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TAX ON EXPENSES OF NIXON SET IN '51

Senate Voted to Establish a Levy on the President's 'Entire' Compensation

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WASHINGTON, Jan. 6—An obscure debate in the Senate more than 22 years ago established the basis for the controversial tax treatment of the annual $50,000 "expense allowance" of President Nixon, according to Arthur Blech, the President's tax accountant.

The treatment of the President's expense allowance as normal salary, and taking deductions against it on that basis had the technical result of increasing the amount of the deduction the President could take for his gift of Vice-Presidential papers to the Government. The extra saving of taxes for him has been estimated by private accountants as more than $10,000 during his first four years in office.

At issue 22 years ago—on Sept. 26, 1951—in the Senate debate on a tax bill was an amendment by the then Senator John J. Williams, Republican of Delaware, to abolish the then tax-exempt status of the $50,000 Presidential expense allowance and smaller allowances for the Vice President and members of Congress.

The amendment passed by a vote of 77 to 11. In explaining his amendment Senator Williams said it would mean that the President's "entire" compensation—then $150,000 and now $250,000—would henceforth be "classified as salary."

Starting in 1953, as provided in the amendment, the Treasury began to withhold taxes from the President's entire compensation as if it were salary. Mr. Williams noted in the debate that the $50,000 Presidential expense allowance, like those for the Vice President and members of Congress, "were considered as part of compensation, and were so classified in the legislative background." His amendment, he said, simply made this amount taxable.

The distinction was important for the President's tax return because it affects the treatment of his deductions for "business expenses."

Not Deducted At First

In the case of an employe whose employer gives him a flat amount each year for "expenses," the amount must be reported as income and then the actual business expenses incurred deducted before arriving at "adjusted gross income" on the tax return. If the employe receives only salary and has some unreimbursed business expenses, he takes these as "miscellaneous deductions," which are subtracted like other deductions from adjusted gross income to arrive at taxable income.

In nearly all cases, the distinction has no effect on the amount of tax due. But in the President's case it did.

The reason is that he had a higher "adjusted gross income" because his expenses were not deducted before arriving at adjusted gross income, as would be the case if the $50,000 had been treated as an expense allowance. Adjusted gross income in turn, establishes the "ceiling" on the amount of annual deduction that can be taken for very large contributions such as that of the President. With a higher adjusted gross income, he could take a larger charitable deduction and thus reduce his taxes.

Mr. Blech told The New York Times last month that he himself had thought at first that the Treasury's treatment of the entire $250,000 as salary for withholding purposes was mistaken. Like most people, he regarded $50,000 as an expense allowance the same as those provided to many employes, and he questioned the Treasury on the matter.

The Treasury told him it was all treated as salary, and Mr. Blech believes that the Williams amendment of 1951, and the debate on it, explains why.

Some outside accountants have questioned some of the "business" deductions themselves, apart from where they were taken in the tax return. This is a separate issue that will presumably be taken up as part of the new audit of the President's tax returns by the Internal Revenue Service and the Congressional Joint Committee on Internal Revenue Taxation.

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