

IRS Probing 50 Top Firms On Payoffs

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The Internal Revenue Service has assigned 300 top-flight examiners to probe about 50 large corporations known to have made or suspected of having made illegal campaign donations or foreign payoffs, officials say.

The tax men are seeking to uncover previously undisclosed corporate contributions, to find whether com-

panies improperly claimed tax deductions on donations or payoffs, and whether they committed criminal tax fraud in doing so.

A well-placed source, who asked not to be identified, said a new criminal case involving a major corporation is now being readied for a federal grand jury.

Those known to be under IRS investigation include United Brands Co., Gulf Oil Corp. and Northrop Corp., which have admitted making illegal U.S. campaign donations.

The IRS investigations are being undertaken by regular field auditors who can call for assistance from a staff of 300 veteran auditors, computer experts, economists, engineers and others in the IRS headquarters in Washington.

The probes are being coordinated through a special Campaign Contribution Compliance Project, which was set up in the wake of the Watergate money scandals. This has recently been expanded to include probes of overseas payoffs.

IRS also has established regular contact with the Securities and Exchange Commission, the stock-market watchdog agency that uncovered some foreign bribes and donations by U.S. companies.

Assistant IRS Commissioner Singleton B. Wolfe said in an interview that that campaign project focuses on corporations whose top policy-making

officers have made campaign donations.

He said IRS is sifting through the tax returns of these top officials, usually the highest dozen officials, to see whether the donations came out of their own pockets or were reimbursed through phony expense accounts, travel accounts, travel vouchers, salary bonuses or other corporate payments.

Illegal campaign donations are not allowed as tax deductions. IRS regulations also prohibit deduction of any payment to any foreign official if a similar payment would have been illegal under U.S. law. This means bribes to foreign government officials can't legally be deducted.

So far the government has indicted one company, Minnesota Mining and Manufacturing Co., on tax fraud charges in connection with illegal campaign donations. The 3M Co. and two former top officers

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have pleaded innocent to charges they conspired to claim \$634,000 in political funds as business expenses. Trial is set for July.

Other corporations have disclosed publicly that they are under investigation for possible tax fraud. Phillips told its stockholders in April that the IRS intelligence division, which looks into criminal matters, was questioning whether

the company committed fraud in connection with a \$495,000 political slush fund. The money came from the company's overseas operations.

Ashland, which has admitted making \$633,300 in illegal donations over six years, disclosed that it "inadvertently" claimed a tax deduction for \$450,000, which had been hidden on the books of a Libyan subsidiary. The company says that it voluntarily told IRS about this and met the underpaid taxes in 1973. But IRS

still is "conducting an investigation of any other possible federal income tax consequences," the company said in a public filing.

Public filings by Northrop Corp. show the IRS began probing it after it admitted making illegal campaign donations in the United States. The company recently acknowledged paying \$450,000 in bribe money intended for two Saudi Arabian generals, as well as other overseas payoffs.