

A Letter on GOP Convention Gifts

San Diego

A Justice Department letter, written to a law partner of one of President Nixon's biggest fundraisers, is being used to assure corporations that their contributions for the Republican National Convention are legal and tax deductible.

It was learned yesterday that businessmen who are worried about legal aspects of possible contributions are being shown a letter from the Justice Department to Frank Demarco Jr., a Los Angeles attorney and law partner of Herbert Kalmbach of Newport Beach, Calif., a Nixon friend and political money raiser.

Elliott Cushman, finance chairman of San Diego business community's convention committee, said the letter, from John C. Keeney, chief of the fraud section of the Justice Department, is being used to clear up legal questions that could slow down fund raising.

The legal questions are prompted by federal laws that forbid deductions of political donations from income tax, that limit contributions to parties and candidates in federal campaigns, and that forbid banks and corporations from contribution to federal campaigns.

While leaving some of these questions unanswered, the Justice Department letter assures businessmen that contributions such as those to the local convention committee are not considered political contributions if the convention helps increase the contributor's business.

At the same time, it was disclosed that at another Nixon political fund-raiser, C. Arnholt Smith of San Diego, a wealthy businessman, is sending letters to other local businessmen asking them to purchase \$10,000 convention program adver-

tisements. He is sending along Internal Revenue Service regulations saying these contributions are tax deductible under certain circumstances. And he is pleading for gifts "as a way of eliminating embarrassment to the city" — apparently a reference to the controversy over convention financing.

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