

Probe of Influence On IRS Ordered

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A federal judge yesterday ordered the Justice Department to find out—on “a crash or emergency basis”—if the White House applied political pressure on the Internal Revenue Service against a tax exemption requested by a public-interest group.

U.S. District Judge Charles R. Richey told a department lawyer to come back into court for a ruling if he needs to examine files at the White House but it resists.

“I’m not kidding about this,” Richey said at a hearing. “This is something of a very serious magnitude.”

“I don’t know where this is going to lead,” Richey added. “But I’ll tell you one thing: It’s going to be ventilated.”

The request for a federal tax exemption came from the Center on Corporate Responsibility Inc., a nonprofit research group that began formal efforts to be ruled tax exempt on September, 1970.

Last May 2, the center filed a lawsuit seeking to force the IRS to qualify it as an exempt organization so that supporters could deduct contributions.

By failing to rule for 2½ years, the center complained, the IRS had dried up contributions. The center’s debts exceeded \$30,000 while cash in the bank was down to several hundred dollars, the suit said.

Yesterday, Thomas A. Troyer of Caplin & Drysdale, counsel to the center, told Richey that the situation has become even more desperate. The center now has been forced to close its office and give up its phones, Troyer said. The professional staff, unpaid since March 15, has been discharged.

But the key charge in the suit was that the center appeared from the “extreme delay” to have been singled out for discriminatory treatment. A center spokesman, Susan Gross, blamed “the White House man at the IRS,” Roger V. Barth.

Two weeks after the suit was filed, the IRS rejected the application on May 16 on the ground that the center had failed to prove it was “organized and operated ex-

clusively for charitable and educational purposes.”

The question of possible White House involvement was raised anew on June 27, when former presidential counsel John W. Dean III testified before the Senate select Watergate committee.

Dean gave the committee memoranda, prepared at the request of White House chief of staff H.R. Haldeman, in 1970 and 1971, on how the White House could use the IRS for political purposes.

The memos do not specifically mention the center. However, Troyer said in a letter to Richey last Friday, they do indicate an attempt to employ the power of the IRS to grant or deny exemption rulings “to advance certain ideological and political goals . . .”

One memo calls for a crackdown on the “multitude of tax-exempt foundations that feed left-wing political causes.” Another says, “What we cannot do in a courtroom via criminal prosecutions to curtail the activities of some of these groups, IRS could do by administrative action.”

One of the memos was addressed to Barth, who came to the IRS as a special assistant to the commissioner in 1969 and who has been deputy chief counsel since last November.

Barth was responsible for final processing of the application although ordinarily he has no such responsibilities, has no special expertise in tax exemption law, and “has performed a member of functions for the White House” at the IRS, Troyer said in the letter to Richey.

Barth, in an affidavit filed yesterday, swore that neither he nor anyone else in the IRS, to his knowledge, ever had any communication about the center application from the White House or anyone else outside the agency.

He also said that the applications presented a “novel” issue that accounted for it getting to his office: to what extent a charitable group could be active in corporate proxy issues.

Such activities are carried on by the Project on Corporate Responsibility, a nonexempt group that spun off from the center.