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Mr. Nixon's Returns: A Case for Tax Reform

It wasn't part of his plan, to be sure, but President Nixon has just made the best case yet for tax reform. One doesn't need to know all of the intricacies of the tax law to understand that Mr. Nixon, during his presidency, has not paid his fair share of taxes.

In the four year period from 1969 through 1972, the President became a millionaire, tripled his original net worth of about \$300,000, and despite a \$200,000 annual salary, paid taxes no heavier than a man earning an average of \$15,000.

As a matter of fact, in a couple of those years, the taxes Mr. Nixon paid Uncle Sam were no higher than those of a man in the \$5,000 bracket.

This demonstrates the ineffectiveness of the "minimum tax" provisions of the 1969 Tax Reform Act, which should now be reviewed.

The principal device the President used to lower his taxes to a ridiculous token was a gift of his vice presidential papers to the American people, valued at \$576,000. Nobody has yet figured out what the American people can do with them.

But under a law which was scrapped in mid-1969, that amount was deductible from Mr. Nixon's income. Lyndon Johnson, and other public officials and private citizens, have used the same loophole.

Mr. Nixon, although he had denied it just a few weeks earlier at a press conference with managing editors at

Disney World, also took deductions of \$271,000 for interest on loans, and failed to pay any capital gains on his re-sale of San Clemente land to Messrs. Rebozo and Abplanalp, even though his own auditors now say he made \$117,370 on that deal.

There is considerable doubt that Mr. Nixon actually beat the deadline on the gift of his papers. Instead, it appears that the gift was "back-dated" to make it appear that the deadline had been met. Politicians here know that in the fall of 1969, presidential aide Bryce Harlow was lobbying on Capital Hill for a change in the July 25 cut-off date, which suggests that Mr. Nixon knew he would be skating on thin ice in making the claim.

But the real point, whether or not the President ultimately has to cough up a larger tax payment, relates to a matter of ethics. Should the President have jammed through a massive deduction for a tax gimmick so outrageous that Congress had already decided to abandon it? What sort of moral leadership does that show?

The President displayed similar insensitivity on other issues, ranging from the millions requisitioned from the U.S. Treasury to assure his comfort and communications ease in San Clemente and Key Biscayne, to accepting personal financial assistance from business acquaintances.

The picture that is drawn for us by Mr. Nixon's own tax returns is that of a man willing to take huge loans from private individuals (who also re-purchased land he didn't require) in order to provide him an unusually favorable deal in buying his California home.

We see a man not embarrassed by gift of a \$20,000 trust fund to the daughter of the Vice President of the United States from Elmer Bobst, then head of the Warner Lambert Pharmaceutical Corp.

We see a man not embarrassed by pocketing the unspent portion of his annual \$50,000 presidential expense allotment, treating it as income instead of returning it to the Treasury.

We see a man who paid no California state taxes, relying on a District of Columbia statute designed to exempt federal officials from the burden of double taxation while temporarily domiciled here.

Incidentally, if San Clemente is *not* Mr. Nixon's prime residence, then the President is clearly not entitled — in the opinion of the best tax lawyers in the business — to the deferral of tax on his \$150,000 capital gains on the sale of his New York apartment. That deferral was allowed because, presumably, it was invested in the San Clemente residence.

Taking it all together, what we learn this week is that Mr. Nixon was willing to play the tax laws so close to the edge of technical acceptability that the question remains whether he overstepped the bounds of legality.

But there can be no question about his faulty judgment. He is guilty of the same myopia in dealing with his personal finances that helped entrap him in Watergate. The whole affair must be a disillusionment even for Nixon die-hards.