

Tax Investigators Are Studying Possibly Illegal Use of Returns

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WASHINGTON, May 7—Congressional investigations into the relationship between the Nixon Administration and the Internal Revenue Service have shifted their focus to the question of whether tax returns were used illegally as a source of politically valuable information for the White House.

The change in emphasis of the inquiries, which previously focused on the treatment by the revenue service of "enemies" and "friends" of the White House, is based on information that has only recently come to light about White House pressures on the agency.

Some of the information comes from the edited trans-

cripts of Presidential conversations that were made public last week.

For example, in a conversation on March 27, 1973, H. R. Haldeman, the former White House chief of staff, warned President Nixon that a former Internal Revenue official, who was later promoted to Commission, had been involved in a political intelligence operation of the White House.

The involvement "is a potential source of fascinating problems," Mr. Haldeman said.

The official, Vernon D. Acree,

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Inquiries Shift to Possible Illegal Use of Tax Data

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denies that he was ever involved in political intelligence.

Other relatively new information includes various memorandums about tax matters that were made public a few weeks ago by Senator Lowell P. Weicker Jr., Republican of Connecticut.

Among these is a memorandum to John W. Dean 3d, the former White House counsel, from John J. Caulfield, a former White House employe, which includes photocopies of the charitable deductions claimed for the three years 1968-70 by Lawrence Y. Goldberg, who had just become the head of Jewish activities for the Committee for the Re-election of the President.

Notes 'Involvement'

Mr. Caulfield's memo notes that the pattern of contributions "postures an extremely heavy involvement in Jewish organizational activity."

"I don't wish to raise this issue again," the memo continues. "However, in my judgment, the Attorney General [John N. Mitchell] should be discreetly made aware in this regard."

The Caulfield memo covering Mr. Goldberg's charitable contributions is considered by some of the Congressional investigators to be potentially significant evidence of illegal use of confidential tax-return information by the Nixon White House. The reason is that Mr. Goldberg was being investigated as a potential appointee to a Republican party job, not a Government job.

The Kennedy and Johnson Administrations, as well as the Nixon Administration, followed the policy of asking the Internal Revenue Service to check on the tax status of prospective appointees to high Government positions, so that the President would not be em-

barrassed by subsequent disclosures that a nominee had failed to pay proper amounts of tax.

Precedent Since 1961

Thus, disclosure to the White House by the I.R.S. of general tax-status information about prospective appointees — though not transmission to the White House of all or part of anyone's tax return — has generally been accepted, since 1961, as proper procedure.

But the case of Mr. Goldberg's tax returns may be legally quite different, in the eyes of Congressional investigators.

The inquiry into the use of the Internal Revenue Service by the Administration is going on several fronts. The Senate Watergate committee is still involved. So is the House Judiciary Committee, whose task is to decide whether to recommend Mr. Nixon's impeachment to the House.

So is the Joint Committee on Internal Revenue Taxation — the same group to which Mr. Nixon turned over the audit of his own tax returns and which found he owed \$444,000 in taxes for his first four years in office.

The staff of the joint committee rendered a preliminary report in December on the alleged use of Internal Revenue to harass political "enemies" of the Administration and found no conclusive evidence that this had occurred.

The committee is continuing this inquiry along with parallel investigations of allegations of favored tax treatment for White House "friends" and concerted attacks on tax-exempt organizations that opposed Administration policies.

In addition, there will be the new emphasis in the joint committee's studies of the possibly illegal use of tax-return information from the I.R.S. by the White House.

The joint committee has been

asked by the Judiciary Committee to keep it closely informed of the findings of the joint panel's staff and has agreed to do so.

It appears certain that there will be heated arguments over the legality of the actions of Internal Revenue officials in turning over certain tax data to the White House.

Donald Alexander, the present Commissioner of Internal Revenue, who was not involved in any of the disputed actions that have come to light so far, defends most of them as legal. He has proposed, however, that the law regarding use of tax information by other Government agencies be tightened.

Nixon-Dean Talk

Whether the White House itself thought its requests for certain tax information were legal appeared doubtful in view of a conversation between Mr. Nixon and Mr. Dean on March 13, 1973.

In that talk, Mr. Dean explained that he had "sources" in Internal Revenue to which he could go "and get what we need," bypassing the top man, Commissioner Johnnie M. Walters, in the process.

Mr. Nixon did not ask why Mr. Dean felt it necessary to go to special "sources" if the requests for information were legal.

The exchange occurred when the President asked Mr. Dean why investigations of certain matters that might cast discredit on the Democrats were not progressing satisfactorily. He mentioned that "investigations were supposed to have been taken for the 34 [unintelligible] contributed to McGovern."

A moment later, apparently in the same context, he asked, "Do you need any I.R.S. stuff?"

Mr. Dean replied: "There is no need at this hour for any-

thing from I.R.S. and we have a couple of sources over there that I can go to. I don't have to go around with Johnnie Walters or anybody but we can go right in and get what we need."

Among the many other items of information from Internal Revenue that were received by the White House were the results of audits of eight prominent entertainers who had been politically active.

The entertainers were all persons "whose economic condition is similar to that of John Wayne," a Nixon supporter who had apparently complained to the White House about being audited.

The entertainers were Richard Boone, Sammy Davis Jr., Jerry Lewis, Peter Lawford, Fred MacMurray, Lucille Ball, Ronald Reagan and Frank Sinatra.

Mr. Caulfield forwarded the information to Mr. Dean, together with an opinion that Mr. Wayne's complaint that he was being unfairly singled out "does not appear to be strong enough to pursue."

I.R.S. regulations require strict record keeping of compliance with requests for tax information from other Government agencies.

Commissioner Alexander, who defended the White House actions in an interview, said that, "in general, the President has access to tax-return information" under Section 6103 of the Internal Revenue Code.

Congressional critics cite that same section of the law, however, to support their allegation that many of the known instances of transmission of tax information to the White House were illegal. They say that the lack of rules permitting tax-return checks of persons such as Mr. Goldberg render such actions illegal.