

Tax Case Grew From Scattered Seeds

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WASHINGTON, April 3—It was a series of small items fanned to flames in the atmosphere of the Watergate scandal that led to the Congressional investigation of President Nixon's taxes.

The items were scattered—and some of them were in error. But they evoked a series of reactions in the White House and Congress that resulted in today's report that Mr. Nixon had underpaid his taxes by \$444,022.

Following were some of the items:

¶The President's costly life-style stirred talk on the Washington cocktail circuit.

¶A routine campaign report, issued Sept. 16, 1972, was said to show the President's net worth, but it did not seem quite right.

¶A California newspaper reported that Mr. Nixon might have used \$1-million in leftover 1968 campaign funds to buy his home at San Clemente, Calif. The report was wrong.

¶Amid reports that Mr. Nixon paid no taxes in 1970 and 1971, an Internal Revenue Service employe leaked the President's tax returns.

¶White House attempts to handle the matter led to a series of statements. Each one seemed only to raise further questions.

In Washington as far back as August, 1969, questions were raised in gossip columns about how the Nixons could afford houses in San Clemente and Key Biscayne, Fla., along with all the redecoration.

"Inside Washington political salons, the curious and the gossips are trying to figure out how President Nixon could possibly afford to spend all the money he is lavishing on himself and his family," began the "Washington Beat" column in the old Evening Star.

But it took the disbelief generated by Watergate, it seemed, before anyone began to look seriously at Mr. Nixon's life-style and question his finances.

In the September, 1972, finance statement issued by the White House, Mr. Nixon's net worth was listed at \$765,118.

This was an increase of \$249,288 over October, 1968 when Mr. Nixon also issued a precampaign financial statement.

A month later, The New York

Times reported that over \$1-million worth of real estate controlled by the President was not reflected in the September report.

After his re-election and as the Watergate affair began to grow in seriousness, the subject was renewed.

Then in May, 1973, The Santa Ana Register in California published a report saying unnamed investigators for the Senate Watergate committee believed that Mr. Nixon might have used leftover 1968 campaign funds

The Presidential press secretary, Ronald L. Ziegler,

termed this report "totally false and malicious." The Senate committee said it knew nothing about it.

But it resulted, on May 25, in the first White House statement on the subject of San Clemente and Key Biscayne. It described how Mr. Nixon had financed the purchase of the San Clemente property with the help of his friend, Robert H. Abplanalp.

It was an unusual performance. Elliot L. Richardson was being sworn in as Attorney General at the East Room of the White House, and reporters, who had been waiting for days for the statement, all left for the ceremony.

When they returned, the statement was in the racks where press releases are distributed. It raised questions, but that day there was no one to answer them.

In June, The Washington Post reported the gift of Mr. Nixon's Vice-Presidential papers and raised for the first time the question of whether they might have been illegally backdated.

In August, The New York Times reported that tax lawyers and accountants were questioning whether Mr. Nixon should pay capital gains taxes on real estate profits made at San Clemente when he sold off a portion of his land to Mr. Abplanalp.

On Aug. 27, the White House issued a detailed analysis of the purchases in Florida and California. For the first time another of the President's friends, C. G. Rebozo, was identified as one of the backers in the San Clemente purchase.

Though the audit confirmed that there were capital gains in the transactions, the report seemed once again to raise

more questions.

And there was one strange sidelight. The auditors themselves became a question. Three former officers of the firm had been convicted of distributing false financial statements in 1968 and were given full pardons by Mr. Nixon in 1972.

The press was filled with reports, first in The Baltimore Sun, that Mr. Nixon may have paid no taxes at all in the years 1970 and 1971 when he earned \$400,000 in Presidential salary.

On Oct. 3, the Providence (R.I.) Journal-Bulletin reported that the President paid only \$1,670 in taxes those two years. The figures had leaked from the Internal Revenue Service and the employe who allegedly was responsible was asked to resign months later.

Meanwhile, the costs of improvements on the President's property — paid for by the Government and said to be tied closely to his personal security — had been growing. The improvements, listed by the White House as costing \$39,525 in May, had risen to \$10-million in a General Services Administration audit by the end of July.

The present estimate now is about \$17-million.

Finally, on Dec. 8, the President made an unprecedented decision. He made public his tax returns, conceded that he and Mrs. Nixon might owe as much as \$267,000 in additional taxes and said he would let the Congressional Joint Committee on Internal Revenue Taxation decide whether he should pay any more.

The report was returned today.