

Nixon Re-audited in Light Of Appraiser's Conviction

JAN 21 1976

NYTimes

By NICHOLAS M. HORROCK

Special to The New York Times

WASHINGTON, Jan. 20— The Internal Revenue Service has begun a re-audit of former President Richard M. Nixon's tax returns for the years in which he claimed a \$450,000 deduction for the gift of his Vice-Presidential papers to the National Archives, to determine if he is liable for fraud penalties, according to sources familiar with the matter.

These sources, both in and out of Government, said that the pardon granted by President Ford protects Mr. Nixon from being prosecuted for tax fraud or any other criminal action while he was serving in the White House. But, these sources said, the I.R.S. re-audit is aimed at determining whether the agency should assess fraud penalties against Mr. Nixon in connection with the conspiracy to back-date documents in claiming the deduction.

Ralph G. Newman, a literary scholar whose appraisal of the value of the Vice Presidential papers provided the basis for the deduction, was convicted and fined earlier this month on charges of lying to the I.R.S. and preparing a false affidavit in connection with the back-dating.

Edward L. Morgan, a former Treasury Department and White House aide, pleaded guilty in 1974 to tax fraud conspiracy in the case and served four months in prison. The Watergate special prosecutors charged and brought Mr. Nixon's tax lawyer, Frank Demarco, to trial, but he was acquitted of similar charges.

The purpose of the re-audit, the sources said, is to determine whether Mr. Nixon was aware of or involved in the effort to back-date documents

Continued on Page 27, Column 1

Continued From Page 1, Col. 4

that made it possible for him to claim a tax deduction for donating the Vice-Presidential papers to the archives.

If the I.R.S. determined that Mr. Nixon was aware of or involved in an attempt to defraud the agency it could assess a 50 percent fraud penalty for 1969, 1970, 1971 and 1972. These were the years in which Mr. Nixon claimed the tax deduction. There is no statute of limitations on civil fraud cases, according to tax authorities.

When the back-dating of the deed of Mr. Nixon's Vice-Presidential papers became known, Mr. Nixon lost the \$450,000 deduction for the gift.

Up to \$175,000 Penalty

Mr. Nixon paid additional taxes for 1970, 1971 and 1972. He was also assessed a 5 percent negligence penalty. His additional tax bill came to some \$282,000.

He was also found to be deficient \$148,080 for 1969. He pledged to pay this amount—there was no negligence penalty involved—but to date there is no indication that the bill has been paid.

If a fraud penalty were to be assessed for the four years

it could cost Mr. Nixon as much as \$175,000, plus interest, one source said.

Mr. Nixon's lawyers declined to comment on the report of the re-audit as did a spokesman for the I.R.S. The agency routinely refuses to discuss any individual's tax return.

According to sources familiar with the Watergate special prosecutor's investigation, Mr. Nixon was not asked about his gift of the papers to the archives and its tax implications during a secret interrogation by members of the Watergate grand jury in June 1975.

To the knowledge of a number of sources, Mr. Nixon has never made a statement under oath on whether he knew that his aides were falsifying documents to get him a tax break.

Publicly, he denied any complicity in a scheme to back-date the deed for his taxes.

Harm to Public Image

Mr. Nixon's tax problems arose in the middle of the Watergate investigation and from the beginning appeared to be almost as detrimental to his public image and future in the Presidency as the Watergate burglary and cover-up itself.

Mr. Nixon made a gift of papers to the archives, valued at \$576,000 by Mr. Newman, and supported by a deed dated March 10, 1969. This permitted Mr. Nixon to make four deductions for charitable contributions over four years.