

CIA Aided Two Funds After IRS Tax Probes

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Two foundations that served as major channels for Central Intelligence Agency funds began cooperating with the CIA shortly after they had gotten into trouble with the Internal Revenue Service.

Together, the two served as conduits for \$1,375,750 between 1961 and 1964.

The two are the J. M. Kaplan Fund and the David, Josephine and Winfield Baird Foundation—both of New York.

According to records of the House subcommittee on foundations, headed by Rep. Wright Patman, D-Tex., revocation of the Kaplan Fund's tax-exempt status was recommended by district directors of IRS in New York in 1957 and again in 1958.

However, the IRS investigation was held up, according to testimony before the committee by an IRS official, after the CIA

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told the IRS it was working through the Kaplan Fund.

When the IRS was first told this was not made clear in the committee's public hearings. The CIA funds first started flowing through the fund in 1961.

Tax Records Cited

But tax records obtained by the committee show that the Kaplan Fund channeled \$923,950 to the Institute of International Labor Research Inc., in 1961, 1962 and 1963.

Between 1957 and 1962, attorneys for the fund had a series of meetings with the IRS. But there were no further meetings till 1964—when the Patman committee hearings were held.

The Kaplan Fund still has its tax-exempt status.

Raymond S. Rubinow, executive officer of the fund, said in a telephone interview yesterday that the fund's relationship with the CIA and its tax troubles were "entirely separate."

Curiosity Aroused

The link between CIA and the Kaplan Fund was discovered accidentally by Patman and Harry A. Olsner, director of foundation studies for the committee, during their study of tax returns from nearly 600 foundations.

They found that virtually all of the contributions to the fund were coming from eight mysterious funds for which no ad-

resses or other information was given. It was while they were questioning IRS officials about their lack of vigor in checking up on the Kaplan Fund that they learned of the CIA's involvement.

At the same time, their curiosity was aroused by the David, Josephine and Winfield Baird Foundation, one of a group of foundations operated by David G. Baird, a New York financier.

It was not until after the hearings had ended that Olsner noticed that the Baird Foundation was getting money from some of the same CIA sources.

Baird's tax returns contain a bewildering list of contributions. Some are as small as 50 cents and hundreds of them are under \$5. But in each year they add up to more than \$1 million. And in 1963, the total exceeded \$3 million.

Buried in the records for the four years 1961 through 1964 is \$451,800 in CIA money.

The Baird Foundations got into trouble with the IRS in the mid-1950s and in 1959 they were informed that their tax exempt status was going to be revoked.

But when the Patman committee held its hearings in 1964,

they said they were in operation and one of them was cooperating with the CIA.

Although he did not know then about the CIA link, Patman questioned Mortimer M. Caplan, former commissioner of internal revenue, about what appeared to him to be a strange laxity in cracking down on the Baird Foundations.

A tax assessment of \$641,562 against the Lansing Foundation—one of the Baird group—was approved in January 1963. Patman noted, but the foundation was not billed until October.

"As far as we can tell from the inspection report," Caplan replied, "this just was an inadvertent error. A file was placed on a shelf. And the actual mailing of the bill did not go out until this later date."

Since then, the Baird foundations have been ordered to turn over their assets to tax exempt foundations and they have been billed for \$6.2 million in back taxes. They are now contesting the tax assessment in the U.S. Tax Court.

Baird could not be reached for comment on the relationship between his tax troubles and his four-year cooperation with the CIA.