

PROVIDING TAX RELIEF TO A CHARITABLE FOUNDATION AND THE CONTRIBUTORS THERETO

AUGUST 1, 1955.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

R E P O R T

[To accompany H. R. 7746]

The Committee on Finance, to whom was referred the bill (H. R. 7746) to provide tax relief to a charitable foundation and the contributors thereto, having considered the same, report thereon without amendment and recommend that the bill do pass.

This is a private relief bill for the Cannon Foundation and its contributors. The Cannon Foundation was created on November 17, 1950, by Clarence Cannon and Ida W. Cannon of Elsberry, Mo. The management and property of the foundation are vested in a board of trustees consisting of the mayor of Elsberry, the superintendent of schools, and others. The beneficiaries of the foundation consist of five churches in Elsberry, as well as other beneficiaries.

This bill provides that the Cannon Foundation is to be considered as an organization which is exempt from income tax under section 101 (6) of the Internal Revenue Code of 1939 and the corresponding section 501 (c) (3) of the Internal Revenue Code of 1954.

The bill also provides that the Cannon Foundation is to be considered as an organization to which section 3813 (a) of the 1939 code and section 503 (b) of the 1954 code is inapplicable. These subsections list certain organizations to which the so-called prohibited transactions described in section 3813 (b) of the 1939 code and section 503 (c) of the 1954 code are made inapplicable. The bill in effect provides that in the case of the Cannon Foundation also that the so-called prohibited transactions are to be inapplicable.

The bill also provides that contributions to the Cannon Foundation are to be considered as charitable contributions for purposes of determining deductible items under section 23 (o) and (q) of the 1939 code and the corresponding section 170 of the 1954 code.

This bill is effective with respect to taxable years beginning after 1949.

A full description of the trust is as follows:

Clarence Cannon and Ida W. Cannon, of Elsberry, Mo., created and established a permanent, perpetual, irrevocable trust to be known as the Cannon Foundation and endowed it with the sum of \$5,000 with the intention of adding to that sum in the future; the income from which said sum and from all accretions thereto are to be employed in the city of Elsberry and vicinity for certain benevolent, civic, religious, charitable, and educational purposes hereinafter set forth.

The management and property of the said foundation is vested in and is under the direction and control of a board of trustees consisting of the mayor of the city, the superintendent of schools, the worshipful master of New Hope Lodge No. 103, A. F. & A. M., the noble grand of Deadwood Lodge No. 72, I. O. O. F., the president of AI Chapter of P. E. O., the pastor of the Associate Reformed Presbyterian Church, the pastor of the First Baptist Church, the pastor of the Sacred Heart Catholic Church, the pastor of the First Christian Church, the pastor of the First Methodist Church, and the members and secretary of the board of directors of the Bank of Lincoln County, all of Elsberry, Mo., of whom the eldest in years of age is to serve as president of the board of trustees of the foundation, the next eldest as vice president, and the president of AI Chapter of P. E. O., ex officio, as secretary. These officials are to serve as members of the board of trustees of the foundation during their official terms as current, inaugurated, and acting officers of their respective organizations as above designated. At the expiration of such term of office the incumbency of such member on the board of the foundation is to automatically and simultaneously terminate and the duly elected or appointed, and qualified, successor, of such member to the position above designated is to simultaneously and automatically succeed to such membership on the board of trustees of the foundation.

The finance committee of the board of trustees of the foundation has charge of all fiscal transactions of the foundation, subject to the approval and ratification of the board of trustees, and make a stated report of the financial condition of the foundation to the board of trustees annually, or at any other time requested on petition signed by 25 citizens of the city of Elsberry, Mo. It is to consist of the members and secretary of the board of directors of the Bank of Lincoln County, a banking corporation with offices at Elsberry, Mo., of whom the president of the bank and the secretary of the bank board is to serve as chairman and secretary, respectively.

The members of the board of trustees of the foundation serve without remuneration, expense allowance, or other compensation or emolument. No salary, fee, or compensation is to be paid to anyone associated with the foundation or anyone else for any service, executive, clerical, or advisory, and if such service cannot be provided without expense to the foundation, such service shall be dispensed with.

The board of trustees have full power and authority to manage, control, protect, sell, invest, reinvest, and keep invested all moneys, securities, and other property it receives under this trust, but such power is restricted at all times to such investments as are permitted by the laws of the State of Missouri for the investment of trust funds with the further restriction that the amount of the returns on an investment shall be subject and subordinate to the security of the investment. However, the board of trustees may purchase from the Bank of Lincoln County notes fully secured and of undoubted solvency but no loans shall be made, directly or indirectly, from the funds of the foundation to its officers or trustees or relatives thereof.

No portion of the principal funds of the foundation shall be expended for any purpose except for investment. A portion of the income realized from the investments of the foundation, not exceeding 50 percent of the annual net income realized from the investment of the principal funds of the foundation, may be dispensed annually as herein provided and the remainder of the annual income each year is to be added to and become a part of the endowment funds of the foundation. Should the principal funds of the foundation become impaired through losses, then no disbursements of any kind is to be made from income until the principal fund has been restored to the amount from which the loss was incurred.

The investment funds of the foundation are to be divided into 5 parts, as nearly equal as convenient, 1 of which 5 parts shall be invested in registered United States, State, school, or municipal bonds; 1 part in highest class triple A (AAA) industrial stocks or bonds; and 3 parts in unimpeachable real estate mortgages secured by deeds of trust accompanied by abstracts and insurance policies. No loans shall be made and no bonds, securities, notes or other investments shall be purchased for the foundation which have not first been submitted for examina-

tion to the cashier of the Bank of Lincoln County and after approval by him, approved by the unanimous vote of all members of the finance committee of the foundation. Lack of approval by any member of the finance committee shall serve to reject the proposed investment.

Annual committees are to be appointed, and chairmen of such committees designated, by the president of the board of trustees at the annual January meeting as follows:

1. Committee on allocation to churches, lodges, and library.

2. Committee on student award.

3. Committee on distinguished citizen award. (This committee is not announced and its personnel is known only to the president, who makes the appointment. If no award is recommended the identity of the committee is not made public. If an award is approved the names of the committee are announced simultaneously with that of the distinguished citizen receiving the award.)

4. The committee on undetermined purpose award.

At the annual July meeting of the board of trustees the total income from all investments of the foundation for the preceding calendar year, ending on the last day of December is to be computed and not less than half of the amount is to be added to the principal of the permanent endowment funds of the foundation until such permanent endowment shall have reached the sum of \$50,000. After the permanent endowment has reached the sum of \$50,000, such \$50,000 is then subject to such disposition as the board may determine.

At each annual July meeting of the board of trustees that portion of the annual income from the preceding year, remaining after the allocation to the permanent endowment has been deducted, is to be divided into 12 equal parts, 1 of the parts to be apportioned and delivered under the direction of the board of trustees to each of the following beneficiaries:

1. The board of elders of the Associate Reformed Presbyterian Church of Elsberry.

2. The board of deacons of the First Baptist Church of Elsberry.

3. The trustees of the Sacred Heart Catholic Church, of Elsberry.

4. The board of elders of the First Christian Church, of Elsberry.

5. The board of stewards of the First Methodist Church, of Elsberry.

6. The trustees of New Hope Lodge No. 103, A. F. & A. M., of Elsberry.

7. The trustees of Dead Wood Lodge No. 72, I. O. O. F., of Elsberry.

8. The treasurer of AI Chapter of P. E. O., of Elsberry.

9. The board of the Public Library, of Elsberry.

10. The resident of Elsberry, Mo., or vicinity, who in the judgment of the board of trustees has rendered the greatest public service during the past year, *provided such service is outstanding*, to be awarded at the annual homecoming or on other public occasion as may be determined by the board.

11. The graduate of the public high school for the current year who is scheduled to matriculate at an approved college or university for a 4-year course the following September, to be selected by the board of trustees, designation to be announced at the annual commencement when other class awards are made.

12. Some worthy purpose to be determined by the board of trustees but not to be added to any of the foregoing 11 allocations and not to be devoted to the same purpose any 2 years in succession.

Such allotments shall be dispensed by the beneficiaries to which allotted, for such purpose as they may choose, to be determined by boards or trustees or committees appointed by pastors or presiding officers or in any other manner they may elect, but should not be devoted to the same purpose 2 years in succession. It is our hope that they may prove, in time, nuclei about which may be developed extracurricular interests and activities not otherwise admissible in the annual budget.

If any beneficiary is not in position to accept an allotment, or if in the judgment of the board of trustees no beneficiary qualifies for any particular year, or if the amount of the allotment is insufficient to adequately provide for an award in any particular year, then by direction of the board of trustees such allotment is to revert to the foundation and be added to and become a part of the principal of the permanent endowment, or by direction of the board be held over for a year to supplement the amount of the allotment available for that purpose the succeeding year.

The allotments to high school graduates should be by check and the awards to distinguished citizens should be in the form of engraved jewelry, plaque, or piece of silver supplemented by citation by written or printed certificate. Such distinguished service may be contributed directly to the community or may be

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rendered through personal achievement in any field of endeavor which reflects credit on the community. It is not sufficient that it be good; it should be outstanding and the committee shall at the time the award is announced submit a written statement setting forth its reasons for making the award to the one selected. As it is hardly probable that awards for distinguished service can be made every year since they are limited to exceptional instances; when so omitted the amount for that purpose may be carried over to be added to that allocation for a subsequent year or may be covered into the permanent fund as the board of trustees may decide.

