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**Report Says Ehrlichman
Bid I.R.S. 'Jail' O'Brien**

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WASHINGTON, July 10—John P. Ehrlichman repeatedly put pressure on the Internal Revenue Service to find something wrong with the tax returns of Lawrence F. O'Brien, the Democratic party chief, hoping to "send him to jail before the election" of 1972, according to a staff report of the Senate Watergate Committee made public today.

Mr. Ehrlichman told the committee, according to the staff report, that "I wanted them to turn up something and send him to jail before the election and unfortunately it didn't materialize."

The persistent attempts to force the I.R.S. to "turn up something" on Mr. O'Brien, who was regarded by the Nixon Administration as "the only effective Democratic politician in the country," were contrasted, in the report, with the treatment given by the I.R.S. to President Nixon's personal friend Charles G. Rebozo.

The staff report recites a number of different ways in which the I.R.S. treatment of Mr. Rebozo departed from the agency's normal procedures.

For example, the agent auditing Mr. Rebozo's tax returns promised to tell Mr. Rebozo's lawyer immediately of the results of an investigation by another Government agency that related to a possible criminal charge against Mr. Rebozo.

Inquiry on \$100,000

This was the inquiry by the Federal Reserve system that was aimed at establishing whether \$100,000 in cash that had been given to Mr. Rebozo by agents of Howard Hughes, the industrialist, had remained untouched in Mr. Rebozo's safe deposit box for at least three years, as Mr. Rebozo asserted.

The money was a campaign contribution, and if Mr. Rebozo diverted it to his own personal use and failed to report it on his tax return, that would have been illegal.

There has been testimony that Mr. Rebozo gave some of the money to Mr. Nixon, to one or both of Mr. Nixon's brothers and to Mr. Nixon's secretary, Rose Mary Woods, and replaced it only after the official investigations began.

The staff report also cited a number of other examples of allegedly preferential treatment of Mr. Rebozo by the I.R.S.

The pressures from the White House for a special audit of Mr. O'Brien arose from information that Internal Revenue was giving the White House on

its inquiry into Mr. Rebozo and into the Hughes empire, the staff report said.

The inquiry disclosed that Mr. O'Brien, while he was in private law practice between his two stints as chairman of the Democratic National Committee, had received what were described as "large" payments from the Hughes organization.

Testimony by Aide

When Mr. Ehrlichman learned of the payments by the Hughes Tool Company to Mr. O'Brien, he called Roger V. Barth, then assistant to I.R.S. Commissioner Johnnie Walters, according to testimony given to the Senate committee by Mr. Barth.

Mr. Ehrlichman, who was President Nixon's chief domestic adviser, reportedly told Mr. Barth to check into the possibility that the money could be an illegal campaign contribution from a corporation or, alternatively, that it could have been a feed paid to Mr. O'Brien that Mr. O'Brien did not report on his income tax.

Mr. Barth, who has long been identified as a political agent of the White House on the I.R.S. staff, testified that he got Mr. O'Brien's returns from an I.R.S. field office, but that he requested them through an intermediary in the I.R.S. so that the field agents would not know who was asking for the returns.

He looked at the O'Brien returns and "made sure there was enough gross income reported" to include the Hughes payments, Mr. Barth testified.

'Small Deficiency'

Mr. O'Brien's returns were already being audited then, the testimony agrees, and some time in the spring or early summer of 1972, the I.R.S. closed the audit with the assessment of a "relatively small deficiency," which Mr. O'Brien paid.

According to testimony given to the committee in closed session by Mr. Walters, the assessment of the small deficiency "had not completely satisfied Mr. Ehrlichman."

Commissioner Walters said he had been informed of Mr. Ehrlichman's displeasure by then George P. Shultz then Secretary of the Treasury, and Mr. Shultz, according to Mr. Walters, wanted to know "wasn't there anything else that could and should be done."

Mr. Walters's account of Mr. Shultz's suggestion that more might be done in the O'Brien case marked the first time that Mr. Shultz had been accused of participation in the attempts by the White House to use the I.R.S. files for political purposes.

Mr. Shultz, reached by telephone at his office in San Fran-

cisco, said that his recollection was that he had merely inquired about the status of the case and had been told that another interview with Mr. O'Brien was already scheduled.

Walter's testimony confirms the latter part of Mr. Shultz's statement. He said that he had told the Secretary that the I.R.S. had already concluded that it should interview Mr. O'Brien in connection with these payments from Hughes.

Another part of the report supports Mr. Shultz's statement, made today, that "my own effort throughout the O'Brien affair was to see that I.R.S. did its job in a proper way."

The supporting evidence came

from testimony to the committee by Mr. Ehrlichman, who detailed how he had reprimanded Mr. Walters when Mr. Walters, Mr. Shultz and Mr. Barth all got on the same phone call with him to tell Mr. Ehrlichman that the case against Mr. O'Brien had been closed for the second time, without any additional deficiencies having been found.

"It was my first crack at [Walters]. George [Shultz] wouldn't let me at him. George wanted to stand between me and this was the first time I had a chance to tell the Commissioner what a crappy job he had done," Mr. Ehrlichman testified.

Walters Hung Up

Mr. Walters testified that Mr. Ehrlichman had become so "offensive to him personally," according to the staff report, that "he hung up his extension."

The final closing of the O'Brien audit was in August, 1972.

With respect to the audit of Mr. Rebozo, the staff report cites the following items as evidence of unusual, preferential treatment of the President's friend:

¶The I.R.S. yielded to pressure from Mr. Rebozo's lawyer, Kenneth W. Gemmill, not to audit the returns for 1968

and 1969, despite testimony that those were years in which he received some of the questioned funds.

Mr. Gemmill reportedly argued that the statute of limitations had run out for those years, but that would not have been the case if there had been fraud or if the allegedly unreported income amounted to at least 25 per cent of Mr. Rebozo's income.

¶The I.R.S. agreed to put additional agents on the case to speed the audit—an unusual step, according to persons familiar with I.R.S. procedures, on an audit that had begun only three months earlier.

¶The agent, John Bartlett, agreed not to copy certain cashiers' checks, a procedure that would deny evidence to the agent's superiors who might review the case.

The staff report also men-

tions as special treatment some other actions that persons familiar with Internal Revenue procedures said were not, in fact, unusual. Among these were the action of the agent in informing Mr. Rebozo or his lawyer that information turned up by the I.R.S. had been turned over to the special Watergate prosecutor and that Internal Revenue was no longer pursuing a criminal case against Mr. Rebozo.