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### QUIET FINISH TO A NO-TAX DREAM< VISIONARY'S PLAN TO WIPE OUT PA. TAXES ENDS AFTER A 50-YEAR LEGAL FIGHT.

*L. Stuart Ditzen, INQUIRER STAFF WRITER*

A 50-year legal battle set off by a fanatically thrifty millionaire who wanted to do away with taxes in Pennsylvania forever - and make his descendants rich at the same time - has come to an end in Philadelphia Orphans Court.

Sadly, the people of Pennsylvania are still going to have to pay taxes.

The legal case, involving a labyrinth of trusts created in the 1940s and 1950s by an eccentric New York lawyer named Jonathan Holdeen, was settled without a trial last Wednesday in the chambers of Judge Edmund S. Pawelec in City Hall.

After presiding over one portion of the case for 24 years, the judge, whose file cabinets groan under the weight of the pleadings, had these words: "Thank God it's over."

The settlement consisted of an agreement between Holdeen's heirs and the Unitarian Universalist Church of Boston on an exchange of assets.

Asked the winners and losers, Pawelec replied: "I don't think there were any on either side."

In a sense, the people of Pennsylvania were made the ultimate losers with a ruling Pawelec handed down way back in 1977.

That was the year the judge ruled invalid a plan Holdeen had dreamed up to make Pennsylvania's the first tax-free government in the history of the world.

Holdeen was a tall, thin man with a narrow face who was part miser and part altruist. Though a millionaire, he pinched pennies to the day of his death in 1967.

He broke up produce crates and burned them for fuel in the wood stove of his frame house in Pine Plains, N.Y. He cooked in tin cans. And when the elbows of a sweater became worn, he cut off the sleeves and wore what was left as a vest.

Beginning in 1945, Holdeen set up a group of charitable trusts for the benefit of Pennsylvania. He believed state law here was favorable to his plan. Over the years, Holdeen deposited \$2.8 million in the trusts.

His plan was to let the trusts grow, and to keep plowing the investment income back into them, for 500 to 1,000 years. Since charitable trusts are tax-exempt, the pool of money would become immense.

By Holdeen's calculations, the trusts would contain quadrillions or quintillions of dollars after a few centuries - more than enough to pay all the expenses of Pennsylvania government. All state

taxes could then be abolished, and Pennsylvania would be a tax-free model for the world.

The Internal Revenue Service pounced on the plan right away. The tax agency saw it as an elaborate scheme by Holdeen to avoid taxes and to benefit his family.

In addition to the charitable trusts, Holdeen set up a maze of more than 100 other trusts, many for the benefit of his family. The lines between the trusts were blurred. Private family trusts and charitable trusts were involved in many joint investments.

From the 1940s to the 1970s, Holdeen and his heirs battled with the IRS over the validity of the charitable trusts. In the end, the IRS lost. The U.S. Tax Court ruled in 1975 that the trusts were legitimate.

But a separate legal fight had developed in 1971 in Orphans Court, which has jurisdiction over trusts and estates in Pennsylvania.

To try to make his plan conform with legal requirements, Holdeen had named the Unitarian Universalist Church as a beneficiary of charitable trusts, with the understanding that the church would get a tiny portion of the yearly trust income.

While Holdeen was alive, church officials consented to the arrangement. After his death, the church filed suit in Orphans Court seeking all the income. Its lawyers contended that piling up money for 500 or 1,000 years was unreasonable and potentially dangerous.

Eventually, the church argued, the **Holdeen trusts** would soak up all the world's money, and Jonathan Holdeen's descendants, who were to remain in charge of the trusts, would have unimaginable power.

In 1977, Pawelec ruled in favor of the church, concluding that Holdeen's scheme was "visionary, unreasonable and socially and economically unsound."

From then on, income from the trusts, which had grown to more than \$20 million, was paid to the Unitarian Church at about \$1 million a year. The litigation might have ended there, but it was not to be.

Lawyers for the church accused Holdeen's daughter - in whose hands the trusts had outperformed the Dow Jones and Standard & Poor's stock averages - of mismanagement, self-dealing and fraud in running the charitable and family trusts Holdeen had placed in her care.

The daughter, Janet Adams, 84, of Pine Plains, N.Y., herself a colorful, off-beat eccentric, had been fending off the church ever since.

Lawyers for the church contended Adams mixed real estate deals of the charitable trusts with various private family trusts, favoring the family. They demanded \$12 million in damages.

The church filed a half dozen lawsuits. It spent more than \$1 million in legal fees. And it lost two trials, one in Kentucky and one in New York, trying to prove Adams a wrongdoer. In last week's settlement in Orphans Court, the church abandoned the hunt.

Adams and other heirs agreed to pay \$1.75 million into the charitable trusts. In exchange, Adams received title to 345 acres of land in Pine Plains whose ownership had been a part of the litigation.

Lawyers for both sides declared victory of sorts - and relief - following the settlement.

"From my client's point of view, it was a great monetary settlement," said Charles H. Wampold 3d, a lawyer for Adams. "When you offset the real estate against what she paid in, it is pretty much even."

“The [Unitarian Universalist Church] really wanted to bring this litigation to an end,” said Edward Leibensperger, general counsel for the church. “It is very proud of the good things it is doing with the funds it has been fortunate to receive from Jonathan Holdeen.”

Reached by phone yesterday, Adams said she, too, was happy to see the litigation end.

But after 50 years of legal wrangling, first with the IRS and then with the Unitarians, Adams said she thought she might miss the fray.

“I liked the traveling,” she said.

She also loves flowers - and she managed to see a lot of them in Philadelphia. Whenever lawyers for the Unitarian church summoned her to Philadelphia, Adams said, she always tried to arrange the trip to coincide with Philadelphia Flower Show.

Over the years, she said, she managed to see the show about eight times.

“What the heck? Why not?” she said. “I used to take a friend with me until the church got real snotty about it.”

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