

# Fraud probe of Nixon tax is continuing

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WASHINGTON—Despite denials by administration officials, the possibility of fraud surrounding President Nixon's tax returns is being actively investigated.

According to congressional sources, the House Judiciary Committee, as part of its impeachment inquiry, is investigating Nixon's involvement in fraud relating to his first gift of vice presidential papers in 1968.

In addition the Internal Revenue Service is continuing to investigate possible fraud in the preparation of Nixon's returns between 1969 and 1972.

According to officials familiar with the IRS investigation, the final decision on whether the agency will seek a Justice Department prosecution of the case is up to the regional counsel's office in Philadelphia.

The IRS investigation is reported to focus on the men who prepared Nixon's returns and not on the President himself.

Frank Demarco Jr., Nixon's tax attorney, and Arthur Blech, the President's tax accountant, both denied any wrongdoing in interviews.

Both men confirmed, however, that IRS agents had warned them of their rights in the investigation, and IRS officials noted that such warnings are issued only when an investigation involves criminal fraud.

So far, Justice Department officials say the IRS has not requested a fraud prosecution.

Leon Jaworski, special Watergate prosecutor, has also been informed of the IRS fraud investigation. We have no comment on these tax matters," said John Barker, a spokesman for Jaworski.

On Wednesday, Nixon an-

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But in signing his 1968 tax return four months later, Nixon approved a statement in the return stating that there were no restrictions on the gift.

"That was a false statement," said one source informed of the House investigation. "The committee is also looking at other aspects."

Nixon did not sign the deed for the 1969 gift of papers valued at \$576,000.

Instead, the deed was signed by a former Nixon aide and postdated to make it appear that it was executed before the July 25, 1969, deadline for such tax deductible gifts.

Demarco, a Los Angeles lawyer, admits postdating the deed. But he says he was merely "re-executing" the original deed — since lost — which he claims was signed before the deadline.

Demarco denied that he was being made a scapegoat by the White House for Nixon's tax troubles.

He also said he had not been notified that he would be subject to criminal fraud prosecution by the IRS. "And, I don't expect to be," Demarco said. "I haven't done anything wrong."

Blech said much the same thing. "How could we be charged with criminal fraud

when we were just following the law," he said.

He said the orders came from John Ehrlichman, former top Nixon aide and Edward L. Morgan, former Nixon counsel.

"We weren't sitting here working up a web of fiction," Blech said. "When I objected to the papers deduction or other things, I was told that Ehrlichman said, in effect, mind your own business. It was Ehrlichman's name I heard most."

It was Morgan who signed the post-dated deed.

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nounced he would pay about \$467,000 in back taxes as a result of an IRS audit of his returns for the years between 1969 and 1972.

"The IRS did not assert the civil fraud penalty for any of the years involved in the audit because it did not believe that any such assertion was warranted," the agency said in a statement.

But House impeachment investigators are looking at new facts relating to Nixon's 1968 return.

Both the House and IRS investigations relate to two separate gifts Nixon made of vice presidential documents to the National Archives.

The first gift was made in December, 1968, and Nixon personally signed the deed — one of two deeds prepared by a former law partner, Richard Ritzel at the time Nixon was President-elect.

Ritzel testified to the House-Senate committee on internal revenue taxation that he offered Nixon two deeds — one containing restrictions on the initial gift of papers and one without restrictions.

Nixon, he said, signed the one containing a series of restrictions.