

SEVEN NAMED IN PROBE INTO U. S. TAX LEAKS

Film Star Laughton and
Jules L. Bache Are
Among Those Listed.

(Continued From Page One)

he should be subpoenaed," Senator Harrison said. "Maybe he'll escape to the Bahamas before we can serve a subpoena," interjected Rep. Fred M. Vinson (D. Ky.).

Mr. Irey emphasized the methods used by Mr. Bache were not illegal, and there was "nothing fraudulent" in that case.

Col. Schick, retired Army officer, became a Canadian citizen, Mr. Irey said, allegedly to aid in lowering his tax payments.

Cites Schick's Business

Asserting it was "common knowledge" that the Schick Shaver Co. had "proven a profitable business," Mr. Irey said that in November, 1933, Col. Schick formed Schick, Ltd., in Nassau, Bahamas Island, and assigned royalty income from the company of \$129,000 in 1934.

"As a result of this taxes were saved," Mr. Irey said. "Apparently he was not satisfied with this saving, for in 1935 three corporations were formed in the Bahamas—Schick Industries, Ltd., Schick Shaver, Ltd., and Schick International, Ltd."

Mr. Irey asserted that 57,791 shares, "or practically all the stock outstanding of the Schick Co., controlled by the inventors was transferred to these companies."

Rep. Robert L. Doughton, chairman of the committee, commented: "This man Schick should be known as Slick."

Mr. Bache was described by Mr. Irey as "a prominent capitalist of New York."

Mr. Bache, 72, New York banker, began his financial career as cashier of Leopold Cahn & Co., in 1880. Twelve years later he became head of the firm, name of which was changed to J. S. Bache & Co.

Recently Mr. Bache presented to New York State his private art collection rated as one of the finest in the world and valued at several millions of dollars. He transferred his Fifth Ave. home into an art museum and set up a foundation to administer it.

—He is a director or officer of more than a score of corporations, including Chrysler Corp., Dome Mines, Ltd., Kelvintor Corp., U. S. Industrial Alcohol Co., and American Indemnity Co., of Baltimore.

Lists Holding Companies

Mr. Irey discussed foreign holding companies of which he said there were 24 in the Bahamas Islands, 202 in Newfoundland, 46 in Panama and 243 on Prince Edward Island.

He told the committee he wanted to pick out from the Bahamas list the following examples for full description:

Southern Securities, Ltd.; Foley Securities, Ltd.; United Securities, Ltd.; Foreign Investments, Ltd.; Bahama Industries, Ltd.; Schick In-

dustries, Ltd.; Schick Shaver, Ltd., and Schick International, Ltd.

"A number of lawyers in the islands cater to this corporation business," Mr. Irey said. "A building occupied by a Mr. Kenneth Solomon, one of the most prominent attorneys on the island, is literally plastered from foundation to roof with these corporate name plates. The building constitutes one of the most picturesque features of the island."

Before discussing detailed operations of the individual foreign corporations, Mr. Irey said some of the companies "used a sort of ambulance chasing method" in obtaining clients for tax purposes. He said "nobody knows whether this method of evasion is illegal or not under the present law."

He said that the bureau sent Philip A. Brenner, one of its special agents, to the Bahamas and that "the cases were uncovered only with great difficulty."

Mr. Irey quoted John H. Anderson, a Nassau accountant, as saying that so many foreign corporations had been established there that there was a shortage of bank vault and safety deposit space.

"Mr. Brenner learned it is the custom of island attorneys to meet wealthy Americans on their winter vacations and arrange with them to establish these corporations," Mr. Irey said.

Mr. Irey said Mr. Bache apparently had acted in "the honest conviction" he was operating within his legal rights.

"Therefore we are presenting his case without criticism of him, but to show what is going on," Mr. Irey said.

He said Mr. Bache organized two foreign corporations, the first of which was the Wenonah Development Co., to which he transferred assets of 13 million dollars in 1930.

Missed Taxes Two Years

In 1932 Mr. Bache, according to Mr. Irey, obtained \$2,300,000 from the Wenonah company as a loan and deducted \$25,000 in interest in connection with his taxes. He paid no taxes in 1934 or 1935, Mr. Irey said, but paid some in 1935.

Rep. Allen Treadway (R. Mass.) questioned Mr. Magill about the "morals of tax avoidance."

"We don't want to persecute anyone, but simply show the loopholes in the law," Mr. Magill answered.

Mr. Bache's action in setting up the foreign corporation "was legal enough" in the sense that it all had been disclosed and there had been no fraud, Mr. Magill said.

"Would you classify his action as immoral?" asked Rep. Treadway.

"It is not illegal," said Mr. Magill.

Mr. Irey next discussed the case of Wallace Groves, a New York financier who he said had been "in constant litigation with the Bureau of Internal Revenue for years."

He said Mr. Groves controlled the General Investment Corp., the Equity Corp., and other holding companies which in turn controlled the United Cigar Store chain and the Whelan Drug Store chain.

Describes Stock Case

In 1936, Mr. Irey said, Mr. Groves organized Nassau Securities, Ltd., with a capital stock of \$50,000.

"But he only issued five shares," Mr. Irey said.

Mr. Irey said Nassau Securities, Ltd., agreed to buy stock of the General Investment Corp. and then sell it back, with the entire transaction being handled in Montreal, Canada.

"Yet the Nassau Securities, Ltd., did not own this stock which it

agreed to sell back," Mr. Irey continued.

"The net effect is that Mr. Groves' company, Nassau Securities, Ltd., bought stock from the General Investment Corp. at \$87.50 a share and sold it at a profit of \$145.00 a share."

Mr. Irey said that Mr. Laughton, who is a British citizen, caused his salary in this country to be paid to a British corporation.

"Under the contract the British company paid Mr. Laughton \$20,000 in 1935 and in the same year his motion picture earnings of \$190,000 went to the British company which thus, of course, got all his income," Mr. Irey said.

"Such conduct may be perfectly legal but it is cited as an example of the increasing use of methods to avoid taxes which an individual would otherwise have to pay on his earnings in the United States."

Mr. Laughton is one of the outstanding character actors in Hollywood. He won the National Academy of Arts and Sciences award for his performance in "Henry the Eighth" in 1934.

Naturalization Questioned

Senator Harrison then returned the inquiry to Col. Schick's affairs with the inquiry:

"Was there anything unusual in Schick's Canadian naturalization in 1935?"

Mr. Magill said he understood that Col. Schick was a "personal friend of the prime minister." He said that Canadian law requires a three to five-year residence by persons desiring to become citizens, but that "Schick got a special dispensation."

Mr. Magill added that Col. Schick's action in changing his citizenship made it particularly difficult to collect taxes from him.

"But we will go after him as hard as we can under the present law," he said. "This is a striking case because the man went the whole route in his effort to avoid taxes."

Mr. Irey described Mr. Hudson as a former member of the New York Stock Exchange. He said Hudson used a Newfoundland holding company setup "which, however, was probably within the letter of the law."

Mr. Irey said intricate security sales had been made, "permitting reduced tax payments."

Mr. Irey said that 202 personal holding companies had been set up by Americans in Newfoundland.

"It is difficult to see why there

La Porte Officer Elected by Association of Police Chiefs

Carl Baumgartner, La Porte Police Chief, is the new president of the Indiana Association of Chiefs of Police, succeeding Chief Morrissey, Indianapolis.

Other officers elected at yesterday's closing sessions of the organization's three-day convention were Clesse Kendall, Richmond police captain, first vice president; George Eisenhut, Ft. Wayne chief, second vice president; Lawrence T. Studness, Gary chief, third vice president; Thomas W. Rice, Crawfordsville chief, sergeant-at-arms, and A. G. Eversole, Lafayette chief, secretary-treasurer.

The 17th annual convention next year is to be at Ft. Wayne. Speaking at the closing dinner

should be so many except for tax evasion purposes," he said.

Mr. Irey discussed the holding company situation in the Republic of Panama and in the European principality of Lichtenstein. He said the Panama laws were "favorable to foreign corporations" and 46 personal holding companies had been established there by Americans in the last two years.

Senator Harrison asked Mr. Magill whether any effort had been made to open negotiations leading to agreements for the dissemination of tax information between this and other countries.

"The State Department has made some exploratory moves," Mr. Magill said. "But not many countries are interested. Canada and France, however, have expressed interest. If we can work out a situation where we exchange information it would be of benefit to all countries."

At conclusion of Mr. Irey's testimony, the committee adjourned until next Tuesday.

Three Named in
Tax Quiz Absent

By United Press.
NEW YORK, June 18.—The office of Phillip de Ronde, first name mentioned in the Washington tax hearing today, said de Ronde was in Vermont. The office said it did not know where de Ronde could be reached.

The office of Jules S. Bache said he was in Europe. Wallace Groves also was reported in Europe.

police enforcement in rural areas is now needed.

National Constabulary Opposed
"The Federal Government now has sufficient positive power, as much as it should have, in the general enforcement of criminal law," he said. "We will rue the day upon which we vest too great authority in the Federal Government in this field."

Such action would result in a great national constabulary, directed from the national capital, which may, on occasions, become as offensive in violations of the rights of persons and homes as was the horde of late, but not lamented, Federal prohibition investigators.

"A people who are anxious that

some agency other than their local elected officers, who are close to them, should enforce their laws, are a people trifling with their liberties and inviting the imposition of tyrannical government."

Mr. Nolan urged that the State assume complete direction of law enforcement in counties where adequate protection is not provided.

ARRANGES JULY 4TH PROGRAM
MUNCIE, Ind., June 18.—An elaborate Independence Day program continuing for two days is being planned for Muncie this year.

The celebration is to start Sunday, July 4, with baseball games and fireworks. The program will be continued Monday when entertainments will be presented.

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