



Nixon and His Taxes

Jack Anderson

THE STORY can now be told how the White House, even after the Watergate coverup had been fully exposed, continued to use Watergate tactics in an attempt to block a 1974 audit of Richard Nixon's tax returns.

Despite the White House intervention, the Internal Revenue Service went ahead with the audit. But the charges against Nixon were strangely limited to simple negligence. A fraud penalty not only would have forced him out of office months earlier but would have cost him an extra \$148,080.97 in back taxes.

★ ★ ★

OUTGOING Internal Revenue Commissioner Donald Alexander acknowledged that the White House pressured him in 1974 to quash the Nixon tax audit. He was joined by then-Treasury Secretary George Shultz in resisting the White House pressure, Alexander told us:

We checked with Shultz, who confirmed Alexander's account. "We all wanted to do the right thing," Shultz recalled. Neither would discuss the details of the White House intervention.

A year earlier, the Internal Revenue Service delicately audited Nixon's tax returns and found them to be in perfect order. But press exposes and a congressional investigation persuaded the IRS to conduct a second audit in 1974.

This revealed that Nixon had deeded one-third of his vice presidential

papers, developed at the taxpayers' expense, back to the taxpayers. In return for this gift, he claimed a \$576,000 tax deduction.

There was one hitch; the law permitting tax deductions for personal papers had expired. But White House aide Edward Morgan got around this obstacle by illegally backdating the gift.

It was a clear case of fraud, which normally would have been brought against the errant taxpayer. But Taxpayer Nixon claimed he was unaware of the backdating.

The two attorneys who prepared the fraudulent returns, Herbert Kalmbach and Frank DeMarco, swore they explained the tax figures carefully to Nixon.

★ ★ ★

BUT THE fraud charges were brought against the unfortunate Morgan, who pleaded guilty. Nixon was merely nailed for negligence. He paid an assessment of \$284,706.16 for back taxes for the years 1970 to '71 and 1971 to '72. The IRS informed him that he also owed another \$148,080.97 in back taxes for 1969. But the 1969 assessment didn't really have to be paid because the statute of limitations had run out.

On April 3, 1974, Nixon solemnly promised to pay up all his back taxes, including the 1969 bill. Yet he still hasn't paid the \$148,080.97. If he had been found guilty of fraud, the statute of limitations would no longer apply, and he couldn't avoid paying the full \$148,080.97.