

Nixon Tax Payments May Cause Trouble For IRS

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WASHINGTON (AP) — Public controversy over President Nixon's income taxes has set alarm bells ringing in the Internal Revenue Service, but officials of the tax agency are not sure yet whether they have a fire.

The question is whether Nixon's minimal tax payments, about \$6,000 on total income of nearly \$800,000 over the three years ending with 1972, may tempt other Americans to look for loopholes or try to avoid taxes.

It will be several months before the IRS can analyze enough 1973 returns to determine whether there is such a taxpayer reaction. For the present, tax officials publicly express confidence there will be none; privately, they are known to be concerned.

From around the country, in news reports, in declarations by politicians and in statements from outside tax experts, come warnings of taxpayer resistance, resulting in part from the Nixon affair, that could lead to a significant reduction in anticipated government revenues.

Johnnie M. Walters, who retired last year as IRS commissioner to go into tax law practice here, said in a recent interview that a loss of \$1 billion as a result of taxpayers claiming questionable deductions would not be unrealistic.

Rep. Charles Vanik, a Democrat on the tax-writing House Ways and Means committee, predicts "a massive movement by American taxpayers into the gray areas of tax avoidance" which he said could slash revenues by as much as 10 per cent, or nearly \$25 billion.

AFL-CIO President George Meany said "the fact that the President combed the tax laws for loopholes sets an example to the American people to likewise avoid or evade taxes."

A New York-based tax advisory firm told its clients that "IRS officials are afraid that average taxpayers will follow the recent examples of corner cutting politicians and do some wholesale cheating of their own." The IRS, it added, would scrutinize all returns with large

business expense writeoffs.

Senior IRS officials dispute such predictions. The worst that can happen, they contend, is that many taxpayers are likely to press harder than in the past for legal but perhaps questionable deductions.

Even that, some of them concede, could result in a cutback in anticipated federal tax receipts for 1974.

"Certainly we don't expect the taxpayers to be any less honest with themselves this year," says John J. Olszewski, chief of the IRS Intelligence Division which pursues tax fraud cases.

"They are going to be either honest or dishonest, depending on their own moral standards, but not because somebody else supposedly set an example for them."

He added, that on the basis of past experience some taxpayers caught chiseling can be expected to point to the questionable records of high-ranking or prominent people in defense of their own transgressions.

Despite its outwardly calm approach, there is no doubt that the Internal Revenue Service is concerned—if not about 1974 tax collections, then about what one official calls false impressions generated by the publicity given Nixon's tax troubles and resulting speculation about how other taxpayers might react.

The controversy is awkwardly timed for the IRS, already trying hard to upgrade its efficiency and improve a public image somewhat battered by charges of favorable treatment for corporations and others using tax shelters, and by disclosure of White House efforts to use it as a weapon against political "enemies."

Informed observers say IRS officials were unhappy with the original handling of the Nixon case, in which he took substantial deductions for donating vice presidential papers to the National Archives, and claimed other tax advantages.

Concern for its reputation was a factor, the observers say, in the publicly-announced IRS decision to reopen inquiry

into Nixon's tax affairs, and also in the decision to continue investigation of former Vice President Spiro T. Agnew, who quit last October after pleading no contest to one count of tax evasion in 1967.

The IRS says it had an enforcement drive under way well before the Nixon and Agnew cases came to public attention.

IRS spokesmen say audits, which fell off sharply in the decade from 1962 to 1972, have since then been on the upswing.