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I.R.S. PLANS TO TAX POLITICAL GROUPS ON SOME INCOME

Gifts of Stocks Face Capital Gains Levy Unless Courts or Congress Bar Action

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WASHINGTON, Aug. 1—The Internal Revenue Service announced today that it intended to start taxing some of the income received by political parties and committees, unless Congress or the courts told it not to.

The types of income to be taxed will include a particular kind of campaign contribution that is commonly made by wealthy persons — shares of stock that have increased in value since the contributor first bought them.

Under the proposal announced today by Commissioner Donald C. Alexander of the I.R.S., it is the political party or committee that would pay the tax, not the donor, on any such capital gain on proprety donated to a political organization.

Tax on Increased Value

The change would make such gifts, which are usually made only by persons of considerable means, less attractive to political groups because they would have to pay a tax of from 7 per cent to 35 per cent on the increased value of the property.

Political parties and committees have traditionally not been taxed at all, and the law says nothing on the subject. Some commitees organized for specific political candidates have been taxed in the past as a result of private rulings issued by the internal revenue service.

Mr. Alexander said that, among other reasons for his proposal, he was eager to end this inconsistency.

He added, however, that he felt Congress had a right to make itself heard on the subject of taxation of political parties and commitees and said that this was the reason why he was not isuing any binding rules at this time.

G.O.P. Committee Protests

He said, in addition, that the Republican National Committee had already informed him that it believed that taaxtion of political parties was unconstitutional. Mr. Alexander said that he disagreed.

The I.R.S. plan is to wait for some period of time, which Mr. Alexander would not specify, to se whether Congress disagrees with what the agency wants to do. If Congress does not act, then revenue service will notify political groups that they are to file ta x.returns. It is at this point that the agency would face lawsuits.

Mr. Alexander said that he in-

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tended to cover 1972 receipts of political committees and parties, and that today's announcement was intended to put them on notice that they could be taxed for that year.

The biggest single item of income that political groups have—the donations that they receive—would not be taxed except for the gains on property that has appreciated in value between the time the contributor acquired it and the time he gave it to a political group.

But income from interest or dividends would be taxed—an item that would probably hit the Republicans harder than the Democrats, at present, since they apparently had surplus funds throughout 1972, at least some of which were presumably invested rather than held in cash.

Political parties would also be taxed on income from commercial activities, but money-raising activities that are directly related to campaigns or candidates—for example, the sale of buttons or income from a fund-raising dinner—would not be considered taxable income. The profits from the sale of items containing no political message would be taxable, however.

Mr. Alexander could make no estimate of how much tax the Government might ultimately collect under this plan.

The big item, however, was expected to be the tax on the capital gains on property donated to political parties.

He said that the revenue service would not tax the gain on any such sale by a political party that occurred before Oct. 3 of last year, the first date on which Internal Revenue Service officials expressed concern about the tax loophole involved in such donations.

No Tax Paid in Past

In the past, neither the contributor who donated the property that had appreciated in value nor the party paid any tax on the capital gain. But such contributions were common, because the donor got the credit with the party or candidate of his choice for giving the full present value of the stock, or other property, but never had to pay any capital gains tax.

If the contributor had sold the stock first and donated the proceeds, he would have had to pay a capital gains tax, which might have been as high as 35 per cent if he was in the top tax bracket.

There are many details that the Internal Revenue Service has not yet worked out. One is whether the political parties and committees will be taxed as corporations, in which case they would pay a flat capital gains tax of 30 per cent, or as trusts or partnerships, in which case they would pay at the same rates as individuals, up to a 35 per cent top rate on capital gains and 70 per cent on their interest and dividends and commercial income.

Mr. Alexander said that he wanted to put all political groups on notice now that they might owe tax for 1972. In the case of a political committee that has no money left, future income could be seized for back taxes, just as in the case with any tax delinquent, a spokesman for the Internal Revenue Service said.