

I.R.S. Official Who Praised Nixons Promoted to Head Philadelphia Office

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The Internal Revenue official who praised President Nixon for the careful preparation of his 1970 and 1971 tax returns and who accepted them, without change, after a very brief audit has been promoted to head the agency's Philadelphia regional office.

The official is William D. Waters, who was director of the agency's district office in Baltimore last June when he wrote the letter of praise to the President and Mrs. Nixon, following an audit by two agents in the Baltimore office that had begun just seven days earlier.

Internal Revenue has since announced that it was conducting a re-examination of the returns. The announcement came after questions had been raised publicly about the validity of some items the returns contained, and after President Nixon had asked a Congressional committee to look at all his returns since he became President and to decide whether he owed more tax.

Donald C. Alexander, the Commissioner of Internal Revenue, defended the promotion of Mr. Waters, asserting that he was well qualified and would be a "damned good" regional administrator. There are seven I.R.S. regions in the nation.

'A Fleeting Moment'

Mr. Waters's approval of the much-criticized audit of Mr. Nixon's 1970 and 1971 returns was "irrelevant to the consideration of his promotion," Mr. Alexander said.

Under questioning by reporters and editors of The New York Times at a luncheon interview, Mr. Alexander said that he "may have considered for a fleeting moment" that the promotion could look bad if Mr. Nixon were subsequently found to have underpaid his taxes for these years by hundreds of

thousands of dollars. That finding has been described as probable by some members of the Congressional Joint Committee on Internal Revenue Taxation.

But, he continued, "if you are asking, 'Did I debate? Did I worry?' the answer is 'no.'"

The audit in the Baltimore district office has been criticized largely because the agents did not ask for documentation to support the large deductions that Mr. Nixon had taken.

The letter, dated June 1, 1973, that Mr. Waters wrote to the Nixons informed them that their returns had been "accepted as filed," which is standard Internal Revenue language.

In addition, the letter contained a special second paragraph that I.R.S. district offices are permitted to use, at their discretion.

The paragraph says, in part, "I want to compliment you on the care shown in the preparation of your returns."

Mr. Alexander touched on a number of subjects during the interview. Among them were the following:

¶ He disagrees with former members of the White House staff, and with the position of President Nixon himself, as represented in the testimony of the dismissed White House counsel, John W. Dean 3d, who charged that Internal Revenue had been staffed by partisan Democrats.

¶ He sees no need to create some sort of independent agency, not under White House authority, to audit the tax returns of the President and other high officials. This has been suggested by some students of tax administration.

¶ He would like to reduce the number of individuals and agencies in Congress and in the executive branch of the Government who have access to individual tax returns, though he did not specify which ones he would like to cut off.

¶ He hopes, but does not know for sure, that the use of wiretaps and bugs by Internal Revenue is decreasing. He has put

out some rules that are stricter than those of the Attorney General on this matter, he said. Wiretapping is mainly limited to cases where Internal Revenue suspects its agents are being bribed, he said.

Mr. Alexander vigorously maintained that the career employees of Internal Revenue were nonpartisan.

"The I.R.S. bureaucracy is not biased in either direction," he said. "They're biased toward doing their job well."

Mr. Dean testified before the Senate Watergate hearings that he had a conversation with President Nixon on Sept. 15, 1972 that included the subject of "the use of the Internal Revenue Service to attack our enemies."

Mr. Dean said he had told the President that this would be hard to do because "the Internal Revenue Service was a rather Democratically oriented bureaucracy."

Wanted 'Responsive' People

According to Mr. Dean, Mr. Nixon replied that Democratic Administrations had used Internal Revenue for political purposes and added that "after the election, we should get people in these agencies who would be responsive to the White House requirements."

In praising the nonpartisan standards of Internal Revenue personnel today, Mr. Alexander said he had "no reason to believe" that the standards were any different before he arrived at the agency last summer.

The Congressional Joint Committee looked into the attempts by various Nixon Administration officials to use Internal Revenue to punish "enemies" of the Nixon Administration and concluded that I.R.S. had resisted these attempts.

Mr. Alexander, formerly a Cincinnati lawyer, is a Republican and was appointed as head of Internal Revenue by President Nixon. The Commissioner is the only political appointee in Internal Revenue.