

'Political' IRS Ruling Is Reversed

Washington

A federal judge ordered the Internal Revenue Service yesterday to grant tax-exempt status to a public interest research group on the ground that the refusal of the White House to give the judge some documents in the case constituted an admission that the White House had exercised improper pressure on the IRS.

The case hinges on disclosures made before the Senate Watergate Committee to the effect that the White House had told the IRS to crack down on leftwing organizations having or seeking tax-exempt status.

The case involves the Center on Corporate Responsibility, whose aim was to develop increased awareness by corporations of steps they could take to improve the environment, employment of minorities and women and the achievement of other social objectives.

The center ceased operations in July because it was unable to raise the money to continue unless contributions to its operations were tax exempt. The center is expected to be revived now.

Judge Charles R. Richey of the U.S. Court for the District of Columbia issued a summary judgment, granting the tax-exempt status and ordering Internal Revenue not to change that sta-

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tus for as long as the center continues operating in the fashion described in its application for tax-exemption, which the IRS denied.

In addition to ruling that the White House had, for legal purposes, admitted that it acted improperly, Richey also held that the denial of tax exemption was incorrect, on its face.

Internal Revenue documents that became public during the course of the lawsuit showed that career officials of the IRS, had consistently held that the tax exemption should be granted and that it was not until the application reached the political employees in the chief counsel's office that there was any trouble with it.

The career officials finished their work on the application, recommending the grant of tax exemption, in August, 1972. But no action was taken by the IRS until May, 1973, after the center had filed a suit to force a ruling. Within two weeks of the filing of the lawsuit, the IRS issued an adverse ruling.

After testimony before the Watergate committee by former White House counsel John W. Dean III, concerning White House memoranda to the IRS that allegedly asked for action against "left-wing" and "activist" organizations, the center went back into court and asked that the question of improper influence on the

of White House files aimed at disclosure of any such memoranda.

J. Fred Buzhardt, special counsel to the President, responded by producing four documents but did not fully comply with his order, Richey said. For example, there was no search of the impounded files of former White House aides Charles W. Colson, John D. Ehrlichman, H. R. Haldeman, John J. Caulfield or Dean.

In addition, Richey said, the statement by Buzhardt that President Nixon was asserting executive privilege in refusing to turn over a tape of a conversation, allegedly on the same subject, was legally inadequate.



JUDGE CHARLES RICHEY
His summary judgment

unfavorable ruling be examined.

Richey ordered a search

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