

See Thoresen, this file, SFChronicle 27 Apr 67.

Government Says Arms Dealer Owes \$2-Million Taxes

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WASHINGTON, Jan. 21—The Federal Government is seeking more than \$2.4-million in back income taxes from the world's largest private arms dealer, Samuel A. Cummings.

Mr. Cummings, 43 years old, has challenged the entire tax claim by the Internal Revenue Service in the United States Tax Court here. And his attorney has said that the I.R.S. is trying "to compel liquidation" of a Canadian company owned by Mr Cummings.

Mr. Cummings, a resident of Monaco, is president and sole stockholder of the International Armament Corporation, Alexandria, Va., which—through subsidiaries and affiliates—sells from \$20-million to \$40-million worth of surplus arms and ammunition each year.

The revenue service sent a "notice of deficiency" to Mr. Cummings on Sept. 30, 1970, seeking payment of \$2,411,907 in back taxes for the years 1963 through 1966.

It asserted that the self-made millionaire received more than \$1.9-million during the "de facto dissolution and liquidation" of Interarmco of Canada, Ltd., in 1963 and did not report it on his tax return as income or capital gains.

The revenue service also contended that the arms merchant performed "income-producing functions and services" for Interarmco Industries, S.A., a Panamanian company, and did not get paid properly for this.

And the tax agency asserts that Mr. Cummings directly or indirectly set up a noninterest account in a Swiss bank during the contested period to cover overdrafts by the Panamanian firm.

Mr. Cummings, whose interarmco or Interarms, Ltd., operations in Britain and this country have brought him public notice as a man of mystery, filed a denial of these charges in the Tax Court Dec. 31.

Although the revenue service's letter was confidential, Mr. Cummings's petition to the court required that pertinent documents be filed for public inspection. The papers remained unnoticed at the court until this week.

Mr. Cummings states in his petition for redetermination that he owned and was president of Interarmco of Canada, Ltd., "during the relevant years" and the company "was not de facto or de jure liquidated or dissolved."

He says he was president and a director of Interarmco Industries, S.A., during the years in question but not a shareholder. He asserts that he was "adequately compensated" for services to that company.

And he declares that his Canadian company had never guaranteed "directly or indirectly, through bank accounts it maintained, any bank overdraft privileges to I.I.S.A."

A statement by Dennis I. Meyer, one of Mr. Cummings's Washington lawyers, this evening said that the I.R.S. decision was "arbitrary and unreasonable and cannot be sustained without departing significantly from the existing relevant cases."

Mr. Cummings cannot make a sale without the approval and licensing of either the United States Department of State or the British Foreign Office, or both in instances of political sensitivity.

"It would be stupid for us to violate the law," he said several years ago. "There is very little money in smuggling. The profits are in the legal sales."

The \$20-million to \$40-million in arms sales by Mr. Cummings are considered minimal compared with those by large Governments. The United States, through the Defense Department, is known to sell about \$2-billion worth of arms each year.