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Audit Report

IRS' Appraisal Finds Less Value In Nixon Papers

Washington

The Internal Revenue Service, as part of its audit of President Nixon's tax returns, employed independent appraisers who valued Mr. Nixon's pre-presidential papers at less than half the $576,000 claimed by the President's own appraiser.

This fact is contained in the agency's full report on the audit of Mr. Nixon's taxes, of which the House Judiciary Committee has copies.

According to committee sources, the audit report also contains other previously unpublished information concerning defects that the IRS found in the tax returns, as originally filed, for the years 1969 through 1972.

The fact that the agency found the pre-presidential papers greatly overvalued did not affect the amount of additional tax that Mr. Nixon was called upon to pay.

The reason was that Mr. Nixon's entire deduction for the gift of these papers to the National Archives was disallowed on the ground that it had not been made before Congress changed the law to prohibit such deductions.

The Internal Revenue audit report, according to a committee source, goes into considerable detail about the lack of historical value of many of the donated papers.

For example, Mr. Nixon's appraiser, Ralph G. Newman of Chicago, declared that there were 15,000 items relating to the 1959 visit to the United States of Soviet Premier Nikita S. Khrushchev. The auditors found that there were only one-tenth that many and that most consisted of newspaper clippings.

Newman has appraised the papers of many public figures, including those of former President Lyndon Johnson.

The Judiciary Committee is reported to be headed toward a divisive debate over making the IRS audit report public.

A Democratic member of the committee said that he had been told by a Republican member that the Internal Revenue Service would oppose making the report public on the ground that that President Nixon, like any taxpayer, is entitled to have his tax returns kept confidential.

Burke W. Willsey, assistant to IRS commissioner Donald C. Alexander, said, however, that the agency is not taking sides in the dispute. He said that the IRS had confined itself to "pointing to the regulations."

The regulation to which he said the agency had pointed, Section 301.6103 (D)-1, provides that "any relevant or useful information" that has been properly obtained by a congressional committee "may be submitted by the committee obtaining it to the Senate or the House or to both."

The argument that Mr. Nixon is entitled to some degree of privacy for his tax returns is nonetheless expected to be made by some members of the Judiciary Committee.

Those who take the oppositet view are expected to argue that Mr. Nixon has fostered disrespect for the presidency by the size of his tax underpayments and the large number of different items that were disallowed.

The Internal Revenue Service found that Mr. Nixon underpaid his taxes by more than $400,000 during his first four years in office and assessed him a 5 per cent penalty for "negligence" in the preparation of his tax returns. Under the tax laws, a negligence penalty is assessed when there has been a knowing, but not fraudulent, disregard of the law by the taxpayer.

Although the IRS found that Mr. Nixon himself had not committed fraud in handling his tax returns, the agency referred to special prosecutor Leon Jaworski the possibility that others had done so.

Among those named by the agency as possible participants in a fraudulent scheme on the President's behalf were Newman, the appraiser, two of Mr. Nixon's private lawyers, Frank Demarco Jr., and Herbert W. Kalmbach, and two former members of the White House staff, John D. Ehrlichman and Edward L. Morgan.

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