

New IRS Audit of Nixon Tax Returns

Probe to Determine The Legality of Some Deductions

Washington

The Internal Revenue Service said yesterday it has begun a new audit of President Nixon's recent tax returns to determine the legality of some deductions claimed during the President's White House tenure.

The IRS did not say what years will be covered by the new audit, but there has been controversy over Mr. Nixon's returns for 1970, 1971 and 1972. During those years, he paid taxes of \$5979 on a total income of more than \$800,000 —the equivalent of taxes paid by a person earning about \$17,000 a year.

An IRS spokesman said the agency could require payment of back taxes due for all three of those years, but that the statute of limitations has expired for levies due from previous years.

The President's attorneys have estimated that Mr. Nixon could owe as much as \$267,000 in back taxes if the deductions he claimed are disallowed.

Moreover, independent tax accountants who have examined the President's returns, have said Mr. Nixon apparently underpaid his taxes during his first four years in office by more than \$13,000 because his accountants entered business deductions on the wrong line of the returns.

In a three-paragraph statement, the IRS said it is conducting the audit because of "questions raised in the press as to the relationship of the consideration of the

President's tax returns by the joint committee on internal revenue taxation and any consideration of the returns by the Internal Revenue Service."

On December 8, the same day he released a mass of financial data and made public his tax returns for 1969 through 1972, Mr. Nixon asked the joint congressional committee to examine his returns and report on the legality of his deductions. He told committee chairman Representative Wilbur D. Mills (Dem-Ark.) that he would abide by the committee's ruling.

Yesterday's announcement by the IRS was extraordinary because the agency traditionally refuses even to disclose that a tax examination is under way for a specific individual.

However, the IRS said it

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has been "authorized by the President's representatives" to make the disclosure, and added that the White House staff was "cooperating fully" with federal tax officials and the staff of the joint congressional committee.

An IRS spokesman said arrangements were being made to exchange informa-

tion with the joint congressional committee.

The IRS declined to say why it was re-auditing the President's returns, but in response to a question, an agency spokesman said that

a long-standing policy permits the re-examination of previously closed cases if any one of three conditions apply. They are:

- Evidence of fraud, malfeasance, collusion or misrepresentation of fact.
- The previous closing of the books involved a clearly defined error based on IRS regulations that existed at the time.
- If circumstances exist "indicating that failure to re-open (the case) would be a serious administrative omission."

The IRS declined to say which of the three conditions prompted the new audit of Mr. Nixon's returns, but an agency source observed that the third provision is broad enough to apply.

White House deputy press secretary Gerald L. Warren, who is in San Clemente with Mr. Nixon, also declined to specify which tax returns are being re-examined, but he indicated they are limited to the years since the President was inaugurated in 1969.

Warren said all IRS inquiries so far have been made through the White House counsel's office, but he declined to say when Mr. Nixon was notified of the audit.

When the President assigned the joint congressional committee to be, in effect, an arbitrator of the controversy surrounding his tax returns, he suggested that it investigate two major deductions.

The first was a \$576,000

writeoff for a gift of his vice presidential papers to the National Archives. There have been questions whether the commitment was made before a new law prohibiting such deductions took effect on July 25, 1969.

The second concerns savings Mr. Nixon realized by not paying capital gains taxes on profits from selling 23 acres of property from his San Clemente estate.

In 1969, Mr. Nixon bought 29 acres of beachfront property at San Clemente, but later sold all but 5.9 acres to two close friends, Robert Abplanalp and C. G. (Bebe) Rebozo. No cash changed hands in the complex transaction, but Abplanalp wrote off the \$625,000 he had loaned Mr. Nixon to purchase the land.

Last month, the president said he was initiating legal steps to donate the California estate to the federal government after his death and the death of Mrs. Nixon.

Washington Post