

NIXON TO PAY \$432,787 CONGRESS PANEL UNDERPAYMENTS

APRIL 4, 1974 —

20¢ beyond 50-mile radius of New York City,
except Long Island. Higher in air delivery cities.

M

15 CENTS

IN BACK TAXES; STAFF AND I.R.S. FIND IN 4 YEARS IN OFFICE

APR 4 1974 President Decides Not to Contest Case

Nixon Vow Cited

APR 4 1974
By JOHN HERBERS
Special to The New York Times

WASHINGTON, April 3—The White House said in a statement tonight that President Nixon could and should contest the findings that he owed nearly \$500,000 in back taxes and interest.

The statement added, however, that Mr. Nixon would pay

Text of White House statement is printed on Page 29.

the full amount requested by the Internal Revenue Service because he had promised to abide by the judgment of the Congressional Joint Committee on Internal Revenue Taxation.

The statement, issued by the White House press office, disclosed that the Internal Revenue Service had ruled that the President owed \$432,787.13, plus interest. The White House added, however, that the I.R.S. had also ruled that there was no question of fraud on the part of the President.

There was no immediate word from the I.R.S.

Defense Is Outlined

In the statement, the White House said that the President's lawyers had advised him that they sought to present to the joint committee "valid and compelling" reasons as to why the findings by the staff committee were incorrect.

Although the statement did not make clear how many items the lawyers believed were improperly judged against the President, the focus was on the large deduction that Mr. Nixon took for the gift of his pre-presidential papers to the National Archives.

"His intent to give the papers was clear," the statement said. "Their delivery was accomplished in March, 1969, four months before the July deadline. His intent as to the amount of the gift was stated to his counsel. Because of these facts, the President's tax coun-

Continued on Page 29, Column 3

Interest to Be Paid

By EILEEN SHANAHAN
Special to the New York Times

WASHINGTON, April 3—President Nixon announced tonight that he would pay \$432,787.13 in back taxes plus interest after Congressional investigators and the Internal Revenue Service both concluded that he had underpaid his taxes by more than \$400,000 for his first four years in the White House.

The White House said that the President would pay the

Introduction and summary of recommendations, Page 28.

sum assessed by the Internal Revenue Service. Details of the delinquencies discovered by the Revenue Service were not made public.

Congressional investigators, in finding underpayments totaling \$444,022, said that they had found five different categories of taxable income that Mr. Nixon should have reported and failed to report and six different categories of deductions that they said he took without being entitled to do so.

Question of Fraud

The White House said that the revenue service did not allege that fraud had been committed. The Congressional investigators said that they had not attempted to reach a conclusion on the matter of fraud because that was an issue that might come before the House Judiciary Committee, which is considering whether to recom-

mend impeachment of Mr. Nixon.

The Congressional investigators, members of the staff of the Joint Committee on Internal Revenue Taxation, found improprieties connected with nearly every one of the controversial items in Mr. Nixon's tax returns that have been widely discussed in recent months. These include the big deduction for his gift of his pre-presidential papers to the National Archives and his not reporting capital gains on two real estate sales.

The staff also reported adversely on some other matters that had received little or no previous public notice.

In the last category were Mr. Nixon's not reporting as taxable income certain expenditures, made out of public funds, that the committee staff said solely benefited him or his family, and not the public.

\$5,391 for 'Masqued Ball'

Among these expenditures were \$5,391 for a "masqued ball" given by his daughter Tricia in 1969; \$27,015 worth of purely personal airplane travel by the Nixon family and friends; and \$92,298 in improvements to the Nixon's houses in San Clemente, Calif., and Key Biscayne, Fla.

The staff also found two instances, totaling \$1,284, in which it said Mr. Nixon could have taken larger deductions than he claimed.

The White House made no attempt to explain the relatively small difference between the deficiency found by the joint committee's staff and that found by the revenue service. Nor did it calculate the interest that Mr. Nixon would owe on the \$452,787 assessed by

Continued on Page 28, Column 1

Nixon to Pay 432,787 in Back Taxes After Underpayments

Continued From Page 1, Col. 8

the revenue service.

If Mr. Nixon chooses to pay the interest for 1969, a year for which the statute of limitations has run out for nonfraudulent errors in tax returns, he would owe a total of about \$70,000 in interest, in addition to the delinquent taxes. If Mr. Nixon uses the legal opportunity he has to avoid paying the interest for 1969, he would owe about \$50,000 in interest.

Up to House Panel

The revenue service, having concluded that there was no fraud and the joint committee having decided it should not get into the question, the only entity that could possibly consider the matter of fraud was the House Judiciary Committee.

The chairman of that committee, Peter W. Rodino Jr., Democrat of New Jersey, has said that the committee would look at the findings of the tax investigators but would not necessarily be limited by them.

There are a number of assertions in the joint committee staff's records that could be considered evidence of fraud, although not necessarily proof. Among them is a statement that Mr. Nixon's lawyer, Frank DeMarco Jr., had told the staff different stories at different times about the deed for the pre-Presidential papers.

When the joint committee made public the staff's findings today, the committee members said that they would study the

staff report thoroughly before deciding whether to adopt or amend it. They also said they would permit the President's lawyers to file a rebuttal brief and possibly to testify.

It was not immediately clear whether the committee would

still do any of this—or, conversely, whether it might just let the whole matter drop now that Mr. Nixon has promised to pay what the revenue service said he owed.

The joint committee got into the matter of Mr. Nixon's tax returns at the specific request of the President himself, who originally asked the committee to look only at the gift of the pre-Presidential papers and the possibility that he had a capital gain on the sale of land in San Clemente in 1970.

At that time, Mr. Nixon said that "I will abide by the committee's judgment" concerning whether he owed additional taxes because of either of these items.

Mr. Nixon never said whether

he would also pay any other amounts the committee found he owed. He apparently decided tonight that it would be sufficient for him to pay what the revenue service said he owed, even though the amount was somewhat less than what the joint committee's staff found.

Whether the revenue service would ever release the details of its audit and thus permit analysis of the discrepancy between the two sets of findings was not clear.

The revenue service last year audited Mr. Nixon's tax returns for the years 1971 and 1972 and ordered no change in those returns, which drew praise for the President from within the service for the "care" with which they had been prepared.

Are Found

From the total I.R.S. assessed delinquency figure released by the White House, it appeared likely, that upon reviewing the returns a second time, the revenue service concluded that Mr. Nixon owed about \$89,000 for each of those two years. That was the delinquency found by the joint committee's staff.

The White House announcement of the revenue service findings raised a number of questions in light of the report of the joint committee staff.

One was whether the revenue service actually had complete information on all matters that might be contested. The joint committee staff pointedly noted that it did not have full information on all points because the White House had refused to supply some of the data it had asked for.

In this category was documentation concerning a joint investment made by Mr. Nixon and his elder daughter, Tricia, and all the details concerning the use of Government airplanes for personal travel by the Nixon family and friends.

Her Investment Bigger

The joint investment in some Florida real estate by the President and his daughter also involved matters that could be considered evidence of fraud, although the joint committee's staff did not use the word.

The issue in the Florida land transactions was whether Mr. Nixon acted properly in assigning only 40 per cent of the pro-

fit on the sale to his daughter when her investment was larger than his. The tax law prohibits arbitrary assignments of such profits within a family in order to give the profit to the person in the lower tax bracket.

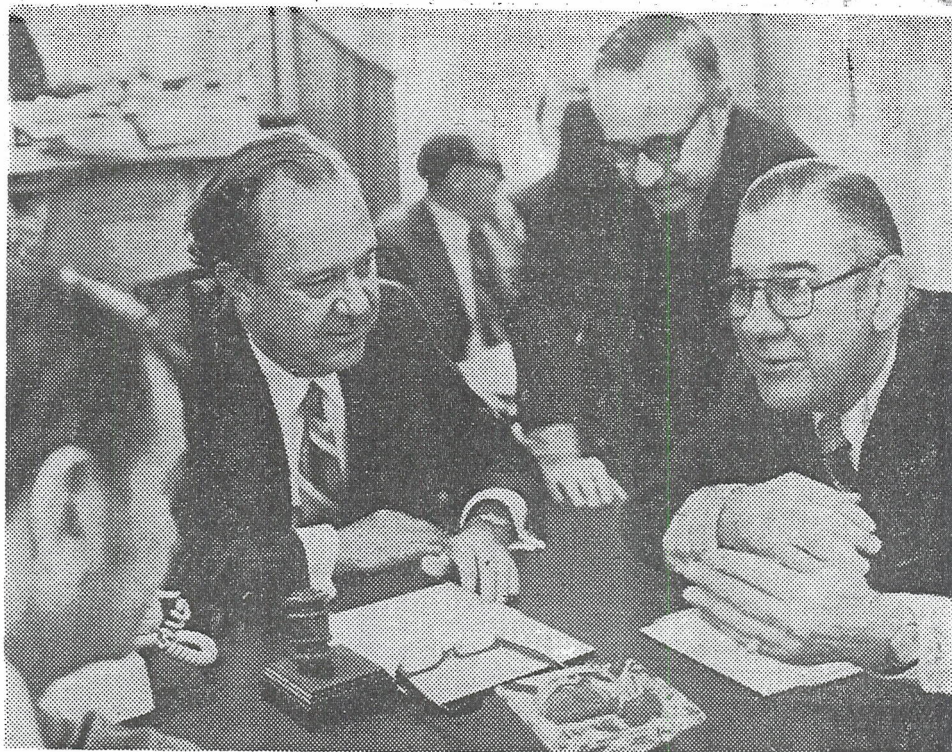
Because of the big deductions he was claiming, Mr. Nixon assumed that he would be in a lower tax bracket than his

daughter, despite his income of more than \$260,000 annually.

In view of Mr. Nixon's agreement to protect his daughter from any loss on the deal, the staff of the joint committee questioned Mr. Nixon's assertion that, at the time of the original investment, he had a valid agreement with Tricia that she would get only 40 per

cent of the profits from the land deal.

The staff said that one of Mr. Nixon's lawyers, Peter Kinsey, had testified that as late as December, 1972, he was given orders to try to figure out how to split the profit between Mr. Nixon and Tricia such a way as to minimize the tax.



The New York Times/George Tames

From left, at discussion of the President's taxes, are Senators Herman E. Talmadge of Georgia and Russell B. Long of Louisiana and Representative Wilbur D. Mills of Arkansas, as well as Laurence N. Woodworth, standing, staff director of joint panel.

White House Says Nixon Is Keeping Pledge on Taxes

Continued From Page 1, Col. 7

sel strongly affirmed that these various issues could be sharply and properly contested in court proceedings such as are open to an ordinary taxpayer to review the decisions of the Internal Revenue Service."

That was an obvious reference to provisions under which taxpayers may negotiate with the I.R.S. or appeal to the United States Tax Court.

'Very Strong Case'

"The President believes that his tax counsel can make a very strong case against the major conclusions set forth in the committee's staff report," the statement said.

"However, at the time the President voluntarily requested the committee to conduct its examination of his tax returns, he stated that he would abide by the committee's judgment. In view of the fact that the staff report indicates that the proper amount to be paid must be determined by the Internal Revenue Service, he has today instructed payment of the \$432,787.13 set forth by the Internal Revenue Service, plus

interest," the statement added.

The statement then addressed the subject of fraud as follows:

"It should be noted that the report by the Internal Revenue Service 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."

Staff Avoids Judgment

The I.R.S. report referred to in the statement has not been made public. The committee

staff report carefully avoided a determination on the question of fraud, saying, however, that the question might come before the House impeachment inquiry panel.

President Nixon committed himself on Sec. 8 to abide by the findings of the joint committee when, in releasing his income tax returns for his first year in office, he suggested that the committee review two items that he conceded were controversial—the gift of papers and the possibility of a capital gain on the San Clemente property he had sold.

"I will abide by the committee's judgement," Mr. Nixon said at that time.

White House officials made it clear in private conversation that the President considered the findings of the joint committee, which went further than the President had requested, to be of a partisan political nature.

In the statement issued tonight, the White House sought to place the blame for irregularities in the President's tax returns on those delegated to prepare them.

"Any errors which may have been made in the preparation of the President's returns were

made by those to whom he delegated the responsibility for preparing his returns and were made without his knowledge and without his approval," the statement said.

Resources Estimated

Payment of the large amount of money may put a strain on the President's resources. In disclosing his financial condition last December, the White House calculated that Mr. Nixon's net worth was about \$1-million.

However, most of this was in real estate holdings. A payment of almost \$500,000 apparently would exhaust Mr. Nixon's cash on hand and other holdings that could be easily converted into cash.

At a recent news conference, Mr. Nixon was asked about whether he would pay lawyer's fees for defending him in any impeachment trial before the Senate. He replied that if it

came to that and the Attorney General ruled he should pay his own lawyer, he would borrow the money to do so.

All of his attorney fees in the Watergate and impeachment cases are now being paid by the Government.

President Nixon's decision to pay the full amount rather than contest it indicated that he did not feel he could afford to risk further loss of public confidence.

A new Gallup poll released today showed that his popularity with the public continued

at a low mark, as it has all of this year. The poll showed that 26 per cent of those questioned approved of the way Mr. Nixon was handling his job. Sixty-two per cent disapproved.

The poll was taken between March 15 and 18.

The White House statement was critical of the manner in which the joint committee released the staff report. It charged that the report was made public before the President's lawyers could advise the committee "of their views on the many legal matters in dispute" and before the committee itself had an opportunity to evaluate the staff views.

The receipt of the statement from the I.R.S., however, made moot the question of whether the President's lawyers should continue in their effort to have the committee report reversed in that the I.R.S. also held that the President owed close to \$500,000.



United Press International

Newsmen reaching for copies of the report of the joint Congressional committee's report on Mr. Nixon's taxes