

IRS Auditing '72 Nixon Finance

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Since early this year, the Internal Revenue Service has been auditing the records of the Finance Committee to Re-Elect the President, the Nixon organization that raised \$60.2 million and spent \$56.1 million in the 1972 campaign.

According to a report filed with the Federal Election Commission by The 1972 Campaign Liquidation Trust, the successor organization to the Nixon finance committee, "if IRS is able to sustain its position on all adjustments proposed," the resulting tax liability could run as high as \$1.5 million—an amount equal to the total current assets of the trust.

The trust's most recent election commission filing also disclosed that a lawsuit had been brought by the trustees to collect \$15,200 from former White House Counsel John W. Dean III. The funds sought represented 1972 campaign fund cash held by Dean in April, 1973, at the time he was fired by President Nixon.



JOHN W. DEAN III
...target of lawsuit

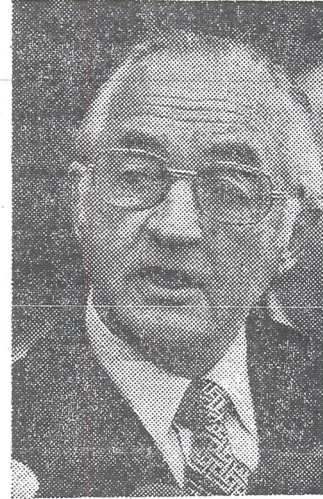
The scope and direction of any investigation beyond a preliminary audit, which has been completed, is currently the subject of discussions between the national office of the IRS and lawyers for the trust. Trust lawyers refuse to discuss the specifics of the audit and an IRS spokesman said regulations prohibit any

comment about audits.

Historically, the IRS has not required political parties or campaign organizations to file tax returns. In the fall of 1972, however, the practice of both parties in receiving appreciated corporate stock as campaign gifts began to raise tax questions.

After a study, the IRS announced in August, 1973, that it would require political committees to file returns and would tax income gained from the sale of property such as appreciated stock. In addition, it ruled expenses not associated with political campaigning would not be deductible.

At issue in the Nixon audit may be several million dollars in appreciated stock received as contributions and sold by the campaign finance committee with no tax liability to the donors. Also at issue may be over \$400,000 in alleged hush money paid to the Watergate burglars—funds that could not be considered deductible campaign expenses though they were derived from contributions.



MAURICE H. STANS
...listed as consultant

In addition to the main audit of the national finance committee, audits of many 1972 Nixon state campaign committees have already been completed and several have been required to pay back employment taxes.

The trust's filed report disclosed IRS assessments totaling \$73,000 have been

Committee

made this year covering Connecticut, Ohio and Georgia committees, though only \$2,025.40 had been paid as of Oct. 1.

In its report, the trust listed Maurice H. Stans, former finance chairman of the Nixon campaign, as a consultant on "federal tax matters." In that capacity Stans was paid \$2,175 in August. Stans also was listed as receiving \$1,500 at the same time for services rendered on "trust lawsuits and discussions with the Republican National Committee."

The trust lawsuit against Dean was filed in 1974 and by May, 1975, appeared ready for resolution. According to Dean's lawyer, Charles Shaffer, Dean had the money in his Executive Office Building office safe at the time he was beginning to tell federal prosecutors about his role in the Watergate cover-up.

After restoring \$4,800 that he used from the \$15,200 to help finance his honeymoon and other personal expenses, Dean and Shaffer took the

cash to the federal prosecutors who photocopied each bill. Thereafter the money was put in a checking account in a suburban Maryland bank where it is today.

Shaffer said yesterday that he was prepared to turn the money over to the trust once a release is signed protecting him and Dean from any further legal action.

The trust report showed some \$1.5 million on hand as of Sept. 30, 1975. Against that amount, however, it showed debts totaling \$650,000. The largest of these is \$271,390 owed to a New York law firm. The firm successfully defended former Attorney General John N. Mitchell in the bribery-perjury case involving Robert Vesco. The trust has already paid the firm \$200,000.

The trust also lists debts totaling \$108,000 covering attorney fees on behalf of Stans owed two Washington law firms. Stans himself is listed as being owed \$31,100, the bulk of that for time spent in connection with the Watergate cases.