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**I.R.S. DENIES BALKING
INQUIRY ON DONATION**

WASHINGTON, April 21 — The Internal Revenue Service denied today charges by investigators for the Senate Watergate committee that it was obstructing the panel's inquiry into a \$100,000 Presidential campaign donation from Howard R. Hughes, the billionaire recluse.

A copy of a critical nine-page report sent to committee members last Monday by Terry F. Lenzner, the panel's assistant chief counsel, was made available to The New York Times yesterday.

The tax agency said in a statement:

"The I.R.S. flatly denies that it has engaged in any cover-up regarding the committee's investigation and asserts that it has been cooperating with the committee staff to the fullest extent consistent with the disclosure limitations in the tax laws.

"The public disclosure this weekend of the contents of a memorandum from the assistant chief counsel of the committee is of particular concern to the I.R.S. when in fact, it has been informed by the chief counsel of the committee that the memorandum has not been reviewed by the chief counsel nor the members of the committee.

"In accordance with existing law and policy, it is not the practice of the I.R.S. to discuss publicly any pending tax investigation nor whether or not it is engaged in an investigation.

"The I.R.S. considers it improper for any investigative body to engage in public disclosure of such matters because of the possibility of irreparable damage to an individual cleared after an investigation or prejudicial effect on any prosecution that may result."