

# Accountant Says a Tax Ruling Saved Nixon More Than \$10,000

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President Nixon's accountant said today that a ruling by the Treasury Department on the treatment of Mr. Nixon's annual \$50,000 expense account had the apparently unintended effect of saving the President taxes during his first four years in office.

The savings amounted to more than \$10,000, according to calculations by private accountants.

In 99 cases out of 100, the Treasury decision to treat the expense allowance as "salary" and withhold taxes on it would have made no difference in the ultimate tax due. But in the President's annual deduction for the contribution of his Vice-Presidential papers than would otherwise have been possible.

Arthur Blech, the Los Angeles accountant who prepared the President's tax returns, said in a telephone interview today that he had questioned the Treasury's decision to treat the expense allowance as "salary" as long ago as 1969 but was told it would be handled that way.

### Views of the Effect

Mr. Blech emphasized his personal conviction that the officials involved, in the Treasury's Bureau of Accounts, had no idea that their decision would have the effect of reducing the President's taxes. Mr. Blech said he believed that

the Treasury decision was a mistaken one, but that he had to accept it.

Had the expense allowance been treated as such, the President would have had to deduct certain White House expenses before arriving at his "adjusted gross income." This would have reduced adjusted gross income and thus would have reduced the allowable deduction for the contribution of his papers.

The maximum deduction that can be taken for contributions is limited in the law to a percentage of adjusted gross income, 30 per cent in the first year. Thus the lower the adjusted gross income, in cases of huge contributions like this one, the lower the allowable deduction.

### 'Law Is Quite Clear'

Because the Treasury, which pays the President's salary and prepares his "W-2" withholding tax form, treated the expense account as salary, the deduction for White House expenses were taken as "miscellaneous deductions" instead of being deducted before arriving at adjusted gross income.

This left adjusted gross income higher and consequently made possible a larger deduction for the contribution.

Sheldon S. Cohen, former Commissioner of Internal Revenue, said in an interview today that "the law is quite clear" and that the President's \$50,000 should have been treated as an expense allowance, with the de-

ductions against it taken off before arriving at adjusted gross income. However, Mr. Cohen did not know whether it was a Treasury ruling on the President's withholding form that led to the eventual consequences.

The law says there shall not be withholding on money paid to an employee as expense allowance.

The Treasury was still looking into the situation late this evening and had no immediate comment.

The provision on treatment of expense accounts was put into the law to help ordinary taxpayers who do not itemize their deductions. They must report expense account allowances as income but get a deduction against this income for the expenses they actually have, without having to itemize deductions generally. That is why this deduction is taken before arriving at adjusted gross income.

In the end, the Treasury ruling on the President's expense

allowance may not save him of the contribution to "carry taxes. Had he been able to use over" into future years as a Vice-Presidential papers in the future year would probably be paid more taxes in those years, amount that he apparently "un-derpaid" in the 1969-72 period.