

Nixon Tax Deduction, Step-by-Step

By Jack Anderson

President Nixon "must have known" that a backdated deed was used to obtain his celebrated \$576,000 tax deduction, according to sources who are completely familiar with the preparation of the President's controversial tax returns.

They contend that he not only instructed his subordinates to seek the deduction but kept a sharp eye on their efforts.

The President, who specialized in tax law as a young lawyer, fully understood his tax returns before signing them, our sources stress.

If an ordinary taxpayer backdated a document to gain a half-million-dollar tax write-off, he would find himself in the soup. Most likely, he would be investigated for filing a false claim and evading taxes.

The question is whether Mr. Nixon donated his vice presidential papers before July 25, 1969. This was the last day he could take a tax deduction for the papers.

In his defense, White House loyalists insist he declared his intention to donate the papers before the deadline and left it to underlings to implement his wishes.

We have spent several weeks investigating the President's tax returns. From sources who have followed the developments

closely, we can now provide the curious chronology of the Nixon Papers.

Before Richard Nixon moved from his New York law firm to the White House, he stored all his pre-presidential papers in his law offices.

He decided in December, 1968, to take a tax break by donating some of the papers to the government. Ralph Newman, an expert appraiser of historical documents, was called in from Chicago to evaluate the gift. He selected enough documents to justify the \$80,000 tax deduction that Mr. Nixon wanted. Then Mr. Nixon signed over the documents to the government in a deed, which was also accepted by signature.

Our sources say Mr. Nixon was annoyed with his former law partners over the \$128,611 settlement they gave him when he left the firm. He felt they had short-changed him by not taking into account all the clients his name had drawn to the firm. Angrily, he ordered all his papers moved to the Archives, which was happy to store them for him. The deeded papers arrived on March 20, 1969. Six days later, several more dusty crates packed with papers arrived. The Archives began processing the deeded papers. The rest were deposited in an area reserved for "courtesy storage."

Ralph Newman paid a visit to the Archives from April 6 to 8 to

complete his appraisal of the deeded papers. Apparently, he didn't even look at the other documents, which were kept on a different floor.

Congress voted in December, 1969, to outlaw tax deductions for private papers. When the President realized what Congress was about to do, he sent his top lobbyist, Bryce Harlow, to Capitol Hill to delay the cut-off date until the end of 1969. Instead, Congress retroactively set July 25, 1969, as the deadline.

Meanwhile, Ralph Newman was summoned from Chicago again to appraise the remaining Nixon Papers. He was instructed to set aside enough papers to justify a tax deduction of \$500,000. His appraisal began on Nov. 3 and was completed on Dec. 8, 1969. The following March 27, he sent the Archives a complete description of the papers the President claims to have donated the previous year. The formal appraisal was drawn up on April 6, 1970, and was attached to President Nixon's tax returns, which he signed on April 10.

Based on Newman's final 1970 appraisal, the President claimed a \$576,000 tax deduction. Yet no deductions were supposed to be allowed after July 25, 1969. To get around this problem, then-White House aide Edward L. Morgan simply backdated the deed to March 27,

1969. This was notarized by the President's tax attorney, Frank DeMarco, who backdated his notary seal to April 21, 1969.

The backdated deed, of course, wasn't submitted to the Archives until April, 1970, with the phony explanation that it had been lying around DeMarco's office. The deed contained neither Mr. Nixon's signature nor the acceptance signature, which are required under government regulations.

Curiously, the deed was called back by the White House on Sept. 13, 1971. Our sources say the backdate deed was causing some nervous afterthoughts. In early 1972, the President again assigned his lobbyists to try to repeal the July 25, 1969, cut-off date. This would have removed any question about the legality of the \$576,000 tax deduction and the backdated deed.

A proposed bill was drafted and given to Clark MacGregor, then the chief White House lobbyist, who had no luck getting congressional support for it. Finally on Jan. 13, 1973, as questions were being raised about the tax deduction, the deed was returned to the Archives.

Footnote: Both Morgan and DeMarco contend that the backdating of the deed was entirely proper, because it formalized what the President had wanted to do before the deadline.

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