Nixon Agrees to Pay Tax Debt Of $467,000

After IRS Ruling

SUMMARY OF RECOMMENDATIONS

The report which follows is divided into ten separate parts. Each of these deals with one or more major questions with respect to the tax returns of the President. In most cases the report indicates first the scope of the examination and then presents an analysis of points of law which may be involved. This is followed by a summary of staff recommendations, and finally the staff presents an analysis of these recommendations.

The staff recommendations would make the following increases in the President's taxes for the years involved:

Year	Proposed Deficiency	Interest [1]	Deficiency plus interest
1969	$171,055	(2)	[2] $171,055
1970	93,410	$16,638	110,048
1971	89,667	10,547	100,214
1972	89,890	5,224	95,114
Total	$444,022	$32,409	$476,431

[1] Interest to April 3, 1974.

[2] Since 1969 is a closed year and any payment by the President would be voluntary, the staff did not include an interest payment for the deficiency in this year. However, if interest were to be included, the amount would be $40,732.

[3] The addition to tax for negligence itself, of course, is not a fraud issue, and applies when there is no intent to defraud (see I.R.C. section 6653(a)).

United Press International

A summary of the Joint Congressional Committee's recommendations on President Nixon's taxes.

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Joint committee chairman Long, left, and vice chairman Mills, right, confer with staff chief Laurence N. Woodworth.

Hill Staff Probers Say President Owes $476,431 in Taxes

By Lou Cannon 4/4/74
Washington Post Staff Writer

A congressional inquiry into President Nixon's taxes undertaken at Mr. Nixon's request recommended yesterday that he should pay $476,431 in back federal income taxes and interest on filings during his first term.

The report, the fruit of a five-month investigtaion by the staff of the Joint Committee on Internal Revenue Taxation, virtually coincided with the findings of Mr. Nixon's tax liability announced four hours later by the Internal Revenue Service.

The committee staff report said that Mr. Nixon had acted improperly in claiming deductions for the donation of his vice presidential papers and in failing to pay capital gains taxes on property at San Clemente and New York.

The staff report recommended that he reimburse the government $106,262 for improvements "primarily personal in nature" at his San Clemente, Calif., and Key Biscayne, Fla., homes, pay back $27,015 in travel expenses for private trips for his friends and family and refrain from claiming $85,399 he took in deductions for business expenses and furniture purchased for the San Clemente estate.

The committee saw the completed report for the first time at a morning session yesterday and met behind closed doors for the entire day asking questions of its highly regarded staff.

It adjourned without either approving or disapproving the report's findings and scheduled another session for today. However, the decision of Mr. Nixon to substantially abide by its findings may mean that the committee will not take formal action on the staff recommendations.

The report said the staff had made no attempt to determine whether there was "fraud or negligence" committed by the President or his representatives in preparation of his tax returns. Any such determination or any demand for payment of back taxes, the report continued, is up to the Internal Revenue Service.

If the President were to make the reimbursements for the improvements and travel expenses, the report said, he would be allowed to take deductions for them "since the amounts were treated as taxable income in the years under examination in which they occurred."

However, the issuance of the 210-page report and its accompanying 784-page documentary appendix represented the loss of a major political gamble by Mr. Nixon.

Following a series of news accounts that he had paid only minimal taxes in 1970 and 1971, the President on Dec. 8, 1973, made public his tax returns for his entire first term.

These returns showed that President and Mrs. Nixon paid federal income taxes of only $792 in 1970 and $878 in 1971 and a total of only $78,651 on an income of $1,222,266 during the four years of his first term, a rate of 7 per cent, or the equivalent taxes for a family of four with an income of $8,000.

By far the largest reason for the low tax payments was a $576,000 deduction claimed for the 1969 gift of a portion of Mr. Nixon's vice presidential papers to the National Archives. Through the end of 1972, Mr. Nixon had claimed $482,018 of this amount as deductions to offset taxable income and had retained the balance to use as a deduction in 1973 or future years.

See TAXES, A16, Col. 1

TAXES, From A1

On the same day he made public his tax returns last December, the President sought to defuse mounting criticism of his deductions by asking the joint committee to investigate both the gift of his papers and the sale of his San Clemente land "inorder to resolve these issues to the full satisfaction of the American people."

"In the event that the commitee determines that the items were incorrectly reported," Mr. Nixon said in his letter to then-Committee Chairman Rep. Wilbur Mills (D-Ark.), "I will pay whatever tax may be due."

Mills shocked the White House on March 8 by predicting that the report of the joint committee would give more cause for Mr. Nixon's resignation than any of the allegations stemming from the Watergate cover-up. Mills said subsequently he was talking about anticipated public reaction to disclosure of improper deduction.

The White House has been manuevering for the past two weeks to delay the final report or, alternatively, to soften its impact upon the President. White House lobbyists succeeded in part of their objective when the document was put forth as a staff report, but attempts to withhold its release collapsed yesterday morning in a closed-door committee session.

Instead, the committee bowed to the strong desire of its chairman, Sen. Russell B. Long (D-La.), and voted to immediately release the staff report. The only member of the 10-man committee to oppose release of the document was Sen. Carl Curtis (R-Neb.), who afterward issued a statement saying that

President Rejects Lawyers' Advice to Make 'Strong Case'

4/4/75

By David S. Broder and Carroll Kilpatrick
Washington Post Staff Writers

President Nixon will pay about $467,000 in back taxes and interest which the Internal Revenue Service and a joint congressional committee staff ruled he owes for the four years 1969 through 1972, the White House announced last night.

Rejecting advice from his lawyers that he could make "a very strong case against the findings that he improperly deducted the gift of his vice-presidential papers to the National Archives and failed to list as income the proceeds from the sale and improvement of his residences, Mr. Nixon instructed payment of the $432,787.13 ruled due by the IRS.

With interest, a White House spokesman said, the payment will total about $467,000—enough to wipe out half the President's net worth and all of his last reported cash reserves.

The White House statement said Mr. Nixon had waived the right of court review "open to an ordinary taxpayer" because he had publicly pledged to abide by tthe finding of the Joint Committee on Internal Revenue Taxation.

The staff of that committee, in a report issued yesterday afternoon, four hours before the White House announcement, calculated the President's back taxes as $476,431 in deficiency and interest.

The report said the joint committee staff "has made no attempt . . . to draw any conclusions whether there was, or was not, fraud or negligence involved in any aspect of the returns, either on the part of the President or his representatives."

The White House statement said "the report of the Internal Revenue Service"—which was not made public last night—"rebuts any suggestion of fraud on the part of the President. The committee's staff report offers no facts which would support any such charge."

An Internal Revenue Service spokesman said last night that no fraud penalty had been asserted against Mr. Nixon "because we did not believe it was warranted." He refused to disclose the difference between the IRS assessment and the committee staff recommendation, saying only the taxpayer was free to discuss the IRS report.

The spokesman said the law gives Mr. Nixon 30 days in which to respond to the assessment notice. Upon receipt of the agreement, the IRS computes the interest and sends a final bill, payable within 10 days, he said.

A finding of tax fraud could have become a count in the impeachment investigation being conducted by the House Judiciary Committee, which received a copy of the joint committee staff document yesterday.

An administration official said the IRS and the joint committee staff analyses reached almost identical conclusions, but differed slightly in their mathematical calculation of the taxes owed.

The joint committee listed these major "deficiencies" in the President's returns:

- The $482,018 in charitable deductions taken for the gift of Mr. Nixon's vice-presidential papers to the National Archives "should not . . . be allowed because the gift was made after July 25, 1969," the date when the tax law was changed to disallow such deductions.

The committee staff said the deed of the papers which purportedly was signed on April 21, 1969, was not actually signed until a year later and contained so many restrictions it failed to meet the requirements of the law.

The White House statement declared that the President's

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NIXON, From A1

tax lawyers thought a "valid and compelling" case could be made that the gift was deductible, because "his intent to give the papers was clear" and "their delivery was accomplished in March, 1969, four months before the July deadline.

- The President failed to report a capital gain of $117,836 from the 1970 sale of "excess acreage" at his San Clemente, Calif., estate.

- The President should not have been allowed to defer a capital gain on the sale of his New York City cooperative apartment, because the San Clemente "western White House," in which he invested the proceeds of that sale, is not "his principal residence." Proper depreciation, the staff said, would have made the total capital gain $151,848, reportable as income in 1969.

- The President should not have deducted $91,452 in depreciation on San Clemente and furniture he bought for it, business expenses at San Clemente and expenditures from the White House "guest fund." On the other hand, he should be reimbursed by the government for some furniture purchases.

- Mr. Nixon should have paid all of the capital gains on the sale of some Florida lots, instead of saying the proceeds were split 60-40 with his daughter, Tricia Nixon Cox. The shift adds $11,617 to the President's income for 1972 and an additional amount for last year. At issue here is a verbal agreement between father and daughter to treat the investment as a joint venture.

- Mr. Nixon should declare as income $27,015 for flights in government planes, taken by his family and friends "when there was no business purpose," between 1969 and 1972.

• The President should declare as income $92,298 in improvements made to his San Clemente and Key Biscayne estates, because they were "undertaken primarily for the President's personal benefits."

• As minor items, the committee staff said Mr. Nixon was entitled to an additional $1,007 in sales tax deductions and $10 more in gasoline tax deductions in one year, but that he overstated gasoline tax deductions by $148 in the other three years.

While the formal White House statement specifically challenged only the ruling on the gift of the vice presidential papers, a presidential aide spoke with some anger about the decision on air travel for members of the President's family.

Noting that the Secret Service recommended such flights as a deterrent to hijackings and kidnapings, he said that "our research indicates that no previous President ever paid for his family's transportation." The official said Mr. Nixon had done so when he was not aboard the plane himself.

The spokesman complained that on "every single technical question the IRS ruled against the President." Nonetheless, he said, Mr. Nixon will pay the $148,080 in taxes the IRS said was due for 1969, even though the agency noted that the statute of limitations for that year had run out.

The White House anouncement appeared to write an end to a protracted dispute over Mr. Nixon's tax matters. But the final political fallout of the action—and its impact on House impeachment proceedings—remained uncertain.

Congressional Republicans expressed relief that Mr. Nixon is paying the entire amount claimed, without further legal disputes.

But Rep. Neal Smith (D-Iowa) said that even such an action by the President "doesn't wipe out the unfortunate character of what's happened. We have a voluntary tax system," Smith said, "and when the top guy doesn't pay what he should, it doesn't look good. It would be different if it were just one item, but when it involves amounts of this magnitude, it isn't good."

House Republican Conference Chairman John B. Anderson (R-Ill.) said Mr. Nixon's decision to pay up was "more seemly than going into tax court and litigating." But he said, "it would be almost fatuous to deny that this is a minus in the whole equation as far as the President is concerned."

The President's taxes had been a matter of rumor and speculation for months before last Dec. 8, when Mr. Nixon made public his returns for the four years of his first term.

They showed he had paid only $78,651 in federal taxes on a total income of $1,122,266—largely because of the deductions on his gift of papers and the handling of his complex real estate transactions.

He asked the Joint Committee on Internal Revenue Taxation — whose staff is considered to include some of the leading experts on the tax code—to study the returns and said he would accept the findings as determinative.

At the last minute, White House lawyers tried to delay issuance of the staff report until the joint committee members could hear Mr. Nixon's case argued, but the committee voted yesterday 9 to 1 to release the report. They noted, however, that it is a staff study and not the judgment of the committee members.

The IRS, which began a new audit of the President's returns early this year, reportedly sent the White House its conclusions on Tuesday.

A White House official told The Washington Post last night that Mr. Nixon had "huddled with his lawyers" almost until the hour the statement promising payment was released, but had "taken the view all long that he would pay."

The official said payment of the tax bill "is going to gut the President's estate, but it lances the boil and should end all the questions about San Clemente and Key Biscayne."