



BACKGROUND TO REGISTRY IN USA



Harun Murray

Photo by Simón Cherpitel

Letter from Harun Murray, then ISC Chairman, and Foundation Executive Director, responsible for registering MSF in the USA in February 1996

“During the period 1985-1989 it became clear to the SBIF Trustees that an organization needed to be registered to hold certain assets for the international Subud brotherhood (e.g. Bapak’s house, distributions from the sale of BSB). SBIF in Geneva, Switzerland was not suitable because under Swiss Canton law the world-wide investment earnings of the organization were taxable, and there was a requirement that there be local Trustees. There may even have been a requirement that at least one annual Trustee meeting be held in Switzerland, but I am not certain about this.

This situation quite naturally led to a certain amount of duplicity where there was generally perception of the “formal” organization with its restrictive Swiss rules, and the “real” organization that was simply how we actually did things. But, the tax problem was the critical problem. The SBIF Trustees knew that a change of domicile was needed.

In advance of the Sydney Congress, Istfan Gorgenyi (then ISC Treasurer) prepared a report which became part of the Sydney Congress Proceedings. In this report he described the present problems with the Swiss organization and analyzed other countries which might provide a more conducive domicile. The USA was at the top of the list. Others were chiefly “tax havens” in the Pacific Islands, the Caribbean, or the Guernsey Islands. At the 1989 WSC meeting the WSC voted to proceed with the registering of WSA in the USA for the following reasons (from my memory) which were contained in Istfan’s report:

1. The USA does not require “local” directors.
2. The USA does not require that annual meetings be held in the USA
3. The USA has no currency controls nor has it had a history of such controls.

4. Tax-exempt status could be obtained in the USA. This had two advantages: property was not subject to tax, income was not subject to tax, and donations from donors subject to US tax law are allowed a tax deduction for donations made.
5. Professional service costs for incorporation, obtaining tax-exempt status, financial statement audits, etc are low in the USA.
6. The USA has over 70 tax treaties with other countries. Some of these tax treaties provide reciprocity for tax-exempt funds transferred between non-profit organizations.
7. USA tax law permits US domiciled tax-exempt organizations to transfer grants abroad to other organizations without impairing the tax deductibility of the donor's original donation. (So long as the Foundation has discretion as to the use of the funds and is not merely a conduit to organizations abroad).

The Foundation was conceived as a supporting organization to WSA. Varindra wished it to be domiciled in the same country as the WSA for the same reasons WSA was registered in the USA. This proved to be very practical because the Foundation achieved tax-exempt status because of its status as a supporting organization to WSA as evidenced in its bylaws.

I might also add that relatively unknown organizations receive a high degree of official acceptance in USA bureaucratic circles because of the great number and variety of tax-exempt non-profits in the USA. (more than the rest of the world combined according to "Non-Profit Organizations...", 5th edition).

Thus the selection of the USA domicile of WSA was based on a process which involved one World Congress, two WSCs, two ISCs, and a long period of deliberation. The domicile of the Foundation was chosen as a consequence of the above deliberations."