

1936

3/27

MEMBERS

Publications

✓ TAXATION

Government Relations

MATHEMATICS

Academic Activities

Flexner to Veblen.

He regrets that it is impossible for him to make any commitments, even conditional, regarding further stipends or appropriations. The financial situation of the fund is complicated by the uncertainties in Washington and the tax situation in New Jersey--"We hold \$3,000,000 worth of tax-exempt securities, and the New Jersey Legislature and the governor are at loggerheads??, so that there is no telling how much our income from this source will shrink."

He goes on to say that short of a financial earthquake we are safe from financial worry, and that the other schools are asking for additional appropriations to which he would have to accede if he yielded to this one from the School of Mathematics.

File IV-20

2/16

2/17

7/8

ARCHAEOLOGY

Academic Activities

TAXATION

Government Relations

GOLDMAN, HETTY

Biographical

GOLDMAN, JULIUS

Julius Goldman to Flexner, February 16, 1938.

Goldman writes to ask whether or not the \$20,000 he contributed to the Institute for the excavations of his daughter are exempt from taxation on charity account.

Flexner replies, February 17, 1938, that the Institute is exempt from taxation as it is an institute operating in the field of higher education and without profit. Our imports in the way of books, and so on, are admitted free of duty because of the character of the Institute. Therefore, he concludes that Julius Goldman does not have to pay income tax on the amount contributed toward his daughter's excavations to the Institute.

D File, Goldman, Hetty, 1936-44

1941-1947

SCHOOL OF HUMANISTIC STUDIES

Academic Organization

✓ TAXATION(VICTORY TAX)

Government Relations

GENERAL (WORLD GOVERNMENT)

Government Relations

ECONOMICS

Academic Activities

CATLIN, GEORGE

Biographical

RIEPLER, W. W.

MAYER (HOUSE PURCHASE, ETC.)

Letters and memoranda regarding above headings in
Aydelotte file (Elsa Jenkins) 3/19/57, File No. 1.

1941

8/5

WORLD WAR II

Government Relations

LEAGUE OF NATIONS

✓ INCOME TAX

The individual officials of the United Nations Missions were held liable to the income tax in this country, and the circumstances were such that apparently the League did not feel like moving to get a reversal of the ruling (Quoted in a letter from Sumner Wells to Hambro, See Hambro, August 5, 1941, reversed).

D- League of Nations (Correspondence re income tax status)

1941

10/22

WORLD WAR II (LEAGUE OF NATIONS TECH. SERV.) Government Relations

✓ TAXATION

Regarding taxation (Income) of League of Nations personnel
in U. S. A.

Letter filed in Chronological file under 1941, 10/22.

D, League of Nations, Correspondence re Income Tax

1942

12/23

TAXATION

Government Relations

BENEFITS

Academic Personnel

Memorandum on "What is Taxable Income to an Annuitant Under the U. S. Tax Laws?" put out by the TIAA.

Filed in Vertical File under "T" for Taxation.

A, 10/18/56, Committee on Pensions, Executive Committee and Board Minutes, File No. 55

1944-1947

TAXATION (STATE)

MAASS, HERBERT H.

Government Relations

Biographical

Nearly 1/2 million dollars of inheritance tax paid to the State of New Jersey on the Bamberger and Fuld estates--Maass (p. 2) (Not all, presumably. Other bequests matured later).

Trustees' Minutes, 10/9/47

1944

5/1

~~TAXATION (INHERITANCE)~~

Government Relations

AYDELOTTE, F.

Biographical

Institute exempt from Federal Inheritance Tax. New Jersey tax applicable at 5% if Institute a "charitable institution." Otherwise 16%.

Faculty Minutes, p. 62

5/17

✓ TAXATION (NEW JERSEY)

KINER Government Relations

FOUNDERS

Corporation

Walter H. Farrier to Aydelotte, May 17, 1944, regarding
taxation.

Letter filed in Chronological file under 1944, 5/17.

D File, Bamberger, Estate of

1945

7/27

FOUNDERS

Corporation

GIFTS

Finance

✓ TAXATION (N. J. GIFT)

Government Relations

HARDIN, CHARLES R.

Biographical

Hardin to Aydelotte.

New Jersey Transfer Inheritance Tax Bureau investigating gifts made during life founders to I. A. S. ^{ed?} Hearings conducted July, 1945 to ascertain whether gifts made in contemplation of death. (Reason why Flexner did not disclose university plan January 21, 1930? No. ^M Mentioned codicil in book.) Aydelotte's notes cite I Remember but only as to long-range plan.

Outcome not divulged in file.

D. L. Bamberger Estate

1945

9/1

GIFTS

✓ TAXATION

AYDELOTTE, P.

Finance

Government Relations

Biographical

Aydelotte to Leidesdorf, September 1, 1945.

Young Mr. Hardin has notified Aydelotte of a hearing before the tax authorities in Newark on September 14th, concerning Mr. Bamberger's will. Apparently the tax authorities want to assure themselves that the Institute is a philanthropic organization and that Mr. Bamberger's bequests to it were not made at the last moment in expectation of death. Aydelotte will attend and explain the Institute.

gifts

D, Leidesdorf, Samuel, D., 1930-1935

1945

12/18

✓ ~~GENERAL~~ (TAXES--NEW JERSEY)

SCHAAP

Government Relations

Biographical

Reported \$500,000 plus ^m inheritance taxes on Mr. Bamberger's estate to New Jersey which has abandoned claim for inheritance tax on gifts made before his death.

would be paid

*following a hearing -
Sept. 24 which Dr. Appelrod*

Executive Committee Minutes, 12/18/45, p. 5

1946

1/7

GENERAL (NEW JERSEY BATTLEFIELD PARK)

Government Relations

✓ TAXATION

MAASS, H. H.

Biographical

MORSE

AYDELOTTE, F.

See also Minutes 12/18/45

Riefner

In accordance with Aydelotte's wishes, Morse who was going to see Brakley the next day on the Battlefield Park will say that Aydelotte and the Standing Committee have under consideration a possible gift to the Park Commission of 12 acres bordering the lower end of Blackwell Smith property. It is specially understood that the gift would have formally to be made by the Board of Trustees, and Morse will transmit to Brakeley the conclusions of Aydelotte regarding appropriate plan for the park. Mr. Bamberger promised to inform Mr. Maass and Mr. Ladiesdorf of the reasons back of this. (Bamberger was meeting with Morse Panofsky and Riefner), and to inform the Standing Committee of

*Not Brakley
Com. Dec 18/45*

X

the reaction of Maass and Leidesdorf.

Action on the New Jersey tax on the inheritance from Mr. Bamberger was discussed at length. Morse recalled that Aydelotte had already discussed with Gabrielson "the possibility of amending the State laws regarding inheritance on philanthropic institutions." so that they might be exempt without an antecedent gift from the State. It was hoped that such a law might be passed retroactively as far as the Institute was concerned. Aydelotte's and Morse's suggestion that Gabrielson be asked to act as an agent in presenting such a measure to the Legislative Committee was not approved by Mr. Maass who obtained information from Mrs. Thompson which led him to believe that more influential representatives could be employed than Mr. Gabrielson. The Legislature was about to convene; action should be prompt. Mr. Bamberger was asked to take the matter up with Mr. Maass as Chairman of the Executive Committee and Mr. Schaap as one of the Executors of the Bamberger estate and to find out what action was contemplated.

Riefler urged it was desirable to act with the approval of such institutions as Princeton University and other state institutions of like character, and in consultation with local officials and representatives of the State Legislature. But Morse pointed out that such approval could not be obtained in the short time before the Legislature convenes and that if action is to be taken it will have to be taken without such general approval. "The Standing Committee acts in this instance merely as a medium to transmit the views of Dr. Aydelotte to urge the importance of some action in this matter and to cooperate with Mr. Bamberger in obtaining a full and mutual understanding of the question among the Standing Committee, the Trustees, and Mr. Bamberger's executors.

~~Standing Committee is acting to transmit Aydelotte's views and to cooperate with Mr. Bamberger in obtaining full and mutual understanding of the question among the Standing Committee, the Trustees and Mr. Bamberger's executors, the last mentioned of whom have full authority to take action.~~
D, Minutes Standing Committee of the Faculty, 1940-1946

1946

3/20

✓ TAXATION (NEW JERSEY INHERITANCE)	Government Relations
BATTLEFIELD PARK (GENERAL)	Government Relations
SALARIES	Academic Personnel
MORSE, MARSTON	Biographical
MAASS, H. H.	

Morse to Aydelotte regarding above.

Report on Executive Committee Meeting, March 20, 1946.

Filed in Chronological File under 1946, 3/20.

A, 10/18/56, Dr. Aydelotte

1946

4/29

PARTICIPATION IN ADMINISTRATION

Academic Personnel

NEW JERSEY BATTLEFIELD PARK

Government Relations

✓ TAXATION

GENERAL (NAME)

Corporation

BAMBERGER, LOUIS

Biographical

Aydelotte reported the New Jersey Legislature had appropriated \$100,000 for the Battlefield Park. The Institute had taken no question action on a grant of land to the Park. "The action of the State on the question of the Institute's taxes will, of course, have some bearing on the size of the Institute's gift." In this connection and also because of the constant confusion of the Institute for Advanced Study with Princeton University, it was suggested that the name of the Institute might be changed to 'The New Jersey Institute for Advanced Study.' This name was that Mr. Louis Bamberger had favored. An alternative suggestion was 'The Mercer Institute for Advanced Study.'

D, Minutes Standing Committee of the Faculty, 1940-1946

1946

5.3

✓ TAXATION (NEW JERSEY)

Government Relations

Aydelotte spoke hopefully about the possibility of a retroactive bill to allow New Jersey to refund some of the taxes paid on the Bamberger and Fuld Estates.

Aydelotte ~~ax~~ expressed the opinion it would be an asset to the Institute to make the contribution liberal to Princeton Battlefield Park. Veblen disagreed

Faculty Minutes 5/3/46

1946

5/20

NEW JERSEY BATTLEFIELD PARK

✓ TAXATION
GABRIELSON

Government Relations

Biographical

AYDELOTTE

Standing Committee: Morse, Panofsky and Riefler, Bamberger, Aydelotte--Aydelotte reported on a conversation with ~~xxxx~~ Gabrielson concerning a possible refund by the State of New Jersey of the Institute's inheritance taxes. Gabrielson optimistic and his request was that the members of the faculty and the Board leave the matter entirely to him. "He declined the offer of the Institute to retain him as counsel and added that he was glad to do what he could as a service to education in the Institute." It was Gabrielson's opinion that any ~~xxxxxx~~ move to change the name of the Institute shall be initiated by the New Jersey Legislature. "He also advised the Institute to move slowly in the matter of donating land to the Princeton Battlefield Park."

"⁺There was some discussion by the Committee of whether the Institute should give some special recognition to the State

Red herring

of New Jersey in the event that the latter should refund the inheritance taxes paid by the Institute. It was suggested that special living quarters might be set aside for citizens from New Jersey or that the Institute might sponsor a series of lectures of special interest to the people of New Jersey."

D, Minutes of the Standing Committee, of the Faculty, 1940-1946

1946

8/21

HOUSING

Facilities

✓ TAXATION (Township of Princeton)

Government Relations

Executive Committee decided 4/21/46 on location of Mineville houses as finally placed; Trustees ratified 10/18/46.

Decided on advice to make contribution to Township in lieu of taxes. Ratified by Board

Exec. Comm. Mtg. 8/21/46 pp. 1-3

1946

9/16

✓ GENERAL

Government Relations

Aydelotte reported that the Governor is pressing contribution from the Institute for the Battle of Princeton Park, and has asked for a large gift of land. Neighbors on Mercer and adjoining streets would prefer a small park which contributes to the Institute's stand.

D, Faculty Minutes, September 16, 1946

1946

10/18

✓TAXATION

Government Relations

After some discussion it was decided to give a gift of \$1,000 to the Princeton Township in lieu of taxes for the fiscal year 1947.

Tr. Min. 10/18/46 p. 7

1946

10/18

/TAXATION (Township)

Government Relations

Taxes on IAS land not surrounding tax-exempt buildings \$2000 - \$2500 per year.
The \$1000 in lieu payment is in proportion with Princeton University's \$9500 per year
in-lieu payment

1948

1948 - 1949 - 1950 - 1951 - 1952 - 1953 - 1954 - 1955 - 1956 - 1957 - 1958 - 1959 - 1960 - 1961 - 1962 - 1963 - 1964 - 1965 - 1966 - 1967 - 1968 - 1969 - 1970 - 1971 - 1972 - 1973 - 1974 - 1975 - 1976 - 1977 - 1978 - 1979 - 1980 - 1981 - 1982 - 1983 - 1984 - 1985 - 1986 - 1987 - 1988 - 1989 - 1990 - 1991 - 1992 - 1993 - 1994 - 1995 - 1996 - 1997 - 1998 - 1999 - 2000 - 2001 - 2002 - 2003 - 2004 - 2005 - 2006 - 2007 - 2008 - 2009 - 2010 - 2011 - 2012 - 2013 - 2014 - 2015 - 2016 - 2017 - 2018 - 2019 - 2020 - 2021 - 2022 - 2023 - 2024 - 2025

1948 - Bill for Exempt
this period

1946

11/18

✓ TAXATION

Government Relations

Aydelotte reported the Trustees had accepted his recommendation to pay \$1,000 a year to the Township of Princeton in ~~view of~~ lieu of taxes, in recognition of the tax-exempt status of the Institute.

D, Faculty Minutes, November 18, 1946

1946

11/19

HOUSING

Facilities

✓ TAXATION

Government Relations

Report of the Director (p. 3 of Minutes). ^{Ad} Proposed gift
to the Township of \$1,000 in lieu of taxes. Township officials

appreciative.

It was done.

Minutes, Executive Committee, 11/19/46

1947

4/18

PARTICIPATION IN ADMINISTRATION
(Pages 1-3)

Academic Personnel

MEMBERS (PERMANENT) (Page 4, Pages
12 & 13)

BUILDINGS AND GROUNDS (Page 10)

Facilities

LIBRARY (Page 5)

PRINCETON UNIVERSITY (Page 5)

Relations WPAI

APPLIED SCIENCES (Page 6)
ORIENTAL STUDIES (Pages 7-9)

Academic Activities

LECTURES (Pages 9 & 10)
STIPENDS (Page 13)
GENERAL (Page 11)

Academic Procedures
Academic Personnel
Public Relations

✓ TAXATION (Inheritance State)

Government Relations

Report of the Director to the Trustees, April 18, 1947.
Filed under Chronological File 1947, 4/18 and next five headings.

Trustees' Minutes, Report of the Director, April 18, 1947.
Appendix I

1947

October

PARTICIPATION IN ADMINISTRATION

Academic Personnel

✓ INCOME TAX

Government Relations

LEVY, DAVID J.

Biographical

See note on School of Mathematics and Reidemeister on
test case.

D, Income Tax Reidemeister

1947

10/6

GIFTS

Finance

✓ TAXATION (W. J. INHERITANCE &
ESTATE TAXES)

Government Relations

SIVIAN

Biographical

AYDELOTTE, P.

Aydelotte to Schmidt and Bourne. Sivian's executors (or attorneys for same) evidencing surprise that information given 18 months before as to name of Institute should result in gift. (C. f. with statement of Aydelotte at Trustees' meeting that he had nursed it along).

Also to Gabrielson regarding inheritance tax law.

*als. to Fulton 10/7 later credit for sivi-
bequest*

A, 10/18/56, File #43

1947

10/9

✓ GIFTS (SIVIAN)

Finance

✓ TAXATION

Government Relations

Maass authorized by Board to press for special New Jersey law to exempt I. A. S. from state inheritance tax. Half million paid already by I. A. S. on inheritance tax on Bamberger-Wald estates.

Trustees Minutes, p. 1-2 (10/9/47)

1947

12/16

R

TAXATION

Government Relations

"A draft legislation exempting Rutgers, Princeton University and the Institute from inheritance and estate taxes was completed; further work on this was in Mr. Maass' hands.

"Payment of Federal income taxes by some members with stipends was under study by Mr. Maass, and the question would be referred to the Bureau of Internal Revenue for ruling."

Tr. Min. 12/16/47 p. 9

1948

2/10

✓ TAXATION (STATE GIFT)

✗ Government Relations

The Committee decided for the time being to leave in Dr. Sly's office at Princeton University negotiations on a bill proposed at the New Jersey Legislature exempting educational institutions in New Jersey from gift taxes, with no retroactive action or restitution possible.

4/15/48 Bill reported favorably in Senate; doubt passage of State piece.

11/16/48 Mass presented request for ^{for} \$100,000 for 19 acres for Park Bd decided prop. need w/ \$100,000 - Gov felt they couldn't approve gas of it. (I wish had the 9th Ave West + North)

Executive Committee Meeting Minutes, February 10, 1948

1948

2/10

✓ TAXATION (LOCAL)

Government Relations

The Township of Princeton has made the Institute housing area subject to tax. Assessments on buildings and land amounted to \$77,500 and the tax for 1948 will be \$2,619.50, together with the \$1,000 a year which the Institute was paying to the Township.

Executive Committee Meeting Minutes, February 10, 1948

1948

May

✓ TAXATION (INCOME)

Government Relations

MEMBERS

Academic Personnel

ASSISTANTS

Levy's

David King's income tax study - members and assistants.
See files.

1948

5/5

✓ TAXATION

Government Relations

LEVY (MAASS OFFICE)

Biographical

Levy to Oppenheimer.

Institute is as an educational corporation exempt from the payment of income tax of the filing of returns upon its income by virtue of Internal Revenue Code, Section 101 (6) and by specific ruling of the Commission of Internal Revenue dated May 25, 1931, confirmed by further ruling dated March 28, 1938.

Nevertheless, the Institute is not exempt from the provisions of income tax law requiring withholding of income tax by "every employer making payment of wages..." Employer is defined as "the person ~~xxx~~ for whom an individual performs... any services."

There is no question that on salaries and compensation paid to the staff, the faculty and the assistants, income tax is payable.

As to members must distinguish between "permanent members" who have academic appointments for their whole career, and those whose appointments ~~are~~ are for shorter periods

for the purpose of pursuing their own studies either alone or in concert. "It is said that members including permanent members who are not also on the faculty neither perform nor are expected to perform any services for the Institute nor are they under any obligations in that respect."

Levy has concluded after study that the question of taxability of income to various members and the responsibility of the Institute to withhold such taxes the conclusion can only be arrived at case by case upon each individual set of facts. The question is whether or not it is compensation or gift. The determining factor as stated in many cases is the intention of the parties, that is the payor and the recipient, as to underlying aims, motives and incentives as disclosed by testimony of the parties; the basis and reason for the payment; the payor's characterization and treatment of the items in its returns and books, the terminology of authorizing resolutions, in the surrounding circumstances. "If no services were contracted for or rendered by the recipient, then the payment would normally be a gift; conversely the fact that the recipient was expected to or did render services would indicate the payment was intended as compensation."

Clearly, the statement of the founders in their letter to the Trustees, June 6, 1930, indicated aid to those who came to study subventions were to be gifts. But other facts occur in individual instances which affect the question and cast doubt upon the attitude of the Bureau of Internal Revenue should the question arise. He cites them:

(1) James Alexander--Prior to December 16, 1947, a professor; thereafter on leave of absence of indefinite duration and appointed a member with a stipend of \$7500 a year. The Institute agreed to continue contributions to TIAA. Claimed he has been relieved of all administrative and other duties, and now performs no services for the Institute. Levy thinks the case is one properly for the review of the Revenue authorities.

(2) John C. Cooper--Five-year membership, July, ~~1944~~ 1945. Stipend \$4,000 a year augmented by \$2,000 a year supplied by Rockefeller Foundation. Cooper has reported his stipend in the past but not as taxable income. Levy's opinion not taxable.

(3) Hans Swarzenski--Five-year appointment, July, 1947 with a "salary" of \$4,000 plus TIAA contributions. Reported to do independent research superseding prior status as an assistant to Professor Panofsky. Appointment resolution February 18, 1947 refers to payment of "salary" but appointment letter of the Director refers to it as "stipend." Director also stated that under a ruling of the Bureau of Internal Revenue the stipend would be free of income tax. Levy says that would be decided when it comes up, if comes up.

(4) Abraham Pais--Five-year appointment December, 1945. Stipend \$1,800 then, increased December, 1946 to \$2,500, increased in June, 1947 to \$6,000. Independent researcher in physics. The letter from the Director dated August 22, 1947 (evidently for ~~immigration~~ visa purposes) refers "to the nature of your duties at the Institute" and that he will be expected...to participate in the training of younger physicists and from time to time to give courses and instruction...
If the letter is correct, the stipend is taxable, if the letter is not correct, the stipend is not.

(5) Kurt Weitzmann--Bad terminology referring to permanent status with tenure to salary plus TIAA and the fact that Weitzmann's income from the Institute has been in the past treated as taxable by both the Institute and the University make it desirable to continue withholding taxes in this case even though it is no different in essence from those of Alexander and Swarzenski.

& (7) and Niels Bohr--

(6)/ Kurt Godel had received TIAA from the time of his appointment as permanent member. Bohr had not, of course. Terminology mixed in both cases, Bohr being appointed as Visiting Professor to work with members, give lectures and so forth. Both have been treated as taxable incomes and Levy thinks correctly so.

(8) Dirac--appointment of faculty 1947, Visiting Professor 1947-48, Salary \$12,000. Under the provisions of a tax treaty between United States and United Kingdom residents of the United Kingdom teaching here at the university or college are exempt from taxation on the income from such services if they are temporarily in the United States for a

period not in excess of two years. "This case appears to come within the treaty, and for that reason alone the payments appear to be non-taxable." Levy suggests obtaining ruling from the Internal Revenue Bureau on the ground that Dirac will probably be in the country in the United States cumulatively more than two years, though individual visits may not be two years.

(9) Wade-Gery--~~is~~ Visiting Professor 1947-48, salary \$6,000 plus addition to cover certain expenses. Appears to come within the British Tax Treaty, income therefore ~~non-taxable~~ should be treated as non-taxable.

(D) Mitrany--~~is~~ Appointed May, 1946 for one month's consulting work each year--not taxable either in all probability/ ~~is~~ Under broadest interpretation of the Treaty.

(11) Walther Mayer--Originally appointed 1932; present appointment is apparently technically as Assistant to Dr. Einstein. Letters uniformly refer to his payments as salary. Income has been treated as taxable. Continue to do so.

(12) ~~Nikahik~~ Nicolaas Hendrik ~~ø~~ Kurper (Kuiper??)--Has been treated as an assistant--salary taxable withholding. Actually the case appears to be clearly a stipend and payments non-taxable. Withholding should be discontinued.

Levy made further recommendations in connection with all future appointments and arrangements correspondence, minutes and resolutions, appointment letters and all other writings should be phrased appropriately; the word salary or compensation to be used only where clearly appropriate and that even the use of the term stipend be discontinued and be replaced by a word more clearly reflecting the non-compensatory character of the payment, for instance, grant, grant-in-aid, subvention, or scholarship.

Recommends ~~ø~~ that the Institute refrain in all doubtful cases from making any representation to the member as to whether the payment to him will be taxable or non-taxable, and also that the Institute do everything necessary to insure that whenever any member whose case may affect ~~nikahik~~ those of others at the Institute should take any step, or have any

communication from the Revenue Authorities, which may involve the problem to which this letter is directed, you be notified promptly, and are afforded the opportunity to consult and advise and to participate if necessary.

D, Income Tax, Committee on

1948

11/11

PARTICIPATION IN ADMINISTRATION

Academic Personnel

✓ TAXATION (FEDERAL)

Government Relations

MEMBERS

Academic Personnel

Oppenheimer to Members from the Occupied Zones:

 Informs them that the Institute is not reporting stipends because they are not salaries, but aids to further academic work. If any member has a surplus of these funds left over, he should return them to the Institute, for if he attempts to transfer them abroad, the Federal government will tax his whole stipend.

Faculty Minutes, page 202

1949

4/15

✓ TAXATION

Government Relations

The question of income tax exemption on Institute grants was felt by the Director to be worrisome since several permanent members continued to have apprehension about their tax status. It was suggested that the problem be discussed and a test case be presented to the Internal Revenue Service for ruling.

Tr. Min. 4/15/49 p. 3

1949

4/19
~~4/9~~

✓ TAXATION

GOVERNMENT RELATIONS

The Director reported at Faculty Meeting that the problem of whether or not Institute grants, particularly in the case of permanent members, should be taxed. The Chairman of the Board of Trustees had suggested that a test case might be presented to the Internal Revenue Service. Discussion followed: Professor Alexander had expressed willingness to have his case a test one. The faculty gave its concurrence to the proposal that a ruling would be asked on one or two typical cases.

Faculty Meeting Minutes, April 19, 1949, File V-1

1949

11/1

✓ TAXATION (FEDERAL INCOME)

STIPENDS
GRANTS-IN-AID

Government Relations

Academic Personnel.

A ruling of the Commissioner of Internal Revenue held that a recipient of a fellowship who is working for his degree is not taxable for it. But "when a recipient of a fellowship has completed his general education (Ph. D.) and pursues a career in his chosen field of endeavor for which he receives remuneration, the amount so received constitutes income for services rendered and is required to be included in gross income for Federal income tax purposes."

At the same time a fellowship awarded to an M. D. to enable him to engage "in surgical training and possibly in research in a special field in connection with the furtherance of his educational advancement along lines which are of benefit to the general public"...such a reward the Internal Revenue Bureau considered a gratuity and not compensation for services, since it was not rendered to better any particular individual, and was not required in another decision to be included in the gross income for federal income tax purposes.

D, Income Tax, Taxability of Grants, 1950

1950

3/6

✓ TAXATION (FEDERAL INCOME)

Government Relations

On March 6, 1950 Oppenheimer presented a request for ruling for classes a, b, and c, of Institute members by name and by circumstance. A, one year or less. B, one year or more, and C, permanent members. He asserted: "The members and the specific permanent members whose names appear ~~xxx~~ upon Exhibit C are not under the control of the Institute in any way either as to time, scope or manner in which they do their work. They are free to pursue their studies or research completely at their will; they have no duties; they are not responsible in any way for the policies or functioning of the Institute. Under no obligation to return to the Institute for any purpose after the expiration of their invitation. The product of a study or research conducted by them e. g. writings or inventions remains at all times the sole property of the member without any right, title interest therein on the part of the Institute which does not even publish their works.

This was accompanied by a memorandum on the facts and law by Levy.

D, Income Tax, Committee on

120

8/11 10/11

1921

BUILDINGS AND GROUNDS

Facilities

1923

GIFTS

Finance

1925

✓ TAXATION (STATE)

Government Relations

Letter of August 11, 1950, Governor Alfred E. Driscoll to Dr. Oppenheimer, answering Oppenheimer's of April 24, which stated that the Trustees are without power or authority to give land to the battlefield monument.

The Governor writes bitterly that the action of the Board is "disappointing and unsatisfactory." He refers back to the time when a representative of the Institute asked his ~~amxix~~ support for a law to ~~authorize~~ authorize a certain tax-exempt privileges for the Institute. He agreed with the program, and recommended that the Legislature adopt the legislation, and approved it when it was adopted. The Institute through its representative assured Governor Driscoll of its appreciation and the hope that it could someday repay the debt. "Thus far there has been little evidence of any real appreciation on the part of the Institute. Perhaps the whole subject should be reconsidered again." (Blackmail?)

Also see Oppenheimer to Driscoll, October 21, 1950. Oppenheimer says that the tax-exempt provisions benefited other educational institutions in the State of New Jersey: that in the memory of no Trustee was the Institute's ceding of ~~of the state land for the use of a~~ the state land for the use of a battlefield monument a condition of the consideration or support of the legislation granting the tax-exempt status. The Board of Trustees, as a matter of fact, directed Oppenheimer to communicate to the Governor, "their unequivocal dissent from the views expressed in your letter."

As a further matter of fact, there is nothing extraordinary about the tax-exempt status enjoyed in New Jersey by the Institute. Other states grant similar tax-exempt status to educational institutions. Furthermore, the Trustees were of the opinion that the large estate taxes, already paid by the Institute to New Jersey not equitable, and that the legislation granting future exemption was rather less than more than the minimum requirement of the state in its relations with its educational institutions.

However, the Chairman of the Board, Mr. Maass, is willing to go over all the questions raised in the Governor's letter, and Mr. Maass will meet with the Governor for this purpose.

Driscoll to Oppenheimer, October 23, 1950. Regardless of the memory of the Trustees, their views do not alter the facts. Irrespective of the propriety of the state's action in exempting from taxes the Institute, "very definite representations were made at the time the legislation was under consideration. He says this has been confirmed to him just recently.

October 25, 1950, Oppenheimer to Driscoll. In view of the Governor's insistence that a promise was made, he will have to refer the ~~correspondence~~ correspondence to Mr. Maass who has been from the beginning had under consideration both of the problems to which the Governor refers: the relief of the Institute from taxation under the statutes of New Jersey, and the problems of cooperation with the battlefield memorial and the state's plans for it.

Maass to Driscoll, October 25, 1950, citing himself as "one of the Founders ~~XXXXXX~~ of The Institute for Advanced Study, and have been Chairman of the Board since 1942." He is at a loss to understand the Governor's suggestion of promise or intimation of gift to the State. He points out that the Institute paid the estate tax to the state in the case of Mr. Bamberger, and there was no immediate benefit, therefore, deriving from the legislation, but it might be expected in future cases. He says he had nothing to do with that legislation, since it was handled by Dr. Aydelotte, by Mr. Gabrielson, and later by Dr. Oppenheimer. He certainly knew of no one authorized to make promises, and so forth.

His main complaint about the requests on behalf of the Battlefield Commission is that they are asking for 21-1/2 acres of the best land the Institute possesses; namely, lands which are definitely involved in future plans of the Institute. He suggests that it will be well to meet and discuss a smaller gift or lease of land and in a different location where it does not conflict with the Institute's plans.

Trustees' Minutes, October 20, 1950, Volume 6

1950

9/27
9/28

✓ TAXATION (FEDERAL INCOME)

Government Relations

STIPENDS

Academic Personnel

GRANTS-IN-AID

See Levi's memorandum September 27, 1950, on appeal filed by the Institute on the taxability for income of fellowships and stipends and Oppenheimer's letter September 28, 1950.

D, Income Tax, Taxability of Grants, 1950

1950

11/3

✓ TAXATION

EARLE, E. M.

OPPENHEIMER, R.

Government Relations

Biographical

Earle said that Dollard, Carnegie Corporation, with whom he discussed the question of tax exemptions on fellowships and academic stipends, said that the Guggenheim Foundation and others with the Carnegie Corporation, had retained Roswell Magill to protect the interests of academic institutions in general. Dollard thinks individual institutions may muddy the waters, and it might be well if Oppenheimer would talk with Bodds who knows all about the Magill arrangements, and might participate in taking advantage of Magill's services.

D, Earle, Edward M., 1945

1951

January - September

GENERAL

Academic Personnel

✓ TAXATION

Government Relations

GRANTS-IN-AID

Academic Personnel

STIPENDS

Correspondence between the U. S. Treasury Department and
Oppenheimer regarding the taxability of grants.

Filed in Vertical File under "T" for Taxation.

D File 2

1951

~~September~~ August

✓ TAXATION

Government Relations

General Revenue Ruling 4056 came out on four typical fellowships awarded by M. Foundation (Guggenheim). Presenting perfect circumstances of award or fellowships for fellowships study without checking on results or without apparent reward to the donor. However, Internal Revenue held, "If a grant or fellowship is made by the training and education of an individual, either as a part of his program or ~~in~~ in acquiring a degree or otherwise in furthering his educational development, no services being rendered as consideration therefore, the amount of the grant is a gift which is excludable from gross income. However, when the recipient of a grant or fellowship applies his skill and training to advance research, creative work, or some other project or activity, the essential elements of a gift as contemplated by ~~the Internal~~ Section 22-B-3 of the Internal Revenue Code are not present, and the amount of the grant or fellowship is includable in the recipient's gross income.

"It seems apparent that the awards herein considered were granted on the basis of the qualifications of the recipients

to do the work required by their projects, which projects were approved by the M. Foundation with the expectation of results consistent with the recipient's qualifications. To the extent that there is any donative intent present in the making of an award, it appears that the beneficiary society at large and not the recipient of the award whose services are expected in return for the grant...

"...It is held that stipends received under fellowship awards granted by the M. Foundation are not exempt from federal income tax as gifts...but are includible in gross income as compensation for personal services..."

Levy sent a copy of this to Oppenheimer and at his suggestion to Strauss and a meeting of the Committee on Income Tax was immediately scheduled: members: John Beaton (Ladiesdorf's office), Greenbaum, Leidesdorf, Levy, Schur and Strauss.

Very shortly after that September 20, 1951, Internal Revenue ~~XXXXXXXXXXXX~~ evidently handed down an opinion which was adverse to the Institute. Levy advised Oppenheimer to

follow the terms of his letter of May 5, 1948 in withholding, etc. and to make the position clear with each member what was being done and why.

February 15, 1952, Levy after conference with Beeton and Drexler of S. D. Leidesdorf and Company, wrote Oppenheimer that in his opinion the Institute need not and should not file information return form 1099 for the grants paid but not acknowledged to be taxable income. There should be consistency between the Institute and the recipient.

Members who file returns because of other income sources may make a notation at the bottom of ~~their~~ their form if they received _____ amount as fellowship from Institute for Advanced Study.

D, Income Tax, Committee on

1951

10/5

PARTICIPATION IN ADMINISTRATION

Academic Personnel

MEMBERS

✓ INCOME TAX (TAXATION)

Government Relations

Director announced new ruling received by another foundation indicating that stipends for members are taxable. In communication to the Institute the Commissioner of Internal Revenue ruled that a grant is a gift and so tax exempt if it accrues to the benefit of an individual, but not if it benefits society. "In accordance with this ruling the majority of the Institute's grants would be subject to tax and, in fact, two members of the Institute recently departing for Europe were required to effect Income Tax clearance in conformity with the ruling.

"It was the opinion of the Director, supported by the Faculty, that no sharp line of distinction can be drawn in the Institute's program between education and research; in fact, it was hoped that the Trustees would contest the Commissioner's ruling."

Faculty Minutes, 10/5/51

1952

3/11

PARTICIPATION IN ADMINISTRATION

Academic Personnel

✓ TAXATION

Government Relations

The Trustees were taking action to maintain non-taxability of grants-in-aid for temporary members by soliciting rulings in appropriate cases, by bring cases to court, and by consulting with other agencies and branches of the Government concerned with sponsoring remedial legislation.

Faculty Minutes, 3/11/52

1955

1/21

✓ TAXATION (INCOME)

Government Relations

Oppenheimer's memorandum informs members that the 1954 Internal Revenue Act became effective last summer, and provides for the exclusion of a maximum of \$300 a month or \$3600 a year to any post-doctoral fellowship on the tax-payer's gross income. Also U. S. Tax Court handed down a ruling on the Stone case declaring a Guggenheim Foundation grant non-taxable.

D, Memoranda to Staff and Members

1955

3/18

✓ TAXATION

Government Relations

Memoranda to the Members of the Institute from Oppenheimer
regarding taxation.

Filed in Vertical File under "T" for Taxation.

D File, Income Tax - Taxability of Grants, 1950

1956

10/2

Deductions
TAXATION (FEDERAL INCOME)

Government Relations

Ruling of the Internal Revenue Bureau to the effect that the Institute for Advanced Study is an educational organization as referred to in Section 503 (B) (2) of the 1954 code; that is, one "which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on."

The ⁱⁿ founding was under Section 170 (B) (1) (A) of the Internal Revenue Code of 1954, allowing individuals an additional deduction not exceeding 10 per cent of adjusted gross income for contributions made to a church or a convention or association of churches or to educational organizations as referred to in Section 503 (B) (2) and to hospitals referred to in the same section, Subsection B, Paragraph 5.

10 + what?

A, Leidesdorf, Samuel