

A New Issue Raised on Nixon Taxes: Depreciation on His Office Furniture

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WASHINGTON, Jan. 31—Congressional investigators and the Internal Revenue Service have raised a new issue concerning the propriety of President Nixon's tax returns, in addition to the two he has acknowledged publicly.

The additional issue is the depreciation, totaling \$17,216, that Mr. Nixon has claimed for a new Cabinet table and other office furniture that he bought for his own use in Washington and San Clemente.

The amount of money involved in the claims for depreciation is small compared to the hundreds of thousands of dollars in additional taxes that Mr. Nixon may have to pay if the investigators decide that he took illegal deductions for the gift to the Government of his Vice-Presidential papers and that he illegally failed to declare a capital gain on the sale of some land in San Clemente.

The General Rule

The two sets of investigators have not yet concluded that the deductions for depreciation of the furniture were illegal. But they are reported to feel that the deductions were questionable, at best, and should have been challenged when the revenue service audited Mr. Nixon's returns for 1970 and 1971 in May of last year.

According to one of the individuals who is reviewing Mr. Nixon's tax returns, an employe who tries to deduct a business expense is generally required to show that his em-

ployer would not have been willing to bear the expense himself.

"When you look at the millions of dollars the taxpayers paid to set up his offices at San Clemente and Key Biscayne, it's hard to argue that Nixon couldn't have gotten the Government to pay for the furniture," this investigator said.

Arthur Blech, the Los Angeles accountant who prepared Mr. Nixon's tax returns and who has been interviewed at length by Congressional and internal revenue investigators, said that he had been asked by them to stop discussing the tax returns with the press. Therefore, he said, he cannot respond to questions about the propriety of the depreciation deductions.

In addition to the question of whether the deductions are legal, under existing rules and court interpretations, there is a second question of the speed with which the Cabinet table and other furniture is being depreciated, according to an individual close to the inquiry.

The furniture is being depreciated over eight years, whereas the Government's standard or "guideline" for depreciation of office furniture is 10 years. The more rapidly property is depreciated, the bigger the deduction the taxpayer gets each year.

Use of an eight-year depreciation timetable, rather than the standard 10 years, is not necessarily improper, provided the taxpayer can show that he will probably use the property for only that long. But this,

too, is something that should have been challenged on audit, the investigators said, because the burden of proof of entitlement to faster-than-normal depreciation is on the taxpayer.

A Gift to the Nation

A controversy over the Cabinet table, which cost \$7,185, arose right after Mr. Nixon made his tax returns public in early December, in answer to a number of allegations of impropriety.

The controversy started when it was noticed that the official White House guidebook contained a picture of the Cabinet Room, complete with the new table purchased during the Nixon Administration, and said that the table was a gift to the nation from President and Mrs. Nixon.

If the table has been given to the Government, then depreciation cannot be claimed for it, because a taxpayer is permitted to deduct depreciation only for property that he owns.

Mr. Nixon has also taken depreciation for the use "for business" of 25 per cent of his house in San Clemente and 100 per cent of a house adjacent to his house in Key Biscayne. The claimed depreciation on these two houses and improvements on them has totaled \$23,862 in Mr. Nixon's first four years in the White House.

However, recent court decisions appear to support the President's right to claim depreciation on portions of a house used as an office, according to individuals working on the tax returns.