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<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>No Date</u>	<u>Subject</u>	<u>Document Type</u>	<u>Document Description</u>
48	43		<input checked="" type="checkbox"/>	Campaign	Memo	RE: McGovern's tax shelter deal. 3pgs.
48	43	10/27/1972	<input type="checkbox"/>	Campaign	Other Document	Handwritten notes regarding meeting with PJB. 2pgs.

This memorandum is to summarize certain facts related to me by business associates concerning George McGovern's alleged participation in one or more highly leveraged tax shelter deals. The remainder of the memorandum covers:

- ¶ The structure of the tax shelter deal
- ¶ Persons concerned in the deal or witnesses to the representation that George McGovern is a partner in such a deal.

STRUCTURE OF THE DEAL

The purpose of this particular type of tax shelter limited partnership is to take accelerated depreciation on foreign-produced films. A typical deal is structured as follows:

1. A U. S. limited partnership is formed
2. The U. S. rights to a film produced abroad by foreigners is purchased by the partnership on the following terms (assumes a film with documentable hard costs of \$1,000,000):
 - \$100,000 to \$200,000 cash front end
 - A note for the balance for a total of \$1,000,000; payable on a formula basis against receipts of the film and payable over 10 years with nominal interest. This note is clearly specified as excluding any recourse to the partnership
 - A depreciation base for the film in the limited partnership is thereby established as \$1,000,000
 - The partnership then takes depreciation under the income forecast method (i. e. , using the "normal" forecasted revenue stream of 40 to 50 percent in the first 3 months, an additional 40 to 50 percent in the ensuing 12 months, and any residual depreciation in the following year.

The nature of the deal works out very favorably for tax purposes - i. e. , for a taxpayer in the 50 percent bracket:

	<u>Tax Impact of Depreciation Alone</u>	
	<u>Pretax</u>	<u>After Tax</u>
Equity	\$150,000	\$ 75,000
First 3 months depreciation	400,000	200,000
Next 12 months depreciation	400,000	200,000
Residual	200,000	100,000

Therefore, for an after-tax investment cost of \$75,000, the limited partnership can shelter \$1,000,000 in ordinary income. Put another way, the after-tax profit impact is \$425,000 net of the equity investment. This would seem to qualify under what George McGovern classifies as tax programs to benefit the rich.

PARTICIPANTS OR WITNESSES

A similar deal was proposed to a group of investors (identified below) by Ira M. Pitchel, a tax attorney in New York, who was introduced to the group by Douglas Rippetto (a former McKinsey associate who now does tax and benefit consulting) earlier this Fall. During the presentation, Pitchel represented under close questioning that this type of deal was safe under unfavorable political conditions because George McGovern was a partner in one or more of his preceding deals. Pitchel subsequently repeated his representation during a luncheon this week.

Witnesses to Pitchel's original representation of McGovern's participation in such a tax shelter deal were:

1. Norman N. Barnett, Chief Financial Officer of Moller Industries, 67 Broad Street, New York, 212/422-1500
2. Paul Hubeck, a member of Barnett's staff
3. Charles Tennesson, former chief executive of Phillip Carey and Panacon, 3124 North East 40th Street, Fort Lauderdale, Florida 33308, 305/565-1387
4. Arnold Brosser, independent attorney for Moller and Meshulam Riklis, 711 Fifth Avenue, New York, 212/752-0100.

Witnesses to Pitchel's second representation were Barnett and Brosser. Pitchel is an independent operator who works in conjunction with a number of entities. His business card lists no address, but he can be contacted at 212/889-1610.

Rippeto's address is 253 Riverside Avenue, Westport, Connecticut, 203/226-3508. He is represented as having played no part in McGovern's alleged tax shelter deal.

Obviously, if these allegations check out, it would have a substantial impact on McGovern's credibility, particularly if the film were "X" or worse.

Meeting w/ PJB 10:55 AM. 10-27-72
PJB meet w/ RW in A.M. to discuss these
matters.

McG - his sellout - begging staff

Shivers quote - ITAK visit to
Paris most immoral thing ever
done.

All the incidentals of McG's
far left surrender proposal

- Chayes

- McG's greed

- begging

- ITAK grab Connie
offer w/ both hands

- EMK's crawling quote

- McG's statements on
mining & bombing.

Be "revious
+merciless"?

RW - " don't return any calls from
Post - labeled Stans, Mitchell + HRH
(HRH) Henry, don't talk to Marder, talk to Times."

McG wanted to surrender -
we got honorable peace.

Political? Handi bohe the
~~first~~ silence, not us.

Kick hell out of McG Shivers,
& media.

RW wants white paper written
Take McG attacks, answer them
one by one - Full documentation

on the things McG did to use -
attacks on our rights. Dick
Tuck. No involvement in
Watergate.