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Nixon's Gift Case Studied

WASHINGTON (AP) — The special Watergate prosecutor's office has taken over the Internal Revenue Service investigation of President Nixon's controversial gift of pre-presidential papers, informed sources said Thursday.

Evidence collected by a congressional committee and other government investigators indicated documents had been falsified when a half-million-dollar tax deduction was claimed for the papers gift.

But the Joint Committee on Internal Revenue Taxation, which was asked by Nixon to examine his tax returns, re-

tused to address itself to the question of criminal fraud.

It concluded that the gift deduction was improper and that the President should pay the taxes he would have been assessed had he not claimed the gift.

The IRS, which also audited the Nixon returns, came to a similar conclusion, but the White House said the tax agency had found no evidence Nixon defrauded the government. The IRS refused comment on the issue.

Sources close to the case now say IRS agents continued to investigate the circumstances

surrounding the papers gift even after Nixon agreed to pay his back taxes. The agents called off their probe this week when the special prosecutor's office took over, the sources said.

The fraud section of the Internal Revenue Code makes it a felony for anyone involved in the preparation of an income tax return to submit any document "which is fraudulent or is false as to any material matter," whether or not the taxpayer who signs the return is aware of its nature.

In the gift case, the deed giving the papers to the government was dated on March 27, 1967, four months before the expiration of a law permitting tax deductions for such gifts. Investigators later determined, however, that the deed wasn't actually signed until April 10, 1970, long after the deduction deadline.

The document was signed by a White House lawyer, not the President, and the White House has claimed that any errors made in the preparation of the Nixon tax returns were made without Nixon's knowledge by the people delegated to do the work.

Frank DeMarco Jr., the lawyer who wrote the deed and prepared the tax return, has said he went over the return in detail with the President in the Oval Office on April 10, 1970, the same day the deed was signed and Nixon's return was signed and turned over to the IRS.