

Vesco Suing the IRS On Back-Tax Case

Reuter

Financier Robert Vesco has sued the Internal Revenue Service to bar the tax collection agency from forcing him to pay more than \$800,000 in back taxes.

In a complaint filed with the U.S. Tax Court yesterday, Vesco charged that the taxmen had improperly interpreted the income figures he reported for 1971.

A principal point in dispute is his use during that year of a Boeing 707 jet plane provided by International Controls Corporation, one of the firms in his financial empire.

According to the Internal Revenue Service the use of poshly appointed jet and other benefits he received from ICC during the year were a form of income and should have been treated as such when he paid his taxes.

Vesco since last year has lived primarily in the Bahamas, thwarting efforts of the government to bring him to trial on charges of use of interstate telephone and telegraph communications in a stock swindle.

He filed his Tax Court suit from the Bahamas, using U.S.-based legal counsel.

The Internal Revenue Service had notified him that it could not accept his 1971 tax return and that it had concluded he had underpaid his taxes that year by \$775,310. With a 5 per cent penalty for negligence, this brought the total recovery sought to \$814,075.

During 1971, foreign subsidiaries of International Controls

Corporation acquired a substantial interest in Investors Overseas Services Limited and Vesco became chairman of that Geneva-based firm.

It was largely because of the IOS acquisition, he told the Tax Court, that he made extensive use of the ICC furnished plane. At no time did he make trips in the aircraft that were not for the primary purpose of conducting business, Vesco said.

In addition to the wire fraud charges, Vesco also is facing criminal charges in New York that he conspired with former Attorney General John Mitchell, former Commerce Secretary Maurice Stans and others to obstruct justice and commit perjury in connection with a \$200,000 contribution by Vesco to President Nixon's 1972 re-election campaign.

The government contends the contribution was a payoff to purchase intercession by high government officials aimed at sidetracking an investigation by the Securities and Exchange Commission into Vesco's financial dealings.

The United States made no attempt to extradite Vesco from the Bahamas to stand trial in the political contribution case because the Justice Department said, this was not an extraditable offense.

The government did attempt, however, to force his return on the stock swindle charges but was thwarted by a Bahamian magistrate who ruled that wire fraud, not being against any Bahamas' law, could not be the basis for extradition.