

Re-Audit Of Nixon Taxes Set

IRS, in Rare Move, Tells of New Inquiry

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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 particular controversy over Mr. Nixon's returns for 1970, 1971 and 1972. During those years, he paid taxes of \$5,979 on a total income of more than \$800,000, or approximately the equivalent of taxes paid by a person earning \$17,000 a year.

The agency's announcement confirmed a Dec. 20 report in The Washington Post that the IRS, which last June said that the President's returns were correct, had reopened its audit and was interviewing participants of some of Mr. Nixon's financial transactions.

An IRS spokesman said yesterday that the agency could

recover past taxes due for all three of those years, but that the statute of limitations has expired for levies due from previous years. There is no statute of limitations for collecting taxes in fraud cases. 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 he 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 one-paragraph statement, the IRS said it was 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 Dec. 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 the committee chairman, Rep. Wilbur D. Mills (D-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. An IRS spokesman said the announcement was unprecedented.

However, the IRS said it had been "authorized by the President's representatives to make the disclosure, and added that the White House staff was "cooperating fully"

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with federal tax officials and the staff of the joint congressional committee.

An IRS spokesman said arrangements were being made to exchange information 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.
- The existence of circumstances "indicating that failure to re-open it (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 was in San Clemente with Mr. Nixon yesterday, also declined to specify which tax returns were being re-examined, but he indicated they were limited to the years since the

President was inaugurated in 1969.

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

The first was a \$576,000 write-off for a gift of his vice presidential papers to the National Archives, over which 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.

The committee agreed to review Mr. Nixon's finances, but said it would not limit itself to the two areas the President mentioned.

Mills criticized the President for taking the vice presidential papers deduction.