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Watergate Cash Taxable, Experts Say

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Is the \$449,000 in secret payments channeled to the Watergate defendants taxable, and if so, who should pay the taxes?

Private tax accountants and lawyers here generally agree that someone should be held liable but caution that the facts surrounding Watergate are too cloudy to permit specific finger-pointing.

The Internal Revenue Service refused to discuss the case, but a spokesman said that, "hypothetically speaking," any money, whether given as compensation for services or presented as a gift, is generally subject to taxation.

IRS information officer Wilson Fabely said the IRS is "aware of the testimony" about alleged payments to the seven Watergate defendants and it "will be evaluated . . . just like any other information coming to us on a tax matter."

Herbert W. Kalmbach, President Nixon's personal attorney, testified this week before the Senate Watergate committee that he helped raise and distribute \$219,000 through a number of conduits to provide for legal fees and other relief for the families of convicted Watergate conspirators. He emphasized that the money was for "humanitarian" purposes.

Another \$230,000 was delivered to the defendants af-

ter Kalmbach refused in September, 1972, to make further payments.

Former White House counsel John W. Dean II has testified before the committee that the money was used to buy the silence of the conspirators about the involvement of other persons in the Watergate affair.

By either theory, the money is taxable, lawyers and accountants say.

If it was given out of "disinterested beneficence" with no expectation of a return favor, the money is technically a gift, said one lawyer who asked that his name not be used, and the donor must pay taxes on any amount above \$3,000 dollars given in the taxable year.

"And if the money was given as payment for the recipient to do something or not to do something," the attorney said, "then it's taxable as a regular income to the recipient for services rendered."

An overlying question in determining tax liability in the Watergate money is: where did the \$449,000 originate and what was the relationship of the giver to the ultimate receivers?

Kalmbach has testified that Maurice Stans, former chairman of the Finance Committee to Re-elect the President, gave him \$75,100 in campaign funds and that another \$75,000 came from Thomas V. Jones, board chairman of the Northrup

Corporation in California. (Jones says the amount was only \$50,000.)

Re-election committee spokesman DeVan Shumway said yesterday that the \$75,100 was a "totally unauthorized expenditure" of committee funds and that Kalmbach had told Stans only that the money was for a "special project" without specifying its intended use for the Watergate conspirators.

"So, the answer is no," Shumway said, in response to an inquiry about whether the committee filed any tax returns on the money.

"If any of the money went through the committee," said former IRS commissioner Sheldon S. Cohen yesterday, "then it's their responsibility to report it on W-2 (employee) forms or 1099 (consultant) forms. Willful failure to do so is a crime."

Cohen, who as a private attorney is now engaged in civil litigation against the Watergate conspirators, said the "individuals who received the money should also have reported receipt of it . . . It's a whole can of problems."

Ex-New York City policeman Anthony Ulasewicz testified at the Senate Watergate hearings yesterday that Kalmbach gave him the \$219,000 for delivery to five

persons: former White House consultant E. Howard Hunt Jr. and his wife Dorothy, Hunt's attorney William O. Bittman, former re-election committee intelligence chief G. Gordon Liddy and former committee official Frederick C. LaRue.

Hunt and Liddy were among the seven persons convicted in the break-in and burglary of the Democratic National Committee headquarters at the Watergate.

Ulasewicz said he gave about \$155,000 to the Hunts, \$25,000 to Bittman, almost \$30,000 to LaRue and \$8,000 to Liddy. Dean has testified that some of the money given to Mrs. Hunt was to be funneled to other defendants in the Watergate case.

Another \$230,000 was given to the defendants by LaRue, who testified before the Watergate committee yesterday that he took over the duties of sending money to the defendants and their lawyers in late September, 1972, after Kalmbach balked.

LaRue testified that he gave Bittman \$210,000 in six payments, the last one totaling \$75,000 in March, 1973. Peter Maroulis, Liddy's attorney, was given \$20,000 in January of this year, LaRue said.