

NYTimes JUN 22 1974
**House Unit Hears I.R.S. Study
On Nixon Tax Was Incomplete**

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Special to The New York Times

WASHINGTON, June 21 — The House Judiciary Committee heard today evidence that the Internal Revenue service had closed its investigation of President Nixon for possible tax fraud on the basis of an incomplete examination of his case.

The evidence, according to committee members, showed that tax agents had not interrogated Mr. Nixon and that the Commissioner of Internal Revenue, Donald C. Alexander, had found many conflicts in the testimony of key witnesses.

Mr. Alexander sent a letter last April 2 to Leon Jaworski, the special Watergate prosecutor, saying, "We have been unable to complete the processing of this matter in view of the lack of cooperation of some of the witnesses and because of many inconsistencies in the testimony of individuals presented to the service."

In his letter, Mr. Alexander recommended that a grand jury consider whether a crime had been committed in the preparation of the President's tax returns.

A copy of the letter, which was presented to the Judiciary Committee members at a closed hearing this morning, was made available to The New York Times by a Democratic member.

A spokesman for Mr. Jaworski declined to comment and would not confirm that the special prosecutor was investigating those who prepared Mr. Nixon's returns. Attorney General William B. Saxbe has said that he referred that investigation to Mr. Jaworski.

Government sources said today, however, that there was no indication that Mr. Jaworski

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had ruled out further examination of whether the President had committed fraud.

The day after Mr. Alexander's letter was written, Mr. Nixon announced that he had been assessed and would pay \$432,787.13 in back taxes and declared, "the report by the Internal Revenue Service rebuts any suggestion of fraud on the part of the President."

Mr. Alexander's letter contained no such conclusion, and instead said that the fraud issue could not be determined on the basis of the evidence

assembled by the tax agency.

In addition, the Judiciary Committee reportedly learned today that Mr. Nixon had asked Mr. Alexander if he could deduct as a charitable contribution on his 1974 tax return any payment he made on his 1969 taxes. Mr. Alexander reportedly said he could not do so.

The statute of limitations has expired on Mr. Nixon's 1969 tax deficiency and he cannot be required to pay it. However, the White House has said that he does plan to make the payment, which would be in excess of \$150,000.

This afternoon, the Judiciary Committee received a staff report on the President's ordering of a secret bombing campaign over Cambodia beginning in 1969 and on the falsified reporting system used, with the President's knowledge, to hide the campaign from Congress and the public.

The session today was the 18th and final closed hearing on evidence gathered by the impeachment inquiry's staff.

The committee will begin a series of public meetings next week to determine how to pursue the impeachment investigation with a view to completing the inquiry sometime next month.

Many committee members seemed stunned by disclosures that the examination of the President's taxes had been so incomplete, and it appeared likely that the panel would pursue the matter further. Earlier, the Congressional Joint Committee on Internal Revenue Taxation looked into Mr. Nixon's taxes.

Republicans' Concern

Representative Edward Mezvinsky, an Iowa Democrat on the Judiciary Committee, who has taken a particular interest in the question of the President's underpayment of taxes, called it "a very serious matter."

"We know the joint committee didn't face the issue of fraud, and now we know the I.R.S. didn't do it, either, so it's up to us," Mr. Mezvinsky said.

Another Democrat, Representative Charles B. Rangel of Manhattan, a former Assistant United States Attorney, declared that if the President had been an ordinary citizen his case "would have gone to the Criminal Division" of the Justice Department.

Some Republican members also seemed concerned. Representative Wiley Mayne of Iowa, who has been one of Mr. Nixon's most consistent supporters during the impeachment inquiry, was overheard telling

colleagues, "This is a wholly different story from yesterday."

Wrongdoing Doubted

Representative William S. Cohen of Maine said that the revenue service had conducted a "hasty investigation" and that "insufficient information was gathered."

On the other hand, one of the President's staunchest supporters, Representative Charles E. Wiggins of California, said that the whole tax matter was a "nonissue" and that he had seen nothing to dissuade him from the view that the President had committed no wrongdoing.

Those who disagreed with Mr. Wiggins were bolstered by an explanation the committee received today on how the revenue service normally handles tax fraud investigations. The explanation was given the committee by Fred Folsom, retired head of the Fraud Section of the Tax Division of the Justice Department.

As confirmed by Albert E. Jenner Jr., Republican counsel to the impeachment inquiry, Mr. Folsom said that, in the case of an ordinary taxpayer whose returns had been as deficient as Mr. Nixon's, the revenue service would have recommended one of three courses of action: that the Justice Department begin prosecution for criminal tax fraud, that the department investigate further whether there had been criminal fraud, or that litigation begin for civil fraud.

Penalty of 5 Per Cent

If the revenue service finds civil fraud, the taxpayer must pay a 50 per cent penalty on his deficiency. Mr. Nixon was assessed a 5 per cent negligence penalty.

Moreover, the committee members were reportedly told that in ordinary cases the tax agents closely interrogated the taxpayer under investigation.

Representative Robert F. Drinan, Democrat of Massachusetts, said there was no doubt in his mind that Mr. Nixon had been "treated very differently from the way others are treated."

Some Republicans were sharply critical of Mr. Folsom's presentation. Representative Robert McClory of Illinois, in a statement that was endorsed by Representative Henry P. Smith 3d of upstate New York, said that Mr. Folsom had been an "adversary" and that there was no evidence that an impeachable offense lay in the area of the President's taxes.

Statement by Rodino

But the committee chairman, Representative Peter W. Rodino Jr. Democrat of New Jersey, said there were "serious questions as to whether the President was treated like any other taxpayer."

The committee heard another

piece of evidence that some members said cast doubt on Mr. Nixon's credibility.

It was disclosed that some days before last Dec. 8, when the President announced that he was turning his tax information over to the Congressional joint committee and would abide by that committee's determination of whether he owed back taxes, the President learned that the revenue service had begun a new audit of his taxes.

Thus, when the President made the announcement, he knew that his tax payments were under an official investigation.

"He created his own option, and it was an end run," said Representative George E. Danielson, Democrat of California.

In the end, the revenue service found that the President owed less in taxes, interest and penalties than the joint committee said he did, and the President paid the amount assessed by the revenue service.

The letter from Mr. Alexander, the revenue commissioner, to Mr. Jaworski said that the revenue service's investigation had focused on the activities of five men who had been involved in the President's claim of a \$576,000 tax deduction for the gift of his pre-Presidential papers to the National Archives.

They are Frank DeMarco, the President's California tax attorney, who acknowledged backdating the deed for the gift of the papers; Ralph Newman, a Chicago appraiser who set the value on the papers given by the President without reviewing them all; Edward L. Morgan, a former White House official, who signed the deed for the papers without the proper power of attorney; John D. Ehrlichman, the president's former chief adviser on domestic affairs, and Herbert W. Kalmbach, Mr. Nixon's personal attorney.

Mr. Alexander implied but did not directly state that some of these men had failed to cooperate with the investigation and had given conflicting statements.

Extent of Investigation

Mr. Alexander added, "the use of grand jury powers should aid in determining all of the facts in this matter."

Today, Mr. Alexander was asked how he could have come to a conclusion about the President's liabilities on the basis of such an incomplete investigation. He replied:

"I thought and the I.R.S. thought that the case was developed to the extent necessary for I.R.S. to move to a conclusion with respect to the taxes and deficiencies it would assert. The investigation had gone far enough under the circumstances to arrive at a determination of the taxes due."