

# An Explanation: The Allegations Of Nixon's I.R.S. Interference

BY ELLEN SHANAHAN

Special to the New York Times  
 WASHINGTON, June 12 — Those who seek the impeachment of President Nixon have long believed that one of his greatest areas of vulnerability may be his alleged interference—for both political and personal motives—with the operations of the Internal Revenue Service. They have two main reasons for thinking so.

The first is the sensitivity of the American people, and hence their elected representatives, to any hint that the tax laws are not being administered fairly.

The second relates to the argument being put forth by James D. St. Clair, the President's lawyer, that nothing short of proof of the President's commission of an "indictable crime" is constitutional cause for his removal.

In the area of I.R.S. operations, unlike many others involved in the impeachment inquiry, a large number of the offenses of which Mr. Nixon has been accused are "indictable crimes." They would fall under the prohibitions of Section 7212 of the Internal Revenue Code, which makes it a felony for anyone "corruptly" to attempt to "obstruct or impede the due administration of" the Internal Revenue Code.

## Many Allegations

In addition, if Mr. St. Clair's narrow definition of impeachable offenses is discarded, there also exists a long list of allegations of political interference with Internal Revenue that would amount, if proved, to failure on the part of the President to "take care that the laws be faithfully executed," as commanded by the Constitution.

Both lists of allegations—those that would probably meet Mr. St. Clair's test and those that would probably not—are separate from President Nixon's personal tax problems.

The House Judiciary Committee has scheduled for later study the question of whether Mr. Nixon was guilty of fraud in paying \$400,000 less in Federal income taxes, during his first four years in office, than Congressional investigators and the Internal Revenue Service subsequently determined that he owed.

For the present, the item on the Judiciary Committee's agenda is what has become known as "the politicization of I.R.S."

What follows is an explanation of some of the major allegations that have been made of illegality and impropriety in the relations of the Nixon White House with Internal Revenue.

## Friends

Internal White House memorandums, the authenticity of which has not been challenged, show that members of the President's staff made inquiries about an I.R.S. audit of Mr. Nixon's friend, the Reverend Billy Graham. To a handwritten question from a subordinate: "Can we do anything to help?" Mr. Nixon's former chief of staff, H. R. Haldeman, wrote the following reply: "No, it's already covered." Just what was done, if something was, to assist Mr. Graham with his tax problems, has not been made public.

Also incomplete is the available information suggesting that there was White House intervention in an I.R.S. investigation of the President's close

friend, Charles G. Rebozo. The assistant chief counsel of the Senate Watergate committee has charged, in a memo to the committee's members, that Internal Revenue knew about a \$100,000 gift to Mr. Rebozo from the Howard R. Hughes organization for a full year before its agents began investigating whether the money was

really a campaign contribution, as Mr. Rebozo contends. The memo also alleges that once the agency started its inquiry, it followed the highly unusual procedure of using Mr. Rebozo's own lawyer—who also does tax work for Mr. Nixon—as its contact man with persons to be interviewed.

If the White House is intervening in I.R.S. audits of the President's friends, that would appear to be a violation of Section 7212. But the allegations are not, at this point, proved.

## Enemies

According to the testimony of former White House counsel, John W. Dean 3d, several different lists of White House "enemies"—totaling more than 600 names—were compiled, and were transmitted to Internal Revenue with suggestions that the tax returns of the named individuals be looked at. An investigation by the staff of the Congressional Joint Committee on Internal Revenue Taxation of the subsequent treatment by the I.R.S. of per-

sons on the enemies lists failed to show unduly harsh actions.

The joint committee did find that the proportion of audits done on persons on the enemies lists was higher than on non-enemies in the same income brackets. The joint committee did not conclude, however, that this was necessarily the result of the inclusion of the audited individuals on various enemies lists.

## Tax Exemption

One of the few cases of charges of improper action by the Nixon Administration that has been decided in court involves the denial by Internal Revenue of tax-exempt status to an organization known as the Center for Corporate Responsibility.

After hearing testimony about "White House pressure" to deny tax exemption to the group, and after encountering a refusal of the White House to turn over documents related to the case, Judge Charles R. Richey held that the center had been denied tax exemption "because it was singled out for selective treatment for political, ideological and other improper reasons which have no basis in the statute and regulations."

The case is only one of several of organizations with a liberal or left orientation that have had tax exemptions denied, delayed or revoked, allegedly because of White House orders to crack down on such groups.

The Judiciary Committee will have to decide whether there was improper influence in these cases.

## Activists

In 1969, three weeks after receiving a memo from the White House suggesting a concerted campaign against "activist" organizations—mainly antiwar groups—Internal Revenue established a special section that ultimately collected files on 14,000 such organizations and individuals.

It ultimately ordered audits on fewer than 200 of those on whom it kept the files and it exchanged information on the "activists" with the Federal Bureau of Investigation, military intelligence organizations and Congressional committees.

The I.R.S. has denied that the special staff was created in response to White House pressure. The available evidence indicates that the strict procedures that are prescribed for passing tax information to oth-

special staff was created in response to White House pressure. The available evidence indicates that the strict procedures that are prescribed for passing tax information to other parts of the Government were not followed. There are also questions about the propriety or legality of applying political standards to the selection of groups or individuals for security checks by the I.R.S.

## Tax Information

A number of different memorandums state that information about the tax returns of individuals, including some entertainers, was forwarded by the I.R.S. to members of the White House staff for purposes of questionable legality.

The present Commissioner of Internal Revenue, Donald C. Alexander, has argued that the President, or anyone he deputizes, may see anyone's tax return. Others disagree and say there is no statutory authorization permitting the rule of tax-return confidentiality to be breached to give the White House such data.

## Rulings

The Internal Revenue has the right to interpret the tax laws by issuing rulings on whether particular financial transactions are taxable or nontaxable.

It issued a ruling of nontaxability in 1969 for The International Telephone and Telegraph corporation, on one of the side transactions involved in I.T.T.'s acquisition of the Hartford Fire Insurance Company. The ruling, estimated to have saved I.T.T. between \$35-million and \$50-million in taxes, was issued just seven days after the company applied for it, record speed for such a decision.

After other information became public about alleged attempts by I.T.T. to influence the Government illegally, the ruling was reconsidered this year by the I.R.S. and reversed because the agency had "erred as a matter of law." Little has become known about how I.T.T. obtained the original favorable ruling so swiftly.

In almost every one of these areas there are key matters of fact that are not yet clearly established, at least, not on the public record.

In addition, there is very little in the public record that clearly links President Nixon himself with the misuse of Internal Revenue.

The Judiciary Committee will have to decide whether proof of direct Presidential knowledge of his aides' actions is a necessary prerequisite to a vote for impeachment on the grounds of politicization of the I.R.S.

It might decide that proof is necessary, or it might agree with James Madison, who stated, in a debate on the matter in the first Congress, that the President would be subject to impeachment "if he suffers [his aides] to perpetrate with impunity high crimes or misdemeanors against the United States or neglects to superintend their conduct, so as to check their excesses."