

ITT Tax Ruling Upset

New York

International Telephone & Telegraph Corp. said yesterday the Internal Revenue Service had revoked retroactively a ruling that allowed ITT to acquire Hartford Fire Insurance Co. in a tax-free 1970 stock exchange.

Financial experts have speculated such a move could mean that former Hartford stockholders or ITT would be liable for deferred capital gains taxes ranging from \$30 million to well over \$100 million. The merger of the companies was the largest in the nation's history.

ITT, which disclosed the revocation in a one-sentence

announcement, said it had not been immediately told the reason for the action. It promised to issue "a fuller statement" once it received an explanation from the government.

In Washington, the IRS would confirm only that it has revoked the 1969 decisions relating to the merger. It referred questioners to the ITT statement.

ITT requested that trading in its stock be halted pending an explanation of the IRS decision. The stock, which had hit a 1973-74 peak of \$60.37½ a share, was trading at \$27.87½ on the New York Stock Exchange just before the halt. That was down 12½ cents from its close on Tuesday and close to its 1973-74 low of \$25.

Yesterday a company spokesman reaffirmed the company's assertion 11 months ago that a tax reversal would be a one-time charge "that would not be material to the ability of ITT to continue its growth in sales and earnings."

The giant conglomerate acquired Hartford Fire in 1970 in a \$1 billion exchange of stock. Under the IRS ruling, Hartford stockholders didn't have to pay immediate capital gains taxes when they exchanged their old Hartford shares for new ITT shares.

The ITT-Hartford Fire merger was unsuccessfully opposed by consumer advocate Ralph Nader, among others, and was the object of

several government anti-trust suits.

In declining further comment, an IRS spokesman said, "These are the affairs of a private taxpayer that we don't discuss," he said.

But he said, generally speaking, the IRS will change a ruling after "we find out additional information that maybe wasn't presented for one reason or another the first time around."

He said no further appeal is possible directly to the IRS, but that a taxpayer always has recourse to the courts, and ITT said it promptly would go to court to seek a review of the IRS action.

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