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Reuss Hits Ruling On Nixon Stock

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A new Internal Revenue Service ruling enables President Nixon's re-election organization to avoid capital gains taxes on contributions of stock worth at least $15 million, Rep. Henry S. Reuss (R-Wis.) said yesterday.

The tax savings could not be calculated because no records were kept on how much each share of stock appreciated between the time when it was acquired by the contributor and the time when it was sold by one of the more than 450 Nixon re-election committees, an aide to Reuss told a reporter.

The committees received and sold in 1972 appreciated stock valued at between $18 million and $20 million. The organization of Sen. George McGovern, the Democratic presidential candidate, received about $1.4 million in stock.

On Dec. 20, the IRS ruled that political committees must pay taxes only on the profits of those stocks sold after Oct. 3, 1972.

Congress's General Accounting Office, in a report requested by Reuss, said the Nixon committees under the ruling need pay taxes on only $3,390,979 worth of stock—the portion sold after Oct. 3, 1972. McGovern spokesmen told the GAO they had no records on how much stock his organization may have sold after the same date.

The ruling "violates the spirit of the tax code, previous IRS rulings, and the good faith of candidates and committees who have paid income taxes on capital gains for years," the congressman charged.

Since 1965, Reuss said, the government repeatedly has held that political committees must pay taxes on capital gains.

The President's fund-raisers throughout 1972 solicited contributions of appreciated stock "with the promise that such gifts would not be subject to capital gains tax," Reuss said.

The release was dated Oct. 3, 1972. That will become the cut-off date for taxes, the IRS said in August, unless Congress objects. Congress not having objected by Dec. 20, the IRS issued the ruling. At the time, Reuss condemned it as "legalized larceny."

The ruling requires each committee to file federal tax returns as if it were a corporation. The tax rate on capital gains income for a corporation is 22 per cent on the first $25,000 and 48 per cent on all in excess of that sum, although the option of a flat 30 per cent tax rate is available.

But, Reuss protested, the IRS ruling doesn't require that all of the capital gains of the Nixon organization be taxed to the Committee for the Re-election of the President, the "real recipient." Instead, he said, the IRS intends to let each of the more than 450 "sham" committees file separately.

In this way, each of the committees will be able to have an initial $25,000 in income taxed at 22 per cent. Consequently, none, or almost none, of the gains will be taxed at 48 per cent, Reuss said