

How IRS Muffed Nixon's Tax Returns



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THE Internal Revenue Service muffed the investigation last year into President Nixon's controversial 1970 and 1971 tax returns, according to inside sources.

The tax agents tried to run down our story that a secret \$100,000 cash gift from billionaire Howard Hughes had been delivered to Bebe Rebozo for the President.

Yet the agents never bothered to look at the President's bank records, which were kept in a special vault at Rebozo's Key Biscayne bank.

Rebozo has sworn that the \$100,000 gathered dust in a safety deposit box. Yet the agents made no real effort to check who had access to the box, whether money was removed and to whom it was distributed.

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REBOZO also collected cash from other fatcats in Mr. Nixon's behalf. Yet the agents made no attempt to run down who contributed, how much they coughed up and what happened to the money.

Nor did the agents challenge a \$576,000 tax deduction, which Mr. Nixon claimed for donating his vice presidential papers to the government. Yet the President's appraiser didn't even select which papers would be donated until four months after the July 25, 1969, deadline had passed for claiming such deductions. The deed, giving the government title to the papers, was also backdated.

The President paid such low taxes — \$792.87 in 1971 and \$873.02 in 1972 on an income that averaged more than \$280,000 a year — that the computers automatically targeted his returns for audit.

Most of his income, including his presidential salary checks, were routed to his tax attorney, Frank Demarco, in California. Then Demarco would relay them back across the country to Rebozo's bank.

In May of 1973, the agents spent less than eight hours with Demarco going over the President's books. They found the paperwork in order.

About the same time, they traced the \$100,000 gift from the Silver Slipper, one of Howard Hughes' Nevada gambling houses, to Rebozo. It was delivered by Hughes aide Richard Danner.

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A FEW DAYS later, the superficial Internal Revenue investigation fizzled out. On June 1, IRS district director William Walter wrote the President: "Our examination of your income tax returns for the years 1971 and 1972 revealed that they are correct . . . I want to compliment you on the care shown in the preparation of your returns."

But like so many other statements concerning the President, this, too, has turned out to be inoperative. Tax agents are now back investigating the President's returns again for evidence of possible fraud and tax evasion.