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Report of the President

F. A. Kern

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The Statute Law Committee, under the chairmanship of Ben C. Grosscup of Seattle, presented its report with the aid of lantern slides explained by Harry Ellsworth Foster of Olympia, showing the magnitude and seriousness of the discrepancies between the Session Laws as enacted and the Revised Code of Washington.

Dean Clarence E. Manion was introduced by President F. A. Kern. Last of the five resolutions recommended by the Resolutions Committee, and passed by acclamation, was the following:

"WHEREAS this convention and the members attending this meeting have been so cordially entertained by the Spokane County Bar Association and by its members and their ladies, who have opened their homes to visiting members, and have extended most gracious hospitality in many other ways.

"BE IT RESOLVED that this meeting hereby vote its thanks and appreciation to the Spokane County Bar Association and to its members and their ladies for the unbounded and gracious hospitality that has been extended to the State Association and to its members attending this meeting."

MARY ELLEN KRUG, *Editor*
Washington State Bar Journal

REPORT OF THE PRESIDENT

By F. A. Kern

You know, ladies and gentlemen, that this is the time when your president is supposed to select some subject of the law that he knows more about than any of the rest of you, and tell you all about it. I regret to state that I am not in such a happy position.

I have practiced law all the time since I was admitted to practice in a country town, and my practice has been with the general practice of a lawyer in such a community, taking everything that would come his way.

However, I have lived in an irrigation section for the past 45 years, and if I have specialized along any line, it has been along the line of water law, and so I expected on this occasion to address you on that subject, and I started to get my material together, and I was notified that one of the subjects that you would have for discussion at the law institutes here, would be the same as I had selected for my subject, and

I found out who would be the one selected to lead the discussion, and after reading the list I recognized the fact that they knew more about the subject than I did. So I decided that I would have to look elsewhere.

And you know some months ago I was reading an article in the American Law Review and that article told about the Bar Associations in the United States, that had taken steps to own their own headquarters building, and told about those that had already reached their goal, and had their own home.

After I read that article it occurred to me what a wonderful thing it would be, if we here in the State of Washington put up our own home; to not have to go from pillar to post and rent a place and then stay there for a few years and then to move on, and I decided I would just find out what the states had done that adopted such a program and how they had gone about raising money to build their own headquarters building, and I asked our very efficient secretarial force to contact the secretaries and the presidents in all the other states, and let us know just what had been done.

I don't know whether you know it or not, but the secretaries of the Bar Associations have a very effective organization, and if you ask them something and one secretary asks another something they really respond. They don't just send a letter, but they really tell them what's going on, and that's the kind of letters that our secretary received from these various secretaries throughout the United States.

And I was really surprised to learn that in at least half of the states of the United States steps had been taken that would mean that eventually in that particular state, that they would own their own headquarters building.

I decided then that I would give you people the results of the work that our secretary has done and urge you to adopt some sort of program that would mean that eventually our Bar Association would own its own home.

Now, if you will be patient with me I'll let you know what these various states have done and how they have gone about it.

Now, the first thing, gentlemen, to consider in a proposition of this kind, like all financial problems, is the tax angle. In other words, if one of you would give a hundred dollars towards such a project, would you get credit for that hundred dollars when you made out your income tax report.

I found there were at least two different plans that have been followed so far by the states, which have adopted such a program, one of which, for want of a better name I will call the "General Plan" and the other the "Texas" plan, in both of which tax exemptions have been obtained.

First I am going to tell you about the State of Minnesota. In the State of Minnesota they adopted the plan of the American Bar Foundation which has resulted in the construction of the Bar Center in the City of Chicago. They set up in their articles of incorporation that the purposes of the organization are to acquire by purchase or gift property of all kinds and to manage and invest the same for the advancement of jurisprudence and the promotion of justice and the uniformity of judicial decisions in the State of Minnesota, through education and scientific research.

The membership of the organization is composed of the members of the Board of Governors as from time to time constituted.

The directors and officers are not required to be members of the Board of Governors, but must be members of the State Bar organization.

The corporation was organized ten years ago and it now has a fund for building purposes of a hundred thousand dollars.

New York has a similar organization known as the Foundation of the New York Bar Association. Its objects as set forth in the constitution are to own property by gift or purchase, and to apply the income or its principal to the use of the New York Bar Association to improve the administration of justice, the cultivation and the understanding of the law through the maintenance of a law library, and the publication of literary works by students and teachers of the law, and to provide for the acquisition and preservation of rare books and documents, sculptures, paintings and other objects of art of historical interest relative to the law.

The provisions relating to members and officers of the Foundation are similar to those of the Bar Foundation of Minnesota.

The Foundation has provided the Bar Association with a splendid headquarters building.

Now then, we come to the State of Iowa. The State of Iowa was of special interest to me for the reason that in that State the number of lawyers is practically the same as it is in this state, and that is 3200.

It has an organization known as the Iowa State Bar Foundation

formed in the year of 1944, ten years ago. It has had two drives for funds, through which it has raised more than a hundred and eleven thousand dollars.

Its purposes as set forth in its article of incorporation are similar to those of the Minnesota Bar Foundation and its provisions relating to members and officers are the same.

The Foundation is making arrangements to construct a headquarters building, which it will rent to the Iowa State Bar at an annual rental of three percent on its investment.

The Bar Foundation in the State of Ohio is known as the Ohio State Bar Foundation and was incorporated in the year 1951, just three years ago.

Its members are comprised of the past presidents of the Ohio State Bar Association and the present members of the Executive Committee of the Bar Association. Its officers must be members of the Foundation.

Its purposes according to its articles are similar to those of the State of New York and in addition thereto, it has a provision for relieving, aiding and assisting deserving members of the Bar who shall be ill, incapacitated or superannuated and in need of aid.

One peculiar feature of that Bar Foundation is that it organized and owns all the common stock of the Ohio Bar Title Insurance Company, and expects to make a big profit out of that organization, and just how it is going to work it so as to be free from—when it comes to getting gifts for the Foundation for building purposes why they leave that to the Ohio Foundation.

The Missouri Foundation has for its purposes all those of the Ohio Bar Foundation and in addition the granting of scholarships for the students of law and the preservation of the American Constitutional form of Government.

It was organized in the year 1950 and has a fund of \$10,000.00. All members in good standing of the State Bar of Missouri may be members of the Foundation.

The officers and directors consist of the Chief Justice of the Supreme Court of the State, the president of the State Bar and six members elected from the membership.

Here is the way they get their money. The Foundation has three classes of memberships: life members, who became the original incorporators and paid the sum of a hundred dollars and those who were thereafter admitted to life membership by the payment of a hundred

dollars; sustaining members, who buy an annual sustaining membership at a fee of at least \$25.00, regular members, who contribute an annual regular membership fee of at least \$5.00.

When the Foundation builds its headquarters it will follow the precedent set by the Ohio State Bar Foundation and will rent the building to the State Bar.

The Wisconsin Bar Foundation is organized with similar purposes to the Bar Foundation of the State of Minnesota, and in addition the preservation of the American Constitutional form of government and the improvement in relations between members of the Bar and the public.

It has one peculiar arrangement as to members. The corporation has no members. Its directors consist of the president and two immediate past presidents of the Wisconsin Bar Association and six directors elected by the counsel of the Wisconsin Bar Association. The Association has yet to solicit funds.

Now, even in the State of Rhode Island, the smallest state in the Union, last fall a Bar foundation was organized. Its articles had been copied from the American Bar Foundation.

One unique feature on the program was to permit any member of the Rhode Island Bar, who was willing to contribute \$100.00 to become one of the original incorporators, and in this manner the sum of \$2500.00 was raised. They got twenty-five incorporators, each of whom paid \$100.00.

Now, the states of Indiana, Colorado, Oklahoma and Connecticut also have their Bar Foundation organizations and have their plans for eventually owning a headquarters building.

I believe that all the states that I have mentioned have letters from the United States Treasury Department indicating tax exemption benefits. As an illustration the following is quoted from a letter of the Commissioner of Internal Revenue to the Missouri Bar Foundation:

"It is the opinion of this office that you are exempt from Federal Income Tax, as it is shown you are organized and operate exclusively for charitable and educational purposes. Contributions made to you are deductible by the donors in computing their taxable net income in the manner and to the extent provided by section 23 of the Internal Revenue Code.

"Bequests to or for your use are deductible in computing the value of the net estate of a decedent for estate tax purposes in the manner

and to the extent provided by Sections 812 and 861 of the Code.

"Gifts of property to you are deductible in computing the net for gift tax purposes in the manner and to the extent provided in Section 1004 of the Code."

If we adopt the general plan and organize a Washington State Bar Foundation it should be an ideal way to obtain a headquarters building and I believe if we follow along that line that we should do it with the honest intent of carrying out the purposes for which we organize and not just have it merely as a subterfuge.

Now, I told you about what I called the general plan.

Now we have arrived at the great State of Texas, and I want to tell you about the Texas plan.

In the statute creating the State Bar of Texas the organization is described as an administrative agency of the Judicial Department of the State of Texas.

In the Washington State Bar Act creating our Association Section 2 provides as follows:

"There is hereby created an agency of the state for the purpose and with the powers hereinafter set forth, an association to be known as the Washington State Bar Association."

If we adopt the Texas plan there is no question about tax exemption benefits. A ruling of the U. S. Treasury Department was made to the State Bar of Texas on June the 15th, 1952, just two years ago, in the following words:

"Since you were created by statute as an administrative agency of the Judicial Department of the State of Texas, you are not subject to Federal Income Tax. Contributions made to you including those for the purpose of erecting and furnishing your headquarters building are deductible by your members and other donors in computing their taxable net income in the manner and to the extent provided in Section 23 of the Internal Revenue Code."

The State Bar of Texas raised for its building fund \$230,000.00 and in addition spent from its surplus fund an additional \$34,000.00. Title to the land and building is held directly in the State Bar of Texas.

The officials of the State Bar frankly admit that under this setup it is technically possible for the State of Texas to take over the headquarters property, but they believe the reaction against such procedure would be so strong they have no fear of such an occurrence, and on the strength of that belief they have invested the sum of two hundred and

fifty-four thousand in their home.

If we followed the Texas plan and our Bar Association undertook to raise funds for a headquarters building insofar as the title to the property is concerned we have a situation similar to that of Texas, which would mean that our Legislature could decide to use our building for another purpose than that of a Bar Association headquarters. That a legislature would ever do such a thing seems to ridiculous to consider.

The Texas Bar has raised more money for construction of its headquarters than has any other state.

The most effective fund raising idea was found to be the memorial contribution. In the headquarters building is a huge walnut memorial panel containing a hundred and four bronze plates listing the names of deceased lawyers and judges whose family and friends gave a thousand dollars or more to the building fund.

The hundred and four spaces will be more than filled when all the persons memorialize their names and an additional panel at that time will be installed.

Various rooms in the building are memorialized in return for contributions ranging from five thousand dollars to eleven thousand dollars.

In New Jersey the State Bar Association followed the same plan as Texas and raised funds among its own members to construct its present headquarters building.

The Association also adopted the memorial plan to permitting anyone contributing \$500.00 or more to list on a plaque in the building the name of a deceased lawyer.

The secretary of the New Jersey State Bar Association ended her letter of information to our secretary with this sentence:

"I hope your association will finally own its own headquarters, as we find ours has done us a great deal of good."

The start of a State Bar Foundation has been incorporated in the State of Michigan, but it was not organized for the purpose of owning an Association headquarters building. The State Bar of Michigan is proceeding to raise funds among its members to construct a home; the general plan being to collect all funds from voluntary subscriptions.

The State Bar Foundation has also been organized in Illinois, but its primary purpose is to aid indigent lawyers and their families, when they are financially unable to help themselves.

A trust fund for a headquarters building was established by the State

Bar Association by setting aside for this purpose five percent of the dues. The State Bar Association now owns its own headquarters, but is continuing the trust fund to replace the present building when it has outgrown its usefulness.

Even in the District of Columbia the Bar Association has started a headquarters trust fund and at the present time has in the fund the sum of \$5500.00.

At the next annual meeting of the Alabama Bar Association a resolution will be offered for the association to raise \$50,000.00 for the purpose of building a State Bar headquarters and providing for a certain percentage of the dues to be set aside for this purpose.

In Alabama the annual Bar due is announced in the sum of \$25.00. In the State of Washington it is the sum of \$15.00.

Now, you will be interested to know what the other states along the coast are doing, and as far as Oregon is concerned, a committee was recently appointed by the president of the Oregon State Bar to investigate the matter of the acquisition of a headquarters building and to report and make recommendations to the membership at its annual meeting in September.

So, today as we are considering this question, in Oregon the Oregon State Bar Association is considering the same question.

In the month of June of this year the president of the State Bar of California appointed a committee to consider ways and means of acquiring a headquarters building, and to report its findings and recommendations to the State Bar.

I've attempted to give you a picture of what is transpiring and what has already taken place in many of the State Bar Associations of the country relative to the ownership of headquarters buildings activity.

Our Bar Association is well known. It has taken a prominent place among the Bar associations of the country through its personnel of its representation in the American Bar Association and its adoption of progressive measures.

Our disciplinary proceedings for instance, have been widely copied by other states.

The question, therefore, that we should ask ourselves is shall we lag behind these other states, or do we intend to adopt a program, which will result in owning a home of our own.

You might ask "What are the advantages in our Association owning its own home?" Well, you have asked yourself the same question, when

you decided to secure for yourself a home; a home to suit your family needs and for your enjoyment. No more moving. All betterments and additions resulting in improving your own property. All summed up in "Be it ever so humble there is no place like home."

The ownership of our own State Bar home should be a matter of pride to every lawyer living in the State of Washington.

There are many problems to be solved if we decide that we avail ourselves of such a building.

Will we organize a State Bar Foundation or shall the acquisition be by our Association?

If we proceed by way of the State Bar Association, who shall constitute the membership, and how shall the officers be chosen? If we decide that our Bar Association shall be owner of the home into whose hands shall the matter be entrusted?

What method shall we adopt in raising the necessary funds and what amount shall we attempt to raise?

Where shall the building be located? What shall be its design?

These are some of the many problems that will confront us. These should be debatable questions for discussion at future Bar meetings. These and other questions that would arise in connection with such a program should provide sufficient material for many years to come, but in the meantime our headquarters would still be in a rented building.

Some may say that we are starting too soon after the American Bar Foundation Campaign. My answer to that argument is first, that we are not starting a campaign, we are just getting ready to make it and second, that the latest figures received from the American Bar Foundation indicate that only about fifteen percent of the lawyers of the State of Washington have contributed to that fund. So, that the American Bar Foundation Campaign at least should not interfere with contributions from eighty-five percent of the lawyers of the State of Washington.

We have a Board of Governors composed of able and prominent lawyers; each chosen by the attorneys of his congressional district.

We will have as president for the next ensuing year—I can't tell you who he will be, but he is one of the ablest attorneys in the State. He is mentally equipped to help solve large problems involved in this enterprise.

I believe we should adopt a resolution at this convention authorizing and directing the Board of Governors to take such steps as it deems proper, which will eventually result in either this Association or a State

Bar Foundation owning its own headquarters building.

I believe that if an actual start is made now towards raising a fund for this purpose, that it may be that we will not be required to wait until sometime in the hazy future to realize our dream.

Now ladies and gentlemen, I'm greatly appreciative of the fact that I have had the honor of having been your president for the past year, and I believe that if we are ever going to make a start on this enterprise that we should start now.

I don't know what I am going to do, not being dramatic at all, I just want it as a start, and I'm doing this with a promise to you that there will be no campaign of any kind at this convention to raise money for a headquarters building, but before I should cool off on this enterprise and while I am still in the humor for doing it, and to show you my appreciation for the past year having been your president, but most of all to actually start the ball rolling, so it won't be put off until next month or next year or two years, or three years or five years from now, but will just actually be started, I am going to, at this time, turn over to our secretary, with the understanding that she will not mix up this check that I am giving her with the one that she got this morning, a check for a thousand dollars to start this campaign. Thank you.

HIDDEN ASSETS AND RESPONSIBILITIES

An address by Loyd Wright, President
of the American Bar Association

We have just finished our 77th annual meeting of the American Bar Association. This meeting has, of course, been unique and unusually gratifying in that it was the occasion of dedicating the American Bar Center in which is lodged the American Bar Association's new headquarters and the American Bar Foundation research and library headquarters. You have all heard of this glorious accomplishment and every one who was there, I am sure, was thrilled because of the dignity, simplicity, and impressiveness of the ceremonies.

Coming home on the train I took occasion to read as much as I could of certain literature relating to our activities and I came across a report from a state in which only some twenty-eight per cent of the lawyers belong to the American Bar Association. Certain lawyers in this state when asked to join the association made inquiry as to how they would