

IRS Plan to Tax Political Parties

Washington

The Internal Revenue plans to require political parties for the first time to file income tax returns and pay taxes, IRS director Donald C. Alexander said yesterday.

Alexander said political parties and committees, now exempt from income taxes, would have to pay taxes on some of their earnings dating back to 1972, unless Congress forbids it, under the proposed new rules.

Donations received by political parties would remain exempt from taxation, Alexander said.

But the IRS does propose to tax:

- Interest and dividends from investments.
- Income from side business activities unrelated to political campaigning.
- Gains from sales of appreciated properties, such as securities.

The tax plan is aimed at donations of stocks, bonds or other securities, which became a controversial prac-

tice during the 1972 presidential campaign.

Alexander told a news conference that political parties and committees would have to file income tax returns for 1972, but not for previous years.

However, he said they would not be required to report income from sale of securities, on securities received prior to October 3, the date the IRS publicly expressed concern about the practice.

Alexander said there is not yet a date for putting the new rules into effect. He said the IRS wanted to give Congress a chance to act first, saying "I hope Congress will act and I hope it will act promptly."

During the 1972 election campaign, both parties received securities instead of cash from some donors. The political party was able to sell the security for cash, and no tax was paid on the profit of the sale, either by the party or by the donor.

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