

1040

Individual Income Tax Return

1971

Richard and Patricia K. Nixon
 The White House
 Washington, D. C. 20500
 President of the United States

Filing Status: Married filing jointly (even if only one had income)
 Single
 Married filing separately and spouse is also filing
 Unmarried Head of Household
 Surviving widow
 Married filing jointly (separate accounting)

12	Wages, salaries, tips, etc. (Attach Forms W-2 to this return. If unusual, attach explanation)	250,000.00
13a	Dividends (and 1/2 of inst.)	
14	Interest (If \$100 or less, enter total. If over \$100, enter total in Schedule B.)	17,733.04
15	Income tax withheld	5,348.79
16	Total (add lines 12, 13a, 14, and 15)	262,384.25
17	Adjustments to income (such as sick pay, moving expense, etc. from line 45)	
18	Adjusted gross income	262,384.25

19 Tax (Check if from: G or Form 4726) 878.03

20 Total credits (from line 19) 878.03

21 Income tax (subtract line 20 from line 19) -0-

22 Other taxes (from Schedule B) 878.03

23 Total (add lines 21 and 22) 878.03

24 Total Federal income tax 6,066.74

25 1971 Estimated tax payments 100.00

26 Other payments (from Schedule B)

27 Total (add lines 24, 25, and 26) 6,076.74

28 If line 23 is larger than line 27, enter the difference here

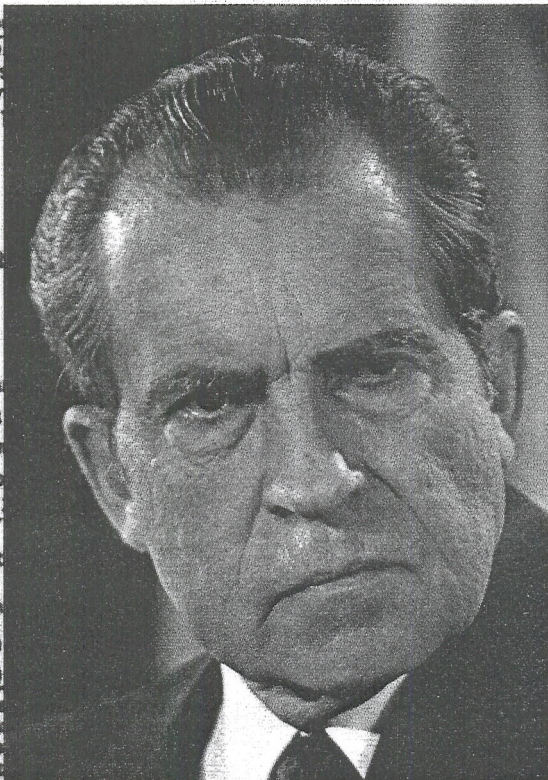
29 If line 27 is larger than line 28, enter the difference here

30 Line 29 to be: (a) \$2,889.41 (b) 1,000.00

31 Did you, at any time during the year, have a bank, savings, or military banking account in a foreign country (except in a U.S. possession)? Yes No

Signature: Arthur Blech C. P. A. 5900 Wilshire Blvd Los Angeles, Calif. 90036

TIME
NIXON'S
TAX
SCANDAL



Please attach Copy B of Form W-2 to back

Please print or type

Write and send with this return in Check or Money Order. Attach here

Under penalty of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

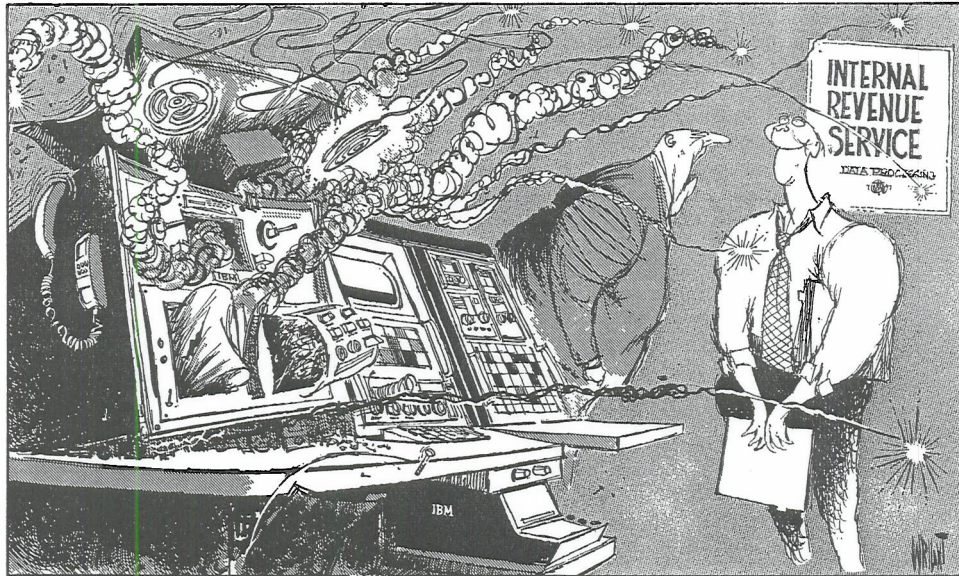
Many Unhappy Returns

The President, when the IRS is concerned, I assure you, is just another citizen and even more so.

President Richard Nixon offered that wry observation exactly one month ago, when advance warnings had been posted that he might owe half a million dollars in back taxes. Last week Citizen Richard Nixon learned exactly how much "even more so" could add up to. On Tuesday afternoon, three agents of the Internal Revenue Service journeyed to the White House to present him with a bill of \$432,787.13, for back taxes for the four years 1969-72, plus an undisclosed amount of interest due that could

There never was any question. It was more important to keep his word, even if it hurt. And let me tell you, it hurt."

Indeed it did. Personally and politically, the findings were body blows to the President, even though he and the nation had known for some weeks that they were about to land. Only this year did Nixon achieve millionaire status in terms of his total net worth. At a stroke his fortune is nearly halved, and because much of his assets are in real estate, he will have to borrow to pay the IRS in full, wiping out his cash reserves. Moreover, if he is impeached by the House, he may be responsible for his own legal expenses for his trial in the Senate. They



"Very funny, Hadley! Run Nixon's tax return through once more and you're fired!"

make the total he owes as high as \$460,000. A day later the staff of the Congressional Joint Committee on Internal Revenue Taxation published its own independent estimate of Nixon's tax and interest liabilities. It was remarkably close to the IRS calculation: \$476,431.

Neither agency nor committee made any accusation of fraud on the part of the President and, as good as his word when he invited the committee to audit his returns last December, Nixon promptly declared that he would pay the IRS bill. His present tax lawyers, Kenneth W. Gemmill and H. Chapman Rose, dissented from that decision, arguing that if permitted to contest the IRS findings through the courts, they could significantly reduce the amount. Most tax experts agree, but that course was clearly not open to the nation's No. 1 taxpayer at a time when he is fighting to avoid impeachment and keep his office. As one presidential aide explained: "His position was that he had promised to abide by the committee's recommendations—and that was it.

could be huge. Even before the IRS decision, Nixon had said that he would probably have to get a loan to cover those legal bills.

Politically, the timing of last week's verdict could hardly have been worse for the beleaguered President, coming as millions of American taxpayers labored against the April 15 deadline for reporting their own incomes for 1973. As the *Atlanta Journal* harshly put it in a three-sentence editorial: "The White House says that President Nixon will be 'almost totally wiped out' when he pays all his taxes. Well, we know the feeling. Welcome to middle-class America, Mr. President." As in few other countries in the world, personal income taxes in the U.S., however unwelcome, are accepted as a citizen's proper duty and obligation. The working of the system depends in large degree on the voluntary and honest compliance of the public. While no one would deny to a President the same right of any taxpayer to try to take any reasonable deduction, the very scale and scope of the er-

rors in the President's returns is bound to gall many taxpayers.

Though the IRS found no evidence of fraud against Nixon, and the tax committee bucked the question of possible fraud to the House Judiciary Committee's impeachment inquiry, there is a whiff of more than just honest error in the tax committee's staff report. The White House carefully asserted that "Any errors which may have been made

been audited by the joint committee, an event that he himself precipitated. The unprecedented probes into his returns grew out of reports last year that he had paid little in taxes and had dramatically increased his net worth during his years as President. Particularly damaging was the illegal disclosure by an IRS employee that Nixon, on his salary and expense allowance of \$250,000 a year plus other income, paid taxes of only \$793 in 1970

yers, accountants and others involved with the President's tax returns; they shared information; they consulted on points of law and tactics. In the end, they went off to reach separate conclusions. After working for three months, both completed their reviews last week.

Except for the total amount of taxes due, which the White House disclosed, the IRS report remained secret. The law is that only the taxpayer has the right to reveal his returns or dealings with the IRS, and the White House chose not to, admitting that the IRS analysis and that of the committee did not diverge on any significant points. The estimated \$12,000 difference between their totals seemed to be due to slightly different figures for the value of presidential property, depreciation and the like. The committee staff, in a closely reasoned, massively documented book of 784 pages broke down Nixon's liability this way:

1969. Nixon reported income of \$328,162 and paid a federal tax of \$72,682. In fact, his income was \$464,235 and he should have paid \$243,737.

1970. The President listed income of \$262,943 and a federal tax of only \$793. His taxable income actually totaled \$343,427 and his tax should have been \$94,203.

1971. Nixon reported income of \$262,385 and a federal tax of only \$878. His actual taxable income was \$270,460; his tax should have been \$90,545.

1972. He listed income of \$268,778 and paid federal taxes of \$4,298. His taxable income really was \$281,457, and he should have paid \$94,188 in taxes.

In addition, the committee staff said that Nixon owed interest—assessed at 6% a year on delinquent taxes—of \$16,638 for 1970, \$10,547 for 1971 and \$5,224 for 1972. Had the three-year statute of limitations on tax cases not run out, the staff said, the President would owe \$40,732 in interest for 1969.*

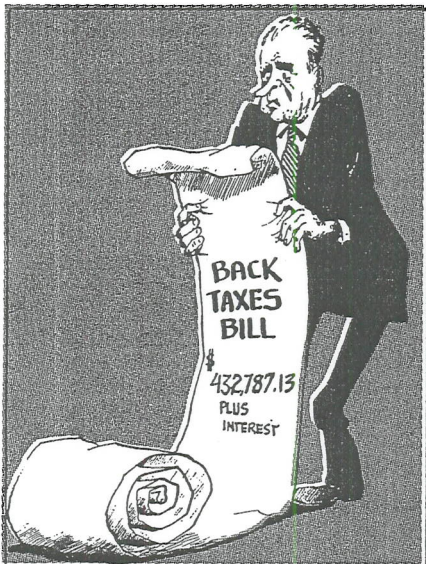
The report drew mixed notices from Republicans, long since weary of the shock waves emanating from Washington. "He gambled and lost, and now he has to pay the piper," declared Illinois Representative Robert Michel. Wryly, Republican Lawyer Ellis Ruben of Miami Beach, a frequent candidate for local public office, commented: "The President, the head of our party, has been thoroughly discredited. The party is in relatively good shape—compared with the Young Communist League."

Other Republicans were more sanguine. "He took one tremendous financial wallop," said Republican National Chairman George Bush, "but no fraud has been alleged; both Democrats and Republicans on the committee complimented him [for promising to pay up], and I think the American people will

*Technically, the President does not have to pay his 1969 back taxes since the statute of limitations has run out; but he voluntarily agreed to do so. According to some tax lawyers, that payment could be classified as a gift to the Government and thus, tax deductible.



"Before you get into any of your questions, how's the Nixon thing coming along?"



"Gee willikers, I hope they don't want me to quit just when I need the money."

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 is important to Nixon's legal position should a charge be made that fraud had been perpetrated in preparing Nixon's returns. Contrary to the popular wisdom, a taxpayer is not criminally responsible for his returns if they have been fraudulently prepared by someone else and the taxpayer did not direct or know about the fraud.

Nixon enjoys the dubious distinction of being the first President ever to have

and only \$878 in 1971 (see box page 14). Already hurt badly by Watergate, the President tried to head off any fresh scandal by releasing a mass of information on his private finances last December. The accounting showed that from 1969 through 1972, he had paid less than \$79,000 in federal income taxes on a total reported income of more than \$1.1 million. During those same four years, his net worth had increased from \$307,141 to \$988,522 as of May 31, 1973.

In preparing this statement, Nixon called not on the men who had prepared his taxes but the public accounting firm of Coopers & Lybrand. They made the first critical outside examination of Nixon's returns, and on the basis of their observations, Nixon admitted that two key items in his returns were debatable:

1) The \$482,018 tax write-off that he had taken for his pre-presidential papers, which he said he donated in 1969 to the National Archives.

2) His failure to report any capital gain on the sale of part of his property in San Clemente, Calif., in 1970. Coopers & Lybrand figured that he had made a gain of \$117,370 on the deal.

Nixon asked the Congressional Joint Committee on Internal Revenue Taxation, a sort of congressional ombudsman of the IRS since 1926, to review both matters. The legislators agreed, but they insisted on comprehensively examining Nixon's entire tax position for the four years. The IRS decided to make a similar study.

From the start, IRS and the committee tax experts worked together. They conducted joint interviews of the law-



RICHARD NIXON IN HIS NEW YORK APARTMENT IN 1964



TRICIA AT HER 1969 MASKED BALL

too." Said Tulsa County Republican Chairman Paul Thornbrugh: "The sentiment is that this is just one more thing in a long line of attempts by what we call the liberally oriented members of Congress to get the President." Michigan G.O.P. Chairman William McLaughlin thought that the way Nixon handled the tax bill "might be a plus factor." In any case, Robert P. Fohl, Republican chairman in New York's Allegheny County, argued: "I think we may have reached the point of diminishing returns. This is just another of many accumulated problems, and it was fully anticipated."

Some local leaders, however, forecast even harder days ahead for the party. Robert Bennett, G.O.P. vice

chairman in the Cleveland area, sighed: "People hold the party responsible for their leaders. It does not appear that the President did anything dishonest, but people don't understand the tax laws. The guy making \$13,000 a year just simply doesn't understand tax write-offs."

In its report, the nonpartisan tax committee staff did an admirable job of making understandable the complexities in Nixon's return. It broke the errors into clear categories: disallowed deductions, including the major one for his pre-presidential papers; capital gains that should have been reported; items of value that Nixon received from the Government that should have been declared as taxable income.

The Papers Donation

By far the largest item that the staff challenged was the huge tax write-off that Nixon claimed for the gift of his pre-presidential papers to the National Archives. His taxmen had awarded him a total tax deduction of \$576,000, which was the value set on the papers by Ralph G. Newman, a noted Chicago rare-book dealer and appraiser. Following established tax practice, Nixon had spread out the write-off, using \$482,018 of it to offset income from 1969 through 1972; the remaining \$93,982 presumably was to be applied to income in 1973. In all, the papers gift enabled him to avoid \$235,000 in income taxes.

In December of 1969, after a year's debate, Congress passed and Nixon signed into law a bill ending deductions for gifts such as his retroactive to July 25, 1969. (It was passed in part out of Congress' ire over Lyndon Johnson's gifts of papers, on which he took deductions.) Nixon and his aides insisted that that deadline had been met. The papers had been delivered to the National Archives on March 26 and 27 of that

year. But since the National Archives routinely serves as a kind of storage vault for the papers of important officials, the question at issue was whether Nixon had in fact delivered the material to be held for him or as a gift to the Government.

There is no single legal procedure for making such a gift. But the committee staff discerned two special circumstances involved in Nixon's donation: 1) his "gift" amounted to less than half of the boxes of papers that he had sent to the Archives for storage and 2) he retained control over who would have access to them. Thus, the staff decided that Nixon's donation required both an itemized appraisal of its contents and a signed deed of gift. According to the President's lawyers, the papers had been appraised in April and deeded to the Archives on April 21, 1969. But the staff found that the deed actually was predated and not signed by all parties until April 10, 1970—nearly nine months after the deadline. Further, it was signed not by Nixon but by a White House assistant, Edward L. Morgan, even though the committee could find no evidence that he was authorized to act on the President's behalf. Finally, Appraiser Newman changed his story and admitted to investigators that he was not called in to begin his appraisal until October 1969—some three months after the deadline for making deductions—and did not finish it until April 1970. The papers, the staff concluded, had merely been in "custodial storage" and owned by Nixon until the deed was signed; the gift came too late.

The staff turned up some glimpses of behind-the-scenes maneuvering by the President's men. Newman told them that he had appraised 828 boxes of the President's general correspondence files in November and early December 1969, with the help of Supervisory Archivist Mary Walton Livingston of the National Archives. On Dec. 24, according to the report, he was told by Nixon's tax attorney, Frank DeMarco, that "there was nothing more for him to do," apparently because of the new law.

Much to Newman's surprise, DeMarco telephoned him on March 27, 1970—a year after final delivery of the papers—and asked for a final description of the "gift." Since there was not enough time for him to look at the additional items personally, he telephoned Mrs. Livingston and told her that he needed within the hour a list of 600,000 items for deeding by President Nixon. Using a standard appraisal formula of a probable 500 items per box, she went to work with an assistant. First, they set aside the 828 boxes of general correspondence that Newman had already worked on. Next, she added 43 boxes dealing with Nixon's personal appearances and 56 boxes of social invitations. Finally, minutes after Newman's deadline had expired, she threw in 173 randomly selected boxes having to do with Nixon's foreign trips.

Even if Nixon had met the July 25,

1969, deadline, the committee staff argued that the deduction would have been illegal because he retained control over who had access to the papers. Thus, according to the report, the deal amounted to "a gift of a future interest in tangible personal property," which is not tax deductible under any circumstances. There seems little doubt that Nixon's intention to give the papers was clear, but that he or his subordinates fumbled the opportunity or simply were caught by the retroactivity of the new law. The question is whether in trying to retrieve the lost opportunity someone attempted fraud in the predating and appraisal maneuvers.

On Nov. 17 Nixon told the Associated Press Managing Editors Association meeting in Orlando, Fla., that the papers were well worth \$576,000 because they covered topics like the 1952 "slush fund" controversy, his 1959 kitchen debate with Soviet Premier Nikita Khrushchev and his stormy visit to Caracas in 1958. According to the committee, however, the collection also includes thousands of newspaper clippings. For example, three boxes, labeled as papers dealing with Khrushchev's visit to the U.S. in 1959, turned out to contain nothing but clippings.

Moreover, a large amount of material that has great interest to historians and undoubtedly also has great commercial value was removed from the 828 boxes of general correspondence before the gift was made. The missing material included files of correspondence with Presidents John F. Kennedy, Lyndon Johnson and Herbert Hoover, former Chief Justice Earl Warren, House Speaker Sam Rayburn and the Rev. Martin Luther King Jr. In addition, Newman told the committee that Nixon held back eight folders of correspondence with "very important people," and certain "sensitive files" dealing in still unexplained ways with FBI Director J. Edgar Hoover, Jacqueline Kennedy and the Viet Nam War.

Last fall, Nixon said that he would be "glad to have the papers back" if the deduction were disallowed. However, the papers, taking up 1,217 cu. ft. of space, apparently will remain in the Archives for the time being. Deputy Presidential Press Secretary Gerald L. Warren said last week that Nixon would "abide by any decision that is made by the archivists" about what should be done with the papers.

Other Deductions

The committee report challenged deductions claimed by Nixon on his 1969-72 tax returns in two other areas:

BUSINESS EXPENSES. Totaling \$85,933, these questioned items included 25% of the cost of running and maintaining Nixon's residence at San Clemente (including watering its three-hole golf course in 1969) and all of the cost of operating one of the houses at Nixon's Key Biscayne compound. The de-

ductions were justified as unreimbursed costs of his work as President. But the report noted that the Government maintains the Western White House office complex only 300 yards from the San Clemente house; so his home office "was established simply for his personal convenience." At Key Biscayne, the Government provides no office, but since it obviously would if Nixon asked, the staff concluded that the expense of a home office there was not tax deductible.

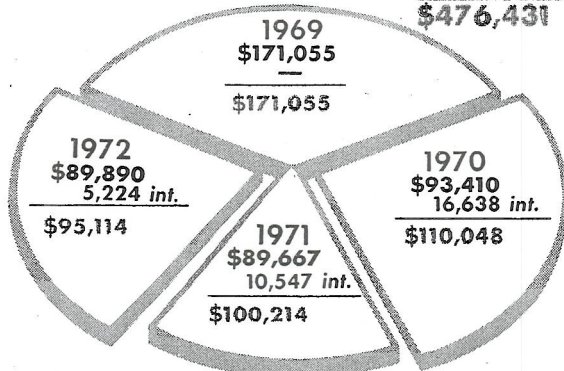
Other business deductions claimed by Nixon but questioned by the committee ranged from \$22.50 for cleaning a rug in Pat's bathroom at San Clemente to \$432.84 to repair the estate's ice machine to \$3,331.56 for depreciation of a \$4,816.84 table that he bought for the Cabinet Room in the White House. Among the other disallowed items were \$5,391.43 spent from the White House guest fund on food, beverages, decorations and unspecified rentals for a

masked ball given by Tricia in 1969, and \$23,576 spent from the fund to feed the First Family and its pets at San Clemente, Key Biscayne and Camp David in 1969-72.

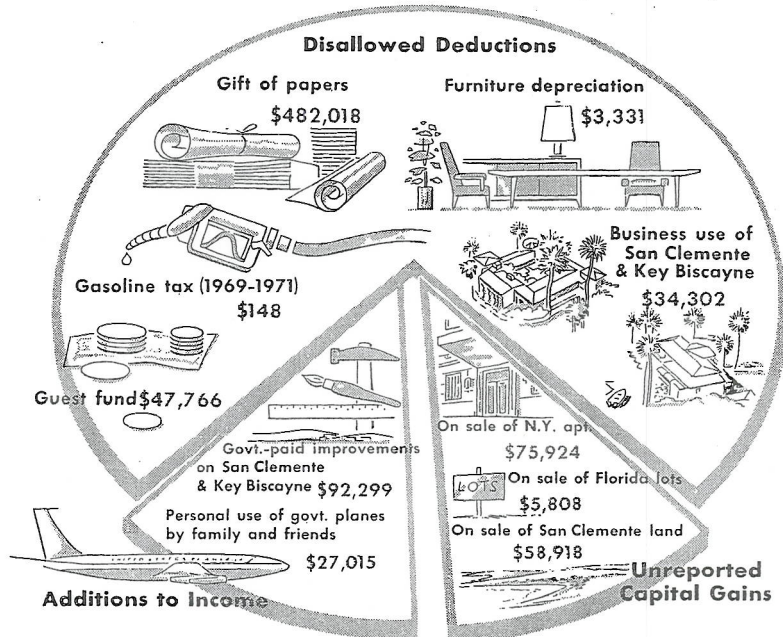
GASOLINE TAX EXPENDITURES. For a pickup truck used by his gardener at San Clemente, Nixon claimed gasoline tax deductions totaling \$244 over the four years. To burn that much fuel, the truck would have had to be driven from 9,500 to 15,000 miles a year. Presidential records indicate that it was driven far less. In 1970, for example, Nixon claimed a \$73 deduction for gasoline taxes; that same year, according to his records, only \$45.47 worth of gasoline (including \$10 in tax) was bought for the truck. The report recommends that Nixon refund \$147.84 for overdeductions on gasoline taxes for 1969-71. But the staff found that Nixon had under-reported his gasoline tax deduction for 1972 by \$10.08—which it applied in

Revising Nixon's Taxes for 1969-1972

Total recommended taxes due: **\$444,022**
Plus accrued interest: **32,409**
\$476,431



On this additional taxable income of: **\$827,529**



Source: Joint Committee on Internal Revenue Taxation

TIME Chart by W. Hortens

uring what he should have paid in income tax for the year. Much of this perhaps seems petty, but it is no more nor less than any ordinary taxpayer goes through on an audit.

Unreported Capital Gains

The committee staff found that Nixon should have paid taxes on profits that he made in three sales of property:

NEW YORK CITY APARTMENT. In 1969, Nixon sold his fifth-floor apartment on Fifth Avenue for \$312,500. On his tax return for that year, he reported a profit of \$142,912 on the deal but said it had been invested that same year in a new "principal residence," the San Clemente estate. By law, that meant the profit was not subject to tax. But in the year following the sale of the apartment, the Nixons spent only weekends and va-

fications—a total of 49 days—at San Clemente and also had claimed exemption from some California state taxes on the grounds that San Clemente was not their home. To the committee staff, that meant their actual "principal place of residence was the White House," and they should have paid tax on their profit from the apartment sale. Further, the staff concluded that the actual gain was \$151,848.

SAN CLEMENTE ESTATE. Nixon bought his 14-room house and its 27-acre grounds for a total of \$1.4 million. In December 1970, he sold all but 5.9 acres for \$1,249,000 to an investment company that had been set up by his close friends, Robert Abplanalp and Charles G. ("Bebe") Rebozo. Some presidential advisers thought that there had been a capital gain, as Coopers & Lybrand also later found. But Nixon fol-

lowed the advice of his tax accountant, Arthur Blech, who made some arbitrary valuations of the remaining property and concluded that Nixon had sold the land for as much as he paid for it—thus no profit. The committee staff, however, determined that the land was worth \$1,031,164 at the time of the sale, giving Nixon a profit of \$117,836, on which he should have paid taxes of \$58,918.

Last week California State Controller Houston Flournoy ordered an investigation to find out whether Nixon also owes the state taxes on the capital gain. If so, the state tax could be as much as \$7,660, unless offset by legitimate deductions for interest payments or business expenses.

FLORIDA REAL ESTATE. As an investment, Nixon bought two undeveloped lots near his Key Biscayne estate for the bargain price of \$38,080 in 1967, partly

financing the deal with a \$20,000 loan from Daughter Tricia. He promised her 40% of the profits, which he paid five years later after selling the lots for \$150,000. That left Nixon a profit of \$66,762. On his 1972 tax return, he showed a capital gain of \$17,424—and paid tax on it. Presumably, his 1973 return will reflect the remaining \$49,338. Splitting the amount between the two years was proper because the purchaser did not make his last payment until January 1973. But because the President had no documentary evidence of his agreement with Tricia, the committee staff decided that he should be taxed for the entire profit. That would mean adding \$5,808 to the capital gain on the deal that he reported in 1972.

Unreported Income

The committee staff found numerous items of value that Nixon received from the Government over the four years and said that he should either have listed them as income—or reimburse the Government for them:

IMPROVEMENTS TO PROPERTY. The staff determined that \$92,299 of improvements on the President's homes in Key Biscayne and San Clemente were "primarily for the President's personal benefit." Most of the questioned items were at San Clemente. They included \$388.78 for an exhaust fan to keep the fireplace from smoking, \$1,600 to enlarge four windows in the den and \$998.50 for repairs on the family gazebo.

In addition, the committee staff said that part of the cost of other improvements should be counted as taxable income by Nixon. For example, at Key Biscayne, a concrete shuffleboard court was destroyed to make room for a Secret Service command post. It could have been replaced by one of equal quality for \$400. Instead, the General Services Administration spent \$2,000 for a much more elegant terrazzo court. The staff decided that Nixon should be taxed on the \$1,600 difference.

AIRPLANE FLIGHTS. The study found that Nixon had not reimbursed the Government for the cost of 341 flights in 1969-71 aboard Government-owned planes by family members and friends who were not on official business, and he should be taxed on their value. For the most part, the flights were taken by Daughters Julie and Tricia to join their husbands in cities outside Washington. On other occasions, the husbands and sometimes friends were aboard the planes. Using the cost of first-class commercial tickets for a yardstick, the staff figured the flights were worth \$27,015 in taxable income to the President. Since 1971, Nixon has reimbursed the Government for family flights.

Presidential Attorneys Gemmill and Rose were chagrined that they had not been able to sit down with the committee and its staff and argue the conclusions before the report was released.

They had, of course, been given ample opportunity to present the President's side while the staff was researching the returns. The lawyers apparently were prepared to argue that no deed was needed for the gift of pre-presidential papers because Nixon clearly intended to donate them and had delivered them to the National Archives, citing a 1947 precedent involving some of Franklin D. Roosevelt's papers. They probably also proposed to argue the report's other conclusions point by point in an effort to either get them thrown out or at least reduced, as often happens in negotiations

sult, the committee's Congressmen, led by Senator Russell B. Long and Representative Wilbur Mills, never actually voted on the report.

Before formally ending the inquiry into Nixon's taxes last week, however, they declared by a 9-to-1 vote that they agreed with the substance of the report and its recommendations. The only dissenter was Republican Senator Carl T. Curtis of Nebraska, who said that only the IRS and the courts should determine the President's tax liability.

Even White House officials acknowledged that the committee staff that prepared the report is one of the most respected and most nonpartisan on Capitol Hill. It was created by Congress half a century ago to provide technical expertise in tax law to both the House Ways and Means Committee and the Senate Finance Committee. In addition, the joint committee oversees the operations of the IRS, a job that involves double-checking the validity of every Government tax refund of \$100,000 or more. Since 1964, the staff has been headed by Laurence N. Woodworth, 56, a self-effacing economist who joined the staff in 1944 and has become something of a

COURTESY PARADE MAGAZINE

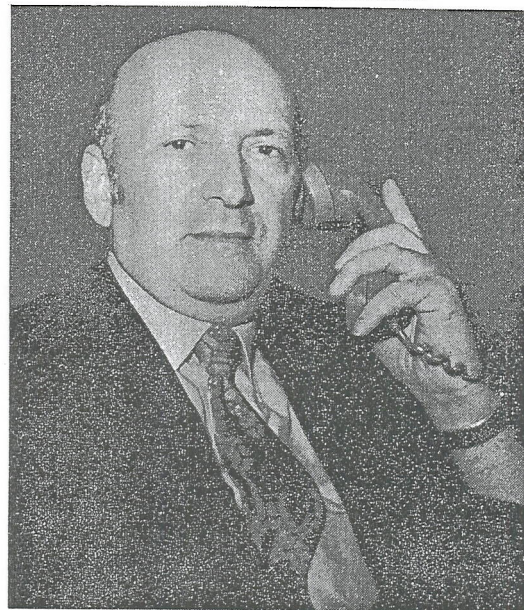


TAX ATTORNEY FRANK DEMARCO JR.
Leafing through the pages.

with the IRS over disputed audits.

The Nixon lawyers also might have made a good case against the report's assertion that Nixon owed taxes on his family's personal flights aboard Government aircraft. Even the committee staff admitted that it was breaking new ground on this point. There was no precedent because Nixon was the first President ever to let his family use military airplanes for personal trips. J. Bernard West, who as chief usher managed the White House under five Presidents, recalled that on such trips Lyndon Johnson's wife and daughters always traveled by commercial aircraft, often in economy class. John F. Kennedy's wife and children used a family-owned airplane, the *Caroline*.

As it turned out, for the lawyers to have debated and perhaps altered the staff's conclusions would have been irrelevant, except perhaps in public relations terms. The IRS in effect upstaged the tax committee, and Nixon elected to pay the bill that it presented rather than, as he had originally intended, follow the committee's directions. As a re-



TAX ACCOUNTANT ARTHUR BLECH

legendary expert's expert in the staff warrens of Washington. "I think the committee members know," he says, "that I won't color my views to fit anybody's pattern."

For the presidential audit, Woodworth initially assigned six experts, later increased the number to 22, which is practically his entire staff. He oversaw the research, wrote the report, and takes responsibility for its conclusions, though he consulted with the rest of the staff before reaching them. Woodworth was not pleased to get the job in the first place. He explained: "It bothered me a great deal. I didn't like the responsibility—I was aware of the implications. But I felt that the very basis of our voluntary tax system depended on it. I also knew that

THE NATION

this report was bound to be reviewed by anyone with similar tax problems. Any deductions claimed here would be claimed by others."

The report is available through the Government Printing Office in Washington for \$6.50. After it was issued, former IRS Commissioner Mortimer Caplin declared: "That book is going to be a bestseller. It is a great legal analysis of very complicated issues."

Applying the Law. Since no President's tax returns had ever been audited before, neither the committee nor the IRS had any real examples to follow. To Woodworth, however, that was irrelevant. "When we examine a return," he said, "it isn't a question of what somebody else did; it's a question of how the law applies to this return." Moreover, he insisted that in auditing Nixon's returns, his staff used "the same standard that the IRS is required by law to apply to all taxpayers."

The standard was the same, but perforce neither the committee nor the IRS could approach Nixon's case exactly as they would any other taxpayer's. Because he was President, his situation was clearly special, stamped everywhere "Handle with Care" because of the scrutiny that would attend every finding. "It's a bit unrealistic to think that the IRS is going to treat a President the same as an ordinary taxpayer," said one tax expert in Boston. "I think on the first time through, the IRS was far too lenient on his returns. On the second run-through, they were probably even more stringent than they would be with a typical high-income taxpayer."

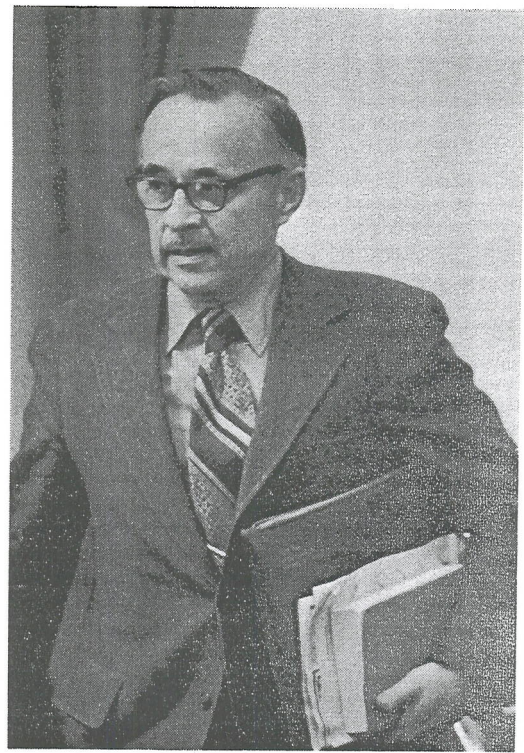
Other experts disagreed. "I don't think any taxpayer could have gotten the deductions from the facts as they [the committee] found them," said Tax Lawyer Michael Fox of Chicago. New York Accounting Professor Abe Briloff found the pattern of errors in Nixon's returns "so egregious" that he believes that "they were not mere inadvertences but a carefully orchestrated, finely tuned program." San Francisco Attorney Wil-

liam Coblenz, who counts the Hearst family among his clients, believes that "the joint tax committee was, if anything, a little easy on President Nixon. Everyone looks for every reasonable deduction and there are gray areas, but an official holding office should not take chances in the gray areas. He should lean over backward to be scrupulous, rather than lean forward to squeeze it the way Nixon did."

Things having come to the pass that they had, the tax experts are quick to point out that Nixon was at a disadvantage in dealing with the IRS. Taxpayers normally can negotiate a lower delinquency figure with the service through able attorneys and tough bargaining. But that avenue was, of course, no longer available to the President by his own terms. On the other hand, some taxmen point out that in the case of high-income delinquent taxpayers, the IRS frequently assesses them a civil fraud penalty—50% of the taxes owed—and lets them prove in court if they can that the penalty is unwarranted.

It did not do so in Nixon's case. In fact, in the brief statement announcing that it had closed the audit of Nixon's taxes, the IRS explained that it "did not assert the civil fraud penalty [on the President] because it did not believe that any such assertion was warranted." Such a charge would require evidence that Nixon had colluded with his tax accountants, attorneys and aides to produce a fraudulent return. Apparently for similar lack of evidence, the IRS did not impose a 5% penalty on the President for negligence. The most severe course of action in tax cases is to prosecute a delinquent taxpayer for criminal fraud, for which the sentence is a heavy fine or imprisonment. Even if evidence existed to support such a charge against Nixon, the case would not likely have been pursued in the courts but rather sent to the House Judiciary Committee.

It is possible, however, that charges could be brought against the men who prepared Nixon's tax returns, Attorney



TAX EXPERT LAURENCE WOODWORTH
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Frank DeMarco and Accountant Arthur Blech, both of Los Angeles. Last week, Special Prosecutor Leon Jaworski directed his staff to investigate whether the two men had violated any laws. The White House statement disavowing any presidential responsibility for errors in the returns in effect pinned the blame for them on DeMarco and Blech. Further, presidential aides sought to give the impression that the two men had worked independently of Nixon and that he had merely glanced over his returns before signing them.

Page by Page. DeMarco had seemed to suggest just that in his testimony before the staff, but, after reading the White House statement last week, he appeared to be having second thoughts about a scapegoat role. He told the Los Angeles *Times* that the White House version was "ridiculous." He said he had operated on written instructions relayed through former Top Aide John Ehrlichman. Moreover, DeMarco said, specifically referring to the 1969 return, he and Nixon had gone "over the return page by page" before the President signed it on April 10, 1970. Earlier, the committee staff had asked for the White House tape recording of that meeting. "They informed us that the machine was not in place at that time," Woodworth said.

It was too soon to judge how Nixon's tax scandal might affect his effort to stay through his term of office. Certainly Wilbur Mills was very wide of the mark last month in predicting that Nixon would be forced to resign when his tax liabilities were revealed. Opinion on the President, as judged by polls, has been pretty firmly set for some time, at least at the extremes. Thus the tax charges generated considerable sympathy among his hard-core supporters, while those convinced that the President

COMMITTEE CHAIRMAN RUSSELL LONG CONFERRING WITH VICE CHAIRMAN WILBUR MILLS



OWEN FRANKEN—GAMMA

must go took the tax denouement as additional confirmation of their opinion. The split in reaction was mirrored in editorial opinion round the country.

The New Orleans *Times-Picayune* commented: "Since it is difficult to picture a Chief Executive sitting up until all hours, pencil in teeth, thumbing through sheaves of coffee-stained bills spread over a kitchen table, one concludes that he could be a victim of some inept tax advisory preparers." The St. Louis *Globe Democrat* thought that "it is entirely reasonable to assume that the IRS would have dealt more generously with someone less vulnerable than the President." The *Wall Street Journal*, while siding with Nixon's taxmen in believing that the deductions on the papers could be defended, observed that "the nation has a right to expect better of Presidents" than Nixon's efforts to cut every conceivable tax corner. In eastern Michigan, where a special congressional election will be held next week (see following story), the formerly pro-Nixon *Saginaw News* called for his resignation, saying: "The enormity of his tax liability cast the final dark and tragic shadow over a faltering Administration and the dwindling presidency."

Greatest President. Nixon's immediate problem was raising the money to meet the IRS tax bill of \$432,787 plus interest. He has until April 16 to arrange payment, though he could be permitted to stretch out the payments. An aide said that Nixon planned to borrow about \$125,000 and pay the remainder out of savings. According to Nixon's accounting last December, his net worth was \$988,522, which included \$432,874 in cash. Moreover, by July 15, Nixon must make his final mortgage payment of \$226,000 on his San Clemente estate.

Presidential aides pointedly said that Nixon wanted no help from anyone in meeting his tax obligation. Bruce Herschensohn, the presidential assistant assigned to work with groups supporting Nixon, claimed that his telephone rang repeatedly all week with offers. One came from Chicago Insurance Tycoon W. Clement Stone, who contributed some \$2 million to Nixon's re-election campaign. He said he would be willing to give enough money to pay the whole tax bill because "Nixon is the greatest President of the U.S. ever." Nancy Davis, of Tulsa, Okla., proposed that "as many people as possible send in \$1 or \$5 or \$10—nothing big" to assist the President. Her suggestion, and others like it, was also declined.

Despite the heavy personal cost to the Nixons, the White House doubtless wishes that somehow the books could be snapped shut as decisively and relatively cleanly on Watergate as they were last week on the President's tax problems. Of course, they cannot be. But a lesson lurks in the swift disposition of the case of Nixon's taxes. It was the White House's full and prompt cooperation with the tax investigators that sped the resolution of the affair.