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President Owes Back Tax--He'll Pay $465,000

IRS Rules On Income For 4 Years

Washington

President Nixon will pay about $465,000 in back taxes and interest which the Internal Revenue Service and a joint congressional committee staff ruled he owes for the past four years, the White House announced last night.

Rejecting advice from his lawyers that he could make "a very strong case" against the findings that he improperly deducted the gift of his vice presidential papers to the National Archives and failed to list as income the proceeds from the sale and improvement of his residences, Mr. Nixon instructed payment of the $432,787.13 ruled due by the IRS.

With interest, a White House spokesman said, the payment will total more than $465,000 — enough to wipe out half the President's net worth and all of his last reported cash reserves.

The White House spokesman said the method of payment was yet to be worked out between Mr. Nixon and the IRS and added that "the President may have to take out a loan" to meet his obligation.

A White House statement said Mr. Nixon had waived the right of court review "open to an ordinary taxpayer" because he had publicly pledged to abide by the finding of the Joint Committee on Internal Revenue Taxation.

The staff of that committee, in a report issued yesterday afternoon, four hours before the White House announcement, calculated the President's back taxes as $467,341 in deficiency and interest.

The report said the joint

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committee staff "has made no attempt . . . to draw any conclusions whether there was, or was not, fraud or negligence involved in any aspect of the returns, either on the part of the President or his representatives."

The White House statement said "the report of the Internal Revenue Service" — which was not made public — "rebuts any suggestion of fraud on the part of the President. The committee's staff report offers no facts which would support any such charge."

A finding of tax fraud could have become a count in the impeachment investigation now being conducted by the House Judiciary committee, which received a copy of the joint committee document yesterday.

An Administration official said the IRS and the joint committee staff analyses reached almost identical conclusions, but differed slightly in their mathematical calculations on the taxes owed.

The joint committee listed these major "deficienies" in the President's returns:

- The $482,018 in charitable deductions taken for the gift of Mr. Nixon's vice presidential papers to the National Archives "should not . . . be allowed because the gift was made after July 25, 1969," the date when the tax law was changed to disallow such deductions.

The committee staff said the deed of the papers which purportedly was signed on April 21, 1969, was not actually signed until a year later and contained so many restrictions it failed to meet the requirements of the law.

The White House statement declared that the President's tax lawyers thought a "valid and compelling" case could be made that the gift was deductible, because "his intent to give the papers was clear' and "their delivery was accomplished in March, 1969, four months before the July deadline."

- The President failed to report a capital gain of $117,836 from the 1970 sale of "excess acreage" at his San Clemente, Calif. estate.

- The President should not have been allowed to defer a capital gain on the sale of his New York City cooperative apartment, because the San Clemente "Western White House," in which he invested the proceeds of that sale, is not "his principal residence." Proper depreciation, the staff said, would have made the total capital gain $151,848, reportable as income in 1969.

- The President should not have deducated $91,452 in depreciation, on San Clemente and furniture he bought for it, business expenses at San Clemente and expenditures from the White House "guest fund." On the other hnd, he should be reimbursed by the government for some furniture purchases.

- Mr. Nixon should have paid all of the capital gains on the sale of some Florida lots, instead of saying the proceeds were split 60-40 with his daughter, Patricia Nixon Cox. The shift adds $11,617 to the President's income for 1972 and an additional amount for last year. At issue here is a verbal agreement between father and daughter to treat the investment as a joint venture.

- Mr. Nixon should declare as income $27,015 worth of flights in government planes, taken by his family and friends "when there was no business purpose," between 1969 and 1972.

- The President should delcare as income $92,298 worth of improvements made to his San Clemente and Key Biscayne, Fla., estates, because they were "undertaken primarily for the president's personal benefits."

- As minor items, the commitee staff said Mr. Nixon was entitled to an additional $1,007 in sales tax deductions, and another $10 in gasoline tax deductions in one year, but overstated gasoline tax deductions by $148 in the other three years.

While the formal White House statement specifically challenged only the ruling on the gift of the vice presidential papers, a presidential aide spoke with some anger about the decision on air travel for members of the President's family.

Noting that the Secret Service recommended such flights as a deterrent to hijackings and kidnapings, he said that "our research indicates that no previous president ever paid for his family's transportation." The official said Mr. Nixon had done so when he was not aboard the plane himself.

The spokesman complained that on "every single technical question the IRS ruled against the President." Nonetheless, he said, Mr. Nixon will pay the $148,000 in taxes the IRS said was due for 1969, even though the agency noted that the statute of limitations for that year had run.

The White House announcement appeared to write an end to a protracted dispute over Mr. Nixon's tax matters. But the final political fallout of the action — and its impact on House impeachment proceedings — remained uncertain.

Congressional Republicans expressed relief that Mr. Nixon had paid the entire amount claimed, without further legal disputes.

The President's taxes had been a matter of rumor and speculation for months before last December 8, when Mr. Nixon made public his returns for the four years of his first term.

They showed he had paid only $78,651 in taxes on a total income of $1,122,266 — largely because of the deductions on his gift of papers and the handling of his complex real estate transactions.

He asked the Joint Committee on Internal Revenue Taxation — whose staff is considered to number some of the leading experts on the tax code — to study the return and said he would accept the findings as determinative.

At the last minute, White House lawyers tried to delay issuance of the staff report until the committee members could hear Mr. Nixon's case argued, but the committee voted 9 to 1 yesterday to release the report. They noted, however, that it is a staff study and not the judgment of the committee members.

The IRS, which began a new audit of the President's returns early this year, reportedly sent the White House its conclusions on Tuesday. 2 APR

A White House official said payment of the tax bill "is going to gut the President's estate, but it lances the boil and should end all the questions about San Clemente and Key Biscayne."

Last December's financial statement put the net worth of President and Mrs. Nixon at $988,522. Of this, cash holdings and certificates of deposit totaled $432,874 on May 31, 1973 — a sum slightly less than the amount Mr. Nixon is now obligated to pay.

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