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The President's Historic Deduction

Grave questions about President Nixon's huge tax deductions have been raised by a former White House aide who worked on them.

In a secret statement to the Senate Watergate Committee, Roy "Pete" Kinsey described the maneuvering inside the White House to secure a \$574,000 tax write-off for the president.

The statement casts a cloud over Nixon's "gift" of his vice presidential papers to the government, for which he claimed the whopping deduction.

Kinsey confirmed published reports that, as a result, the President paid "about \$700 tax . . . in 1970 and about \$800 tax . . . in 1971. In fact, the President received about a \$72,000 refund for 1970."

Under careful questioning by Sen. Lowell Weicker (R-Conn.), Kinsey told how the White House scrambled to get around a new law, which ended tax deductions for historical papers after July 1, 1970.

Kinsey was an assistant to ex-White House counsel John Dean who, according to the testimony, "dealt a great deal with the President's estate plans." In previous appearances, Kinsey refused to testify about the President's finances, claiming attorney-client privilege.

"But now I've come to the conclusion," he said, "that, first, no grounds for a privilege exist and, second, that overriding factors exist for telling the story."

The secret hearing was conducted by Senator Weicker, who refused to release Kinsey's statement. From other sources, however, we have obtained a copy.

"The first thing that was done," recalled Kinsey, "was to call in Ralph Newman of the Lincoln Book Store in Chicago to make an estimate of the worth of the pre-presidential papers. He estimated their value at about \$575,000."

White House lawyers disagreed, however, over whether the documents were deductible at all. Kinsey questioned whether the fact that the deed was signed by an aide instead of Nixon made the deduction illegal from the start.

As he explained it, "A chattel deed, purporting to make a gift of these papers to the National Archives, was drawn up and signed by (presidential aide) Ed Morgan . . .

"It seemed questionable whether Ed Morgan had power of attorney for the President. As I recall, there was no record of such power having been given to Morgan."

"Dean's response was to sit on it for awhile," said Kinsey. Not until the decision was handed down from above did Dean seek to justify the deduction.

There was confusion over whether the original deed was ever turned over to the General Services Administration, which has jurisdiction over the archives. Up until Kinsey's departure in January, 1973, years after a deed was supposed to be in GSA's files, an original deed was still at the White House.

"The original deed was never turned over to GSA," swore Kinsey, "Because the original was in the White House files up until at least January, 1973."

"The normal practice, used by (Presidents) Truman, Eisenhower, Kennedy and Johnson was to send a letter to GSA along with the deed. In return GSA would send a letter as evidence of acceptance of the gift. That procedure was not followed here, clearly . . .

"At the time I left the White House staff, I didn't know what to do with the original. So I asked Jack Nesbit, who is the GSA man at the White House, what to do with the deed. He recommended that I give it to him, which I did . . .

Nesbit told us he sent the deed to the Archives the next day with a cover did . . ."

Kinsey reported that "the papers were delivered eventually, but it took some time because they were scattered all over—some in Don Nixon's garage, some in Whittier, etc."

The White House, meanwhile, tried to slip a bill through Congress to repeal the law, which abolished tax deductions for historical papers.

"At the time of our concern over the presidential papers deed," recounted Kinsey, "we ran around trying to get the '69 amendment repealed. That would have been early '72. GSA and I drafted a bill to do this."

"We had the congressional relations people running around trying to get some congressman to put it in. In fact, there was a memo to Clark MacGregor (the President's congressional liaison chief and later campaign manager) on it."

The \$574,000 deduction, said Kinsey, created an over-withholding problem for the President. "John Dean had me call Sidney Cohen at Treasury . . ." said Kinsey. "This was to change the President's withholding rates for 1972."

Because the deduction wouldn't be available again in 1972, Kinsey testified, "the claim for reduced withholding may have been improper. A W-4 form was, however, filed to obtain the lower withholding."

The questions raised by Kinsey have now stirred interest inside the Internal Revenue Service in reappraising the tax breaks President Nixon was allowed from 1970 through 1972.

