

LARGE MILK CO-OP ASSESSED BY I.R.S.

**Associated Milk Producers
Gets a 7.8 Million Bill for
Taxes, Fraud Penalties**

1972 AND 1973 AFFECTED

**Demand Lifts the Total U.S.
Seeks From Texas-Based
Lobby to \$16 Million**

The Washington Star

WASHINGTON—The Internal Revenue Service has assessed the large milk co-op, the Associated Milk Producers Inc., with another big tax bill—\$7.8 million in unpaid taxes and fraud penalties for fiscal years 1972 and 1973.

The most recent I.R.S. tax demand—the third such notice the Texas-based milk lobby has received in 12 months—brings the total amount the Federal Government is seeking from the Co-op in back taxes and penalties to more than \$16 million, lawyers for the Co-op said.

The new tax bill is only the latest in a series of legal headaches for the milk lobby since 1974 when Associated Milk Producers Inc. pleaded guilty to "cavalier violation" of the law in making a total of 280,900 in illegal political donations to both political parties.

Two of the milk co-op's top executives also received jail sentences for using contributions in an attempt to influence the White House and Congress on milk prices.

Year of the Tax Man

What in 1974 was the year of the special Watergate prosecutor has become in the last 12 months for the co-op the memorable year of the tax man.

In a sudden about-face last April, the I.R.S. informed the milk co-op it was not covered under a section of the Federal Revenue Code dealing with tax-exempt farm co-operatives. In two earlier rulings in 1969 and 1970, the I.R.S. had told the milk co-op it was covered under this section.

Even worse than the bad news was the first tax bill from I.R.S., which demanded that the milk co-op pay \$5,699,989 in back taxes and penalties for fiscal 1971.

Last June the I.R.S. sent an additional tax bill totaling nearly \$3.3 million for fiscal years 1969 and 1970, and two months ago the milk co-op received its third tax bill for 7.8 million covering 1972 and 1973.

The latest bill became publicly available when the milk co-op challenged the tax notice in United States Tax Court here. All five I.R.S. tax demands are now under challenge by the milk co-op.

In its most recent tax bill, the I.R.S. is demanding more than \$3.7 million in back taxes for 1972 and nearly \$2.2 million for 1973. In addition, the I.R.S. is seeking a fraud penalty of \$1.9 million for 1972.

The I.R.S. accuses the dairy lobby of padding its 1972 deductions by \$6.8 million and charges that it made improper deductions in 20 different tax categories for that fiscal year.