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For Nixon

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By Lou Cannon

Washington Post Staff Writer

A high-ranking California official said yesterday that President Nixon might wind up paying state capital-gains taxes on the profit he realized from selling property surrounding his oceanside villa at San Clemente.

State Controller Houston I. Flournoy, chairman of the State Franchise Tax Board, said that even though Mr. Nixon has been judged not a resident for California income-tax purposes he still must pay taxes on income earned in the state.

If the congressional Joint Committee on Internal Revenue Taxation rules that Mr. Nixon should pay both capital-gains taxes on the land, plus disallows part of the deduction of his vice presidential papers, Flournoy said, the President also would become liable for California taxes. He said that Mr. Nixon would have to lose on both issues for this to be the case, since his deductions on vice presidential papers otherwise would be sufficient for him to offset the capital-gains tax.

According to Mr. Nixon's accounting firm of Coopers & Lybrand, the President realized a gain of \$117,370 on the resale of property to an investment firm owned by two close friends, Robert Abplanalp and C.G. (Bebe) Rebozo. At California's maximum capital-gains tax rate of 11 per cent, this presumably would make Mr. Nixon subject to state tax of \$12,910, although the amount could then be deducted on his federal tax return.

Flournoy said he believed the ruling that Mr. Nixon is not a resident for tax purposes is entirely correct. But he added:

"The real thing that bugs me is not that he didn't pay taxes in California but that he didn't pay taxes in the District of Columbia. If he paid taxes anywhere, Californians would not care."