



U.S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
WASHINGTON 25, D.C.

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COMMITTEE ON

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FOREIGN RELATIONS

Dear Mr. Chairman:

Attached is a report prepared in reply to your letter of August 13, 1963, requesting us to indicate facts applicable to the organizations listed therein which have established tax exemption that brought them under the statutory provisions, and to state whether the facts shown by our records are consistent with those presented by these organizations at recent hearings of the Senate Foreign Relations Committee.

In my interim reply of September 10, 1963, I stated that the organization listed in your letter as The Christian Crusade may be the organization shown in our records as Christian Echoes Ministry, Inc., Sapulpa, Oklahoma. This organization was discussed with you on December 11, 1963, at the meeting held in your office.

As you will observe from the attached report, in certain cases information developed at the hearings of the Foreign Relations Committee was not contained in the material submitted to the Internal Revenue Service in support of the claimed exemption. We have conscientiously tried to report fully to you any such differences; however, we are not in a position at this time to evaluate their significance in determining the right of such organizations to enjoy an exempt status. On the other hand, we can assure you these differences are being taken into account in connection with the expanded exempt organizations audit program.

I hope the enclosed report will be helpful to you in connection with hearings of the Senate Foreign Relations Committee.

With kind regards,

Sincerely,

A handwritten signature in cursive script, reading "Martin M. Caplin". The signature is written in dark ink and is positioned above the printed name.

Commissioner

Honorable J. W. Fulbright
Chairman, Committee on Foreign Relations
United States Senate
Washington, D. C.

Enclosures: (3)

REPORT ON ORGANIZATIONS LISTED IN THE
LETTER OF HONORABLE J. W. FULBRIGHT,
CHAIRMAN, COMMITTEE ON FOREIGN
RELATIONS, DATED AUGUST 13, 1963

This report concludes the reply to the request of Senator J. W. Fulbright, Chairman, Committee on Foreign Relations, concerning organizations listed in his letter of August 13, 1963. Of the twelve organizations listed in Senator Fulbright's letter, our records show that six have qualified for tax exemption as organizations described in section 501(c)(3) of the Internal Revenue Code, or under comparable provisions of prior revenue laws.

The information presented with respect to the six organizations which have established an exempt status for Federal income tax purposes is based upon data submitted by them in, and as a part of, their applications for exemption.

Requirements for establishing exemption: An organization seeking to establish exemption under section 501(a), as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954, must meet the following requisites: It must be organized and operated exclusively for religious, charitable, educational, or one or more of the purposes specified in that section of the Code; its net income must not inure in whole or in part to the benefit of private shareholders or individuals; it must not by any substantial part of its activities attempt to influence legislation by propaganda or otherwise; and it must not participate or intervene in, any political campaign on behalf of any candidate for public office.

In order for contributions to be deductible by donors, section 170(c)(a)(A) of the 1954 Code provides that a qualified donee organization shall be one created or organized in the United States or in any possession thereof, or under the law of the United States, any State or territory, the District of Columbia, or any possession of the United States. The provisions of section 170(c)(2)(B) require that the organization shall be organized and operated exclusively for "religious, charitable, scientific, literary, or educational purposes * * *."

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For contributions to a domestic organization which sends its funds abroad to be deductible by donors for Federal income tax purposes, the domestic donee organization must itself use the funds abroad as a part of its own charitable or other exempt activity. Revenue Ruling 63-252, published in Internal Revenue Bulletin 1963-49, p. 11, (a marked copy of which accompanies this report) discusses the deductibility of contributions by donors to charities organized in the United States, which thereafter transmit some or all of their funds to foreign charitable organizations.

The following information is shown by our records with respect to the six organizations which have established a tax-exempt status:

1. The Jewish Agency for Israel, Inc., formerly, "The Jewish Agency, Inc.," and hereinafter referred to as the "Jewish Agency," was incorporated in 1949, under the Membership Corporations law of the State of New York to give aid to persons seeking refuge in Israel; provide for their transportation to, and resettlement in, Israel; provide for the rehabilitation and training of refugees; to aid and assist religious, cultural, scientific, industrial, agricultural and other institutions and activities in Israel previously carried out by The Jewish Agency for Palestine, and to raise funds for such purposes.

According to information furnished with the application for exemption, the Jewish Agency was the successor in the United States to The Jewish Agency for Palestine, (now The Jewish Agency for Israel) created under the 1922 League of Nations mandate. Its activities are described as the transfer of displaced persons to Israel; care and treatment of orphans and other destitute immigrants including the provision of transportation, housing, food, medical attention and clothing; colonization and settlement in Israel of displaced persons and other immigrants; assisting in the orientation, settlement, and rehabilitation of displaced persons and other immigrants through agriculture and industrial research and the rendering of financial and technical assistance; furnishing

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vocational training in schools and other educational institutions, including schools of higher education and training centers to prepare young men and women for work in industry and agriculture; participation in cultural activities in the fields of music, theater, literature, fine arts, and arts and crafts for refugees and other immigrants; and improvement of the health of displaced persons, other immigrants and residents of Israel by means of grants to, and participation in the work of, hospitals, clinics and research institutions.

The bylaws of the Jewish Agency provide that its members shall consist of the incorporators (listed as Rose Halprin, Dr. Nahum Goldman, Hayim Greenberg, Baruch Zuckerman, and Avi Lurie), The Jewish Agency for Palestine, Keren Hayesod, (Palestine Foundation Fund) Ltd., and the Keren Kayemeth Le Israel, (Jewish National Fund) Ltd. Each corporate member is authorized to elect or appoint delegates or representatives to act for it at corporate meetings. The Jewish Agency for Palestine is authorized to appoint 10 delegates, Keren Hayesod 5 delegates, and Keren Kayemeth Le Israel 5 delegates. The corporation is managed by a board of directors consisting of not less than 5 or more than 75 members. Directors are authorized to appoint committees on particular subjects, employ agents, establish offices of the corporation anywhere in the world, and appoint an Executive Committee to function between meetings of the full board of directors.

According to a proposed plan of reorganization submitted on behalf of the Jewish Agency in 1959, its name is changed to that shown above, and in the future it is to receive contributions from The United Jewish Appeal, Inc. At least two-thirds of its board of directors are to be controlled wholly by individuals or organizations in the United States. In advance of each budgetary year, The Jewish Agency for Israel (formerly, The Jewish Agency for Palestine) is to submit detailed needs for all of its programs for the ensuing fiscal year. The Jewish Agency, the domestic corporation, will examine the programs and needs and will decide in which programs it will participate. The domestic corporation will appoint one or more individuals responsible to it and serving at its pleasure as representatives in Israel to receive funds and remit the same to The Jewish Agency in Israel in accordance with the contractual arrangement; obtain from The Jewish Agency in Israel

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periodic reports to establish the fact that funds received from it are in fact expended for approved activities; observe the operations of The Jewish Agency in Israel and render reports to the board of directors of the domestic corporation, and cooperate with The Jewish Agency in Israel in the preparation of budgets. The domestic corporation has the right to withhold the transmission of funds, if, in its judgement, the foreign organization has not utilized the funds exclusively for authorized purposes.

At the time of this proposed reorganization, it was reported that no omnibus contributions have ever been made to the Government of Israel, but that from time-to-time, certain grants have been made to the Government for specific charitable or educational purposes. The Jewish Agency, Inc., the domestic corporation, further stated that all such grants were expended by the Government for the charitable or educational purposes intended, but in the future, under the plan of reorganization, not even grants for specific charitable or educational purposes will be made to the Government of Israel.

Information presented at hearings of the Senate Foreign Relations Committee, that prior to 1960, The Jewish Agency for Israel, Inc., was the registered agent for the Jerusalem Agency under the Foreign Agent's Registration Act was not disclosed in the application for exemption dated April 7, 1952.

Our records show that a ruling was issued December 21, 1960, affirming the exempt status of this organization, based upon its reorganization in accordance with the proposed plan submitted, and further, upon the understanding that its activities are limited to, and its funds are distributed exclusively in furtherance of, its charitable purposes. Financial statements presented on behalf of The Jewish Agency for Israel, Inc., and the predecessor corporation, The Jewish Agency, Inc., do not disclose expenditures on behalf of a foreign principal.

2. The Jewish Agency - American Section, Inc., (hereinafter referred to as the "American Section") 515 Park Avenue, New York, New York, submitted an application dated August 4, 1961, for exemption as an organization described in section 501(c)(3) of the Code of 1954. Information furnished with the application shows

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that it was incorporated under the Membership Corporations Law of the State of New York on April 8, 1960. Its charter provides that it is organized to foster the ideals of Zionism and Judaism and the unity of the Jewish people; to encourage and facilitate the settlement of Jews in Israel and their resettlement and rehabilitation therein in industry, agriculture, commerce and the trades; to assist and further their cultural, educational, religious, social, artistic and scientific endeavors; to encourage, foster, and promote the knowledge and study of the Hebrew language and literature, Jewish culture, history, philosophy and traditions, and the achievements of the Zionist ideal; and in connection therewith, to disseminate, publish and otherwise make available cultural, literary, religious, social, artistic, scientific and other publications and works relating to Judaism, Zionism, Israel, and kindred subjects; to act for, on behalf of, and in association and cooperation with, any persons, groups, organization, associations, societies, and institutions of similar interest and objectives, and to aid, foster and assist such persons, groups, organizations, associations, societies, and institutions whose activities will facilitate the implementation, promotion, furtherance and achievement of the purposes and objectives of the corporation. It is empowered by its certificate of incorporation to do any and all things that may be necessary or incidental to the attainment of its objectives.

The bylaws of the American Section provide that its membership shall consist of the incorporators who are Nahum Goldmann, Rose L. Halprin, Israel Goldstein, Emanuel Neumann, Louis Segal, Max Kirshblum, and Avraham Schenker; all persons who are members of the Executive of the World Zionist Organization (The Executive), which Executive is stated to be known as the "Executive for The Jewish Agency for Israel, Inc.," together with all persons who are received in, or elected to, membership upon application and approval by a vote of the majority of the Directors. The management of the affairs of the American Section is vested in a board of directors of seven persons, all of whom are required to be members of the corporation.

Financial statements submitted by the organization for its fiscal year ended March 31, 1961, include in the list of its

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distributees, the American Zionist Council as having received \$61,641.48 for: "Subvention for publications of affiliated organizations to enable them to disseminate to their membership in the United States authoritative information on the program and work of The Jewish Agency in Israel in the fields of immigration, settlement and education, and general information relating to Israel;" \$23,000.00 to this same organization as a special grant to assist in the preparation of research work and publications on developments in the Middle East as they relate to Israel; \$66,500.00 to the Jewish Telegraphic Agency, Inc., to assist this independent news agency to give full coverage in news bulletins and dispatches of developments in Israel, and especially relating to the work of the Jewish Agency, and \$250.00 to the Jewish Information Bureau as a grant to assist it to provide information on Jewish affairs throughout the world. For this fiscal year, the American Section reported receipt of \$1,361,927.32 from The Jewish Agency for Israel, Inc., (Jerusalem, Israel) and \$106,807.27 from Latin American contributions.

The primary function of this organization is described in statements submitted in, and as a part of, the application as aiding and assisting in the immigration of refugees to, and their resettlement in, Israel; to help them to become self-supporting, and that to this end The Jewish Agency for Israel, Inc., receives charitable contributions from all over the world. It is further stated that its work is conducted in the United States and Latin America. In the United States, its activities primarily are devoted to public information relating to charitable and educational work of the Jewish Agency; the fostering and study of Hebrew language and literature; fostering of and helping organizations to spread the study of Zionist history and ideals, religious schools and seminaries and, generally, to facilitate the work of organizations engaged in helping Jewish immigrants and refugees in Israel.

Out of approximately thirty-four publications presented by this organization for our records, one, the "Israel Youth Horizon," (Vol. VI, No. 8, (1962)) published by the Youth and Hecalutz Department of the Zionist Organization, P. O. Box 92, Jerusalem, contained the following statement:

"Copies of this publication have been filed with the Department of Justice, Washington, D. C., where the

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registration of the Jewish Agency for Israel under the Foreign Agent's Registration Act, is available for inspection. The fact of registration should not be considered as approval or disapproval, by the United States Government of the contents of this publication. Printed in Israel by the Publishing Dept. of the Jewish Agency, at The Jerusalem Post Press, Jerusalem."

Approximately eighteen of the above-mentioned thirty-four publications were either published by, or under the supervision of, The Jewish Agency, Jerusalem.

Our records fail to show the American Section reported that since 1960, it is registered under the Foreign Agent's Registration Act of 1938, as an agent of The Jewish Agency for Israel in Jerusalem, or that it functions for, or on behalf of, the Executive in Jerusalem, as stated on page 1308, Part 9 of the Hearings of the Senate Foreign Relations Committee. Based upon the evidence presented, the Service held in a ruling dated July 26, 1963, that the American Section qualified for exemption pursuant to the provisions of section 501(c)(3) of the Code.

3. The American Zionist Council, (formerly, American Zionist Emergency Council) 515 Park Avenue, New York, New York, (hereinafter referred to as the "Council") was organized pursuant to bylaws under the name of "American Emergency Committee for Zionist Affairs." Its membership consisted of twenty-six persons appointed by the Zionist Organization of America, Hadassah, the Women's Zionist Organization of America, Poale Zion, Mizrachi Organization of America and the following eight members named at large: Dr. Solomon Goldman, Dr. Israel Goldstein, Mrs. Rose Jacobs, Mr. Louis Lipsky, Judge Morris Rothenberg, Dr. Abba Hillel Silver, Mr. Robert Szold and Dr. Stephen S. Wise. Between meetings of the full Committee, an office committee composed of a total of six members, two members representing the Zionist Organization of America, two representing Hadassah, one representing Poale-Zion, and one representing Mizrachi, is authorized to conduct the affairs of the organization.

According to information furnished with the Council's application for exemption dated July 10, 1942, it was formed for the

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duration of the war to deal with questions affecting the immigration and settlement of Jewish refugees in Palestine and the development in Palestine of the Jewish National Home. It stated that its activities included the disseminating of information regarding the upbuilding of Palestine, arranging for transportation of Jewish refugees to Palestine, and educational and publicity work in connection with these objectives. Financial statements furnished by the Council show its income is derived from the Palestine Foundation Fund, United Palestine Appeal, and the Jewish National Fund. For the year ended December 31, 1941, out of total expenditures of \$54,052.99, \$24,271.19 was disbursed for its public relations department.

The Council reported the change of its name from "American Emergency Committee for Zionist Affairs" to "American Zionist Emergency Council," on October 20, 1943 and stated there were no changes in its form of organization or method of operation. A further change in name to "American Zionist Council" was reported on April 26, 1949.

In an affidavit furnished over the signature of Jerome Unger, Executive Director of the Council, dated January 28, 1954, concerning expenditures for activities of the Council for the calendar years 1951 and 1952, it is stated that \$198,569.30 was disbursed for salaries of the Executive Director, assistants, press officers, clipping clerks (English and Yiddish), research and publications personnel, field personnel, speakers bureau, publicity and public relations (English and Yiddish) and for clerks, stenographers, bookkeepers, and secretaries. It is stated that members of the Council, with the exception of the Executive Director, receive no salary or other compensation. It is also stated that the Council expended the sum of \$25,403.39 for "reprints and offsets of newspaper and magazine articles" in order to provide interested groups, libraries and individuals, in various parts of the country, with copies of newspaper items and articles published in various magazines on subjects relating to the work of the Council, or in which it is interested, in order to keep them aware of an interest in the Council and its work, and for reference purposes. Such items are stated to include news items and reports relating to Israel which tend to stimulate the interest of the public in the work of reconstruction and rehabilitation carried on in that Country.

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An amount of \$29,275.96 is reported as expenditures for fees and expenses for speakers secured jointly by the Council and the American Christian Palestine Committee. Speakers are described in the affidavit as persons qualified to speak on and to discuss topics relating to Israel and the work of rehabilitation and reconstruction being carried on in Israel, as well as other pertinent matters, by reason of their scholarship, travel, or particular experience. The Council expended \$14,565.97 in 1951 for conferences and seminars held in the United States, and for study tours to Israel. Rabbi Unger reported the Council organized two tours in 1951 to Israel, in cooperation with the American Christian Palestine Committee in which over forty persons, mostly Christian clergymen, participated. The objective of the tours was to enable the participants to stimulate, through reports, public interest in the work.

The above-described activities conducted by the Council in cooperation with the American Christian Palestine Committee agree generally with those described at page 1292, Part 9 of the Hearings before the Senate Foreign Relations Committee with respect to the American Christian Palestine Committee. Our records do not show that the Council directly made funds available for the use of the American Christian Palestine Committee, or that it received funds from The Jewish Agency for Israel, Inc., for the support of the American Christian Palestine Committee, as reported on page 1302, Part 9, of the Hearings before the Senate Foreign Relations Committee.

Publications disseminated by the Council which were furnished with Rabbi Unger's affidavit include: "Lebanon and its Emigrant Sons," published by the Phoenicia Press, New York City; "The Cry of Egypt's Copts" (Documents on Christian Life in Egypt Today)" also published by the Phoenicia Press; "The Arab Refugee Problem - How it Can be Solved - Proposals Submitted to the General Assembly of The United Nations, December 1951;" "Headline Series," published by the Foreign Policy Association; "Israel's Immigration and American Aid," (a statement to the Foreign Affairs Committee of the United States House of Representatives) by Dr. Joseph J. Schwartz, Executive Vice-Chairman of the United Jewish Appeal; "Israel: The Emergence of a Democracy," by Abba Eban, reprinted from "Foreign Affairs," April, 1951; and copies of a periodical "Land Reborn," published by the American Christian Palestine Committee. "Land Reborn" is the publication mentioned in the monthly reports of the American Christian Palestine Committee made to the American Zionist Council, and published on pages 1293 through 1301, Part 9 of the Hearings before the Senate Foreign Relations Committee.

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The July-August, 1951, (Volume Two, Number Four, p. 12) issue of "Land Reborn" describes the American Christian Palestine Committee's objective as to carry on a nationwide program of education. It is stated therein: "* * * It has interpreted to American Christians the Jewish people's quest for nationhood, Palestinian Jewry's notable achievements in the land of Israel, the dire needs of European Jewry, and the responsibility of Christians (and Christendom) to eradicate the evils of anti-Jewish persecutions and Jewish national homelessness. * * *"

Records of the Service contain information concerning the activities of the Council only through 1952. These records do not indicate that the Council engaged in political action activities as is stated in the "Report of the executive committee of the American Zionist Council of October 30, 1962," published on page 1343 of the Hearings before the Senate Foreign Relations Committee. On October 22, 1953, the Service affirmed two prior rulings holding the Council qualified for exemption from Federal income tax as an organization described in section 501(c)(3) of the 1954 Code.

4. The Jewish Telegraphic Agency, Inc., 660 First Avenue, New York, New York, (hereinafter referred to as the "Agency") was incorporated under the General Corporation Law of the State of Delaware on December 14, 1935, as the successor to the Jewish Telegraphic Agency, Inc., a New York corporation, organized in 1921. Its certificate of incorporation authorizes capital stock in the amount of \$60,000.00 divided into 600 shares each of class "A" and "B", with a par value of \$50.00 per share. The charter provides that the Agency is a non-profit corporation, and stockholders shall not be entitled to receive as dividends or otherwise, any distribution of profits or earnings resulting from the conduct of corporate affairs. The charter provides also that in the event of liquidation or termination, after payment for class "B" stock at par, and no more, the remaining assets shall be distributed among class "A" stockholders, share and share alike. All voting power of the corporation is vested solely and exclusively in holders of the class "A" stock. The stock is reported as having been originally issued to Jacob Landau, and on December 8, 1936, transferred to George Backer, Jacob Blaustein and Jacob Landau, as trustees.

The charter of the Agency provides that it shall have broad powers in carrying out the purposes for which it is incorporated,

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and authority to do everything, and to conduct all types of business not forbidden by the laws of the State of Delaware, including:

"(a) The gathering, assembling, preparation and dissemination by telegraph, telephone, radio, mail and messengers of news, editorials, news editorials, political news, sport news, special and feature articles, cartoons, illustrations, newspaper correspondence and kindred articles; the purchase, the owning, the managing and control of newspapers, news bulletins, periodicals, magazines, trade, business, political and professional journals, and of the stock, bonds and other securities of corporations of this and other states and countries; to purchase, lease, acquire and hold such real estate, buildings, warehouses, printing presses and equipment, paper mills and franchises, situated either in the United States or abroad, as may be advantageous for carrying on its business; to acquire, hold, and employ such newspaper, magazine and periodical plants and shares of incorporated companies owning the same as may be necessary in the said business, in all parts of the United States and in foreign countries.

"(b) To buy, sell, publish, print, or otherwise deal in magazines, newspapers, maps, books, pictures, diagrams, forms, paper, articles, designs, covers, engravings, and other printed matter.

"(c) To conduct and carry on in all its branches the business of printers and publishers, and deal in all supplies, devices, machinery, apparatus and implements used with or in connection with such business." * * *

The bylaws of the Agency provide that its Board of Directors shall be elected by stockholders, and shall be vested with the management of the affairs of the corporation. Standing or temporary committees may be appointed, and invested with powers, by authorization of the Board of Directors. The bylaws further provide that

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an Executive Committee, consisting of five members of the Board, shall be appointed by resolution passed by a majority of the whole Board to exercise all powers provided by statute, except as specially limited by the Board of Directors.

In an affidavit executed by the president and principal officer of the corporation, Mr. George Backer, on November 10, 1937, it is stated that the corporation is organized as an educational and protective instrumentality for the Jewish people all over the world. It serves as a medium for collecting and disseminating to the world at large all news of importance to Jewry, through seven offices maintained in New York, London, Paris, Berlin, Warsaw, Jerusalem, Prague, and by over 150 correspondents in smaller centers. It engages in the gathering of Jewish news of political, social, cultural and economic conditions of the Jewish communities. Attention is given to decisions, changes, happenings and situations which directly or indirectly affect the economic, political, cultural, and religious situations of the Jewish communities. Attention is also directed by the Agency to the field of intellectual endeavor and the world of letters where Jews are active. Special attention is directed to the inter-relations of Jews and Christians as traced in the field of economic, political and social life, and theology.

It is further stated in the above-mentioned affidavit that information gathered by the Agency is distributed to the secular press, Jewish newspapers, Anglo-Jewish periodicals, Jewish organizations and to individuals. A regular feature article service, consisting mainly of news, letters, complementary information, and political articles written by local correspondents and experts, is stated to be maintained by the Agency in addition to its cable, telegraphic and mail service. One of the most important functions performed by the Agency is described as a communal function to the Jewish people by conducting special investigations and surveys on behalf of particular Jewish organizations. Reports are rendered by the Agency gratis in these instances, and are stated to supply the basis for large philanthropic or political undertakings by the particular organization for which this service is performed.

The Agency's income is reported as being derived from the sale of news, features and articles in newspapers; contributions received from individuals and from Jewish welfare organizations; and sale of subscriptions to the publication "Jewish Current News," published

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and distributed by the Agency. For the calendar year ended December 31, 1936, financial statements submitted by the Agency show a deficit from operations of \$60,952.13. The principal source of income reported for this year is the receipt of contributions from welfare funds, B'nai B'rith, and from individuals.

In a ruling dated July 19, 1939, The Jewish Telegraphic Agency, Inc., was held to qualify for exemption pursuant to the provisions of section 101(6) of the Revenue Act of 1938, which corresponds to the provisions of section 501(c)(3) of the Internal Revenue Code of 1954.

On pages 1284 and 1285, Part 9 of the Hearings of the Senate Foreign Relations Committee, it is reported The Jewish Agency - American Section, Inc., acquired control of the stock of The Jewish Telegraphic Agency, Inc., through formation of the Jewish Telegraphic News Agency as a holding corporation. This information was not before the Service when a ruling was issued holding it qualified for tax exemption.

5. The Council for Middle Eastern Affairs, Inc., 2061 Belmont Avenue, Belmont, New York, (hereinafter referred to as the "Council") was incorporated February 6, 1950, pursuant to the Membership Corporations Law of the State of New York. Its charter provides that it is organized:

"To gather and distribute authentic and accurate information concerning all aspects of the economic, religious, social, educational, cultural and political life of the Middle East and of each of the nations in that area of the world; to organize, sponsor, finance, participate in and cooperate with persons, groups, and organizations doing research on any phase of life in the Middle East area or conducting field trips to secure data and/or information in any of these fields.

"To publish books, reference works and encyclopaedias, bibliographies, periodicals, pamphlets, reviews, reports, documents and other printed matter dealing with all the aspects of the Middle East area, its nations, States, people and institutions, and all activities conducted by the corporation hereunder shall be without profit. * * *"

The charter of the Council authorizes it to organize, sponsor and conduct conferences, meetings and symposiums of scholars, public officials, journalists and other qualified persons having special knowledge of the economic, social, religious, educational, cultural and/or political life of the Middle East area, its nations and people, and to cooperate and voluntarily aid and assist persons, groups, organizations and others in any project or activity within the scope of its purposes, and to carry out and finance projects and activities within the scope of its corporate powers.

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The Council's bylaws provide that its membership shall consist of those persons signing the certificate of incorporation and all persons elected to membership upon being sponsored by two members and being approved by the membership committee. The general management of the affairs of the Council is vested in a Board of Trustees, who are elected at the annual meeting of members.

Statements of Dr. Benjamin Shwadran, Secretary-Treasurer of the Council, made in support of the claim to exemption, indicate that the only activity conducted by it from the date of incorporation to June 6, 1952, consisted of publishing issues of "Middle Eastern Affairs." Ten issues of this monthly publication are shown to have been distributed to a mailing list of approximately 200 libraries, universities and educators. Dr. Shwadran is listed as editor of this publication, and describes it as a magazine which concerns itself with articles relating to the religious, economic, social, educational and political life of the Middle Eastern area, its nations and people. He states that through this means, the Council seeks to educate the public concerning all aspects of life of the Middle East.

The January, 1951, issue of "Middle Eastern Affairs" lists as the Editorial Advisory Board of "Middle Eastern Affairs," I. B. Berkson, The City College of New York; Alfred Bonne, Hebrew University; Walter J. Fischel, University of California; Bernard Geiger, Asia Institute; S. D. Goitein, Hebrew University; Abraham S. Halkin, Columbia University; Paul L. Hanna, University of Florida; Oscar I. Janowsky, The City College of New York; L. A. Mayer, Hebrew University; Moshe Perlmann, Dropsie College; Franz Rosenthal, University of Pennsylvania; and William Thomson and Harry A. Wolfson of Harvard University.

Financial statements for the Council's calendar year ended December 31, 1951, report receipt of \$20,500.00 from the American Zionist Council, and \$1,077.84 from the sale of subscriptions. These financial statements do not show that the American Zionist Council transferred funds to The Council for Middle Eastern Affairs, Inc., as the agent for The Jewish Agency - American Section, Inc., as stated on page 1325, Part 9, of the Hearings before the Senate Foreign Relations Committee.

In a ruling dated October 22, 1954, the Service held the Council qualified for exemption from Federal income tax under the provisions of section 501(c)(3) of the 1954 Code.

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6. The United Jewish Appeal, Inc., 165 West 46th Street, New York 36, New York, (hereinafter referred to as "U.J.A") was incorporated pursuant to Membership Corporations Law of the State of New York, on January 24, 1935. Its certificate of incorporation provides that it is organized:

"1. To commence, conduct, engage or assist in a campaign or campaigns and any effort or efforts whatsoever for the collection and raising of funds, and to solicit, appeal for, and request moneys, funds securities, donations, pledges, obligations, subscriptions, commitments, gifts, bequests, devises, legacies, choses in action and property of every nature whatsoever, for the relief and rehabilitation of Jews and/or non-Jews of or in Europe, Asia, Africa and any other foreign country or countries, and for the settlement and welfare of Jews in Palestine.

* * * * *

"4. To promote the organization, through its authorized members, directors, representatives, appointees and/or agents, for effecting any of the purposes enumerated in this Certificate or any amendment thereof, of subsidiary stock and non-stock corporations, unincorporated voluntary associations, trusts, foundations, organizations, associations, committees or entities, domestic and foreign; to hold stock and/or membership and/or other interests in these and/or other domestic or foreign corporations, associations, and/or entities having kindred or auxiliary services.

"5. In the discretion of the directors, or their authorized respective appointees and/or agents, to establish, aid and/or maintain philanthropic, religious, economic and cultural enterprises and institutions of every nature and description in order to carry out adequately the purposes of the Corporation enumerated herein and in any amendments hereto.

"6. To enter into contracts, in the discretion of its directors, with kindred associations, with governments,

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bodies, corporate and unincorporate, public and private, and with individuals, in order to effect the purposes of the Corporation enumerated herein and in any amendments hereto." * * *

U.J.A. is authorized by its charter to take any action whatsoever in relation to its purposes for the benefit of Jews, including both single individuals, the Jewish people, or any number or group or body of them which such action may, in the sole discretion of the directors, seem advisable or desirable. It is further provided therein that each purpose enumerated in the charter shall be considered an independent purpose, and shall be interpreted liberally in order to give the corporation and its directors wide powers to perform corporate purposes.

An affidavit executed by Joseph C. Hyman, Secretary of U.J.A., for motion to secure approval by a Justice of the Supreme Court of the State of New York of its certificate of incorporation, states that U.J.A. is to engage in purely philanthropic activities; namely, raising funds for the relief and rehabilitation of Jews in Germany and elsewhere outside the United States of America and Canada, and for the settlement of Jews in Palestine. Its incorporators represented The American Jewish Joint Distribution Committee, Inc., and the American Palestine Campaign for the Jewish Agency for Palestine. The American Jewish Joint Distribution Committee, Inc., is described in the affidavit as a non-profit, New York membership corporation which, for years, has engaged in collecting and distributing funds for relieving and rehabilitating needy Jews of other countries. The American Palestine Campaign for the Jewish Agency for Palestine is stated to have as its purpose the raising of funds for the settlement of Jews in Palestine, and to operate for the Jewish Agency for Israel, Jerusalem, Israel, which is a body recognized and appointed "under a mandate of the League of Nations to the British Government for the setting up of a Jewish national home in Palestine."

The incorporation of U.J.A., according to the affidavit, united the fund-raising activities of The Jewish Joint Distribution Committee, Inc., and the American Palestine Campaign for the Jewish Agency for Palestine. Funds collected by it were applied, in proportions agreed upon separately, for the purposes of The American Jewish Joint Distribution Committee, Inc., and the American Palestine Campaign of the Jewish Agency for Palestine (later known as United Palestine Appeal, Inc.).

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Bylaws of U.J.A. provide for 14 members and 14 directors, to be divided into "Class A" and "Class B," with 7 members in each class. The board of directors are empowered to appoint temporary or permanent subcommittees from time-to-time to discharge functions assigned by them. However, control over the affairs and business of U.J.A. is placed in an executive committee consisting of 25 members under the supervision and control of its board of directors. The executive committee is authorized with all powers vested in U.J.A.'s board of directors, but limited by the provisions of its bylaws and an agreement dated December 9, 1938, executed between The American Jewish Joint Distribution Committee, Inc., and the United Palestine Appeal, Inc. Members of the executive committee are elected by majority vote of "Class A" and "Class B" members.

The bylaws of U.J.A. further provide that an "allocation committee" consisting of not more than five members, shall carry out the terms of the agreement dated December 9, 1938, between The American Jewish Joint Distribution Committee, Inc., and the United Palestine Appeal, Inc. For the period from January 1, 1935 to December 31, 1938, financial statements submitted on behalf of U.J.A. show receipts from contributions of \$1,705,061.76, and disbursements for administration expenses of \$139,130.62, leaving net receipts available for distribution of \$1,565,931.14. Of this amount, The American Joint Distribution Committee, Inc., was allotted \$939,558.68 and the United Palestine Appeal, Inc., \$626,372.46.

According to financial statements furnished by Loeb & Troper, auditors for U.J.A., a campaign agreement for United Jewish Appeal, for refugees, overseas needs, and for Israel for the years 1954, 1955, 1956, 1957, and 1958, was entered into on or about February 11, 1954, between United Israel Appeal, Inc., (U.I.A. - successor organization to United Palestine Appeal, Inc.,) American Jewish Joint Distribution Committee, Inc., (J.D.C.) and New York Association for New Americans, Inc., (N.Y.A.N.A.) designating U.J.A. as the central fund-raising agency of these parties. It is stated United Services for New Americans, Inc., (U.S.N.A.) joined this agreement under the terms of a supplemental agreement dated March 16, 1954. U.S.N.A. terminated its participation in the agreement by reason of its consolidation with another agency, not a party to the agreement, in accordance with the terms of the supplemental agreement of March 16, 1954.

In addition to its customary fund-raising activities in 1954, U.J.A. instituted a project for borrowing \$75,000,000.00. This project was effected through loans made to U.J.A. by local community

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welfare funds or federations customarily contributing to it. All of these community organizations (with the exception of one) are stated to have borrowed funds from local banking institutions. In return therefor, U.J.A. simultaneously made and delivered its promissory notes to the local community organizations, which were deposited by them as collateral security for the borrowed funds.

U.J.A. is not itself an operating organization, but prior to 1960, distributed its funds, after deducting its operating expenses, to U.I.A., J.D.C. and N.Y.A.N.A., in accordance with the above-described fund-raising agreement. In 1958, a small portion of the funds of U.J.A. are shown to have been distributed to United HIAS Service, Inc., a New York membership corporation which has been held to qualify for exemption for Federal income tax purposes under the provisions of section 501(c)(3) of the Code.

To determine whether U.J.A. funds are distributed for charitable, or other exempt purposes, it is necessary to consider the activities of the distributee organizations. As a recipient of U.J.A. funds, The American Jewish Joint Distribution Committee, Inc., (J.D.C.) is stated to provide general welfare aid and assistance to needy Jews throughout the world, excluding the United States. Its chief executive office is in New York City, and its overseas headquarters is in Geneva, Switzerland, with approximately twenty branch offices in other foreign countries. This organization's method of operation is stated to differ with conditions prevailing in each country. In Israel, it carries out directly through an organization known as "MALBEN" (the name consists of the initials of the Hebrew words meaning "Organization for the Care of Handicapped Immigrants") its programs designed for the care of aged, chronically-ill, and other handicapped immigrants, and through an American representative resident in Israel, expenditures of approximately \$650,000 annually to help support some 7,500 needy students enrolled in Rabbinical seminaries re-established in Israel, and to support 1,600 refugee Rabbis and their families.

J.D.C. operates under an annual budget, allocating funds among its local organizations operating in each country. Allocations are based upon requests prepared locally in cooperation with J.D.C.'s American headquarters office, and transmitted to New York, for review and revision. Final approval of budgetary expenditures is made by J.D.C.'s executive committee or its board of directors in New York. It is stated J.D.C. does not participate in rehabilitation activities in Israel, but that MALBEN participates with the

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Israeli Government in several programs estimated as involving less than 3 percent of J.D.C.'s expenditures for the calendar years 1956 through 1958. MALBEN and the Israeli Government are reported as jointly administering a program designed to extend and improve psychiatric services to the mentally ill; the Ministry of Health has agreed to assume from MALBEN responsibility for a tuberculosis hospital; and MALBEN participates in, and administers with U.J.A., the Ministry of Welfare, and local municipalities, a pension program designed to provide pensions to immigrants ineligible for regular Government assistance.

Prior to 1960, United Israel Appeal, Inc., a New York membership corporation and a distributee of U.J.A. funds, in turn, distributed its receipts to The Palestine Foundation Fund (also known as Keren Hayessod). Keren Hayessod is likewise a New York membership corporation which distributes its funds to the Jewish Agency for Israel in Jerusalem. It is the Jewish Agency for Israel in Jerusalem, (hereinafter referred to as the "Jerusalem Agency") which engages in activities for which United Israel Appeal, Inc., receives funds from U.J.A. Funds going from The Palestine Foundation Fund to the Jewish Agency for Israel in Jerusalem, are distributed through the intervening medium of The Jewish Agency for Israel, Inc., the domestic corporation, the first organization listed in this letter.

Expenditures in connection with settlement of immigrants by the Jerusalem Agency are listed under headings shown in financial statements prepared by Messrs. Kesselman & Kesselman, Certified Public Accountants in Israel, for the fiscal years ended September 30, 1956, 1957, and 1958, as "Immigration," "Absorption," "Child and Youth Immigration," "Agricultural Settlement," "Housing," and "Health, Education and Welfare." Expenditures are shown in Israeli pounds (IL) (1.80 Israeli pounds may be treated as equivalent to one American dollar), and the immigration department is shown as having expended 31,418,768 IL for transportation of immigrants and their belongings, transit camps and services abroad, loans to artisans, storekeepers, etc., allocation to immigrant organizations, and for administrative and miscellaneous expenses. Total expenditures of 32,588,209 IL is shown for the absorption department for disembarkation, camps and transition settlements, initial assistance (cash, household goods, screening, medical services), social cases,

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youth centers and scholarships, administration and miscellaneous expenses. Expenditures for the youth immigration department of the Jerusalem Agency for this three-year period are shown as 32,387,587 IL for direct expenditures on full-time wards, teaching materials and teacher training, projects for youngsters not included in full-time programs, camps and officers abroad, and administration and information. The agricultural settlement department expenditures for this three-year period total 199,130,939 IL for consolidation stage, founding of new settlements, citrus plantations and vineyards, communications and protection, irrigation and drainage, programs and investment in development research, marketing, employment, subsidies, and for administration (including salaries of agricultural instructors) and miscellaneous expenditures (including cultural and religious services). A schedule of expenditures for "Health, Education & Welfare," is not presented as a part of the above-mentioned financial statements. However, according to the summary of expenditures of the Jerusalem Agency, expenditures for these functions amounted to \$5,000,000.00 and \$14,500,000.00, respectively, for the fiscal years ended September 30, 1957, and 1958.

The activities of the third-named beneficiary organization of U.J.A. funds, the New York Association for New Americans, Inc., are described as engaging in assisting immigrants of the Jewish faith who settle in New York City, and the Counties of Nassau, Suffolk, or Westchester, to establish themselves and become self-supporting. Its activities include vocational counselling, monetary grants to new immigrants, operation of a shelter workshop for vocational training purposes, administration of a program of non-interest bearing loans to immigrants to finance purchase of a small business, necessary work tools, or union dues, and making subventions to other organizations providing services to immigrants. Its activities are conducted only in the United States.

Financial statements in our files show that this organization was allocated \$20,644,745.00 from U.J.A. for its programs for the years 1952 through 1956, inclusive.

As previously stated herein, beginning in 1960, under a proposed plan of reorganization of The Jewish Agency for Israel, Inc., (the domestic corporation) control over funds raised by U.J.A. will be placed in citizens of the United States. Under this plan, member

organizations of The Jewish Agency for Israel, Inc., which are The United Israel Appeal, Inc., and The Jewish Agency - American Section, Inc., will appoint an enlarged board of directors consisting of 21 members. Of this number, 14 are to be United States citizens named by The United Israel Appeal, Inc., (the financial arm of the Jerusalem Agency in the United States) and 7 by The Jewish Agency - American Section, Inc., of which 6 must be United States citizens. Our records do not reflect the amendment of the bylaws of the domestic corporation to provide for a board of directors consisting of 27 members, as shown in Part 9, page 1398 of the Hearings before the Senate foreign Relations Committee.

In accordance with the proposed plan of reorganization, a contractual arrangement will exist between The Jewish Agency for Israel, Inc., and the foreign corporation, The Jewish Agency for Israel, Jerusalem, whereby the domestic corporation will examine programs and needs of the foreign corporation, and will participate therein by appointing representatives in Israel, responsible to it to receive funds and remit them to the Jerusalem Agency for programs selected and approved by the domestic corporation.

In view of the above-described control to be exercised over funds collected by U.J.A. and distributed to its member organizations, its exempt status in accordance with the ruling of the Service dated February 10, 1936, and affirmed on May 25, 1939, at present remains in effect, as an organization, contributions to which are deductible by donors.

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