# IRS Reportedly Erred on Nixon Case

*By Jack Anderson*

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.

Rebozo also collected cash from other fatcats in 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 Nixon claimed for donating his vice presidential papers to the government. Yet the President's appraiser didn't even select which papers should 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—$792.81 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.

A few days later, the superficial Internal Revenue investigation fizzled out. On June 1, IRS district director William Walters 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.

**Advertising vs. Research:** As evidence that the oil industry puts today's profits ahead of tomorrow's needs, the major oil companies spent nearly as much money in the early 1970s on advertising as on research.

This is the confidential report of government auditors who investigated the comparative spending of seven companies in 1970, 1971 and 1972. Their study doesn't even take into account, therefore, the media saturation campaign undertaken by the companies in 1973 to conteract the bad publicity over the oil crisis.

Their preliminary findings are summarized in a General Accounting Office report, which reveals that the seven companies kept their research spending at stable levels, while their advertising budgets climbed steadily.

Yet research is vital to overcome the critical oil shortage. An economical method is urgently needed, for example, to recover oil from abandoned fields. In some abandoned wells, an expert told us, 60 per cent of the oil remains in the ground.

More attention to research also might have developed a practical way to extract the trillions of gallons of oil, which is locked in the shale and coal formations of the West.

Here are highlights from the GAO study:

- Gulf Oil spent $18 million on advertising in 1970, only $12 million for research.
- Exxon slashed its research budget by $2 million in 1971, while increasing its advertising budget an estimated $5 million. Exxon provided no information on its 1972 research spending, although it proclaims on TV: "We want you to know." Apparently, they don't want us to know too much.
- Standard of Indiana spent the same amount in 1970 on advertising and research—$28 million each. But in 1972, the company raised research spending to $33 million and cut back advertising to $26 million.
- Standard of California spent $44 million on research in 1971 but withheld the advertising budget from the government auditors. Reversely, Mobil Oil reported a $23.5 million advertising budget in 1972 but refused to divulge the research spending.

**Footnote:** The GAO study, requested by Rep. Charles Rangel (D-N.Y.), notes that "research may mean different things to each company" and that the "data obtained does not include any exploration costs."