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Nixon Agrees to Pay Tax Debt of $467,000 After IRS Ruling

White House Cites Revenue Report Discounting 'Fraud'

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President Nixon will pay about $467,000 in back taxes and interest which the Internal Revenue Service and a joint congressional committee staff ruled he owes for the four years 1969 through 1972, the White House announced last night.

Rejecting advice from his lawyers that he could make "a very strong case" against the findings that he improperly deducted the gift of his vice-presidential papers to the National Archives and failed to list as income the proceeds from the sale and improvement of his residences, Mr. Nixon instructed payment of the $432,787.13 ruled due by the IRS.

With interest, a White House spokesman said, the payment will total about $467,000—enough to wipe out half the President's net worth and all of his last reported cash reserves.

A White House spokesman said the method of payment was yet to be worked out between Mr. Nixon and the IRS and added that "the President may have to take out a loan" to meet his obligations.

The White House statement said Mr. Nixon had waived the right of court review "open to an ordinary taxpayer" because he had publicly pledged to abide by the finding of the Joint Committee on Internal Revenue Taxation.

The staff of that committee, in a report issued yesterday afternoon, four hours before the White House announcement, calculated the President's back taxes as $476,431 in deficiency and interest.

The report said the joint committee staff "has made no attempt . . . to draw any conclusions whether there was, or was not, fraud or negligence involved in any aspect of the returns, either on the part of the President or his representatives."

The White House statement said "the report of the Internal Revenue Service"—which was not made public last night—"rebuts any suggestion of fraud on the part of the President. The committee's staff report offers no facts which would support any such charge."

An Internal Revenue Service spokesman said last night that no fraud penalty had been asserted against Mr. Nixon "because we did not believe it was warranted." He refused to disclose the difference between the IRS assessment and the committee staff recommendation, saying only the taxpayer was free to discuss the IRS report.

The spokesman said the law gives Mr. Nixon 30 days in which to respond to the assessment notice. Upon receipt of the agreement, the IRS computes the interest and sends a final bill, payable within 10 days, he said.

A finding of tax fraud could have become a count in the impeachment investigation being conducted by the House Judiciary Committee, which received a copy of the joint committee staff document yesterday.

An administration official said the IRS and the joint committee staff analyses reached almost identical conclusions, but differed slightly in their mathematical calculation of the taxes owed.

The joint committee listed these major "deficiencies" in the President's returns:

• The $482,018 in charitable deductions taken for the gift of Mr. Nixon's vice-presidential papers to the National Archives "should not . . . be allowed because the gift was made after July 25, 1969," the date when the tax law was changed to disallow such deductions.

The committee staff said the deed of the papers which

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purortedly was signed on April 21, 1969, was not actually signed until a year later and contained so many restrictions ti failed to meet the requirements of the law.

The White House statement declared that the President's tax lawyers thought a "valid and compelling" case could be made that the gift was deductible, because "his intent to give the papers was clear" and "their delivery was accomplished in March, 1969, four months before the July deadline.

• The President failed to report a capital gain of $117,-836 from the 1970 sale of "excess acreage" at his San Clemente, Calif., estate.

• The President should not have been allowed to defer a capital gain on the sale of his New York City cooperative apartment, because the San Clemente "western White House," in which he invested the proceeds of that sale, is not "his principal residence." Proper depreciation, the staff said, would have made the total capital gain $151,848, reportable as income in 1969.

• The President should not have deducted $91,452 in depreciation on San Clemente and furniture he bought for it, business expenses at San Clemente and expenditures from the White House "guest fund." On the other hand, he should be reimbursed by the government for some furniture purchases.

• Mr. Nixon should have paid all of the capital gains on the sale of some Florida lots, instead of saying the proceeds were split 60-40 with his daughter, Tricia Nixon Cox. The shift adds $11,617 to the President's income for 1972 and an additional amount for last year. At issue here is a verbal agreement between father and daughter to treat the investment as a joint venture.

• Mr. Nixon should declare as income $27,015 for flights in government planes, taken by his family and friends "when there was no business purpose," between 1969 and 1972.

• The President should declare as income $92,298 in improvements made to his San Clemente and Key Biscayne estates, because they were "undertaken primarily for the President's personal benefits."

• As minor items, the committee staff said Mr. Nixon was entitled to an additional $1,007 in sales tax deductions and $10 more in gasoline tax deductions in one year, but that he overstated gasoline tax deductions by $148 in the other three years.

While the formal White House statement specifically challenged only the ruling on the gift of the vice presidential papers, a presidential aide spoke with some anger about the decision on air travel for members of the President's family.

Noting that the Secret Service recommended such flights as a deterrent to hijackings and kidnapings, he said that "our research indicates that no previous President ever paid for his family's transportation." The official said Mr. Nixon had done so when he was not aboard the plane himself.

The spokesman complained that on "every single technical question the IRS ruled against the President." Nonetheless, he said, Mr. Nixon will pay the $148,080 in taxes the IRS said was due for 1969, even though the agency noted that the statute of limitations for that year had run out.

The White House anouncement appeared to write an end to a protracted dispute over Mr. Nixon's tax matters. But the final political fallout of the action—and its impact on House impeachment proceedings—remained uncertain.

Congressional Republicans expressed relief that Mr. Nixon is paying the entire amount claimed, without further legal disputes.

But Rep. Neal Smith (D-Iowa) said that even such an action by the President "doesn't wipe out the unfortunate character of what's happened. We have a voluntary tax system," Smith said, "and when the top guy doesn't pay what he should, it doesn't look good. It would be different if it were just one item, but when it involves amounts of this magnitude, it isn't good."

House Republican Conference Chairman John B. Anderson (R-Ill.) said Mr. Nixon's decision to pay up was "more seemly than going into tax court and litigating." But he said, "it would be almost fatuous to deny that this is a minus in the whole equation as far as the President is concerned."

The President's taxes had been a matter of rumor and speculation for months before last Dec. 8, when Mr. Nixon made public his returns for the four years of his first term.

They showed he had paid only $78,651 in federal taxes on a total income of $1,122,-266—largely because of the deductions on his gift of papers and the handling of his complex real estate transactions.

He asked the Joint Committee on Internal Revenue Taxation — whose staff is considered to include some of the leading experts on the tax code—to study the returns and said he would accept the findings as determinative.

At the last minute, White House lawyers tried to delay issuance of the staff report until the joint committee members could hear Mr. Nixon's case argued, but the committee voted yesterday 9 to 1 to release the report. They noted, however, that it is a staff study and not the judgment of the committee members.

The IRS, which began a new audit of the President's returns early this year, reportedly sent the White House its conclusions on Tuesday.

A White House official told The Washington Post last night that Mr. Nixon had "huddled with his lawyers" almost until the hour the statement promising payment was released, but had "taken the view all long that he would pay."

The official said payment of the tax bill "is going to gut the President's estate, but it lances the boil and should end all the questions about San Clemente and Key Biscayne."