

White House pressure on IRS disclosed

By Jack C. Landau

WASHINGTON — A Ralph Nader-sponsored citizens group has won the first federal court decision ordering the Internal Revenue Service to grant tax exempt status to a non-profit legal action organization.

The landmark decision, which probably will be appealed, gives the public a rare glimpse into the successful use of White House pressure on the supposedly pristine revenue service.

The unique case involves the shadowy and rumor-filled world of the controversial Internal Revenue Code provision permitting tax exempt status for nonprofit charitable educational and scientific organizations.

With an exemption, an organization can obtain donations from private individuals and other groups which can "deduct the contributions from their federal income tax returns.

Without an exemption, there is very little chance of obtaining financing, and many groups, like the Center for Corporate Responsibility, simply wither away waiting for the IRS to act.

In 1970, the center first applied for its tax exempt status. Its purpose was to persuade large corporations to use their power "to better the social welfare" in such areas as consumerism, the environment and civil

rights.

From September, 1970, to last May, the ill-fated center made at least ten submissions of additional information and attended numerous meetings to hear IRS objections.

Finally, the IRS denied the tax exemption in May. But by that time the center had virtually ceased to function. It suspected that politics had played a part in the denial and hired former IRS commissioner Mortimer Kaplan to prove that the IRS acted illegally.

What appeared initially as a difficult and unique legal effort — to force the IRS to grant a tax exempt status ruling — turned into a much easier job due to Watergate.

John Dean, for example, testified about former White House memos suggesting that the IRS be pressured to refuse exemptions to "left-wing" or activist organizations.

A thorough search of the IRS files under subpoena disclosed a notation by one IRS employee: "Perhaps White House pressure."

Other files disclosed that the tax exemption had been approved by the general counsel of the IRS and the top staff, but that a White House political appointee, Roger V. Barth, persuaded an IRS employe — working "on her own time at home" — to prepare a memo oppos-

NO CONTINUATION