

# McGovern, Nixon Groups Got Tax Aid

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A little-noticed provision of Congress' latest "Christmas tree" bill has enabled the 1972 Nixon and McGovern campaigns to escape hundreds of thousands of dollars in federal income taxes.

The trustees who preside over the leftover funds of the Committee for the Re-Election of the President saved an estimated \$500,000.

The McGovern committee, which had been in the red, wiped out a similar \$300,000 debt to the Internal Revenue Service that the Democratic presidential fund had been carrying on its books.

The tax favor also enabled the McGovern presidential committee to help pay off some of the new debts incurred during Sen. George McGovern's million-dollar re-election campaign last year in South Dakota. One of the debts was a \$35,000 loan to the Senate race fund by McGovern.

The magic was worked by a quietly adopted clause that reversed an IRS ruling calling for the payment of capital gains taxes on blocks of appreciated stock given as political contributions in the 1972 campaigns.

Even the IRS ruling had been criticized as far too lenient since it required political committees to pay taxes only on the profits of stock sold after Oct. 3, 1972.

Congress, however, went a step further and postponed the effective date for 10 months. By then, all of the stock in question had been sold.

The legislation was hurriedly passed in December as a rider on a bill that originally dealt only with the lifting of import duties on upholstery pins, needles and similar paraphernalia.

The House had passed the upholstery-pin bill last spring, but the Senate Finance Committee, headed by Sen. Russell B. Long (D-La.), held it until the waning days of the session and then turned it into a "Christmas tree" bill.

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decorated with tax favors for special interests. Other provisions benefited the Chrysler Corp., a soft drink company and some 200 to 300 real estate investment trusts.

The amendment affecting the leftover Nixon and McGovern presidential money drew no attention at all in the cratic insiders called it "the Kimelman amendment" because McGovern committee treasurer Henry Kimelman had lobbied heavily for it.

"Henry was the hottest one for it, but a lot of other people wanted it, too," said one knowledgeable Democrat. "The Republicans were all for it, so it must have benefited them."

"The skids were greased," agreed a staffer on the Senate Finance Committee. "Both political parties wanted it. But all the spadework was done over in the House Ways and Means Committee earlier in the year."

Asked whether the provision deserved the title of the "Kimelman amendment" in light of the bipartisan lobbying, another Democrat who took part in the drive chuckled and said: "Have you ever heard Henry whine?"

Before the bill was passed, the McGovern committee, in an accounting that Kimelman filed last September, had

\$367,717 in cash left over from the 1972 campaign, but that was outweighed by debts totaling an estimated \$438,500. The biggest debt was \$300,000 in estimated federal income taxes due under the IRS ruling for the period from Oct. 3, 1972, through mid-1973.

The tax liability, however, was dropped completely from the McGovern committee year-end financial report, which was filed last month after the Christmas tree bill became law. The final 1974 report also showed a transfer of \$170,000—in two \$85,000 installments—to McGovern's chief Senate campaign committee, Citizens for McGovern, in December.

McGovern presidential committees had already pumped some \$340,500 into the Senate race in 1972 and 1973 despite outstanding debts. The transfers had been an issue that McGovern's unsuccessful Republican opponent raised in the South Dakota race last summer.

Contacted in the Virgin Islands, Kimelman said he was careful not to put any more McGovern presidential money into the separately run Senate campaign fund until he was sure he would have enough left over to pay the McGovern committee's debts. He said that assurance came when Congress removed the capital-

gains tax liability that was "hanging over our heads."

"I transferred no money to the Senate committee (Citizens for McGovern) until I knew we had enough assets," he said of the \$170,000.

Kimelman evidently got the word in advance. The House Ways and Means Committee had approved the capital-gains tax relief as a result of the lobbying there, but it was sucked into a major tax measure that the House Rules Committee killed Dec. 12.

According to a Senate Finance Committee staffer, House Ways and Means Chairman Al Ullman (D-Ore.) then called up Sen. Long, probably on Dec. 12 or 13, and said there were about 10 provisions from the House bill—"all sort of 'must' but minor amendments"—that needed immediate action.

Long reportedly agreed, but the Senate Finance Committee didn't get together to consider and approve the Christmas tree package until Saturday, Dec. 14.

By then, Kimelman had already turned over \$85,000 to Citizens for McGovern—on Friday the 13th. Most of it was used that same day to pay off the Senate campaign organization's debts of \$35,000 to McGovern, \$20,000 to longtime McGovern adviser William Dougherty, and \$3,000 each to

three other McGovern supporters, including Kimelman's wife, Charlotte.

The legislation was approved by the Senate Dec. 17, sent to conference, and finally was cleared by both houses on Dec. 20, just before adjournment. The McGovern committee sent the second \$85,000 to Citizens for McGovern on Dec. 27.

Defending all the transactions as entirely proper, Kimelman said McGovern's Senate campaign treasurer came to see him last summer and said "they were short of money."

As a result, McGovern borrowed \$35,000 from the National Bank of Washington in August on a promissory note bearing 9 per cent interest, and turned the money over to Citizens for McGovern. Kimelman co-signed the note.

The bank was repaid in December when the \$35,000 was returned to McGovern. Citizens for McGovern treasurer Owen Donley said the Senate campaign has also paid \$1,283 in interest due on the loan.

As for the McGovern presidential fund, Kimelman said, "We're meeting all our obligations . . . It was the goddam cleanest campaign ever run in American history." The McGovern committee's latest report shows \$153,114 cash on hand, projected income of \$3,

000 more, and remaining debts estimated at \$157,000.

The trustees of the Nixon campaign fund, known as the 1972 Campaign Liquidation Trust, benefited even more handsomely from the elimination of the looming capital gains taxes.

Nixon re-election committees received and sold appreciated stock valued at \$18 million to \$20 million in the 1972 effort. The McGovern organization, by contrast, reportedly received only about \$1.4 million in stock.

The IRS announced on Oct. 2, 1972, that political committees would probably be subject to capital gains taxes, but then, in August of 1973, said that it would not require any payments on sales of appreciated stock up to the time of its 1972 announcement.

The IRS ruling eliminated the Nixon committees' tax liability for most of its stock sales. According to a General Accounting Office study, the Nixon campaign faced taxes only for \$3.4 million worth of stock—the portion sold after Oct. 3, 1972.

Even so, the 1972 Campaign Liquidation Trust's financial reports indicate, and treasurer Paul E. Barrick confirmed, that the congressional largesse will save the trust an estimated \$500,000 in income taxes.

The trustees of the Nixon money were "certainly interested" in the legislation, Barrick added, but did not active lobbying for it. Instead, the GOP ball carriers were led by George Bush, until recently head of the Republican National Committee and once a member of the House Ways and Means Committee.

Although the Republican National Committee faced no big capital gains taxes, it still stands to inherit any Nixon campaign money left when the Liquidation Trust goes out of business. The biggest bills the \$1.7 million trust still faces are for lawyers' fees and other costs in Watergate-related litigation, but thanks to the Christmas tree bill, its present debts, including taxes, amount to only \$549,302.