

Dean Aide Role Seen in Ruling On '72 Donors

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An apparent White House role in a controversial Internal Revenue Service ruling to exempt large political contributors from gift taxes has been disclosed in papers filed in U.S. District Court.

But former IRS Commissioner Johnnie M. Walters denies that improper political interference was in any way involved in the ruling, which allows contributions to a single candidate to be divided up among as many committees as necessary to avoid gift tax.

Walters said that Democrats as well as Republicans had indicated to the IRS that they wanted such a ruling. Although both the Democratic and GOP presidential campaigns benefited, President Nixon's re-election organization collected much more money, and, consequently, benefited more.

The White House role was revealed in a letter of Feb. 25, 1972, from Fred F. Fielding, an aide to then White House counsel John W. Dean III, to Maurice H. Stans, chairman of the Finance Committee to Re-elect the President.

Fielding told Stans he was enclosing a memo "prepared in response to inquiries and requests from your staff." The lawyer did not say why Stan's organization would be asking the White House for advice on a matter involving the IRS—which, Walters told a reporter, "does its best to stay out of politics."

Speaking of Stans, Walters said, "I really don't know why he would go to the White House."

The memorandum, which was undated and unsigned, was entitled, "Federal Gift Tax Implications of Political Contributions."

The memo "was prepared for

Republican presidential campaign.

"These individuals gave a total of at least \$13.7 million," Dobrovir said. "Many such contributions would not have been made in such amounts if the donors were subject to the gift tax on the contributions."

The Fielding memo was obtained by Common Cause, a citizens' lobby, in the course of a suit intended to force the Finance Committee to disclose contributions made before April 7, 1972, when the current election financing disclosure law took effect.

The memo was filed in court both by Common Cause and by Public Citizen, which in separate litigation is trying to force the Treasury Department and the IRS to disclose the origins of the ruling and to rescind it.

Dean, in an accompanying deposition, said he had had "some discussions" with Stans, who requested that he be kept "aware if there was going to be a ruling." Dean added that he did not know who asked IRS to issue the ruling, but said he had "an impression" that Stans once "said to me that he was very interested" in resolving the matter.

Dobrovir, in an amended complaint filed with the court, said that "normal procedure" for the adoption of IRS rulings was not followed in the gift-tax case.

"IRS' position was that applicable principles of gift tax law required that contributions to multiple committees for the same candidate be treated as a single gift entitled to a single \$3,000 exclusion," the lawyer said.

"The final contrary result was imposed on IRS by Treas-

ury officials who were political appointees of the President, over the objection of the senior career official in IRS with responsibility for the preparation of revenue rulings concerning gift tax." Dobrovir charged.

your distribution to potential contributors of cash only." Fielding told Stans. "It does not make reference to contributions of stock, which will be the subject of a separate memorandum we are preparing."

The memo, said it was the IRS position that a single person in a single year could contribute \$3,000 to a political candidate or committee without incurring gift taxes; a couple could give \$6,000.

It should also be noted that under present law there is no limit to the number of different candidates or committees to which a contributor can make contributions of \$3,000 (\$6,000) or less in a year without tax liability," the memo said.

At the time the memo was prepared, the Stans organiza-

tion already had established some 450 separate "paper" campaign committees. The Stans group was assigning each of them a \$3,000 or a \$6,000 share of numerous large contributions.

Each of these committees, while having no members, did have a chairman and a treasurer. Either the chairman or the treasurer was not an officer of any of the other committees.

Stans, Finance Committee treasurer Hugh W. Sloan Jr., and others all have conceded the purpose of the multiple committees was to enable large contributors to avoid gift taxes.

On June 21, the IRS issued—and made retroactive—the ruling in controversy. It precisely fit the Nixon fund-raising effort.

For gift-tax purposes, the ruling said, a political committee is a legally separate entity if only one of its officers is not an officer of another committee supporting the same candidate.

William A. Dobrovir, attorney for Ralph Nader's Public Citizen, Inc. contends that the Fielding memo laid groundwork for the ruling and helps to show it was influenced by "political considerations."

Walters, who left the IRS on April 30 to practice law here, told The Washington Post he was aware that original drafts of the ruling had originated in the Treasury Department rather than in the IRS, as would normally be expected.

However, Walters said, "We were not browbeaten to issue the ruling," not "by Treasury or anyone else."

Fielding, through a secretary, was asked whether he knew of any contact between his office or others in the White House and Treasury or the IRS about the ruling. He did not reply to the inquiry.

Dobrovir told a reporter he believes Stans used the memo supplied by Fielding to induce Treasury officials to pressure the IRS.

Dobrovir contends that IRS never has seriously enforced gift tax rules for political donations, preferring instead merely to accept such payments which were now and then volunteered.

In the court papers filed recently, Dobrovir said that at least 130 individuals gave more than \$25,000 each to the