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TAX EXEMPTION AND ACCOUNTING PROCEDURES

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HEARING

BEFORE THE

SUBCOMMITTEE ON FISCAL AFFAIRS

OF THE

COMMITTEE ON THE DISTRICT OF COLUMBIA UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

S. 2387, H.R. 7718 — PROPERTY TAX EXEMPTION FOR SUPREME COUNCIL OF SCOTTISH RITE OF FREEMASONRY

AND

H.R. 8712—RELATING TO ACCOUNTING PROCEDURES FOR THE D.C. GOVERNMENT

AUGUST 3, 1971

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TAX EXEMPTION AND ACCOUNTING PROCEDURES

TUESDAY, AUGUST 3, 1971

U.S. SENATE,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
SUBCOMMITTEE ON FISCAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:35 a.m., pursuant to call, in room 6226, New Senate Office Building, Senator Thomas F. Eagleton (chairman) presiding.

Present: Senator Eagleton.

Staff present: Robert Harris, staff director, Gene E. Godley, general counsel, and Miss Carolyn W. Johnson, minority staff director.

The CHAIRMAN. Good morning, ladies and gentlemen.

This morning, we are holding hearings on two bills. One, S. 2387, introduced by Senator Byrd of West Virginia, and a companion measure, H.R. 7718, which was introduced by Congressman Mahon and which passed the House on July 12, 1971, would grant tax exemption to the Supreme Council of the Scottish Rite of Freemasonry of the Southern Jurisdiction. The other, H.R. 8712, would make applicable to the government of the District of Columbia an act passed in 1966, which allows appropriate accounting adjustment or reimbursement between the respective appropriations available to departments and establishments, or any bureau or office thereof.

We will start, then, with S. 2387 and H.R. 7718, the tax exemption for the property of the Supreme Council of the Scottish Rite of Freemasonry.

I order copies of these bills placed in the record.

(S. 2387 and H.R. 7718 follow:)

92D CONGRESS
1ST SESSION

S. 2387

IN THE SENATE OF THE UNITED STATES

AUGUST 2, 1971

Mr. BYRD of West Virginia introduced the following bill; which was read twice and referred to the Committee on the District of Columbia

A BILL

To exempt from taxation by the District of Columbia certain property in the District of Columbia which is owned by the Supreme Council (Mother Council of the World) of the Inspectors General Knights Commanders of the House of the Temple of Solomon of the Thirty-third Degree of the Ancient and Accepted Scottish Rite of Free Masonry of the Southern Jurisdiction of the United States of America.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) subject to the provisons of subsection (b), the
4 property in the District of Columbia described in subsection
5 (c) and owned by the Supreme Council (Mother Council of
6 the World) of the Inspectors General Knights Commanders
7 of the House of the Temple of Solomon of the Thirty-third

1 Degree of the Ancient and Accepted Scottish Rite of Free
2 Masonry of the Southern Jurisdiction of the United States
3 of America (hereinafter in this section referred to as the
4 "Supreme Council") shall be exempt from taxation by the
5 District of Columbia.

6 (b) The property described in subsection (c) shall be
7 exempt from taxation by the District of Columbia so long
8 as that property is owned by the Supreme Council and is
9 used in carrying on its purposes and activities and is not
10 used for any commercial purposes. The provisions of section
11 2 of the Act entitled "An Act to define the real property
12 exempt from taxation in the District of Columbia", approved
13 December 24, 1942 (D.C. Code, sec. 47-801b), shall apply
14 with respect to the property made exempt from taxation by
15 this section, and the Supreme Council shall make the reports
16 required by section 3 of that Act (D.C. Code, sec. 47-801c)
17 and shall have the appeal rights provided by section 5 of
18 that Act (D.C. Code, sec. 47-801e).

19 (c) The property referred to in subsection (a) is as
20 follows:

21 (1) Lots 86 to 97, lot 100, and parts of lots 98 and 99
22 in M. D. and H. J. Biddle's subdivision of lots in square 192,
23 as per plat recorded in the Office of the Surveyor for the
24 District of Columbia in liber 18 at folio 65; also part of the
25 alley closed as shown on a plat recorded in said surveyor's

office in liber 40 at folio 130, all described in one parcel as follows: Beginning at the northwest corner of said square and running thence south along 16th Street 217.50 feet to the north line of a 15 feet wide public alley and the southwest corner of said lot 86; thence east along said alley 196.50 feet; thence 86.50 feet north to a point in the south line of said lot 96; distant 15.50 feet west of the southeast corner of said lot; thence east to the southeast corner of said lot 96; thence north 131 feet to north "S" Street; thence west 212 feet to the place of beginning; being now known for purposes of assessment and taxation as lot 800 in square 192.

(2) Lots 40, 41, and 42 in Thomas Tyrrell's subdivision of original lot 14 in square 192, as per plat recorded in the said surveyor's office in liber J. H. K. at folio 383.

(3) Lot 28 in William S. Roose's subdivision of lots in square 192, as per plat recorded in the said surveyor's office in liber J. H. K. at folio 135.

(4) Lots 105 and 106 in Jesse W. Rawlings subdivision of lots in square 192, as per plat recorded in the said surveyor's office in liber 47 at folio 173.

(5) Lots 22 to 26 inclusive in William E. Roose's subdivision of lots in square 192, as per plat recorded in said surveyor's office in liber J. H. K. at folio 135; said land being now taxed as lot 808 in square 192.

(6) The alley closed as shown on plat recorded in the

1 said surveyor's office in liber 157 at folio 24, and now known
2 for the purposes of assessment and taxation as lot 819 in
3 square 192.

4 SEC. 2. The first section of this Act shall apply with
5 respect to taxable years beginning after June 30, 1971.

65-952——71—2

92D CONGRESS
1ST SESSION

H. R. 7718

IN THE SENATE OF THE UNITED STATES

JULY 14, 1971

Read twice and referred to the Committee on the District of Columbia

AN ACT

To exempt from taxation by the District of Columbia certain property in the District of Columbia which is owned by the Supreme Council (Mother Council of the World) of the Inspectors General Knights Commanders of the House of the Temple of Solomon of the Thirty-third Degree of the Ancient and Accepted Scottish Rite of Free Masonry of the Southern Jurisdiction of the United States of America.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) subject to the provisions of subsection (b), the
4 property in the District of Columbia described in subsection
5 (c) and owned by the Supreme Council (Mother Council of
6 the World) of the Inspectors General Knights Commanders
7 of the House of the Temple of Solomon of the Thirty-third

1 Degree of the Ancient and Accepted Scottish Rite of Free
2 Masonry of the Southern Jurisdiction of the United States
3 of America (hereafter in this section referred to as the
4 "Supreme Council") shall be exempt from taxation by the
5 District of Columbia.

6 (b) The property described in subsection (c) shall be
7 exempt from taxation by the District of Columbia so long
8 as that property is owned by the Supreme Council and is
9 used in carrying on its purposes and activities and is not
10 used for any commercial purposes. The provisions of section
11 2 of the Act entitled "An Act to define the real property
12 exempt from taxation in the District of Columbia", approved
13 December 24, 1942 (D.C. Code, sec. 47-801b), shall apply
14 with respect to the property made exempt from taxation by
15 this section, and the Supreme Council shall make the reports
16 required by section 3 of that Act (D.C. Code, sec. 47-801c)
17 and shall have the appeal rights provided by section 5 of
18 that Act (D.C. Code, sec. 47-801e).

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20 follows:

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(6) The alley closed as shown on plat recorded in the

1 said surveyor's office in liber 157 at folio 24, and now known
2 for the purposes of assessment and taxation as lot 819 in
3 square 192.

4 SEC. 2. The first section of this Act shall apply with
5 respect to taxable years beginning after June 30, 1971.

Passed the House of Representatives July 12, 1971.

Attest: W. PAT JENNINGS,
Clerk.

The CHAIRMAN. Our first witness is the Honorable George Mahon of Texas, Member of the U.S. House of Representatives.

Congressman, do you care to come forward?

Mr. Sebelius, would you come forward, too? Let's have the whole group come forward at once and save travel time.

Mr. PASSMAN. Good morning, Mr. Chairman.

STATEMENTS OF HON. GEORGE H. MAHON, A REPRESENTATIVE FROM TEXAS; HON. OTTO E. PASSMAN, A REPRESENTATIVE FROM LOUISIANA; AND HON. KEITH G. SEBELIUS, A REPRESENTATIVE FROM KANSAS

Mr. MAHON. Mr. Chairman, it was called to my attention, by representatives of the Supreme Council, a 33d degree mason, Scottish Rites, that the facilities here were not exempt from taxation in the same manner that the facilities of the comparable groups were free from District taxation.

The Scottish Rite organization has done a great deal in the District of Columbia and elsewhere for charitable objectives. On page 3 of the report by Chairman McMillan of the District of Columbia subcommittee, is a partial list of charitable contributions made by the Supreme Council, to which we are now making reference.

One contribution is to George Washington University in the sum of $1,025,000, another to the George Washington University in the sum of $1 million. And there are various contributions over the years to various organizations such as the American University and Vanderbilt University, and so forth.

So in the interests of fairness and equality, it was thought that these facilities in the District of Columbia should be exempt from District taxation in accordance with the law, and in accordance with the practice.

Now, Mr. Passman is an outstanding authority in this field, certainly much better advised than I am in regard to this problem which is before us today. I have followed his leadership in connection with this problem which is before us. Bills identical to my bill which is before you were introduced by Mr. Evins, Mr. Sebelius, and others.

We feel, as a matter of justice and propriety, that this legislation should be approved. That is about all I would like to say. I am very much interested in seeing that we take favorable action. I believe favorable action is in keeping with the general intent of the Congress in regard to these matters.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Congressman Mahon.

Congressman Passman.

Mr. PASSMAN. That was a very beautiful compliment my chairman paid me. I do not know anything particularly I can add to what the chairman said, other than to go into a bit more detail.

This organization operates entirely for educational, charitable, and for no other purpose. And the Supreme Council on 16th Street is not local in nature; its building is the national headquarters for 36 States, and many Asiatic countries. All of the revenue accruing to the Supreme Council from the per capita dues and from any investment goes entirely for charity and for educational purposes.

The chairman indicated that page 3 of House Report 92–321 is only a partial list of the contributions made by the Supreme Council amounting to $2,501,000. In addition to the large contributions made in the District of Columbia by the Supreme Council, there are 118 consistories, with a membership of 550,000 in the 36 States and Asiatic countries, that grant scholarships to the extent of $175,000 at George Washington University and other groups in the District of Columbia which, of course, help very greatly the economy of the District.

The Supreme Council maintains a very fine library, which is one of the best libraries in the country; it is open to the general public. Any person can go there and stay as long as he may want to in order to get information.

I think, Mr. Chairman, that Congressman Diggs of Michigan introduced a bill, if I recall, in 1964, exempting the United Supreme Council, 33d Degree, Ancient and Accepted Scottish Rite of Freemasonry, Southern Jurisdiction—Prince Hall Affiliation, from District ad valorem. We were under the impression at the time, that an amendment would be offered, or sent to the committee where both of the Supreme Councils could be included. About three of us had that in mind. Each of the three neglected to offer the amendment. Therefore, the bill went through as a single bill, and of course, I understand that the officials of the District of Columbia opposed it as a normal procedure because it deals with a bit of ad valorem taxes.

This bill passed, of course, the House and the Senate and became law, exempting them from any ad valorem.

The CHAIRMAN. What Congress was that? Was it the 84th Congress? I can't find the Prince Hall exemption on it.

Mr. PASSMAN. I don't know if it is listed as Prince Hall, but I will find it for you, sir.

Page 4, in 1964, the Congress enacted Private Law 88–296 (78 Stat. 1173) exempting from District of Columbia taxation, the real property, and so forth. I will not read the remainder. It gives the law there. In all probability, if the distinguished chairman would take the time to read the entire report, I think he, too, would be impressed with the fact that the District of Columbia benefits greatly by having the national organization named in the bills domiciled in the District of of Columbia.

For whatever it may be worth, Mr. Chairman, in the 50 States, there are 50 Grand Lodges which operate, of course, for charity and for educational purposes. And all 50 of them are exempt from ad valorem taxes. Of course, that is also true with respect to the George Washington Masonic Memorial in Alexandria, Va., of which we are all proud, regardless of our denominations or affiliations, because it is a credit to that city that is so near. That institution, of course, is exempt from ad valorem taxes, because it is entirely educational, as is the Supreme Council.

I might mention in passing, I hope this distinguished committee certainly will give some thought to our feelings about this and our representations here this morning. Surprisingly enough, not a dissenting vote in the House of Representatives on Chairman Mahon's bill was cast. That is the first time I can ever recall a bill passing the House of Representatives where there were no voices raised against such a measure, which indicates they recognize that it is a charitable

institution operating entirely for education and charity, and that they should be favorably considered as was the other Supreme Council.

Mr. Chairman, with your permission, I should like to deliver a letter to you from the Honorable Joe Evins of Tennessee, who, of course, introduced one of the identical bills and who endorses this program. And you, sir, if you think well of it, could make it part of the record.

I will try to answer any questions if there are any, Mr. Chairman.

The CHAIRMAN. I have one question, Congressman Passman.

You stated that there are 50 other Supreme Councils?

Mr. PASSMAN. No; I said Grand Lodges.

The CHAIRMAN. Fifty other Grand Lodges, one in each State, and the real estate holdings of those 50 Grand Lodges are tax exempt?

Mr. PASSMAN. They are ad valorem exempt, yes, sir; because they are entirely for charity and education.

The CHAIRMAN. Would they be tax exempt under the general statute of the respective States, or are they made specifically tax exempt by reason of a law applicable to them?

Mr. PASSMAN. By the fact that they operate for education and charity only. There are no commercial investments, and no profit accruing to any individual.

There were only two States where this had to be settled by the courts, I understand, and those were Indiana and Kentucky. In one instance, it moved up to the supreme court of the State, and they ruled it was exempt because it operated entirely for education and charity, as does the Supreme Council.

The CHAIRMAN. The operations of this Supreme Council here in the District of Columbia, insofar as its endeavors are concerned, are identical to the endeavors and activities of the 50 Grand Lodges in the other States?

Mr. PASSMAN. No; I might say this, Mr. Chairman. As we think in terms of a Grand Lodge in a State, I don't know whether you remember this or not——

The CHAIRMAN. I am a member of a rival group.

Mr. PASSMAN. If you are referring to our good brothers over in the KC, some of them are our most enthusiastic supporters. Because if you are familiar with Shriners' Crippled Childrens Hospital, many of our financial supporters are active members of the Knights of Columbus, because any child can go there. And it is one of the greatest institutions we have—the treatment of these crippled children. We have about seven of them in this country, and race and creed don't enter into it.

The CHAIRMAN. We have a magnificent one in St. Louis, my home city.

Mr. PASSMAN. That is correct. So the Grand Lodge of the State—let's take the State of Louisiana, where we have 77,000 masons. We have 385 lodges, and the Grand Lodge is over all the lodges. It has been my privilege to serve as Grand Master of the masons. So, they operate as Blue Lodge Masons. Then you have what we refer to as the Supreme Council. Those who are 32d degree masons are members of the Supreme Council, by the fact that there is—back in Louisiana, we have what we refer to as three consistories, or four, one in New Orleans, one in Baton Rouge, and one in Shreveport, with a membership of 32,000.

You have to be a Blue Lodge Mason to be a consistory mason. Then a certain amount of the dues come to the Supreme Council. I merely mention that, since this fraternity is entirely from the Blue Lodge on up to that of the Supreme Council, entirely for charity and for education. No part of it ever accruing to any individual. It is generally understood that all branches, whether it is the consistory, or the Supreme Council or the Blue Lodge, are exempted from ad valorem. I referred to the George Washington Lodge in Alexandria before.

The CHAIRMAN. Is the principal thrust of the Supreme Council of the Scottish Rite here in the District of Columbia likewise charity and education?

Mr. PASSMAN. Entirely charity and education. We could have a more comprehensive list in this report. We selected certain random institutions that they made contributions to. You will note, that over $2 million of it went to George Washington University here. But in passing, I mention also that the consistories back in the States, they, too, finance scholarships and it happened, that the District of Columbia were recipients—a lot of money is spent from the very fact that the consistories, comprised of 32d degree masons, do have scholarships here in George Washington University.

The CHAIRMAN. Thank you, Mr. Passman.

Congressman Sebelius?

Mr. SEBELIUS. Mr. Chairman, I won't go into this in great detail, because it would be duplication.

However, I would like to associate myself with the remarks of the two gentlemen preceding me here, and add that I have attended George Washington University, and I am aware of the program. I know it is doing a great thing for education, especially here in the District of Columbia. And I would only urge the subcommittees and the Committee of the Whole to give it favorable consideration.

The CHAIRMAN. Thank you very much, Mr. Sebelius. We will make Congressman Evins' letter part of the record.

(Letter referred to follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 30, 1971.

Hon. THOMAS F. EAGLETON,
Chairman, Subcommittee on Fiscal Affairs,
Senate Committee on The District of Columbia,
Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased that your distinguished Subcommittee has scheduled a hearing on H.R. 7718, a bill to exempt from taxation by the District of Columbia certain property which is owned by the Supreme Council of the Scottish Rite of Free Masonry.

As much as I should like to personally be present and testify in favor of this meritorious measure, circumstances prevent my being able to be in attendance at your hearings today. I am, therefore, utilizing this means to convey to you and the Members of your Subcommittee my strong support and full endorsement of the bill. If I had been present, I would have testified in a manner as I did when I urged the House of Representatives to pass this legislation on July 12, 1971. The pages of the Congressional Record containing my remarks are appended to this letter for reference.

With kindest regards and best wishes, I am

Very sincerely yours,

JOE L. EVINS, M.C.

65-942——71—3

[From the Congressional Record, July 12, 1971]

Mr. EVINS of Tennessee. I thank the gentleman for yielding. I merely wish to take a moment to commend the subcommittee for its action on this bill, the distinguished chairman of the committee, its ranking member (Mr. NELSEN) and others. This is a humanitarian, charitable bill.

Mr. Speaker, believing as we all do in the motto, "Equal Justice Under Law," I want to strongly recommend favorable action on the pending bill H.R. 7718.

This measure was reported favorably by the District of Columbia Committee which recommended that the bill be passed. It is an identical measure with H.R. 7717 on this project which I was pleased to introduce. This proposed legislation would exempt from taxation by the District of Columbia, the property owned by the Supreme Council of the Scottish Rite of Free Masonry. Specifically, it is that magnificent structure and the land upon which it is built located at 1633 16th Street NW., in the city of Washington, known as "The House of the Temple." This imposing building in our Nation's Capital, was designed by John Russell Pope, one of America's great architects, constructed with hand-picked materials from the United States and other parts of the world, decorated and furnished with priceless articles of the finest craftsmanship. This edifice houses a great public library and an educational museum as well as the headquarters and active administrative center of Scottish Rite.

Today the library contains more than 175,000 volumes and many cases of historical exhibits. In 1888, Gen. Albert Pike directed that the Library of the Supreme Council should be open to the general public as a free library and, thus, it became the first public library in the District of Columbia. The House of the Temple is open to everyone, each weekday from 9 a.m to 4 p.m., Monday through Friday, and from 9 a.m. to 12 noon on Saturday. In front of the entrance, set in bronze letters in the granite floor are the words, "Erected to God and dedicated to the Service of Humanity."

As we all believe in equal rights, I wish to emphasize the fact that this legislation is not a request for any special favor—not the asking for something different or extrordinary—not the solicitation of a privilege, but merely the enactment, or one might properly say, the implementation of the broad provisions contained in the District of Columbia Code Annotated (1967 edition and 1971 Cumulative Supplement).

Over a period of years, approximately 43 charitable, religious, and similar organizations have been exempted from the District of Columbia real estate tax by special acts of the Congress. These include the following: American Pharmaceutical Association, National Geographic Society, Medical Society of the District of Columbia, National Lutheran Home, National Academy of Science, Brookings Institution, American Forestry Association, American Tree Association, Carnegie Institutions of Washington, American Chemical Society, American Association to Promote Teaching of Speech to the Deaf, Disabled American Veterans, National Society of the Colonial Dames of America, American Red Cross, Louise Home, Corcoran Gallery of Art, Luther Statue Association, St. Mark's Protestant Episcopal Church, Young Woman's Christian Home, Young Women's Christian Association, Young Men's Christian Association, Frederick Douglass Memorial and Historical Association, Edes Home, Daughters of the American Revolution, National Society United States Daughters of 1812, National Society of the Sons of the American Revolution, the American Legion, National Education Association, Society of the Cincinnati, American Veterans of World War II, Veterans of Foreign Wars, National Women's Party, American Association of University Women, National Guard Association, Woodrow Wilson Home, American Institute of Architects Foundation. In this connection I have prepared a table which shows the names of these organizations whose property has been exempted from taxation by the District of Columbia, and the location of such property, together with statutory reference granting such tax exemption. This table follows my remarks. All this proposed legislation would do, is to remove an invidious discrimination now present against a truly great, a genuinely benevolent and dedicated charitable, educational and fraternal body.

In 1964, the Congress enacted Private Law 88–296 (78 Stat. 1173), exempting from District of Columbia taxation real property of the United Supreme Council, 33d degree, Ancient and Accepted Scottish Rite of Freemasory, southern jurisdiction—Prince Hall affiliation.

It should be explained that there are two supreme councils in the District of Columbia. One is known as the Prince Hall Supreme Council, which was the subject of the legislation referred to above, in the 88th Congress; the other is the

Scottish Rite Supreme Council, which would receive the same degree of tax exemption under the provisions of my bill, H.R. 7717, and the pending bill, H.R. 7718. In fact, the omission of the Scottish Rite Supreme Council from Private Law 88–296 was an oversight, which this measure is intended to correct.

The District of Columbia Code, title 47, concerns "taxation and fiscal affairs," and its chapter 8 deals with "exemption from taxation." Among the provisions of section 47–801a, specifying real property exempt from taxation, may be found the following:

"(g) Library buildings belonging to and operated by organizations which are not organized or operated for private gain and are open to the public generally.

"(h) Buildings belonging to and operated by institutions which are not organized or operated for private gain, which are used for purposes of public charity principally in the District of Columbia.

* * * * * * *

"(q) Buildings belonging to organizations which are charged with the administration, coordination, or unification of activities, locally or otherwise of institutions or organizations entitled to exemptions under the provisions of Sections 47–801a, 47–801b, and 47–801c to 47–801f, and used as administrative headquarters thereof.

"(r) (1) Grounds belonging to and reasonable required and actually used for the carrying on of the activities and purposes of any institution or organization entitled to exemptions under the provisions of Sections 47–801a, 47–801b and 47–801c to 47–801f."

Applying the criteria for exemption from taxation of the District of Columbia Code, section 47–801a, to the objectives of the bill now before this House, we must conclude:

As to subparagraph (g) that library buildings are exempt. The House of the Temple has over 175,000 volumes. The statute also requires that it be operated by nonprofit organizations. The supreme council is not only such a nonprofit body, but is organized for charitable, educational, humanitarian, and fraternal purposes. The District of Columbia Code also requires the library to be open to the public generally. The library in the House of the Temple is open every day of the week, except on Sunday, to the public generally, and it is free and has been free for the past 83 years.

In regard to subparagraph (h) that the building be used for purposes of public charity, I should like to cite a partial list of charitable contributions made by the supreme council in recent years:

"American University, $70,000.

"Baptist Theological Seminary, 1964, $10,000.

"Baylor University, $70,000.

"Doane College, $25,000.

"Freedoms Foundation of Valley Forge, 1963 and 1965, $10,000.

"Hiram Scott College, $10,000.

"MacArthur Memorial Foundation, $8,500.

"Omaha, Nebraska Home for Boys, $2,000.

"Pusan Charity Hospital, 1963, $7,000.

"Scholarships: Public School Administration. Two $5,000 Scholarships each year for five years for doctorates in Public School Administration, $50,000.

"School of the Ozarks, $10,000.

"Silliman University (The Philippines), 1961 and 1963, $2,500.

"Stanford University, $40,000.

"The George Washington University—1927 and 1947—Establishment of School of Government, Business and International Affairs, $1,025,000.

"The George Washington University—Since 1956, 260 Fellowship grants, totaling, $1,000,000.

"United Givers Fund, 1956 and 1957, $22,100.

"Uta Halee Protestant Home, 1961–70, $3,000.

"University of the Pacific, 1961–69, $35,000.

"University of Tampa, 1966, $5,000.

"Vanderbilt University—Law School Scholarship Fund, $93,500.

"West Central 4–H Educational Center (Virginia), 1967–70, $22,500."

I should also like to invite the attention of my colleagues to the fact that over $2 million was given to the George Washington University and a substantial sum of money to the American University, both in the District of Columbia.

As the report on this bill indicates, the Scottish Rite Foundation, a constituent part of the supreme council, has been ruled as being a charitable organization and qualified by the U.S. Government to be exempt from Federal income tax.

In 1958, the California Scottish Rite Foundation established a program for childhood aphasia to combat difficulties of children in learning to speak—childhood aphasia; in learning to read—dyslexia; and in coordination of movements—dyspraxia.

The Scottish Rite Foundation of Denver, founded in 1952, assists financially in developing new medical and therapeutic techniques which can bring the gift of speech to brain-injured—aphasic children. Formerly, most of these unfortunate afflicted children were doomed to a life of silence, and perhaps classed as imbeciles.

In addition, the Scottish Rite maintains hospitals for crippled children at Decatur, Ga., and at Dallas, Tex. I should like to strongly emphasize that there is no restriction as to religious or fraternal affiliation of the parents; patients are admitted whether Protestant, Catholic, or Jewish, and whether the father is or is not a Mason. This is so stated on pages 20 and 21 of a pamphlet entitled, "General Information Concerning the Ancient and Accepted Scottish Rite."

In the field of education, I should point out further, Mr. Speaker, the Supreme Council has been one of the most active organizations in the United States devoted to fostering the appreciation of the great blessings and privileges of the American form of government and explaining the ideas of the principles upon which our system of government was founded. It stresses the essential need for the development of man's spiritual capacity and understanding under God. The Scottish Rite is universal in its philosophy and nonsectarian in membership.

During an 11-year period up to 1970, seven booklets were published on the nature of the American constitutional system and many of the problems which had arisen to affect it. Over 7 million copies of the articles in the booklets were distributed to public schools and to interested persons in all walks of life.

In 1970, a new series of pamphlets were published by the Supreme Council under the general title "Dynamic Freedoms." The four issues are entitled as follows: "Our Freedom Documents," "Communism—Enemy of All Freedoms," "Separation of Church and State," and "Free Enterprise—An American Invention." All of these publications manifest that the Supreme Council favors the inculcation of patriotism, respect for law and order, and undying loyalty to the Constitution of the United States of America.

Mr. Speaker, in summary and in urging passage of the pending bill, I should like to quote from the committee report (H. Rept. 92–321), as follows:

"Your committee feels that it is altogether fitting and appropriate that the property owned by the Scottish Rite Supreme Council, as described in H.R. 7718, should be exempted from District of Columbia real estate taxation. We cannot conceive of an organization more deserving of such recognition by reason of its dedicated, unselfish, and unrestricted service to all mankind. It is our strong opinion that this action on the part of the Congress, which in effect will provide this fine organization with an additional $33,000 each year to expend in its worthy and charitable causes, is very much in the public interest."

LIST OF ORGANIZATIONS WHOSE PROPERTIES IN THE DISTRICT OF COLUMBIA ARE EXEMPT FROM TAXATION, DISTRICT OF COLUMBIA CODE

Code section	Name of organization	Square number	Lot number or remarks
47-801a-(K) See also, Public Law 77-846, 56 Stat. 1089 (1942).	(1) National Geographic Society.		Buildings.
	(2) American Pharmaceutical Association.		
	(3) The Medical Society of the District of Columbia.		
	(4) National Lutheran Home		
	(5) National Academy of Science.		
	(6) Brookings Institution		
	(7) American Forestry Association.		
	(8) American Tree Association.		
	(9) Carnegie Institution of Washington.		
	(10) American Chemical Society.		
	(11) American Association to Promote Teaching of Speech to the Deaf.		
47-801a-1	Disabled American Veterans	153	
47-801a-2	National Society of the Colonial Dames of America.	1, 285	801 known as 2715 Q Street NW.
47-801b-1	American Red Cross		
47-805	Louise Home	169	
47-810	Corcoran Gallery of Art		
47-812	Luther Statue Association		
47-813	St. Mark's Protestant Episcopal Church.	788	7 and 9.
47-814	Young Woman's Christian Home.		
47-815	Young Women's Christian Association.		
47-817	Young Men's Christian Association.		
47-818	Frederick Douglass Memorial and Historical Association.		Cedar Hill, Anacostia.
47-819	Edes Home		Home for aged and indigent widows.
47-821	Daughters of the American Revolution.	173	8, 9, and 10.
47-822	do	173	
47-823	do	173	12, 13, 14, 15, and 16.
47-824	do	173	23, 24, 25, 26, 27, and 28.
47-825	do	173	4, 5, 6, 7, and 11.
47-826	National Society United States Daughters of 1812.	210	811.
47-827	National Society of the Sons of the American Revolution.		
47-828	The American Legion	185	32 and 33.
47-829	National Education Association.		
47-830	Society of the Cincinnati	67	42, 43, 49, and part of lot 5.
47-831	American Veterans of World War II.	160	805.
47-832	Veterans of Foreign Wars	757	38, 20, 19, and 841.

LIST OF ORGANIZATIONS WHOSE PROPERTIES IN THE DISTRICT OF COLUMBIA ARE EXEMPT FROM TAXATION, DISTRICT OF COLUMBIA CODE—Continued

Code section	Name of organization	Square number	Lot number or remarks
47–833	National Woman's Party	725	863, 864, and 865.
47–834	American Association of University Women.	31	843.
47–835	National Guard Association	625	60.
47–836	Woodrow Wilson Home	2, 717	36 and 37.
47–837	American Institute of Architects Foundation.	170	36—Octagon House.
Private Law 88–296, 78 Stat. 1173 (1964).	[Exemption from taxation by private law.]	5, 405	11, 12, 15, 16, and 21, Roland Park.
	United Supreme Council, 33d degree, Ancient and Accepted Scottish Rite of Freemasonry, Southern Jurisdiction—Prince Hall Affiliation.	5, 405	2, 3, 4, 5, 6, 7, 8, 9 and 10, 17, and 22, Roland Park 2.
		5, 405	1 and 19, Roland Park.
		5, 405	18, Roland Park.
		5, 405	20, Roland Park.
		5, 405	828 and 848, Roland Park.
			(Note: All lots above mentioned except portions prior condemned.)

The CHAIRMAN. I also have a prepared statement from the Honorable Joe D. Waggonner, Jr., which I place in the record as he is unable to attend today.

(The prepared statement follows:)

PREPARED STATEMENT OF HON. JOE D. WAGGONNER, JR., A REPRESENTATIVE FROM LOUISIANA

Mr. Chairman, I appreciate very much this opportunity to present today my statement in support of H.R. 7718, reported out of the House District of Columbia Committee, and passed by the House, which would exempt from taxation by the District of Columbia certain property in the District owned by the Supreme Council (Mother Council of the World) of the Inspectors General Knights Commanders of the House of the Temple of Solomon of the 33d Degree of the Ancient and Accepted Scottish Rite of Freemasonry of the Southern Jurisdiction of the United States of America.

The Supreme Council has been one of the most active organizations in the United States in supporting religious, charitable, educational, patriotic and scientific causes. It has provided thousands of people in the District and elsewhere with much needed assistance. It has made available to countless millions its patriotic films and literature.

The Scottish Rite Foundation, which is a part of the Supreme Council, has been qualified by the Federal Government as being a charitable institution and therefore has been exempt from Federal and State income taxes. All administrative expenses of the Foundation are paid by the Supreme Council which means that all money donated

to the Foundation goes toward furthering the Foundation's objectives of providing worthwhile assistance, such as maintaining hospitals for crippled children and providing financial assistance for medical and scientific research.

I cannot think of a more worthwhile organization which has done so much for our country and our people.

By granting this exemption, it would mean that an additional $33,000 a year would be available to this fine organization for worthy causes.

There is no doubt that action by the Congress to grant this exemption would be very much in the public interest.

I would like to urge that H.R. 7718 be reported to the full Senate at the earliest possible date.

Thank you, Mr. Chairman.

The CHAIRMAN. Before I excuse these busy Congressmen so they can go back to their chores in this, the last week of Congress before the recess, we will, of course, hear from the District government. And I take it, their opposition to bills of this type stems from a loss of revenue that it would cause the city government by the enactment of such a bill. I think the revenue involved here is $30,000.

I can say for myself, were this the first bill of this type to come through the Congress, frankly, I think I would listen long and hard to the pleas of the District, because they too have considerable revenue problems.

However, when you juxtapose it in context with a whole series of organizations through the years which have been given tax-exempt status, it is fairly difficult to differentiate between the propriety of giving it to one organization and yet denying it to another when both are equally involved in notable and worthwhile charitable endeavors.

All I will ask you three gentlemen, and you are active and influential Members of Congress. I hope that if the Senate sees fit to go forward with this bill that you will ask Congressman McMillan to take into account the revenue loss that this might incur to the District. And at the time we are discussing the Federal payment and other revenue matters with Congressman McMillan, that he will keep this matter in mind.

We will now call Mr. Kenneth Back, Director, Department of Finance and Revenue, District of Columbia Government, who will be accompanied by Mr. Wixon, Assistant Corporation Counsel of the Taxation Division.

STATEMENT OF KENNETH BACK, DIRECTOR, DEPARTMENT OF FINANCE AND REVENUE, DISTRICT OF COLUMBIA GOVERNMENT; ACCOMPANIED BY HENRY E. WIXON, ASSISTANT CORPORATION COUNSEL, TAXATION DIVISION, AND LAURENCE EAGAN, CHIEF, PROPERTY ASSESSMENT, DEPARTMENT OF FINANCE AND REVENUE

Mr. BACK. I also have with me, Mr. Laurence Eagan, who perhaps knows more about tax exemptions in the District of Columbia than anyone here. We are fortunate to get Mr. Eagan back from vacation to join us this morning.

I would also like to say that the Deputy Mayor wanted to be here, but is out of the city.

With that, Mr. Chairman, I would like to go to my statement, and thank you for the opportunity to appear before the committee today, and to testify on H.R. 7718, a bill which would exempt from District taxation certain real property in the District owned by the Scottish Rite of Freemasonry. The property which is the subject of this bill is located at 16th and R Streets, NW., in the District, and, together with its improvements, the property is currently valued at $1,074,945 and the annual real property tax on the property is $33,323.29.

The Commissioner of the District of Columbia is opposed to the enactment of H.R. 7718, because of the special property tax exemption which it would provide.

The existing District of Columbia Real Property Exemption Law, enacted by the Congress in 1942, contains general provisions under which organizations can seek exemption from the District's real property tax. The enactment of legislation such as H.R. 7718 would be undesirable for two reasons. First, the proposed legislation is directly contrary to the congressional intent when it enacted the General Exemption Statute in 1942. Special exemption legislation tends to destroy the effectiveness of the general exemption provisions which are designed to provide uniform property tax exemptions in those cases in which an organization's activities meet the requirements for exemption delineated in existing law.

Second, special exemption legislation is clearly discriminatory in that it confers upon a single organization a favored status over similar organizations which are unable to comply with the standards laid down by the Congress in the General Exemption Statute.

It is relevant and quite important, I believe, to consider the overall effect on District revenues of special tax exemption legislation. On the basis of fiscal year 1971 assessments, the net revenue loss to the District of Columbia as a result of those properties specifically exempted by Act of Congress, and which would not otherwise be exempt under the general tax laws, is $2,280,594, based on a total assessed valuation of those properties of $73,567,553.

This same point was made in a somewhat different way by L. L. Ecker-Racz in his 1968 report, "Financing the District of Columbia":

> The number of these tax favored organizations in the District is constantly increasing. The land occupied by private non-profit institutions increased from about 5.0 percent to 6.5 percent of the total land area of the District between 1946 and 1968. Since the total area of the District is rigidly restricted, the revenue implication of these exemptions grows more and more ominous with each passing year.

This continued erosion of the property tax base in the District of Columbia makes it even more difficult to provide the resources necessary to fund the District's budget. It seems incongruous to me that at the same time the Congress is considering revenue proposals necessary to meet the approximately $90 million deficit in the District's fiscal year 1972 budget. It should also be confronted with legislation which would—however minor in amount—further increase that deficit.

The District Government has been greatly concerned about this erosion of the District's tax base and about the problem of tax exemptions generally. After considerable study and analysis, the District this year prepared proposed legislation which will more effec-

tively control the entire problem of property tax exemptions in the city. That legislation which is title I of the proposed "District of Columbia Tax Procedures and Administrative Reform Act of 1971," was submitted to the Congress by the Commissioner on May 14, 1971. It was introduced in the Senate by Senator Stevenson and is now pending before this committee. I would ask that a copy of title I of that legislation be made a part of the record.

The CHAIRMAN. The proposed bill will be made a part of the record.

(The proposed bill follows:)

A BILL To revise the procedural and administrative provisions of District of Columbia taxing laws, and for other purposes

Be it enacted by the Senate and House of Representatives in Congress assembled, That this Act, divided into titles and sections, may be cited as the "District of Columbia Tax Procedures and Administrative Reform Act of 1971".

TITLE I—REAL AND PERSONAL PROPERTY TAX EXEMPTIONS

SEC. 101. This title may be cited as the District of Columbia Real and Personal Property Tax Exemption Act of 1971.

SEC. 102. The provisions of this title shall become effective for the fiscal year commencing after June 20, 1972, and for succeeding fiscal years, *Provided,* That if such fiscal year commences on a day subsequent to 90 days before the date of the enactment of this act then this title shall be applicable to the first next ensuing fiscal year, and to succeeding fiscal years.

SEC. 103(A). The following real and personal property in the District of Columbia, and none other, shall, except as otherwise provided, be fully exempt from taxation:

(a) Property owned by the United States of America, except—

(1) Property owned by the United States which, by Act of Congress or by authorized Federal administrative action, is subject to taxation.

(2) Property owned by the United States which, for a period in excess of thirty days, is leased or otherwise made available for use by any person for commercial purposes, in which case, however, no tax shall be assessed against the property of the United States, but the lessee or user of the property shall be subject to a tax for the entire period of such use or possession at the same rates and in the same amount and to the same extent as though the lessee or user were the owner of such property.

(b) Property owned by the District of Columbia, except real property of the District of Columbia which, for a period in excess of thirty days, is leased or otherwise made available for use by any person for commercial purposes, in which case, however, no tax shall be assessed against the property of the District of Columbia, but the lessee or user of the property shall be subject to a tax for the entire period of such use or possession at the same rates and in the same amount and to the same extent as though the lessee or user were the owner of such property.

(c) Property owned by any instrumentality or independent agency of the United States or of the District of Columbia which, under the laws of the United States, or the District of Columbia, is exempt from taxation, except, property of any instrumentality or independent agency of the United States or the District of Columbia which, for a period in excess of thirty days, is leased or otherwise made available for use by any person for commercial purposes, in which case, however, no tax shall be assessed against the property of any such instrumentality or agency, but the lessee or user of the property shall be subject to a tax for the entire period of such use or possession at the same rates and in the same amount and to the same extent as though the lessee or user were the owner of such property.

(d) Property owned by a foreign government and actually occupied and used exclusively by it for legation or consular purposes. The phrase "actually occupied and used exclusively for legation purposes," shall not include real property of a foreign government which, for a period in excess of thirty days, is leased or otherwise made available for use by any person for commercial purposes, in which case, however, no tax shall be assessed against

the property of the foreign government, but the lessee or user of the property shall be subject to a tax for the entire period of such use or possession at the same rates and to the same amount and to the same extent as though the lessee or user were the owner of such property.

(B) Whenever any property of the United States, or of any independent agency or instrumentality of the United States, or of the District of Columbia, is, for a period in excess of thirty days, leased or otherwise made available for use by any person for commercial purposes, the Administrator of the General Services Administration of the United States Government, as to property of the United States, and the independent agency or instrumentality, as to its property, shall notify the Commissioner of the District of Columbia in writing within thirty days after such person shall have leased such property or had such property made available for use by him.

(C) Taxes imposed by this section shall be assessed from the first day of the month in which the lease period or right to use the property commences to the end of the month in which such period terminates. The rate of tax shall be the rate in effect for taxable real or personal property, as the case may be, during each month of the fiscal year during which the property is leased or used. Assessments shall be made on a fiscal year basis, except, that, if the period of the lease or use commences during a month other than the first month of the fiscal year, the assessment shall be made for the months of the lease or use remaining in that year. The provisions for the imposition of penalties and interest applicable in the case of assessments of real and personal property taxes shall be applicable to taxes imposed under this section, and such taxes, penalties and interest, when the same have become due and payable, may be collected in the manner provided by section 1601 of title XVI of the Act of May 18, 1954, 68 Stat. 119, ch. 218 (D.C. Code, sec. 47–312), and jeopardy assessments of such taxes may be made as provided in section 1602 of title XVI of said Act (D.C. code, sec. 47–313). Taxes imposed by this section shall be due and payable within thirty days after notice of the assessment is mailed to the taxpayer.

SEC. 104. Any institution, organization, corporation, or association which is specifically exempted from District of Columbia real or personal property taxes by an Act of Congress other than this Act, including any institution, organization, corporation, or association described in paragraph (k) of the first section of the Act entitled "An Act to define the real property exempt from taxation in the District of Columbia", approved December 24, 1942, as amended (D.C. Code, sec. 46–801a (k)) shall, with respect to property for which an exemption is provided, be liable for District of Columbia property taxes on such property, as follows:

For the fiscal year commencing:	*The liability for property taxes is:*
July 1, 1973	25 per centum of such taxes
July 1, 1974	50 per centum of such taxes
July 1, 1975	75 per centum of such taxes
July 1, 1976 and for subsequent fiscal years	100 per centum of such taxes

SEC. 105(A). The following personal property in the District of Columbia shall be fully exempt from taxation:

First. Household belongings located in any dwelling house or other place of abode, or in storage, and boats, not held for sale or rent and not held for use or used in any trade or business. The words "household belongings", as used herein, shall include all libraries, schoolbooks, wearing apparel, family portraits, pictures, furniture, furnishings, rugs, silverware, china, glassware, musical instruments, radios, television sets, refrigerators, food, photographic equipment, bicycles, tools, clocks, watches, jewelry, and other articles of personal adornment, and other tangible personal property (excluding automobiles and other motor vehicles) ordinarily kept and used or held for use by the occupants of any dwelling house or other place of abode for the ordinary purposes of life. The words "trade or business", as used herein, shall include the engaging in or carrying on of any trade, business, profession, vocation, calling, rental of property, commercial activity, and any other activity carried on or engaged in for livelihood or profit.

Second. Works of art owned by a nonresident of the United States who is not a citizen of the United States lent without charge to the Trustees of the National Gallery of Art solely for exhibition without charge to the general public.

Third. Any motor vehicle or trailer registered in accordance with the provisions of title IV of the District of Columbia Revenue Act of 1947, as amended,

(title 40, D.C. Code), and not comprising any part of the stock-in-trade of a merchant: *Provided*, That any motor vehicle or trailer comprising all or part of the stock-in-trade of any merchant shall continue to be taxed as provided by law: *Provided further*, That special equipment mounted on a motor vehicle or trailer and not used primarily for transport of persons or property shall be taxed as tangible personal property as provided by law.

(B) The following property in the District of Columbia—

(1) for the fiscal year 1973, to the extent of 90 per centum of the value thereof, and,

(2) for the fiscal year 1974, to the extent of 80 per centum of the value thereof, and,

(3) for the fiscal year 1975, to the extent of 70 per centum of the value thereof, and,

(4) for the fiscal year 1976, and for all succeeding fiscal years, to the extent of 60 per centum of the value thereof, shall be exempt from taxation:

(a) Personal property owned by and used exclusively for the purposes of an organization entitled to an exemption of its real property under paragraph (b) of this subsection. The amount of the exemption of personal property which an organization described in subparagraph (b)(3)(a) (which relates to public charity) and an organization described in subparagraph (b)(11) (which relates to administrative headquarters) shall be entitled to receive shall be determined in the same manner as is provided in respect of the exemption of its real property.

(b)(1) Art gallery buildings owned by and actually occupied and used exclusively for art gallery purposes by a corporation which is not organized or operated for commercial purposes or for private gain, which is not organized or operated for commercial purposes or for private gain, which buildings are open to the public, generally, and for admission to which no charge is made on more than two days each week.

(2) Library buildings owned by and actually occupied and used exclusively for library purposes by a corporation which is not organized or operated for commercial purposes or for private gain and whose library buildings are open to the public generally.

(3)(a) Buildings owned by and actually occupied and used exclusively for purposes of public charity by an organization which is not organized or operated for commercial purposes, or for private gain. The amount of the exemption shall be determined on the basis of the ratio which the total of the expenditures of the organization made for purposes of public charity for the primary benefit of residents of the District of Columbia bears to the total of expenditures made for purposes of public charity throughout the United States (exclusive of any expenditures made for capital improvements). If an expenditure is made for the benefit of both residents of the District of Columbia and residents of a geographical area outside the District of Columbia, the total area of which can be ascertained with reasonable accuracy on a state by state basis, then the portion attributable to the District of Columbia shall be determined on the basis of the ratio which the total number of District of Columbia residents bears to the total population of the District of Columbia and of such other state or states, as set forth in the last taken population census of the District of Columbia and such states. Whenever any expenditures (exclusive of expenditures for capital improvements) is made both for the benefit of residents of the District of Columbia and of residents of the United States, generally, the portion attributable to the District of Columbia shall be determined on the basis of the ratio which the total number of District of Columbia residents bears to the total population of the United States, as set forth in the last taken population census of the United States.

(b) For purposes of subparagraph (b)(3)(a) relating to real property used for purposes of public charity commencing with respect to taxable years beginning after June 30, 1969, any building—

"(1) which is financed in whole or in part with (A) a mortgage insured under section 221 (d)(3), (h), or (i) or the National Housing Act and receiving the benefits of the interest rate provided for in the proviso in section 221(d)(5) of such Act, or (B) a mortgage insured under section 237 of such Act;

"(2) with respect to which periodic assistance payments are made under section 235 of the National Housing Act or interest reduction payments are made under section 236 of such Act;

"(3) with respect to which rent supplement payments are made under section 101 of the Housing and Urban Developments Act of 1965;

"(4) which is financed in whole or in part with a loan made under section 202 of the Housing Act of 1959;

"(5) which contains dwelling units constituting low-rent housing in private accommodations within the meaning of section 23 of the United States Housing Act of 1937; or

"(6) with respect to which there is an outstanding rehabilitation loan made under section 312 of the Housing Act of 1964,

shall not, so long as the mortgage or loan involved remains outstanding or the assistance involved continues to be received, be considered a building used for purposes of public charity; except that this sentence shall not apply to those organizations granted by decision of a Court having jurisdiction an exemption before January 5, 1971".

(4) Hospital buildings owned by and actually occupied and used exclusively for hospital purposes by a corporation which is not organized or operated for commercial purposes or for private gain, including buildings and structures reasonably necessary and usual to the operation of a hospital.

(5) Buildings owned by and actually occupied and used exclusively for educational purposes by an incorporated school, college, or university which, (a) is not organized or operated for commercial purposes or for private gain, and (b) has educational entrance requirements or entrance examinations, and (c) has persons employed for full-time teaching, and (d) embraces the generally recognized relationship of teacher and student, and (e) conforms with all applicable standards as may be determined by the Board of Education of the District of Columbia.

(6) Cemeteries dedicated to and actually used exclusively for burial purposes, owned by a corporation not organized or operated for commercial purposes or for private gain, including buildings and structures reasonably necessary and usual to the operation of a cemetery.

(7) Churches, including buildings and structures reasonably necessary in the performance of the activities of the church. A church building is a building primarily and regularly used for public religious worship by the congregation of the religious corporation or society which owns the building.

(8) Buildings owned by religious corporations or societies, primarily and regularly used exclusively for religious worship, religious study, and religious training.

(9) A pastoral residence actually occupied exclusively as such by the pastor, rector, minister or rabbi of a church: *Provided*, That such pastoral residence be owned by the religious corporation, society or congregation for which said pastor, rector, minister or rabbi officiates; and, *Provided, further*, That not more than one such pastoral residence shall be exempt for any one religious corporation, society, or congregation.

(10) An Episcopal residence owned by a church denomination and actually occupied exclusively as the residence of the presiding bishop of such denomination: *Provided*, That, not more than one such Episcopal residence shall be exempt for any one denomination.

(11) Buildings owned and actually occupied and used exclusively as administrative headquarters by an organization which is charged with the administration, coordination, or unification of activities, locally or otherwise, of other organizations which are, or if located outside the District of Columbia, would be, entitled to exemption under the provisions of this Act. The amount of the exemption shall be determined on the basis of the ratio which the total of the expenditures made by the administrative headquarters organization for or on behalf of organizations exempt from tax under this Act bears to the total of its expenditures made for or on behalf of other organizations, both within and without the District of Columbia (exclusive of any expenditures made for capital improvements). Whenever any expenditure (exclusive of expenditures for capital improvements) is made for the bene-

fit of both organizations located in the District of Columbia and organizations located outside the District of Columbia, the portion attributable to the District of Columbia shall be determined on the basis of the ratio which the total number of District of Columbia organizations so benefited bears to the total number of organizations both within and without the District of Columbia so benefited.

(12)(a) Grounds belonging to an organization entitled to exemption under the provisions of this Act, which grounds are required and actually used exclusively for the carrying on of its activities and purposes.

(b) Additional grounds belonging to and forming a part of the property of such organization as of July 1, 1942, and granted an exemption pursuant to the provisions of section 1(r)(2) of the Act of December 24, 1942, 56 Stat. 1089, ch. 826. Such exemption shall continue in force only if, within ninety days after the date of enactment of this Act, the organization entitled to the exemption files with the Commissioner of the District of Columbia an affidavit that such additional grounds are not held for profit or sale, but only for the enlargement and expansion of said organization. Any such exemption shall, in no event, extend beyond July 1, 1976.

SEC. 106. If, however, at any future date the grounds so exempted, or any portion thereof, shall be sold or taken by eminent domain, and a profit shall result from such sale or taking by eminent domain, the taxes thereon for each year from the date of acquisition of such property for which no tax has been paid shall immediately become due and payable, without interest: *Provided, however*, That the total of such taxes shall not exceed 50 per centum of the net profit derived from such sale or taking. In the case of a sale, the Commissioner of the District of Columbia shall be furnished a copy of the contract of sale, together with other evidence necessary to establish the amount of profit or loss therefrom, at least fifteen days prior to the date of settlement of such sale. When property is taken by eminent domain the Commission, within ten days after the award becomes final, shall be advised by the organization of the amount of the award. Taxes due under this subsection shall constitute a lien upon such property, which lien shall be prior and preferred over all other liens, claims or encumbrances against or upon such property whatsoever. In the case of a private sale, the property subject to the lien herein provided shall be sold for the unpaid taxes due thereon, together with any penalties, interest and costs, at the next ensuing tax sale in the same manner and under the same conditions as property sold for delinquent general taxes, if such taxes, together with penalties and interest thereon and costs, shall not have been paid in full within thirty days after the private sale. Where property is taken by eminent domain, the lien hereby provided shall arise simultaneously with the filing of the declaration of taking, and the taxes due under this subsection shall be payable out of the proceeds of the condemnation without demand therefor.

SEC. 107. Any organization seeking an exemption of property belonging to and claimed by it to be entitled to exemption under this Act shall, prior to the commencement of the fiscal year for which an exemption is sought, make application therefor to the Commissioner of the District of Columbia in writing on a form to be prescribed by the Commissioner, together with such information as the Commissioner may require, except that in any case where it is shown to the satisfaction of the Commissioner, whose determination thereon shall be final and conclusive, that the organization seeking an exemption was unable to make application for the exemption sufficiently prior to the commencement of the fiscal year for which exemption is sought so that the application could be acted upon by the District prior to such commencement, and the failure to make such application was not due to willful failure or neglect, the Commissioner may grant the exemption for the fiscal year in which the application was received, but in no case shall any such exemption be granted if the application is filed more than ninety days after the commencement of such fiscal year. Any exemption granted by the Commissioner shall be for the fiscal year next following the fiscal year in which application for exemption is filed with the Commissioner, or, to the extent authorized by this section, for the fiscal year in which the application is filed; shall be conditioned upon the ownership and use for an exempt purpose of such property, and in the case of real property, its actual occupation, by such organization at the commencement of the fiscal year for which exemption is granted, and shall continue in effect so long as the basis for the exemption remains unchanged. No such exemption shall be made retroactive for any prior fiscal year.

SEC. 108. Within thirty days after the occurrence of any use of exempt property for any purpose other than that for which an exemption was granted, the organization owning the property shall report such change to the Commissioner. If it shall appear to the Commissioner from the report, or from any information otherwise available to him, that the property, or any part thereof, exempted from taxation under this Act or any special exemption act, is or was being used by the organization during any part of a fiscal year for a purpose or activity other than the purpose or activity for which exemption was authorized and granted, the property, or part thereof, so used shall be assessed and taxed for the portion of the fiscal year remaining after the commencement of the change of such use, whether or not such use is thereafter, during such fiscal year, discontinued, but in no event shall the tax be assessed for a period less than one month. Any property subject to tax under this subsection shall not thereafter be exempted from tax except in accordance with the provisions of subsections of subsection "(a)" of this section.

SEC. 109. Every organization owning property exempt from taxation under the provisions of this Act shall, on or before October 1, of each year, file with the Commissioner of the District of Columbia, on the form prescribed by him, a report, under oath, showing the purposes for which its exempt property has been used during the preceding fiscal year of the District of Columbia. Upon written application by the organization, filed before October 1 of the year in which the report must be filed, the Commissioner for good cause shown, may extend the time for filing said report for a reasonable period not to exceed sixty days.

If such report is not filed within the time provided herein, or as extended by the Commissioner, the exempted property of the organization for which no report was filed shall immediately be assessed and taxed on a month to month basis commencing with the month the report was due and continuing through the month in which the required report is filed.

SEC. 110. Except as provided in section 113 of this Act, if any property, or portion thereof, belonging to any organization entitled to exemption under the provisions of this Act is rented, or used for any commercial purpose, or for the production of income, whether or not such rental or use or income therefrom are for the benefit of the organization owning the property, such property, or portion thereof, shall be assessed and taxed.

Notwithstanding the provisions of section 11 of this title, whenever any building, or any portion thereof, or grounds belonging to any organization entitled to exemption under the provisions of this Act, are used for the purpose of the parking of motor vehicles, for which such parking a fee or charge of any kind is made, it shall be conclusively presumed that such building, or portion thereof, or grounds, is used for a commerical purpose.

SEC. 111. It shall be conclusively presumed that an organization is organized and conducted for private gain if it is authorized or required (except in connection with the payment of its debts or obligations) prior to, during, upon, or after liquidation or dissolution of the organization, to distribute its assets, in whole or in part, to any individual or organization (other than an organization which is, or would be, entitled to exemption under this Act, the United States, the District of Columbia, or a state or political subdivision thereof) in any amount in excess of the total of the amounts actually contributed to it by such individual or organization. In any such case, the distributing organization and the organization or individual receiving such assets shall, to the extent of the distribution, be liable for all real property taxes which, in the absence of an exemption granted to it under this Act, would have been payable, and there shall be added to such taxes interest thereon at the rate of 1 per centum per month, or part thereof, from the time of the commencement of the exemption until the taxes shall be paid.

SEC. 112. Except as otherwise provided, nothing in this Act shall be construed or held to authorize the exemption of any building or grounds used for the purpose, whether primary or not, of providing living accommodations to any officer, agent or employee, or to his family, of any organization entitled to exemption under any provision of this Act.

SEC. 113. Nothing in this Act shall be deemed to prohibit an organization, (except as otherwise provided in this Act) entitled to exemption from charging a fee or price for the rendition of a service, or the providing of a facility, in accordance with the specific purposes for which it is organized and actually operated, provided such fee or price is intended solely to compensate the organization for the reasonable and usual costs and expense incurred by it in the con-

duct of the activities which entitle it to exemption, and, provided, also, that the burden of establishing that the fee or price so charged is reasonable and usual to the operation of the organization, shall be upon such organization.

SEC. 114. Any organization aggrieved by any denial by the Commissioner of an exemption from tax of property deemed to be exempt from taxation under the provisions of this Act may, within six months after notice of the assessment appeal therefrom to the Superior Court of the District of Columbia in the same manner and to the same extent as provided in Sections 3 and 4 of Title IX of the District of Columbia Revenue Act of 1937, as amended: Provided, that payment of the tax shall not be a prerequisite to any such appeal and, Provided, further, that the remedy of appeal, as herein provided, shall be exclusive of any other remedy provided by law.

SEC. 115. The District of Columbia Council is authorized to make and promulgate such rules and regulations as it may deem necessary to carry out the intent and purposes of this Act.

SEC. 116. Whenever the word "Commissioner" appears in this title, it shall mean the Commissioner of the District of Columbia and his duly authorized representatives.

SEC. 117. On and after the effective date of this title, the Act of December 24, 1942, 56 Stat. 1089, ch. 826, and paragraph 10 of Section 6 of the Act of July 1, 1902, 32 Stat. 620, ch. 1352, as amended, (D.C. Code Sec. 47–1208) are hereby repealed.

Mr. BACK. The proposed legislation which I have mentioned will, commencing with fiscal year 1973, provide an entirely new law governing property tax exemption in the District of Columbia. First, with respect to all property exempted by special act of Congress, such exemptions would, commencing with fiscal year 1974 and ending with fiscal 1977, a rate of 25 percent per year, be phased out entirely. Second, the bill contains general tax exemption provisions, patterned in large part after existing law, under which organizations could qualify for tax exemption. Those organizations which do qualify will ultimately be entitled to an exemption of 60 percent of the value of the exempt property. In other words, those organizations which qualify for an exemption will, commencing with fiscal year 1973, receive an exemption to the extent of 90 percent of the value of their exempt property, 80 percent in fiscal year 1974, 70 percent in fiscal year 1975, and 60 percent in fiscal year 1976 and succeeding fiscal years.

Under the District's proposals, the inequities involved in the special tax exemption laws will be eliminated. In addition those organizations which are exempted in part from the property tax will, to the extent that a tax is required to be paid, thereby recognize in part benefits received by the organization from the District Government.

I would strongly urge favorable consideration of the proposed "District of Columbia Tax Procedures and Administrative Reform Act of 1971."

I have with me today, Mr. Laurence J. Eagan, Chief, Property Assessment, and Mr. Henry Wixon, Assistant Corporation Counsel in charge of the Taxation Division, and we will be glad to discuss this legislation further or answer any questions which you may have.

Thank you.

I might make one other point, Mr. Chairman, if I might. Our feeling is that this organization is in essence a private organization, certainly with restricted membership, a fraternal type organization which presumably does many fine things for its members, but we don't know whether these activities are restricted to members. We think they probably are.

This, we think, would be the first bill that would grant an outright exemption to property taxes to this type of organization. We think the flood gates will be opened for all other similar type organizations.

The CHAIRMAN. Thank you very much, Mr. Back. How, in your judgment, does this organization differ from the mimeographed list that some one in the city government supplied to us?

Mr. BACK. I think I have it in my briefcase, Mr. Chairman.

The CHAIRMAN. Here are some of the organizations that have been granted tax-exempt status in various years, by Congress:

The Army Distaff Foundation, American Association of University Women, American Historical Association, American Legion, AMVETS, Association for Childhood Education International, B'nai Brith, Henry Monskey Foundation, Columbia Historical Society, Corcoran Art Gallery, Eddis Home, Howard University, Jewish War Veterans U.S.A., Luther Statue Association, National Association of Colored Womens Clubs, National Council of Negro Women, National Education Association, National Guard Association, National Society of Colonial Dames, National Society of the Daughters of the American Revolution, National Society of the Sons of the American Revolution, National Society of the U.S. Daughters of 1812, National Trust for Historic Preservation, National Womens Party, OAK Hill Cemetery, Society of the Cincinnati, Vestry of St. Marks Protestant Episcopal Parrish, Veterans of Foreign Wars of the United States, Young Men's Christian Association, Young Women's Christian Association, and Young Women's Christian Home.

I take it that is a fairly complete list. Maybe we left some out.

How does this organization, in your judgment, differ from some or all of those that I have just recited?

Mr. BACK. I think they differ from some. I suppose the differentiation would be close in some other areas. It is a fraternal organization. The Knights of Columbus would be a similar type organization. The Elks, the Odd Fellows, and various other such type organizations.

I suppose our primary concern would be, "When do we stop?"

This is a beginning—with respect to this particular type of organization. We understand this is a national headquarters that the exemption is being requested for. I believe they have a local headquarters across the street. I don't know how we could deny, if we exempt by a special act, the national headquarters. I am not familiar with what all the national headquarters does for the District of Columbia. But if it is a national headquarters, presumably its activities would be minimal here in comparison to the country as a whole.

The CHAIRMAN. You mentioned the bill that Senator Stevenson had introduced and the companion measures pending in the House. Isn't there also a bill, at least I am informed there is, that has been reported out of Congressman Hungate's subcommittee which, I am informed, provides for an automatic Federal payment to the District in lieu of the amount of tax lost by reason of tax-exempt status for specified organizations?

Mr. BACK. I haven't actually seen the language. Have you Mr. Wixon?

Mr. WIXON. I haven't seen it, Mr. Chairman. But I am advised that a provision was added to a bill relating to an exemption to the Reserve

Officers Association. I assume that it was recommended by Congressman Broyhill, because at the hearing he said he was going to add to the Reserve Officers bill such a provision which would provide for a payment to the District of Columbia of the amount involved in the exemption of the Reserve Officers Association of property here in the District.

I believe I am correctly informed.

Congressman's Hungate's name I don't recall.

The CHAIRMAN. He is chairman of the subcommittee that perhaps heard that bill. We can check out the details of the bill, but I take it from what you have said, that it provides for a Federal payment for just that one organization—or is it across-the-board Federal payment?

Mr. WIXON. I have not seen it, sir. So, I can't speak specifically to your question.

The CHAIRMAN. All right.

What would be your feeling if the revenue lost, not only by reason of the fact that the bill instantly before us, which amounts to $30,000, but with respect to the $2,280,000 mentioned in your prepared statement. If that were made up, $2,280,000, on page 2 of your statement, by a Federal payment would that ease the pain a bit?

Mr. BACK. Yes, it certainly would ease the pain, Mr. Chairman. I think we might have two points we would like to make in that connection:

(1) We would hope it would not affect the total Federal payment to the District of Columbia, which ought to stand on its own two feet, in our opinion. And that this payment would not affect that grand total, whatever it might be.

(2) The other point would be, I suppose, one of equity as between types of organizations. Whether or not, if we took that approach, the basic law ought not to be relaxed so that all of these can be exempted instead of their having to come to Congress individually and some get through and some don't get through. The equity of the thing as between similar types of organizations would be, I think, of concern.

The CHAIRMAN. Do you have anything you wish to add, sir?

Mr. WIXON. I was going to suggest only that we do have now, in our 1942 General Exemption Law, provisions specifically concerning the right of organizations to an exemption from real property tax. An expansion of the group or groups here might be difficult, as was mentioned. Are the Elks entitled to an exemption when another organization similar in nature, and fraternal, for perhaps some other reason is not entitled to an exemption?

That is why consistently over the years, we have sought to restrict exemptions to the General Exemption Law now in existence, on the grounds, aside from any other reason, that congress in its wisdom in 1942 had determined the organizations which would be entitled to an exemption from real property taxation. As a matter of fact, the act says that these organizations "and none other" shall receive such an exemption.

Of course, I recognize that exemptions have been accorded to other organizations since.

Mr. BACK. Mr. Chairman, we are aware that the library part of this establishment is already exempt. I believe, to the tune of about $15,000 a year on tax liability.

The CHAIRMAN. Thank you very much, gentlemen. We appreciate your presentation.

We will now hear H.R. 8712, accounting procedure for the District of Columbia. We will have Mr. John W. Moore, Assistant General Counsel of the General Accounting Office, accompanied by Mr. Lester W. Garton and Mr. Paul Siefring.

I now place in the record a copy of H.R. 8712.

(A copy of the bill, H.R. 8712, follows:)

92D CONGRESS
1ST SESSION

H. R. 8712

IN THE SENATE OF THE UNITED STATES

JUNE 22, 1971

Read twice and referred to the Committee on the District of Columbia

AN ACT

To amend the Act entitled "An Act to authorize any executive department or independent establishment of the Government, or any bureau or office thereof, to make appropriate accounting adjustment or reimbursement between the respective appropriations available to such departments and establishments, or any bureau or office thereof", approved June 29, 1966, so as to include within its coverage the government of the District of Columbia.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Act entitled "An Act to authorize any executive
4 department or independent establishment of the Government,
5 or any bureau or office thereof, to make appropriate ac-

1 counting adjustment or reimbursement between the respective
2 appropriations available to such departments and establish-
3 ments, or any bureau or office thereof", approved June 29,
4 1966 (80 Stat. 221; 31 U.S.C. 628a), is amended by
5 striking out "Government" and inserting in lieu thereof
6 "Federal Government or the government of the District of
7 Columbia".

Passed the House of Representatives June 21, 1971.

Attest: W. PAT JENNINGS,
Clerk.

STATEMENT OF JOHN W. MOORE, ASSISTANT GENERAL COUNSEL, OFFICE OF GENERAL COUNSEL; ACCOMPANIED BY LESTER W. GARTON AND PAUL SIEFRING, SUPERVISORY AUDITORS FOR THE DISTRICT OF COLUMBIA; GENERAL ACCOUNTING OFFICE

Mr. MOORE. Mr. Chairman, Mr. Russ wasn't able to be here today. With me, immediately on my right is Mr. Paul Siefring and Mr. Lester Garton, who are supervisory auditors for the District of Columbia. They are representing our office.

We appreciate the opportunity to appear before your subcommittee in connection with H.R. 8712.

H.R. 8712 would extend the authority of all executive departments and agencies of the Federal Government under Public Law 89–473 to the municipal government of the District of Columbia to be used for initial financing, within the limitations applicable thereto, the procurement of materials and services or financing other costs, for which funds are likewise available in other appropriations of the District of Columbia. The costs would be adjusted to the benefiting appropriations during, or as of the close of, the fiscal year.

Under existing law, appropriations are available to the District of Columbia only for the specific purposes for which they are made and no others and such appropriations are required to be designated on the relevant documents prior to the time that the expenditure check is drawn. It thus is necessary in some situations that the charges be split in an appropriate manner among two or more different appropriations prior to payment. It is not always feasible to make the necessary accounting distributions with accuracy at the time the expenditure checks are drawn. The distribution can be made without too much difficulty a short time later.

The District Government already has authority for one department, office, or agency to place orders with any other department,

Office, or agency of the District for materials, supplies, equipment, work, or services and to advance fund to, or to reimburse, the performing agency therefore on an actual cost basis. We believe that the authority proposed in H.R. 8712 could provide for more economical and efficient operations. It could facilitate the accounting and payrolling for common service types of activities such as supply inventories, technical services, and joint use of automatic data processing equipment. It could promote economies through permitting the establishment of joint service activities rather than having duplicate activities maintained by several offices in the District of Columbia.

I would like to emphasize that H.R. 8712, will not permit the appropriations as finally adjusted to be charged or used for any purpose for which they are not otherwise available. It does not authorize the establishment of any new fund accounts nor the transfer of funds from one appropriation account to another. The bill merely provides an accounting expediency to account for the cost of common items or services until such time within the same fiscal year as the costs can be properly allocated to the appropriation actually benefited.

Accordingly, we recommend favorable consideration of the bill.

This concludes our statement, Mr. Chairman, and we will be glad to respond to questions you may have.

The CHAIRMAN. Thank you, Mr. Moore, Do the other gentlemen with you have anything they wish to add to your prepared statement?

Mr. GARTON. No; Mr. Chaiman.

The CHAIRMAN. Thank you very much, gentlemen. We appreciate it.

Mr. William Robinson, Assistant Corporation Counsel, accompanied by Mr. Oreste Maltagliati and Mr. Joe Haley, Office of Budget and Executive Management.

STATEMENT OF WILLIAM A. ROBINSON, ASSISTANT CORPORATION COUNSEL, DISTRICT OF COLUMBIA; ACCOMPANIED BY ORESTE F. MALTAGLIATI, DEPARTMENT OF FINANCE; AND JOE HALEY, OFFICE OF BUDGET AND EXECUTIVE MANAGEMENT

The CHAIRMAN. Mr. Robinson.

Mr. ROBINSON. Thank you, Mr. Chairman. We appreciate the opportunity afforded us to appear before this subcommittee to present the views of the Commissioner of the District of Columbia on H.R. 8712, as passed by the House of Representatives on June 21, 1971.

H.R. 8712 amends the act of June 29, 1966 (Public Law 89–473) by striking out "Government" in section 1 and inserting in lieu thereof "Federal Government or the government of the District of Columbia." The effect of the amendment made by the bill is to extend the authority conferred by existing law upon executive departments and independent establishments of the Federal Government to departments and agencies of the District Government. Public Law 89–473, enables Federal agencies and departments, including any bureau or office thereof, subject to limitations applicable with respect to each appropriation concerned, to charge one appropriation, at any time during the fiscal year, for the benefit of any other appropriation available to the department or agency for the purpose of financing the procurement of materials or supplies, or to finance other costs for which funds

are available both in the appropriation to be initially charged and the appropriation benefited, subjected to subsequent reimbursement or adjustment.

The District Government does not have authority to use one appropriation for the purchase of goods or services which are required for carrying out activities for which several appropriations have been made. If, however, the provisions of Public Law 89–473 were made applicable to activities of the District Government, any appropriation for any department or agency within the District of Columbia could be charged for the benefit of any other appropriation of other departments or agencies within the District. Thus, for example, a consolidated order for equipment for all District departments could be charged initially to the District's Department of General Services, subject to later accounting adjustments. Enactment of H.R. 8712 should result in some saving to the District and improvement in its business operations.

Inasmuch as the appropriation processes and the accounting practices and procedures of the District Government are similar in principle to those of the Federal Government, and because the benefits and economies afforded by flexible accounting and payrolling procedures for common service types of activities such as supply inventories, technical services, and joint use of automatic data processing equipment, would be equally advantageous to the District of Columbia, the Commissioner urges favorable consideration by the Committee of H.R. 8712 so as to include agencies and departments of the District Government within the coverage of Public Law 89–473.

We will be available, Mr. Chairman, to answer any questions or to give specific examples of how the bill, if passed, would apply to the activities of the District Government.

The CHAIRMAN. Let me ask a general question. Has anyone, while this bill has been working its way through the House, and is now on the Senate side—I am not an accountant, so bear that in mind—raised any objection to the bill, or raised any question as to why the bill might not work or be useful insofar as you know?

Mr. ROBINSON. The House Government Operations Committee asked a series of questions about the practical effect with respect to activities of the District Government. It would, of course, be much more applicable to agencies and departments of the Federal Government, because of their more widespread usage, but basically, the bill is an accounting procedure. It will facilitate and result in a saving of money to the District because of the simplified procedures it will authorize.

The CHAIRMAN. Let me ask, Mr. Haley, if I may, from the Office of Budget and Executive Management, "What is contained in the bill, H.R. 8712? Does it comport with modern, sound, efficient, budgeting and accounting practices?"

Mr. HALEY. Yes, sir; it does, Mr. Chairman. There is no question about it. We have been behind the idea of this bill for, I guess it's a couple of years now.

It will, as Mr. Moore of the General Accounting Office said earlier, in no way allow any reprograming of funds intended for one purpose to be channeled to another purpose. It will facilitate the day-to-day operations in the Department of Finance and Revenue by enabling,

by one initial payment, a payment for merchandise and services to be used in more than one appropriation.

It is definitely in accordance with generally accepted accounting and budgeting practices.

The CHAIRMAN. In order to make the record more precise—could you give us an example of how this measure, if adopted, would actually work, just on a sort of a case history?

Mr. MALTAGLIATI. One practice would be the practice our office engages in, achieving price saving through one large order. An example would be that if 10 agencies needed 15 typewriters apiece, or a total of 150, procurement would try to negotiate a more favorable price.

However, today, each of these 10 departments would have to prepare 10 separate purchase orders and 10 separate payments for this would be made. Under this type of legislation, we could pay for the whole 150 at one crack on one purchase order and make later adjustments.

The CHAIRMAN. Then you make ledger adjustments as per each department charging their fair share for those typewriters?

Mr. MALTAGLIATI. Yes, Mr. Chairman.

The CHAIRMAN. This is all I have, gentlemen.

Thank you very much. I appreciate your presentation.

The subcommittee will now adjourn.

(Whereupon, at 10:25 a.m., the subcommittee adjourned.)

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