

1973 WL 26692 (S.C.A.G.)

Office of the Attorney General

State of South Carolina

April 3, 1973

*1 Dr. Wesley O. Brustad
Executive Director
South Carolina Arts Commission
1001 Main Street
Columbia, South Carolina 29201

Dear Dr. Brustad:

I appreciate very much your letter of April 2 and I think that it presents a point that is worthy of serious consideration. The letter is timely also because I have just prepared a draft of proposed legislation for a member of the General Assembly. I will call to his attention the phases of the matter about which you are concerned.

I must point out, however, that present law requires that eleemosynary corporations file returns with the South Carolina Tax Commission. This law is not generally well known and was modified as recently as 1972 so as to reach all corporations with relatively few exemptions. I think that it is possible to reach the result which you seek by devising the most simplified system of reporting which can reasonably be effected.

The task is complicated by the fact that not all of the abuses of the eleemosynary charter system involve activities relating to liquor or gambling or other such pursuit. One of the chief offenders which appalled me was a hospital which, for years, had operated as a private domain of its owner, who invested the proceeds derived from the hospital's operation in various real estate ventures, to which he himself took title. The ultimate disposition of the hospital was a sale by him at a price of more than one million dollars and the benefit of this accrued solely to him, except for tax consequences which the State sought. This type of operation was a worthwhile undertaking and served a humane purpose, but it was not an eleemosynary corporation and should not have been permitted for many years to have continued in the guise of a public charity. This is the type of operation which concerns me, as well as the smaller 'honky-tonk' type of activity.

The granting of exemptions is a difficult matter to treat because once the dam is broken, there will be a constant flow. At the present time, only religious institutions are exempt and I have incorporated this in the draft which I have proposed.

Under the new law, the reports required to be submitted are rather extensive, but I think the most practical approach which I can make is to minimize the paper work involved and I will endeavor to do this.

I appreciate your letter and invite your consultation at any time.

Very truly yours,

Daniel R. McLeod
Attorney General

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