

Administration Order

By Alan Emory

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The Nixon administration has laid down a policy that could open the individual tax returns of almost every citizen to a broad range of federal departments. It runs contrary to the President's own policy of confidentiality of certain White House documents and conflicts with his new program designed to protect individual privacy.

The policy centers on an executive order, once modified, which President Nixon issued early in 1973, allow-

News Analysis

ing the Agriculture Department to examine the tax returns of the country's 3 million farmers. At the time, there was no press announcement from the White House or the Agriculture Department. The order was published in the Federal Register, which, as one farm spokesman has observed, "is not everyday reading for the average farm family."

Don Paarlberg, director of agricultural economics for the department, says the order is "inoperative" but it is still in effect.

Mr. Nixon told a questioner at his Feb. 25 news conference that he thought the order should be considered by a new privacy committee headed by Vice President Ford.

Rep. Jerry Litton (D-Mo.), who discovered the order and held hearings on it, called it "strange" that Ford should be assigned to determine whether Mr. Nixon's action had been proper.

The real impact of the Nixon order is contained in an advisory opinion written by Assistant Attorney General Robert G. Dixon Jr., who says it was drawn up as a model so that tax returns could be used for statistical purposes by other federal agencies.

The order was "prepared by the Department of the Treasury . . . as a prototype for future tax-return inspection orders," Dixon said. This comment prompted Rep. Bill Alexander (D-Ark.) to observe that it constitutes a "frightening prospect that the administration is attempting to begin the process of making personal income information of whole classes of people available to various departments and agencies without regard to the private nature of the information."

Litton recalled that former Nixon aide John D. Ehrlichman had promoted a policy of making the Internal Revenue Service "more politically responsive" and wondered if the administration favored the order on farmers' returns because "if they could get away with

Perils



REP. BILL ALEXANDER



REP. JERRY LITTON



DON PAARLBERG

... discuss order on examining tax returns.

that they could try another field later."

Actually, the IRS was dead set against the Nixon order all the way.

In a recent letter to Rep. William S. Moorhead (D-Pa.), chairman of a House Government Operations subcommittee that looked into the order, IRS Commissioner Donald C. Alexander declared that he insists his agency "guard the taxpayer's right of privacy."

He says he will not allow the Agriculture Department to obtain anything more than "a mailing list of names and addresses of farmers." The commissioner says he supports legislation to make tax returns

"explicitly confidential" except for tax administration and enforcement.

Alexander says tax returns should be "confidential and private" unless Congress "clearly specifies" to the contrary.

The House Ways and Means Committee is preparing to hold hearings on legislation, sponsored by Reps. Litton, Alexander, Jack F. Kemp (R-N.Y.) and Barber B. Conable Jr., (R-N.Y.), and others, designed to tighten the rules of privacy on individual tax returns.

The stand of IRS' Alexander puts him at odds with Agriculture Secretary Earl L. Butz, who twice rebuffed congressional requests to

put the Nixon executive order in deep storage.

Butz says it is "essentially a matter of judgment" whether his department's inspection of individual farmers' tax returns amounts to an "invasion of privacy."

"The list development procedure we have in mind is clearly in the public interest," he told Moorhead.

Coincidentally, when former Agriculture Secretary Clifford M. Hardin originally requested, in 1970, certain farm data that could be matched with the names of farm operators obtained from sources outside the IRS he said he specifically was not seeking an examina-

Privacy of Tax Returns

tion of individual tax records.

Butz told Moorhead last year "no employee" of his department would examine an individual return under the Nixon order's authority, but he refused to ask that the order be scrapped. He said, instead, that the "effectiveness of the security handling of data" by the staff of his Statistical Reporting Service "has not been challenged."

Paarlberg maintains the department never sought the tax-return inspection authority, but that Treasury and Justice Department reviews had broadened it.

"We understand the first order was designed as a model to be used by other departments," he said.

When Rep. Charles Thone, (R-Neb.), asked why the Agriculture Department could not obtain its statistics from the Census Bureau as authorized by the White House, Paarlberg replied, "We do not care which department they come from."

"I do very much," Thone snapped back.

Paarlberg said he was not sure whether the decision not to announce the order publicly had come in a phone call from the Treasury Department "or whether it came from the President's staff men." He had been in touch with both, but he did say he had not talked to indicted Nixon aides Ehrlichman and H.R. Haldeman.

When John W. Dean III was Mr. Nixon's counsel he recommended that the IRS zero in on political targets by making a requested audit "of a group of individuals having the same occupation."

Congressman Alexander says blanket authority to inspect individual tax returns of any group "clearly constitutes an invasion of the right of privacy of that group."

He raises the possibility

that the Commerce Department might inspect returns of businessmen it deals with; those of homeowners getting Federal Housing Administration-insured loans; union members dealing with the Labor Department, and those of individuals receiving grants or aid from the Department of Health, Education, and Welfare.

In fact, in the first half of 1970 the IRS made available 14,000 tax returns to the Justice and Labor departments, Federal Communications

and Securities and Exchange commissions, Federal Home Loan Bank, Renegotiation and National Labor Relations boards, Small Business and Social Security administrations and the old Post Office Department.

At one point Litton sponsored a bill to kill the Nixon order and allow the Agriculture Department just farmers' names and addresses. The department cold-shouldered the measure and refused comment.

After Litton introduced another bill to tighten IRS rules about who could see the returns, the department indicated an interest in the earlier legislation.

The congressman said he asked why the farm census funds were stricken from last year's budget and "I have yet to get an answer. The census form goes to every farmer. A tax return sampling would not be as complete. Either they need the information or they don't."

According to Litton, the question of farm information came up when George P. Shultz was budget director in 1970, but nothing happened. Three years later the order was drafted at the Treasury De-

partment, where Shultz was secretary.

Former IRS disclosure staff chief Donald O. Virdin says there would be no problem giving Agriculture the names and addresses of farmers quickly "if that is all Agriculture wants."

Assistant Attorney General Dixon says the Justice Department was never asked to express a "policy judgment" on the Nixon order so it didn't.

IRS Commissioner Alexander says his agency is working toward a goal of "ensuring the confidentiality of federal tax return data."

Against a backdrop of IRS investigations of tax returns of White House "enemies" and the President's strong defense of confidentiality on White House documents and tapes, the continued existence of his 1973 executive order has Congress and the IRS worried.

The Paarlberg "inoperative" comment does not satisfy them.

Litton says he listened to President Nixon's State of the Union message and was surprised to hear "a man who proposed opening up 3 million tax returns talking about privacy."