President Spells Out His Income, Taxes, Assets, Debts

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Excerpts from White House statement on President and Mrs. Nixons finances, Jan. 1, 1969 to May 31, 1973:

Net Assets Upon Taking Office

(As of Jan. 1, 1969)

Assets	
Cash in banks	$ 59,752
Due from Mudge/Rose/Guthrie & Alexander	128,611
Due from estate of Hannah Nixon	13,577
Cash value of life insurance and civil service pension fund deposit	44,593
Investment in stock of Fisher's Island, Inc. (at cost)	199,891
Investment in real estate (at cost)	539,367
Miscellaneous accounts receivable	2,718
Total Assets	$988,509
Liabilities	
Mortgages, notes and loans payable	$609,869
Due to Tricia Nixon	20,000
Federal income tax payable	37,937
State income tax payable	7,351
Accounts payable and accrued liabilities	6,161
Total Liabilities	681,368
Net Assets	$307,141

[Note—From working papers prepared by Coopers & Lybrand.]

Changes in the President's Assets

Since taking office, President Nixon has engaged in three sales that have liquidated part of the assets that he had on Jan. 1, 1969: the sale of his remaining stock in 1969, the sale of his New York City apartment in 1969, and the sale of two vacant lots in Florida in 1972. His proceeds from these three transactions were $771,396.

Sale of Stock in Fisher's Island, Inc.

The only stock that President Nixon owned upon taking office was in Fisher's Island, Inc. . . . a corporation in Florida formed for purpose of acquiring Fisher's Island in Biscayne Bay. Mr. Nixon bought 199,891 shares in the company in 1967 and prior years for $199,891. . . . President Nixon transferred 14,000 shares for $13,000 net to fulfill options given by him to others in 1967. He sold 185,891 shares of Fisher's Island stock back to the company on May 22, 1969, for $371,782. His 1969 federal income tax return shows a capital gain from that sale of $184,891 and tax paid on that amount.

Sale of New York City Apartment

When President Nixon was first elected, he and his family maintained a private residence at 810 Fifth Avenue in New York City, purchased in 1963. The cost of the apartment, including improvements, was $166,867. . . .

Mr. and Mrs. Nixon . . . sold the apartment on May 31, 1969, for $312,500. Expenses of the sale amounted to $2,728 and the purchasers reimbursed Mr. and Mrs. Nixon $1,252 of the apartment's maintenance fee. . . . net proceeds amounted to $311,028. . . . net proceeds were first applied to pay a note of $100,000 to the First National Bank of Miami and accrued interest to the same bank of $3,750. The balance of $207,274 was deposited in his personal checking account at the Key Biscayne Bank and Trust.

A profit of $142,912 was realized on the sale, but under the law, capital gains tax was deferred because of the subsequent purchase of a new residence in California.

Sale of Florida Land

In April, 1967, Mr. Nixon bought two undeveloped lots in Florida, as an investment, from Cape Florida Development Co. for . . . $38,080.

In May, 1967, Mr. Nixon entered into an oral agreement with his daughter Tricia, who had recently turned 21 and who had received the proceeds of a trust fund which had been set up for her by a family friend, Mr. Elmer Bobst, when Tricia was 12. Pursuant to this agreement, Tricia loaned $20,000 to her father, in return for a demand note for $20,000 and a 40 per cent participation in any profit from the real estate venture. Miss Nixon was to have no management or control over the property and would receive the $20,000 back from her father regardless of whether the venture proved successful.

Then on December 28, 1972, the properties were sold to William Griffin for $150,000. Sales expenses were $650, leaving a balance of $149,350 and a total profit of $111,270.

At closing on December 28, 1972, Mr. Griffin paid $38,500 and delivered two purchase money notes, one in the amount of $95,850, due and payable on January 10, 1973, and one in the amount of $15,000, due and payable on Dec. 13, 1973. The first note was paid when due. The second note has recently been paid. Total proceeds received to May 31, 1973, amounted to $134,350.

Under the prior arrangement with his daughter, President Nixon paid her 40 per cent of the profit, which amounted to $44,508, plus the original $20,000. The aggregate transfers of funds were rounded up from $65,508 to $65,000, with the difference of $492 treated as a gift from the President to Tricia.

Mrs. Cox declared in her 1972 tax return, filed jointly with her husband, that she had realized a capital gain of $11,617 in 1972, while President Nixon showed in his 1972 tax return that he had realized a gain of $17,-424. Earlier this year, payments were made on the final installment so that the 1973 federal income tax returns for Mr. and Mrs. Cox should reflect a gain of $32,-891, and the returns for President and Mrs. Nixon should reflect a gain of $49,-338.

Thus, as the documents show, there has been no attempt by the President to shield his daughter from the income taxes that she owes on the sale of this Florida property. . . .

PURCHASES

The Key Biscayne properties were purchased before the President took office and the San Clemente property was purchased in the first year of his presidency. Details on these acquisitions were compiled by Coopers & Lybrand and released by the White House on August 27, 1973. The President has directed that the earlier report and a general summary be presented again.

Key Biscayne Presidential Properties, on Dec. 19, 1968, when he was president-elect, Mr. Nixon bought two adjacent residential properties at Key Biscayne, Fla. One of the residences, located at 500 Bay Lane, was purchased from Sen. and Mrs. George A. Smathers for $125,527. The second, located next door at 516 Bay Lane, was purchased from Manuel Arca Jr., and Evora Bonet de Arca for $127,800 . . . total price . . . was $253,455.

In order to finance these purchases, Mr. Nixon on the same day in December borrowed $65,000 from the First National Bank of Miami, and then made down payments on the two properties of $63,740 and to meet the balance of the purchase price, assumed or entered into mortgages totaling $189,966 (a price reflecting closing costs at settlement of $251) . . .

After becoming President, Mr. Nixon on June 13, 1969, refinanced two mortgages that were coming due by borrowing $100,000 from the Greater Miami Federal Savings and Loan Association and giving a mortgage for that amount. In paying off the existing mortgages the President paid $11,100 from his own funds. On Sept. 4, 1969, also drawing upon his own funds, the President repaid the $65,000 loan that he had obtained the previous December from the First National Bank of Miami.

As a result of monthly payments on his mortgages since 1968, the President had by May 31, 1973, reduced the total balance of his mortgages on both properties to approximately $161,000. As of that same date, as the Coopers & Lybrand report shows, the President had paid $76,421 from his personal funds for improvements to the two properties, including furniture and remodeling . . .

San Clemente. The homesite that the Nixons chose in California was part of the Old Cotton property in San Clemente . . .

The Nixons wanted to buy only 5.9 acres of a 26 acre tract, but the sellers insisted that the tract be sold as a single unit. A trust was formed to enable the trustee to take title on behalf of President and Mrs. Nixon to the entire 26 acre tract.

On April 24, 1969, the Nixons created the trust and named as trustee the Title Insurance and Trust Co. of Los Angeles. In order to finance the down payments, the President borrowed $450,-000 from a close friend, Mr. Robert Abplanalp. The loan, made on July 11, 1969, carried an 8 per cent interest rate.

On July 15, 1969, the trust bought the entire 26 acre tract for $1,400,100 and held it in trust for the Nixons. The trust made a down payment of $399,609 and paid $491 in settlement costs with funds supplied by the Nixons. The trust also issued a promissory note for the remaining $1 million. The note (called the "Cotton note") was to be paid back in five years and carried an annual interest rate of 7.5 per cent.

On Oct. 13, 1969 . . . the trust acquired from the Elmore family an additional . . . 2.9 acres . . . the total cost of this purchase was $100,054. To finance it, the trust made a down payment of $20,054 with funds supplied by the President and the trustee gave a promissory note (called the Elmore note") for the remaining $80,000. This remainder was to be paid back in five annual installments at 7.5 per cent annual interest.

In July, 1970, the Nixons paid $175,000 to the trustee which in turn paid $175,000 on the Cotton note, of which $100,000 was for principal. That entire payment was financed by a second loan of $175,000 from Mr. Abplanalp to the President. This Abplanalp loan also carried an 8 per cent interest rate.

In October, 1970, through the trustee, the President made the first payment on the Elmore note—$22,000, of which $16,000 was for principal. The $22,000 was paid from the President's own funds.

One Dec. 15, 1970 . . . President and Mrs. Nixon sold to the B&C Investment Co., a portion of their interest in trust, representing a large part of the Cotton property and all of the Elmore property. The two co-partners of the partnership were Mr. Abplanalp and C. G. Rebozo; in August of 1973, Mr. Rebozo sold his entire interest in the partnership to Mr. Abplanalp.

The sale was for . . . $1,249,000. As consideration, the B&C Investment Co. (1) cancelled the two loans that Mr. Nixon owed to Mr. Abplanalp, which amounted to $625,000; (2) assumed the entire principal amount of the Elmore note, which was then $64,000; and (3) assumed $560,000 of the principal amount of the Cotton note, which was then . . . $900,000.

As a result of the sale, the Nixons now retain the beneficial interest in 5.9 acres of land at San Clemente that they wanted originally, including the home and the improvements thereon. The B&C Investment Co., has the beneficial interest in the remaining 23 acres of land. The President's interest in the property remained subject to the mortgage for $340,000. . . .

The Coopers & Lybrand audit report shows that as of May 31, 1973, the unpaid balance of the Nixons' obligation on the Cotton note amounted to $264,400, payable in two annual installments at 7.5 per cent interest. One of those installments, totaling $37,780, was paid on July 15, 1973. The second installment, totaling $226,660, is due on July 15, 1974. . . .

In 1969, President Nixon retained, for tax advice, the law office of Kalmbach, DeMarco, Knapp & Chillingsworth. . . .

In turn, the Klambach firm engaged Arthur Blech & Co. certified public accountants in Los Angeles, to maintain the President's financial boks and records and to assist in the preparation of his tax returns.

Federal income tax returns for President and Mrs. Nixon for the years 1969, 1970, 1971, and 1972 were all prepared by the Blech firm and then checked and approved by the Klambach firm.

In 1973, the Internal Revenue Service audited President and Mrs. Nixon's returns for the years 1971 and 1972. This investigation included a review of the sale he made of part of his interest in San Clemente in 1970, and the gift of his papers in 1969. Upon completion of that examination, the district director of the Internal Revenue Service in Baltimore, where the President's returns were examined, wrote a letter to President Nixon on June 1, 1973, stating: "Our examination of your income tax returns for the years 1971 and 1972 revealed that they are correct. accordingly, these returns are accepted as filed". . . .

Federal Tax Return Totals*

	1969	1970
Total Income	$328,161.52	$262,942.56
Deductions	178,535.10	307,181,92
Exemptions	1,800.00	0
Taxable Income ..	147,826.42	0
Net tax paid	72,682.09	792.81*

	1971	1972
Total Income	$262,384.75	$268,777.54
Deductions	255,676.69	247,569.77
Exemptions	1,350.00	1,500.00
Taxable Income...	5,358.06	19,707.77
Net tax paid	878.03	4,298.17

*—President and Mrs. Nixon, like most other individual taxpayers, file their federal income tax returns on the cash basis. This means that a taxpayer reports items of income in the year he receives the related cash and that he reports items of expense in the year when they are paid in cash. On the other hand, the financial statements included in the Coopers & Lybrand audit report are prepared in a different basis, accrual accounting, which is required to conform with generally accepted accounting principles. . . . Under accrual accounting, items of income should be included in the year when they become receivable even though the cash may be collected at a later time, Also, items of expense should be included in the year they are incurred even though related payment may occur at a later time.

**—As required by the Internal Revenue Code, a "minimum tax" was paid in 1970 even though there was no taxable income. The net tax amount shown above for 1970 does not include payment of $659 made in that year with respect to an underpayment of taxes in 1968.

The table above shows that in each year, the amount of the President's income that was taxable was substantially reduced by deductions permitted under the Internal Revenue Code. There have been three major sources of these deductions: interest payments on his properties, totaling $257,376; property taxes, totaling $81,255; and deductions for the President's gift to the United States of his papers, totaling $482,019.

Details of Total Income and Deductions

	1969	1970
Wages and expense allowance	$236,468.86	$250,000.00
Interest	3,913.70	10,250.56
Income other than wages and interest	87,778.69	2,692.00
Total Income ..	328,161.54	262,942.56
Deductions—		
Taxes	22,453.36	27,797.79
Charitable contributions	98,448.45	131,471.28
Interest	25,894.32	1$2,054.19
Medical expenses.	150.00	150.00
Miscellaneous ...	31,888.97	38,708.60
Total deductions	$178,535.10	$307,181.92
	1971	1972
Wages and expense allowance	$250,000.00	$250,000.00
Interest	17,733.04	16,292.94
Income other than wages and interest	(5,348.29)	2,484.60
Total Income ...	262,384.75	268,777.54
Deductions—		
Taxes	18,153.18	24,663.77
Charitable contributions	131,192.38	134,388.77
Interest	67,003.25	55,724.39
Medical expenses—		
Miscellaneous	39,327.89	32,792.84
Total deductions	$255,676.69	$247,569.77

Gift of Papers. In 1969, President Nixon directed his lawyers to take all necessary steps to make a gift of part of his papers to the United States of America through the National Archives. On March 27, 1969, large crates of his papers were delivered to the archives. Included were a large volume of papers, books and other memorabilia of his career prior to becoming President, including many of his vice presidential papers. On April 8 and 9, 1969, Mr. Ralph Newman, a recognized appraiser of documents, visited the archives and designated the papers. He also pointed out the items he believed the President should retain. Mr. Newman returned later to the archives and made a final appraisal of a fair market value of the papers comprising the gift, setting the value at $576,000. . . .

President Nixon was and is advised by his attorneys that the gift met the deductibility requirements of the law. Accordingly, in the tax years 1969-1972, he has taken deductions totaling . . . $482,019. As the gift is valued at $576,000, he is still entitled to additional deductions of $93,981. . . .

Tax Aspects of San Clemente Sale in 1970. On Dec. 15, 1970, President and Mrs. Nixon sold their interest in 23 acres of property in San Clemente to the B&C Investment Co.

In determining whether a capital gain had been realized for tax purposes, the President's tax accountant, Mr. Arthur Blech, C.P.A., first had to decide how the original cost of the entire property, including both the Cotton and Elmore parcels, should be allocated between the property sold to the B&C Investment Co., and the property retained by the Nixons . . .

Drawing upon his knowledge of the values of property in Orange County, Calif., where the San Clemente property is located, Mr. Blech determined that as of the date of sale in 1970, the property retained by President and Mrs. Nixon had a fair market value of $376,000. From this amount of $376,000, he deducted the cost of improvements made by the Nixons from the time they purchased their San Clemente property in 1969 until the time of the sale in 1970. Those improvements amounted to $96,000. By subtracting the cost of the improvements from the fair market value, he concluded that the original cost to be allocated to the retained property should be approximately $280,000.

Having determined the original cost that should be allocated to the property retained, Mr. Blech could determine the cost that should be allocated to the property sold. The Nixon's total purchase cost for the Cotton and Elmore properties was $1,529,447, including $29,293 in acquisition costs. By subtracting $280,000 from that total, Mr. Blech determined that the original cost that should be allocated to the property sold was approximately $1,249,000.

In the sale negotiations which took place in 1970, the B&C Investment Co. agreed to buy the beneficial interest in the entire Elmore parcel and a large part of the Cotton property parcel for the price of $1,249,000.

Based upon that sales price and upon the evaluations made by Mr. Blech, the sale was reported in President and Mrs. Nixon's federal income tax returns for 1970 as follows:

	Sales Price	Cost	Gain or Loss
Cotton	$1,148,946.40	$1,148,946.40	0
Elmore	100,053.60	100,053.60	0

The Coopers & Lybrand audit report reaches a different conclusion. It reports that the cost basis of the property retained by the Nixons in 1970 should have been approximately $397,817 and that, as a result, a gain of $117,370 was realized upon the sale. The figure of $397,817 was determined from a consideration of the cost incurred, as well as valuations made by independent appraisers at the time the Cotton property was acquired, a customary practice used for accounting purposes.

Even if a gain of $117,370 had been reported in the 1970 federal income tax return, no tax would have been payable in that year because the President's declared deductions exceeded his income by $44,239, and he could have taken an additional deduction for the gift he made of his papers in 1969 (recognizing, of course, that the larger deduction in 1970 would have reduced the deduction carryover available to him in later years). . . .

Net Assets in 1973

. . . It is worth noting . . . that while the President's net assets, according to the Coopers & Lybrand audit report, have increased from approximately $307,141 in 1969 to $988,522 in 1973, those assets will be substantially reduced by the eventual transfer to the United States of the San Clemente property, now carried in the Coopers & Lybrand net worth statement at a cost of $571,167 . . .

Statement of Assets and Liabilities

(May 31, 1973)

Assets

Cash in Banks		
Key Biscayne Bank, Key Biscayne, Fla., including $250,000 of certificates of deposit, due June 21, 1973	$426,313	
Other banks	6,561	432,874
Accounts and notes receivable		28,609
Income tax withheld in excess of estimated taxes		19,816
U.S. Savings Bonds, Series E, at cost (face amount $5,300)		3,975
Cash value of life insurance and Civil Service Pension Fund deposit		63,519
Land, buildings and furnishings, at cost, less accumulated depreciation:		
Residential properties:		
Key Biscayne, Fla.	311,929	
Casa Pacifica, San Clemente, Calif.	571,167	
Improved real estate, Whittier, Calif.	77,515	
Office furniture, Washington, D.C.	3,553	964,164
		*$1,512,957

Liabilities

Withholding tax payable	355
Accrued interest and real estate taxes	20,399
Deferred income tax accrued	33,000
Mortgages payable	206,241
Obligation for note payable issued by Trust for San Clemente property	264,440
	524,435
Net Assets	988,522