

## 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, of 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, Bahama 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 transformed 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., D. C. Mines, Ltd., Kelvinator Corp., U. S. Industrial Alcohol Co., and American Industrial Co., of Baltimore.

Lists Holding Companies

Mr. Irey discussed foreign holding companies of which he said there were 94 in the Bahama Islands, 202 in Newfoundland, 46 in Panama and 243 on Prince Edward Island.

He told the committee he wanted to pick out from the Bahama 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.

"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 Winonah company as an interest and deducted \$25,000 in interest in connection with his taxes. He paid no taxes in 1933 or 1936, Mr. Irey said, but paid some in 1935.

Rep. Allen Treadaway (R. Mass.) questioned Mr. Magill about "corporals of tax avoidance."

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

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

"It is difficult to see why there

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.

Senate 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.

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#### 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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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 Clellie Kendall, Richmond police captain; Lawrence T. Studness, Gary chief, third vice president; Thomas W. Rine, Crawfordsville chief, sergeant-at-arms; and A. G. Elsener, Lafayette chief, secretary-treasurer.

The 17th annual convention next year is to be at Ft. Wayne.

Speaking at the closing dinner

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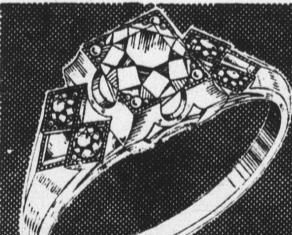
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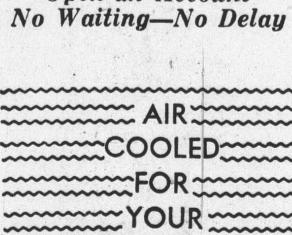
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