

Nixon Owes State Taxes
 -- Attorney Says He'll Pay
Bill Set at \$4263--

Franchise Board Finds No Evidence of Fraud

Sacramento

The State Franchise Tax Board announced yesterday that President Nixon owes \$4263 in state income taxes for the years 1969-72. Mr. Nixon's tax attorney said the President would pay it.

Interest charges and a \$39 penalty imposed on the President's 1970 return will bring the total to more than \$5000 for the four-year period.

Though the state has not calculated the interest charges, the rate will be 6 per cent a year—or approximately \$1100 in all.

Martin Huff, executive officer of tax board, said there was no evidence of fraud or criminal negligence in the President's failure to file California returns.

Huff said Mr. Nixon was being taxed for royalties and real estate profits earned in California, as well as for the portion of his \$200,000-a-year salary received while performing his presidential duties in California.

Huff said the President was being taxed for 39 days in which he exercised the powers of the Presidency from his home in San Clemente in 1969; 55 days in 1970, 51 in 1971 and 34 in 1972.

Other income the board found to be from California sources included royalties

from Mr. Nixon's book, "Six Crises," which was written in California; income from the estate of Mr. Nixon's mother, and income realized because of improvements to the San Clemente property.

The tax board also assessed Mr. Nixon for capital gains on the sale of part of the property.

Dean Butler, Los Angeles tax attorney who has dealt with state officials on behalf of the President, told Huff the tax would be paid promptly.

"I am extremely pleased with the courtesy, cooperation and priority that the Franchise Tax Board has shown in this matter," Butler said in Los Angeles.

"We have indicated we will accept their findings."

Huff reported Butler told him Mr. Nixon would file a 1973 state income tax return as well.

According to the state's figures, Mr. Nixon's total adjusted gross income for the four-year period came to \$237,659. Allowable deductions for the same period

were \$242,702 — or \$804 more than the total taxable income for the period.

The deductions, in fact, wiped out all state tax

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charges for 1971 and 1972.

But the President did have a substantial taxable income in 1969, when his adjusted gross income was \$66,140 and his deductions came to only \$10,587. The tax for the \$55,533 income for 1969 was \$4107.

The President's state income tax for 1970 was fixed at \$156 — well below that of many Californians with modest earnings.

Many of the deductions were for interest paid by Mr. Nixon on his debts. They had the effect of reducing his taxes substantially.

In 1970, for example, the taxable gain of \$58,918 on the sale of part of the President's property at San Clemente was more than offset by a claim for \$92,955 in interest payments on the same property.

As attorney Butler said in Los Angeles, the President's state tax situation was unusual because of the very unique nature of this taxpayer.

Mr. Nixon announced last December he had not filed any state income tax returns for the years he was President because his lawyers said he was not a resident of California except for voting purposes.

The Franchise Tax Board

agreed last February that Mr. Nixon was a nonresident for state income tax purposes and thus was not liable for taxes for money he earned outside the state.

Butler said yesterday that Mr. Nixon had filed state income tax returns for his eight years as vice president and for the time he served as a congressman and as a senator.

In discussing the role of the State Franchise Tax Board, Huff said the board originally intended to levy a 25 per cent penalty for Mr. Nixon's failure to file a 1969 return.

But he said the board de-

ecided not to when the President's lawyers presented "satisfactory" showing of reasonable cause for not filing.

The board did, however, impose a \$39 penalty on Mr. Nixon for failing to file a 1970 return. With interest, the penalty will rise to about \$46.

The failure to file, Huff told reporters, "is not necessarily a criminal matter if he didn't believe he had a requirement to file... There has to be some evidence or indication of wilfulness, and all the evidence was the other way around."

Our Correspondent

These are the figures distributed by the State Franchise Tax Board to show President and Mrs. Nixon's income and California tax deductions for 1969-72.

Richard M. and Patricia Nixon
Income as Nonresidents of California

<u>Income</u>	<u>Calendar Years</u>			
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
<u>Apportionable income</u>				
Presidential salary & allowance	\$236,459	\$250,000	\$250,000	\$250,000
Personal use of gov't. airplanes	4,001	9,276	4,636	9,102
Total	<u>240,460</u>	<u>259,276</u>	<u>254,636</u>	<u>259,102</u>
<u>Less business expenses</u>	-	-	-	-
<u>Total to be apportioned</u>	<u>240,460</u>	<u>259,276</u>	<u>254,636</u>	<u>259,102</u>
<u>Apportionment formula</u>	<u>39/345</u>	<u>55/365</u>	<u>51/365</u>	<u>34/366</u>
<u>Income apportioned to Calif.</u>	<u>\$ 27,171</u>	<u>\$ 39,072</u>	<u>\$ 35,572</u>	<u>\$ 24,072</u>

California income				
Residual compensation		11		
Interest (1)		-	-	-
Improvements to San Clemente	43,625	15,635	6,963	391
Income Mother's Estate	322			
Whittier rental	(5,699)	(6,188)	(5,715)	(6,448)
Gain on sale of San Clemente property (50% NLTCG)		58,918		
Royalty income (2)	710	8,880	367	-
ADJUSTED GROSS INCOME	\$ 66,140	\$116,317	\$ 37,187	\$ 18,015
Deductions				
California contributions				
UCLA Alumni Ass'n		\$ 100		
Whittier College	\$ 500		\$ 100	
Nixon Foundation (3)			10,385	
E. Whittier Friends Church	250		1,000	
E. Whittier YMCA		250		
So. Calif. School Theology				200
Total	750	350	11,485	200
Excess over 20% of AGI	-	-	(3,998)	-
Allowable deduction	\$ 750	\$ 350	\$ 7,437	\$ 200
California interest expense				
Elmore		\$ 6,000		
Ogden		75,000	\$ 38,045	\$ 17,437
Abplanalp (4)		11,955	11,955	21,425
Total		\$ 92,955	\$ 50,000	\$ 38,862
California taxes				
Real property - San Clemente	\$ 7,561	\$ 12,953	\$ 11,346	\$ 17,402
California sales tax	2,256	486	-	-
California gas tax	20	9	17	59
License tags - net		20	19	
Total	9,837	13,468	11,382	17,461
Total deductions	10,587	106,773	68,819	56,523
TAXABLE INCOME (LOSS)	\$ 55,553	\$ 9,544	\$ 31,632	(\$ 38,506)
Regular Tax	\$ 4,115.30	\$ 176.32	-	-
Minimum Tax (5)				
Total tax before credits	4,115.30	176.32	-	-
Credit for personal exemptions (6)	8.26	19.64	-	-
Tax	4,107.04	156.68	-	-
Penalty (§16681-failure to file-25%)		39.17	-	-
TOTAL TAX & PENALTIES	\$ 4,107.04	\$ 195.85	-	-

- (1) Interest received United Calif. Bank not taxable by Calif. under Reg. 17951-17954(f)(2).
- (2) Royalty income from book "Six Crises" written in Calif.
- (3) Contribution of royalty income to the Nixon Foundation - a charitable/educational Calif. organization.
- (4) Interest expense paid Alplanalp limited to \$400,000 invested in property or \$400,000 at 8% 7/11/69 - 12/15/70 for a total of \$45,335.

Year	Amount	Ratio	Deduction
1970	\$15,000	45,335/ 56,883	\$11,955
1971	15,000	"	11,955
1972	26,883	"	21,425
	\$56,883		\$45,335

- (5) Minimum tax - the California tax on preference items did not become effective until 1971. The only preference deduction after 1971 was investment interest which did not exceed the \$30,000 exemption.

- (6) Exemption Credit

1969	\$58.00	x	66,140/464,235	=	\$ 8.26
1970	58.00	x	116,317/343,427	=	\$19.64