

# I.R.S. Confirms Parvin Inquiry but Denies Politics

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Special to The New York Times

WASHINGTON, May 26—The new Commissioner of the Internal Revenue Service confirmed today that the Albert Parvin Foundation, which had been paying a \$12,000 salary to Supreme Court Justice William O. Douglas since 1961, was under continuing examination.

The commissioner, Randolph W. Thrower, said, however, there was "no real justification" for charges that the inquiry of the revenue service was politically motivated.

Justice Douglas wrote to the foundation's founder, Albert B. Parvin, earlier this month that the investigation of the philanthropic fund was a "manufactured case" and part of a broader strategy "to get me off the Court."

Mr. Thrower said that he preferred not to discuss the case but added:

"I have seen nothing to indicate any political motivation in the examination under the past Administration and can give assurance that none exists within the Internal Revenue Service today."

At the same time, knowledgeable figures in Washington, reviewing the public tax returns of the Parvin Foundation between 1961 and 1967, said that there were items in the annual accounting that would naturally arouse a revenue agent's curiosity.

## 'Self-Dealing' Cited

They said that the foundation's records disclosed several instances of what they called "self-dealing," or financial transactions between the foundation and its founder, Mr. Parvin.

The records outline the foun-

dation's fluctuating interest in the Hotel Flamingo of Las Vegas, a major gambling center that was built by the late Bugsy Siegel shortly after World War II.

In applying for tax-exempt status in 1962, the Parvin Foundation indicated that its original assets consisted of a block of stock in the Hotel Flamingo, which Mr. Parvin had donated to the foundation.

This block of 2,085 shares, valued at \$1.6-million, appears to have been converted immediately into other stock holdings.

In 1964, however, the foundation listed, in a new category of "other assets," an interest in the "Hotel Flamingo custodian account" worth \$1.1-million. This account was substantially liquidated in 1967 without any detailed explanation.

The foundation's contributions to charitable causes, principally to a fellowship program for foreign students at Princeton University, vary between \$50,000 and \$100,000 between 1961 and 1967.

In some years, the foundation's charitable spending exceeded its income on investments. But in 1967, total grants of \$69,000 were less than a third of the foundation's income of \$220,000.

## Treasury Proposal Noted

As a fraction of the foundation's total assets, charitable disbursements ran as low as 2 per cent. The Department of the Treasury has recommended that foundations be required to spend for their philanthropic programs an amount equivalent to at least 5 per cent of their assets.

Self-Dealing transactions be-

tween a foundation and its officers do not necessarily violate the current tax laws. In some cases, however, self-dealing has led to the revocation of tax-exempt status. Congressional leaders and Treasury officials have proposed a ban on self-dealing.

The Parvin Foundation's first self-dealing took place in 1961 but was not reported to the Internal Revenue Service until 1967, after the I.R.S. had begun its investigation.

On April 3, 1961, the foundation reported, Mr. Parvin sold his foundation 95,000 shares of Webb & Knapp, Inc., for \$119,200, which was described as being the market value of the stock on that date.

On Dec. 26, 1961, Mr. Parvin was reported to have bought from the foundation 2,000 shares of Lehigh Portland Cement Company for \$51,635, which was said to have been above the market price.

In the foundation report for 1967, it was reported that the Albert Parvin Foundation made a \$750,000 loan to the Parvin/Dohrmann Company, which was then still under Mr. Parvin's control.

Interest on the loan was reported to be 7½ per cent, and the loan was "secured by trust deed on land and building."

Such self-dealing loans are permissible only if they are properly secured and charge market interest rates, or, in other words, if it can be shown that they do not constitute a special grant that would not otherwise be accessible.

Expert observers here suggested that these and other items in the Parvin Foundation's returns, whether or not they justified a long investiga-

tion, would automatically trigger staff inquiries at the revenue service.

It was also noted that the revenue service is under constant pressure from Congress to keep a vigilant eye on potential abuses of the foundations' tax exempt privilege.

Since Representative Wright Patman, Democrat of Texas, opened his campaign to revoke the tax-free status of foundations in the early 1960's, the Internal Revenue Service has quadrupled its staff of foundation investigators.

Experienced sources noted today that after Justice Douglas's connection with the Parvin Foundation was disclosed to the public in 1966, revenue service surveillance of the Parvin accounts was inevitable, if only to protect the service from Congressional attack.

Justice Douglas, whose resignation from the foundation was announced Friday, indicated through a Court spokesman today that while the foundation's tax difficulties had been assigned to tax lawyers, he was not completely unaware of the revenue service investigation.

Letters from Justice Douglas to Mr. Parvin disclosed to The New York Times in Los Angeles yesterday, indicated that the Justice had made his own suggestions about how the foundation could avoid tax difficulties in the future.