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## TAXABILITY OF GIFTS TO THE UNITED NATIONS

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February 21 (legislative day, FEBRUARY 19), 1947.—Ordered to be printed

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

### REPORT

(To accompany H. J. Res. 121)

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 121) granting, in the case of income, estate, and gift taxes, deductions for contributions to the United Nations, having considered the same, report favorably thereon without amendment and recommend that the joint resolution do pass.

#### GENERAL STATEMENT

House Joint Resolution 121 is intended to facilitate the acquisition of a site in the city of New York for the headquarters of the United Nations. Under the resolution, gifts made in the period beginning December 2, 1946, and ending December 1, 1947, exclusively for this purpose, are made exempt from the Federal estate and Federal gift tax. Such gifts when made exclusively for this purpose in the period specified are also allowed as a deduction in computing net income for Federal income-tax purposes, to the same extent as gifts for public or charitable purposes.

Mr. John D. Rockefeller, Jr., obtained from the owners an option on a major part of a site located in New York City, which is very satisfactory. The site is the area between Forty-second and Forty-eighth Streets on the East River, Manhattan Island, New York City. He offered to donate to the United Nations the purchase price, specified in the option as \$8,500,000 on certain conditions, one being that the city of New York would donate to the United Nations that part of the site not covered by the option, and another being that Mr. Rockefeller's gift would be exempt from the Federal gift tax.

The city of New York agreed to acquire the balance of the site not covered by the option and to give it to the United Nations, and bills have been introduced in the New York Legislature, with the support of Governor Dewey, to enable this to be done, and also to exempt

the real property owned by the United Nations from real estate taxation in New York.

The enactment of this joint resolution will make the acquisition of such a site possible by exempting from the gift and estate tax donations made to the United Nations for such a site during the period beginning December 2, 1946, and ending December 1, 1947. Under the present gift-tax rates, which are imposed upon the donor, a donor making a taxable gift of \$8,500,000 is required to pay a gift tax ranging from \$3,700,000 to \$4,800,000, depending upon whether any prior gifts had been made. The top gift-tax rate is 57 $\frac{3}{4}$  percent. The estate-tax rates are one-fourth percent higher than the gift-tax rate if property was left to the United Nations by devise, the Federal estate tax will be \$6,545,000 if the entire devise was subject to the top bracket rate of the estate tax, which is 77 percent. The joint resolution also allows such gifts to be deducted by the donor for Federal income-tax purposes, subject to the 15-percent limitation. Under the present law, a gift to the United States or a State for exclusively public purposes, or a gift for charitable or educational purposes, is allowed as a deduction in computing income, subject to the over-all limitation that the deduction for all such gifts combined cannot exceed 15 percent of the taxpayer's income for the taxable year in which the gift is made. Under the joint resolution, gifts to the United Nations to facilitate the acquisition of a site in the city of New York are placed in the same category as public and charitable gifts if made after December 1, 1946, and prior to December 2, 1947.

It is important that prompt action be taken in view of the fact that Mr. Rockefeller's option on the land in question will expire on February 28, 1947.

#### DISCUSSION OF THE JOINT RESOLUTION

The following is a brief explanation of the joint resolution, section by section:

Section 1 of the joint resolution adds to section 23 (o) of the Internal Revenue Code, which allows deductions, in computing net income, for charitable and other contributions by individuals, a new paragraph to include among the designated beneficiaries the United Nations in the case only of gifts to be used exclusively for the acquisition of a site in the city of New York for its headquarters and made within 1 year after December 1, 1946.

Section 2 adds an identical paragraph to section 23 (q) of the Internal Revenue Code, which allows deductions in computing net income, for charitable and other contributions by corporations.

Section 3 adds to section 1004 (a) (2) of the Internal Revenue Code, which allows to citizens or residents of the United States deductions, in computing net gifts, for charitable and other gifts to designated beneficiaries, a new paragraph to include gifts to the United Nations under the same limitations as provided by the joint resolution in the case of deductions for income-tax purposes.

Section 4 adds an identical paragraph to section 1004 (b) of the Internal Revenue Code, which allows to nonresident aliens deductions, in computing net gifts, for charitable and other gifts to designated beneficiaries.

Section 5 amends section 812 (d) of the Internal Revenue Code (relating to deductions in computing the net estate of citizens and residents) and section 861 (a) (3) of such code (relating to deductions in computing the net estate of nonresident aliens) so as to allow the deduction of bequests, legacies, devises, or transfers to the United Nations to be used for the acquisition of a site in the city of New York in the case of decedents dying after December 1, 1946, and prior to December 2, 1947.

There are appended to this report (1) a message from the President of the United States urging the enactment of this legislation; (2) letter from the Secretary of State making a similar request; (3) a telegram from Governor Dewey, of New York, expressing the belief that appropriate legislation will be enacted by the State of New York, granting exemption from real-estate taxation to property owned by the United Nations; (4) telegram from Mayor O'Dwyer, of the city of New York, favoring the passage of legislation of the character provided for in this joint resolution, and expressing the desire of the city of New York to cooperate with the United Nations; (5) letter and memorandum from Mr. John D. Rockefeller, Jr., to the chairman of the permanent headquarters committee of the General Assembly of the United Nations, making an offer of \$8,500,000 to be used for the acquisition of the site in the city of New York; and (6) letter from Mayor O'Dwyer, of the city of New York, confirming his telegram and enclosing a copy of a resolution adopted by the Board of Estimate of the City of New York on December 13, 1946.

THE WHITE HOUSE,  
Washington, February 6, 1947.

Hon. JOSEPH W. MARTIN, Jr.,  
*Speaker of the House of Representatives,*  
Washington, D. C.

MY DEAR MR. SPEAKER: An offer of \$8,500,000 has been made to the United Nations for acquisition of a headquarters site in the city of New York, on the condition that the gift should be free of Federal gift taxes.

The United Nations desires to take advantage of this generous offer and has requested that the United States comply with the condition attached to this gift.

I heartily recommend that this Government comply with this request. It would appear that the most desirable method by which this gift could be freed from such taxes would be to amend the appropriate sections of the Internal Revenue Code. In addition to accomplishing the purpose of complying with the above offer, the effect of such an amendment would be to encourage other public-spirited citizens to make gifts to the United Nations.

I enclose herewith, for your consideration, copy of a suggested joint resolution which would accomplish the desired purposes.

I consider that the passage of such a resolution is definitely in the public interest, and I suggest that you bring this to the attention of the Congress at your earliest convenience.

Very sincerely yours,

HARRY S. TRUMAN.

DEPARTMENT OF STATE,  
Washington.

Hon. HAROLD KNUTSON,  
*Chairman, House Ways and Means Committee,*  
House of Representatives.

MY DEAR MR. KNUTSON: I should like to call your attention to the urgency of the joint resolution proposed by the President in his communication of February 6 which has been identified as House Document No. 96. This resolution would

amend the Internal Revenue Code to grant for income, estate, and gift tax purposes deductions for contributions to the United Nations.

One of the most difficult and important organizational problems confronting the United Nations has been the selection of its permanent headquarters. This Government was most gratified when the General Assembly decided in February 1946 to establish the headquarters in this country. One factor influencing this decision was the unanimous vote of both Houses of Congress on December 10 and 11, 1945, by concurrent resolution inviting the United Nations to locate the seat of the Organization within the United States.

The exact location of the headquarters in the United States was not determined until the second part of the first session of the General Assembly which concluded its deliberations last December. It became apparent in the course of the session that there was very strong sentiment among the various member nations for establishing the headquarters near the heart of a metropolitan district where there would be maximum accessibility to hotels and other essential metropolitan facilities. It was found that a site which very satisfactorily met these requirements was an area between Forty-second and Forty-eighth Streets on the East River, Manhattan Island, New York City.

Mr. John D. Rockefeller, Jr., obtained from the owners an option on the major part of this site for the benefit of the United Nations. He offered to donate to the United Nations the purchase price specified in the option, being \$8,500,000, on certain conditions, including donation by the city of New York of that part of the site not covered by the option and exemption of Mr. Rockefeller's gift from gift taxes. The city of New York has agreed to acquire the balance of the site and to give it to the United Nations together with the streets which traverse the site. Legislation enabling the city to do this is pending in the State legislature.

The option obtained by Mr. Rockefeller originally ran through January 10 only. It has been twice extended and now expires February 28. There is no assurance that the owners would grant a further extension and the United Nations is naturally reluctant to take up the option and incur a commitment for the purchase price unless it is assured that it would be able to receive the gift of the purchase price from Mr. Rockefeller. I hope the Congress will see its way clear to enact the necessary legislation before February 28.

Although the exemption from gift tax is the only one for which there is immediate urgency, it is the opinion of the Department that the policy involved would apply equally to deductions with respect to estate taxes and income taxes. The United Nations may be expected to receive other contributions and bequests from time to time. It is, therefore, suggested that the Internal Revenue Code be amended so as to place gifts or contributions to the United Nations in the same category as gifts or contributions to the United States, or to States, or governmental subdivisions thereof, for purposes of gift taxes, income tax, and estate tax. The proposed joint resolution would have precisely this effect.

Sincerely yours,

G. MARSHALL.

FEBRUARY 11, 1947.

HON. HAROLD KNUTSON,  
*Chairman, House Ways and Means Committee,  
The Capitol, Washington, D. C.:*

I am informed that you have asked the attitude of the State of New York concerning tax exemption for the United Nations in connection with its recent selection of a site in New York City. I am happy to advise you that bills have been introduced in the New York Legislature with the support of a special committee on United Nations matters, to grant exemption from real-estate taxation to property owned by United Nations, or other world-wide organizations, of which the United States is a member. It is my hope and belief that these bills will be passed, since the State is doing everything within its power to facilitate the work of the United Nations.

THOMAS E. DEWEY.

FEBRUARY 11, 1947:

HON. HAROLD KNUTSON,  
*Chairman, House Ways and Means Committee,  
The Capitol, Washington, D. C.:*

The city of New York urges passage of House Joint Resolution 120, to grant Federal-tax exemption for gifts to United Nations. Location of its permanent headquarters in New York City is of great value to the whole United States.

The city is cooperating with United Nations by supporting State legislation to grant its property exemption from real-estate taxes and assessments and to permit the city to acquire and deed to it additional land to complete the site. The New York City Board of Estimate adopted a resolution on December 13, 1946, of which I shall send you a copy, approving of such legislation. Exemption from Federal gift tax is essential to the gift of the New York site, and I hope it will be promptly enacted.

WILLIAM O'DWYER,  
Mayor, City of New York.

DECEMBER 10, 1946.

H. E. Dr. EDUARDO ZULETA ANGEL,  
Chairman of Permanent Headquarters Committee,  
United Nations, Lake Success, N. Y.

DEAR DR. ZULETA ANGEL: I have followed with deepest interest the effort of the United Nations to find a permanent home in the United States.

New York is a center where people from all lands have always been welcomed and where they have shared common aspirations and achievements. It is my belief that this city affords an environment uniquely fitted to the task of the United Nations and that the people of New York would like to have the United Nations here permanently.

For these reasons I have ventured to obtain a firm offer covering property located on the East River in the midtown area, which, should it serve your purpose, I would be glad to give to the United Nations. If this property can be useful to you in meeting the great responsibilities entrusted to you by the people of the world, it will be a source of infinite satisfaction to me and my family.

I am enclosing a memorandum setting forth the terms and conditions of my offer.

Sincerely yours,

JOHN D. ROCKEFELLER, Jr.

DECEMBER 10, 1946.

H. E. Dr. EDUARDO ZULETA ANGEL,  
Chairman of Permanent Headquarters Committee,  
United Nations, Lake Success, N. Y.:

This memorandum sets forth the terms and conditions of the offer made by me in my letter to you dated December 10, 1946.

I have acquired a firm offer from Webb & Knapp, Inc., to sell to the United Nations within 30 days from December 10, 1946, at \$8,500,000, the following property between First Avenue and Franklin D. Roosevelt Drive:

1. The western portion of the block between Forty-second and Forty-third Streets.
2. All of the four blocks between Forty-third and Forty-seventh Streets.
3. Two small parcels in the block between Forty-seventh and Forty-eighth Streets.

In addition representatives of the city of New York have assured me of the desire and willingness of the city to acquire and give to the United Nations the balance of the block between Forty-seventh and Forty-eighth Streets.

To make possible the acquisition of this property by the United Nations, should they decide to accept said offer and to make it the site of their permanent headquarters, I hereby offer to give to the United Nations the sum of \$8,500,000, on the following terms and conditions:

(a) That the gift shall be made at the time of the closing of the purchase of said property.

(b) That the city of New York shall agree to give to the United Nations Forty-third, Forty-fourth, Forty-fifth, Forty-sixth, and Forty-seventh Streets between First Avenue and Franklin D. Roosevelt Drive upon terms which shall permit the United Nations to close any or all thereof to passage and otherwise to use them for its own purposes without restriction or limitation.

(c) That the city of New York shall agree to acquire and give absolutely to the United Nations all the balance of that city block bounded by First Avenue, Forty-seventh and Forty-eighth Streets, and Franklin D. Roosevelt Drive not covered by the firm offer of Webb & Knapp, Inc.

(d) That the city of New York shall agree to give to the United Nations all rights to bulkheads and piers along the river frontage of the East River between Forty-second and Forty-eighth Streets.

(e) That each of the said agreements of the city of New York shall have been concluded in form satisfactory to the parties in interest at or prior to the time of the making of my said gift.

(f) That prior to the making of my said gift assurances satisfactory to my attorneys shall have been given to me that the said gift from me will be free and clear of all taxes of the United States, the State of New York, or any other taxing authority having jurisdiction with respect thereto.

JOHN D. ROCKEFELLER, Jr.

CITY OF NEW YORK,  
OFFICE OF THE MAYOR,  
New York, N. Y., February 11, 1947.

HON. HAROLD KNUTSON,  
*Chairman, House Ways and Means Committee,  
The Capitol, Washington, D. C.*

DEAR MR. KNUTSON: I confirm herewith my telegram to you of even date as per the enclosed copy.

I now enclose herewith a copy of a resolution adopted by the Board of Estimate of the city of New York on December 13, 1946. You will note that the Board of Estimate of the City of New York agrees to give the United Nations property in the beds of certain streets in the United Nations area, together with other property owned by private parties which will be condemned, and rights to various bulkheads and piers, and resolves that the board of estimate will do everything possible to carry out the provisions of the resolution.

I send this resolution to you to indicate the greater desire of the city of New York that everything possible be done to locate the United Nations in New York City.

Sincerely yours,

WILLIAM O'DWYER, *Mayor.*

[Enclosure.]

FEBRUARY 11, 1947.

HON. HAROLD KNUTSON,  
*Chairman, House Ways and Means Committee,  
The Capitol, Washington, D. C.*

The city of New York urges passage of House Joint Resolution 120, to grant Federal tax exemption for gifts to United Nations. Location of its permanent headquarters in New York City is of great value to the whole United States. The city is cooperating with United Nations by supporting State legislation to grant its property exemption from real-estate taxes and assessments and to permit the city to acquire and deed to it additional land to complete the site. The New York City Board of Estimate adopted a resolution on December 13, 1946, of which I shall send you a copy, approving of such legislation. Exemption from Federal gift tax is essential to the gift of the New York site, and I hope it will be promptly enacted.

WILLIAM O'DWYER,  
*Mayor, City of New York.*

Whereas an offer has been made to the United Nations by Mr. John D. Rockefeller, Jr., to donate the sum of \$8,500,000 for the purpose of making available to the United Nations as a permanent headquarters a site within the Borough of Manhattan, located and bounded by Forty-second Street, Forty-eighth Street, First Avenue, and the East River, and shown upon the map annexed hereto.

Whereas such offer and the conditions upon which it has been made to the United Nations are set forth in a memorandum dated December 10, 1946, addressed to Dr. Eduardo Zuleta Angel, chairman of Permanent Headquarters Committee, and signed by Mr. John D. Rockefeller, Jr., a copy of which is hereto annexed; and

Whereas such conditions require that the city of New York agree to give certain public streets traversing the area to the United Nations upon terms which will permit the United Nations to close such streets or otherwise restrict their use for its own purposes, and that the city agree to give to the United Nations certain other real property within the site area and certain rights to bulkheads and piers along the river frontage between Forty-second and Forty-eighth Streets, all as more particularly set forth in the said memorandum dated December 10, 1946; and

Whereas the United Nations has indicated its wish to accept the said offer if the city will agree to the conditions imposed; and

Whereas the members of the Board of Estimate of the City of New York are unanimously desirous of cooperating fully in accepting the conditions imposed relating to action by the city of New York in order to promote and make possible the acceptance of said offer to make available such permanent headquarters site to the United Nations in the city of New York Now, therefore, be it

*Resolved*, That the Board of Estimate of the City of New York, in accordance with the conditions contained in said offer, agrees:

1. To give to the United Nations Forty-third, Forty-fourth, Forty-fifth, Forty-sixth, and Forty-seventh Streets between the east boundary of First Avenue and the west boundary of Franklin D. Roosevelt Drive upon terms which shall permit the United Nations to close any or all thereof to passage and otherwise to use them for its own purposes without restriction or limitation.

2. To acquire and give absolutely to the United Nations all the balance of that city block bounded by First Avenue, Forty-seventh Street, Forty-eighth Street, and Franklin D. Roosevelt Drive not covered by the firm offer of Webb & Knapp, Inc.

3. To give to the United Nations all rights to bulkheads and piers along the river frontage of the East River between Forty-second and Forty-eighth Streets: And be it further

*Resolved*, That the board of estimate will take all steps and adopt all measures necessary in the exercise of its powers, and will recommend action and legislation by other agencies, if necessary, in order to carry out the provisions herein set forth.

