 1966, when it was dismantled.

The existence during the Kennedy and Nixon Administrations of special operations within the tax agency that were aimed at activist and extremist organizations had been known for some time. But the study by the joint committee's staff disclosed many new details.

For example, Commissioner Thrower has previously contended that the special investigative unit aimed at activist organizations was created at the suggestion of the Senate Subcommittee on Investigations.

## Memorandum Reprinted

A memorandum to the files written by Mr. Thrower and reprinted in the joint committee staff report showed that Mr. Nixon's request to the tax agency, transmitted by Dr. Burns, pre-dated a hearing by the Senate Investigations Subcommittee at which questions were raised about whether the I.R.S. was doing all it could to police tax evasion by activist organizations and individuals.

Dr. Burns told the joint tax committee investigators, and repeated in replies to press inquiries today, that he had no recollection of the discussion with Mr. Thrower.

Besides Mr. Thrower's memorandum, there is evidence supporting the assertion that Dr. Burns and the commissioner met on the date mentioned in the Thrower memorandum and that they discussed activist and extremist organizations.

The evidence includes the recollections of a third person who was present, Tom Charles Huston, a White House aide, and subsequent I.R.S. and White House staff memorandums that refer to the substance of the conversation. Dr. Burns's calendar, as well as Mr. Thrower's, show the appointment.

## 'Stimulating Riots'

According to Mr. Thrower's memorandum to the files, Mr. Burns was "interested principally in expressing to me the concern of the President in the area of [tax-] exempt organizations. The President had expressed to him great concern over the fact that tax-exempt funds may be supporting activist groups engaged in stimulating riots both on the campus and within our inner cities."

At another point in the memo, Mr. Thrower recorded that "Dr. Burns raised the question as to whether there possibly might be some ideolo-

logical bias within the I.R.S. toward the more liberal organizations."

The joint tax committee staff said that it had found no evidence that anyone in the White House had suggested the creation of a special unit within the tax agency to deal with extremist organizations.

But the report added that the effect of the interest in the subject expressed by the White House and by the Senate subcommittee "cannot be ignored. Because of this interest, it seems clear that some action by the [Internal Revenue] Service was inevitable."

## Kennedy Inquiries

As for the Kennedy Administration's inquiries into tax-exempt organizations, the staff report said there were two separate inquiries, with a degree of overlap.

The genesis of the first investigation appeared to be a speech by President Kennedy and a reply to a news conference question at which he said the Government ought to be concerned if tax-exempt money was being diverted to nonexempt purposes. Under the law, there are, for example, strict limitations on the direct political activities that may be engaged in by tax-exempt organizations.

According to the report, this comment was followed up by an inquiry to the I.R.S. from John Seigenthaler, then an assistant to Robert Kennedy. Mr. Seigenthaler said he did not recall the alleged conversation, which is, however, referred to in subsequent internal I.R.S. documents quoted in the report.

## 22 Groups Investigated

The first phase of the Kennedy Administration's investigation of tax-exempt organizations ultimately involved examination of 22 organizations, of which 12 were right-wing and 10 were left-wing.

At the beginning, however, according to the staff report, "the program appeared to be focused entirely on right-wing organization," which began to concern some people in the I.R.S.

Mortimer M. Caplin, who was then Commissioner of Internal Revenue, made reports on the program of the investigation of "ideological organizations" not only to his superiors in the Treasury Department but also to Myer Feldman, a member of the White House staff, and to Attorney General Kennedy.

The investigation apparently dwindled to a state of complete inactivity until the summer of 1963, when Mr. Feldman requested a report from Mr. Caplin on the progress of the inquiry, which was followed by a telephone call from President Kennedy to Mr. Caplin.

Official notes on this phone

call by Mitchell Rogovin, another I.R.S. official, state that President Kennedy wanted the tax agency "to go ahead with aggressive program—on both sides of center."

## 'Dragging Its Feet'

Mr. Caplin told the tax committee investigators that he thought President Kennedy had called him "because Mr. Feldman might have thought that the service was dragging its feet and was not aggressive enough."

There were reports of additional instances of attempted interference with the inquiry from the White House and the Justice Department.

Mr. Feldman at one point suggested deleting two organizations—one left-wing and one right-wing—from the group under study, although apparently this was not done.

And, at another point, Attorney General Kennedy recommended expediting the investigation of a particular right-wing organization whose tax-exempt status was subsequently revoked.

In all, the two Kennedy Administration investigations are known to have resulted in the revocation of tax-exempt status of five organizations, all but one of which were characterized as right-wing.

## Eisenhower Inquiries

When asked why the results of the investigation did not appear to be evenly balanced as between left- and right-wing organizations, Mr. Caplin said, "That's hard to explain." He added that he thought the reason might be that "left-wing organizations had a pretty careful going over before," during the Eisenhower Administration.

He did not elaborate on this.

The results of the Nixon Administration investigations included assessments of some \$662,000 in delinquent taxes, of which less than \$100,000 has been collected.

Another result, according to the report, was a delay of grants of tax-exempt status to new applicants for that status. According to the report, the special services staff seemed to think that tax exemptions could be denied for such reasons as the fact that some of the officers of an organization applying for tax exemption had a previous arrest record.

While the committee's investigators did not find any case in which they felt tax exemption had been improperly denied, they did note that many investigations of applicants were prolonged unduly on the basis of information collected by the special service staff. Much of this material came from the files of the Federal Bureau of Investigation.