

# McGOVERN ASSERTS I.T.T. AVOIDED TAX

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Later Modifies Allegation—  
Retracts Statement on Aid  
to Convention of G.O.P.

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MILWAUKEE, April 2—Senator George McGovern said today that the International Telephone and Telegraph Corporation paid no Federal income taxes for the last five years and accused it of listing a \$400,000 gift to the Republican National Convention as a "business expense" in a report filed with the Securities and Exchange Commission.

Within minutes after making the charges in a nationally televised interview, the Senator said he had made "an honest mistake" in saying that the \$400,000 appeared in the securities commission report. This was followed within an hour by a press release from his headquarters reiterating the admission of a "mistake" and scaling down from five to three the number of years that International Telephone had allegedly not paid income taxes.

A spokesman for International Telephone in New York denied that the company had not paid corporate income taxes. He said that Federal taxes from the company's consolidated operations were paid in 1968, 1969, 1970 and 1971.

The accusation dominated the day's developments in the Wisconsin Democratic Presidential primary. The voting Tuesday will take place in the

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# McGovern Asserts I.T.T. Avoided U.S. Income Tax

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major cities from 7 A.M. to 8 P.M., Central standard time, and in smaller communities from 9 A.M. to 8 P.M., Central standard time.

In New Jersey, meanwhile, former Gov. Richard J. Hughes said that he would "probably" drop his commitment to Senator Edmund S. Muskie of Maine for the party nomination and run on an uncommitted delegate slate. A spokesman for Senator Harrison A. Williams Jr. said that the Senator was "considering" such a move.

Aside from the accusation by Mr. McGovern, it was a quiet Easter Sunday in the Wisconsin races, with the major candidates spending their time going to churches, visiting the Milwaukee Zoo and generally doing family things.

The primary could lead to the withdrawal of one or perhaps more of the six major candidates now in the Democratic field.

Senator McGovern opened his attack on International Telephone in an appearance on the Columbia Broadcasting System's "Face the Nation" program. He prefaced his accusation by saying, "I think we have enough documentation so that the charge will stand."

The Senator then went on to say that a report filed by International Telephone with the securities commission "indicates that, as one of the 10 biggest corporations in the country, with an income, for example last year — a net income — of \$300-million, they paid no Federal taxes at all." Similar reports were made for previous years, he said.

## Question of Accounting

Mr. McGovern acknowledged that companies might use different accounting procedures for the commission than they would for the Internal Revenue Service and said that so far he had been unsuccessful in obtaining "confirmation" from the revenue service on the company's tax standing.

The Senator said that the commission report also showed that the company "listed as a tax deductible item the \$400,000 that they contributed to the Republican National Convention in San Diego next summer."

"Now when you and I and other citizens make a political contribution we can't deduct that," he continued. "They showed it as a loss item that they could deduct from the total tax."

Mr. McGovern said that in

listing the contribution as a business expense, the company "violated the Corrupt Practices Act" and suggested that perhaps one of the reasons the company was not paying taxes was "because they're deducting things like that \$400,000 political contribution."

## Aides Issue Statement

After the broadcast, Mr. McGovern's aides issued a statement saying that the \$400,000 payment "does not appear in the S.E.C. reports." The Senator's comment the statement said, "was based on statements by company officials that they considered it a proper business expense."

The McGovern statement also said that the documents referred to by the Senator were filed with the commission in 1968, 1969 and 1970 and showed the corporation "as a whole was in a net nonpayment situation" with respect to Federal income taxes. It added:

"It may be that some subsidiaries may have paid a tax, but the consolidated corporate posture of I.T.T. appears from the S.E.C. filings to be that of a company which paid no income tax in those years, despite annual profits of over \$300-million."