President Nixon's Personal Finances (III)

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IN THE STATEMENT accompanying the flood of financial documents which President Nixon released last Saturday, he said that there were two questions which some might find arguable despite his disclosures and that he was referring those questions to the Joint Committee on Internal Revenue Taxation for review. The first involved his gift of vice presidential papers to the United States, on which he has so far claimed deductions "totaling approximately $482,019," and on which, assuming the gift was valid, he can still claim $93,981 more. The second involved his failure to report a capital gain on the Nixons' sale of 23 acres of their San Clemente estate to a partnership consisting of their friends Robert Abplanalp and Charles G. Robozo. Arthur Blech, the accountant who prepared the Nixon income tax returns, decided that there had been no capital gain on the transaction, but Coopers & Lybrand, the accounting firm which audited the Nixons' personal finances, thought that there had been a gain of $117,370.

We have expressed on a number of occasions in this space our doubts about the validity of Mr. Nixon's gift of papers and believe the President was right in expecting that there would be questions about that transaction. And, considering the disagreement between accountants, the question concerning the sale of real estate to the Abplanalp-Rebozo partnership seems to us to raise questions which are almost as serious. Yet, characteristically, in referring this matter to the congressional committee, Mr. Nixon sought to narrow his exposure to liability by citing only those two questions. Wisely, in our view, the committee has rejected Mr. Nixon's proposed limitation and has indicated that it will look into all aspects of Mr. Nixon's tax returns for the period of his presidency.

A look at just one of the President's transactions, as best it can be traced from the documents made available on Saturday, demonstrates not only the wisdom of the committee's decision, but also something about the way in which the President conducts his private financial affairs. The series of transactions begins with the cooperative apartment in which the Nixons lived during the time when Mr. Nixon was practicing law in New York. In speaking of that period to the Associated Press Managing Editors at Disney World, Mr. Nixon said, "I wasn't a pauper when I became President . . . In [those] years, I made a lot of money." Notwithstanding all that money, Mr. Nixon's financial records show that a loan for the full amount of the original purchase price of that apartment—$100,000—was still outstanding after Mr. Nixon assumed the presidency and wasn't paid off until he sold the apartment in May 1969.

The Nixons, having made some $60,000 worth of improvements on the apartment, sold it for $312,500 and realized a profit of $142,912 from the sale. Ordinarily, that profit should have been reported as a capital gain, unless it was held to have been applied to the purchase of a new "principal residence" for the family. And that is exactly what happened, the Nixons proclaimed San Clemente to be their new "principal residence," and accordingly did not declare the profit on the New York apartment as a capital gain.

The problem with this is that if Mr. Nixon claims San Clemente as his voting residence and as his "principal residence" for federal income tax purposes, then it is hard to see how he avoided paying any California income taxes in those years. Presumably, he could have done this only on the theory that, for California state tax purposes, his "principal residence" was 1600 Pennsylvania Avenue, Washington, D.C., where, indeed, he is exempt as a government official from local income taxes by the laws of the District of Columbia.

But surely, even the President of the United States can't have more than one "principal residence" even for tax purposes. It has to be either San Clemente or the White House—not one for one tax return and the other for another tax return. If San Clemente is the President's "principal residence," then he was entitled to defer his capital gain on the sale of his New York apartment. But then, of course, it would seem inescapable that he owed some income tax to the state of California. If, however, his principal residence is the White House, then he would owe no income tax in California, but the capital gain on the sale of his New York apartment should at least have been shown on his federal return for 1969.

These are not the only outstanding issues beyond those which the President asked the Joint Committee to look at which raise serious questions of both propriety and law. Rather, they are merely illustrative of the tangled affairs that have come to light in the financial documents released by the White House last weekend. Thus, once again, we have had a "once and for all" disclosure by Mr. Nixon which raises more questions than it lays to rest.