

Nixon brother got loan; Hughes received tax help

WASHINGTON — At almost the same time that Howard Hughes gave a \$205,000 loan to Richard Nixon's brother, the Internal Revenue Service reversed itself and granted Hughes a tax break worth millions.

The controversial loan, which is being revived in the newspapers after 15 years,

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had all the markings of a gigantic mutual backscratch. But the key IRS official is dead, the White House denies any hanky-panky and Hughes is beyond contact in some elusive hideaway.

The multi-million-dollar tax exemption was granted to the Howard Hughes Medical Institute, which was set up in 1953 with Hughes as its single trustee. While it does some medical research, the institute is actually a cornerstone of the billionaire's financial empire.

Through intricate financial maneuvers, Hughes has used the institute to funnel money and other assets between his corporations. The Internal Revenue Service files are full of transactions between Hughes Tool Co., Hughes Aircraft Co., and the medical institute. Indeed, the medical charity owns the aircraft plant.

This combination of medical science and airplane making was viewed skeptically by the IRS which flatly turned down a tax exemption for the institute in 1955. The whole setup looked suspiciously like a device for siphoning off otherwise taxable income.

Hughes was undismayed. The man who invented the cantilevered bra for Jane Russell was known for his enterprise. He went through the motions of filing a formal protest against the IRS action. He also set about cultivating the Nixon family, whose most prominent member was then vice president.

Nixonburgers

By November 1956, Hughes was at the point of passing out a \$205,000 loan to the vice president's brother, Don Nixon, whose restaurant chain — the home of the Nixonburger — was in desperate financial trouble.

Some members of the Hughes corporate family smelled a scandal and opposed the loan. One was the sage old executive vice president of Hughes Tool, Noah Dietrich, who flew to Washington to discuss the loan with the vice president.

Over a private lunch in Nixon's office, Dietrich put it bluntly,

"This loan has been approved by Mr. Hughes," said Dietrich, "but I don't like it. It doesn't have my approval. It can't be kept secret."

Nixon shook off the warning.

"Mr. Dietrich," he said, "I have to put my relatives above my career."

That's how Dietrich remembers the conversation. After discussing the loan, he recalls listening to Nixon recount his vice presidential missions to foreign lands. They parted amiably.

A few days later, Hughes staked Don Nixon to the controversial \$205,000. The money came from the Hughes Tool Company and was passed to Don in a manner about as mysterious as Hughes himself.

Donald got the money as a one-year loan from his mother, Hannah Nixon. She got it from a lawyer, Frank J. Waters, in two installments—the first for \$165,000, the second for \$40,000.

Waters received the money from Hughes Tool, whose corporate books showed the payment to Waters as a disbursement. As collateral for the loan, Mrs. Nixon pledged a family lot then worth an estimated \$52,000. It was agreed at the time of the loan that "no individual would be personally responsible for the note."

Strange reversal

Less than three months after the loan, the IRS reversed itself and gave the combined medical institute and aircraft plant its tax exemption.

Dietrich, now an alert 83, told us he had never been able to prove the loan was tied to the tax exemption. But he said, "You can draw your own conclusions."

The late Russell Harrington was then the tax commissioner. His special assistant, Richard W. Nelson, told us cases in the "quasi-political area" were handled by Harrington himself. But Harrington is dead, and his widow, now 80, cannot remember whether he played any role in this case.

Two Harrington aides in the tax exemption field are also dead. The IRS, acting upon our inquiries, found an old investigative report showing "no political collusion" in the case. But this was an in-house IRS probe of itself.

Seymour Mintz, the respected Washington tax lawyer who handled the case for Hughes, assured us: "I can tell you unre-

servedly, unqualifiedly and absolutely that as far as I'm concerned, there was no connection." But Mintz could not rule out the possibility that Hughes and Nixon had made high-level arrangements unknown to him.

At the White House, Press Secretary Ron Ziegler was reluctant to get specific. He claimed our questions had been answered years ago. Nixon then stated: "I had no part or interest in my brother's business. I had no part whatever in the negotiation of this loan."

But at least one document, dealing with the mortgaged Nixon property, was notarized by an employe of the Senate Disbursing Office. Nixon then had a vice presidential office in the Senate.

The only man besides the President who really has the answer to the conundrum is Howard Hughes, himself, who is biding his time in the Bahamas or points unknown.

Footnote: Hughes's lawyers have put pressure on Fawcett publications to prevent them from bringing out Dietrich's book "Howard," which will tell of the loan scandal and other incidents from Dietrich's three decades with Hughes.