

Richard Nixon Presidential Library
White House Special Files Collection
Folder List

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>Document Type</u>	<u>Document Description</u>
14	5	n.d.	Letter	Handwritten note from J.J. Elmore inviting B.B. Cash to San Clemente. 1pg.
14	5	n.d.	Other Document	Map of San Clemente, CA with handwritten notations. NOTE: Map too large to scan
14	5	04/11/1974	Letter	Letter to Fred Buzhardt from Dean S. Butler at Willis, Butler & Scheifly law offices RE: RN's 1973 tax returns. 1pg.
14	5	1973	Financial Records	RN & PN individual CA income tax form for 1973. 4pgs.
14	5	04/12/1974	Letter	Copy of letter from Dean S. Butler to Franchise Tax Board RE RN & PN's taxes. 1pg.
14	5	04/12/1974	Other Document	News release from Franchise Tax Board RE RN's taxes. 3pgs.

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>Document Type</u>	<u>Document Description</u>
14	5	n.d.	Financial Records	RN & PN's income as nonresidents of CA. 1pg.
14	5	n.d.	Financial Records	RN & PN's income as nonresidents of CA. 1pg.
14	5	04/15/1974	Letter	Letter from Dean S. Butler to Martin Huff RE RN's 1973 tax return. 1pg.
14	5	04/18/1974	Memo	Memo from Skip Williams to Fred RE wanting to letter. 1pg.
14	5	04/15/1974	Letter	Copy of letter from Dean S. Butler to Kenneth W. Gemmill RE RN's tax returns. 2pgs.
14	5	04/11/1974	Letter	Copy of letter from Dean S. Butler to Martin Huff regarding RN & PN's taxes. 1pg.
14	5	04/11/1974	Letter	Copy of letter from Martin Huff to Dean S. Butler RE RN & PN's taxes 1969-1972. 1pg.

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>Document Type</u>	<u>Document Description</u>
14	5	04/10/1974	Letter	Copy of letter from Martin Huff to Dean S. Butler regarding RN & PN's taxes. 2pgs.
14	5	04/10/1974	Financial Records	"Notice of Additional Tax Proposed to be Assessed" for RN & PN's 1969 taxes. Includes carbon copy. 2pgs.
14	5	n.d.	Financial Records	RN & PN's income as nonresidents of CA, 1969-1972. 2pgs.



Mr & Mrs J. J. Elmore
extends an invitation
to visit their Rancho
San Clemente if it could
work into your busy
schedule - Either drive
through or if time allows
we would put on a match
race on the tract.

J. J. Elmore -

B. B. Cash

LAW OFFICES
WILLIS, BUTLER & SCHEIFLY

ARTHUR B. WILLIS
JOHN E. SCHEIFLY
IRVING M. GRANT
JAMES F. CHILDS, JR.
JOHN J. BARCAL
STEVEN W. PHILLIPS
NEAL S. MILLARD

DEAN S. BUTLER
FRED L. LEYDORF
DUDLEY M. LANG
MICHAEL I. BLAYLOCK
DAVID R. DECKER
CHARLES R. AJALAT
DAVID L. CASE

20TH FLOOR
CITY NATIONAL BANK BUILDING
606 SOUTH OLIVE STREET
LOS ANGELES, CALIFORNIA 90014
TELEPHONE (213) 620-1650

April 11, 1974

PERSONAL AND CONFIDENTIAL

Mr. Fred Buzhardt
The White House
Washington, D. C. 20500

Dear Mr. Buzhardt:

I am enclosing an original and two copies of a 1973 California Nonresident Individual Income Tax Return which we have prepared for President and Mrs. Nixon. We consider it to be of significant urgency that this return be filed timely, no later than April 15, 1974.

Inasmuch as I have not been furnished with the appropriate power of attorney, it is necessary that both the President and Mrs. Nixon personally sign and date the return.

For your convenience, I am enclosing a pre-addressed mailing envelope to the California Franchise Tax Board. I would appreciate your advising me of the date the return is signed and mailed so that I may conform my file copy.

Yours sincerely,


DEAN S. BUTLER

DSB:cmn
Enclosures

P.S. In transmission it may be well to indicate that this was prepared on the basis of available information and may be subject to amendment if later developments reflect that additional information should be included.

NONRESIDENT
540NR
PART-YR. RESIDENT



**INDIVIDUAL
CALIFORNIA
INCOME TAX**

TAXABLE
1973
YEAR

For the year January 1–December 31, 1973, or other taxable year beginning _____, 1973, ending _____, 197__

Please Type or Print	FIRST NAME(S) AND INITIAL(S)	LAST NAME	Your Social Security Number	
	RICHARD M. and PATRICIA R.	NIXON	567	68 0515
	PRESENT HOME ADDRESS (Number and street, including apartment number, or rural route)			Spouse's Social Security Number
	The White House			
	CITY, TOWN OR POST OFFICE, STATE AND ZIP CODE			OCCU-PATION
	Washington, D. C. 20500			Yours President of the Spouse's United States

Filing Status—Check Only One		Exemption Credits			
1. <input type="checkbox"/> Single		6. Personal Exemption: { If line 1 or 3 checked, enter \$25 } { If line 2, 4 or 5 checked, enter \$50 }		6	50
2. <input checked="" type="checkbox"/> Married filing joint return			7. Dependents—Do not list person who qualifies you as head of household.		
3. <input type="checkbox"/> Married filing separate return—Enter spouse's full name _____		Name (include last name and/or address if different from yours) Relationship _____			
4. <input type="checkbox"/> Head of Household—Enter name of qualifying individual _____			Total Number ▶	X \$8	7
5. <input type="checkbox"/> Widow(er) with dependent child. Enter year spouse died 19_____			8. Blind (refer to instructions) Number of blind exemptions ▶	X \$8	8
			9. Total exemption credits (add lines 6, 7 and 8) Enter here and on line 21 below		9 50

Include income from all sources in Column "A". List all income while California resident plus all California income while a nonresident in Column "B".

	A. Total Income	B. California Income
10. Wages, salaries, tips and other employee compensation (Attach copy of form(s) W-2 to front if unavailable, attach explanation)	10 250,000	*31,507
11. Dividends—before federal exclusion. Capital gain dividends must be included at 100%	11	
12. Interest. (See instructions for taxability of federal, state and municipal bonds)	12	
13. Income other than wages, dividends and interest (from page 2, line 51)	13 (5,371)	(5,371)
14. Total (add lines 10, 11, 12 and 13)	14 244,629	26,136
15. Adjustments to income (from page 2, line 57)	15 -	-
16. Adjusted gross income (subtract line 15 from 14)	16 244,629	26,136
17. Percentage of California income (line 16, column B ÷ column A). <u>12.60</u> % (100% maximum) *46/365		
18. Deductions: Itemized { From page 2 } OR Standard { \$1,000 × _____% on line 17—if filing status 1 or 3 checked } line 64 { \$2,000 × _____% on line 17—if filing status 2, 4 or 5 checked }		18 32,102
19. Taxable income (subtract line 18 from line 16) Compute tax from Tax Rate Schedule—Enter tax on line 20		19 (5,966)
20. Tax from Tax Rate Schedule in instructions or <input type="checkbox"/> Schedule G-1 (540) See instructions		20 None
21. Total exemption credits (from line 9, above) _____ × _____% on line 17		21
22. Tax liability (subtract line 21 from line 20—if line 21 is greater than line 20, enter zero)		22
23. "Other State" net income tax credit (attach copy of other state return and Schedule S(540))		23
24. Net tax (subtract line 23 from line 22—if line 23 is greater than line 22, enter zero)		24
25. Special Tax Credit—from page 2, line 73 (see instructions, page 2, for allowable credit)		25
NOTE: You must have been a California resident on the last day of your taxable year to qualify.		
26. Net tax liability (subtract line 25 from line 24—if line 25 is greater than line 24, enter zero)		26
27. Tax on preference income (see instructions—attach Schedule P(540))		27
28. Total tax liability (add lines 26 and 27)		28 None
29. Renter's credit—if you lived in rented property in California on March 1, 1973, complete Part I on page 2		29
30. Total California income tax withheld (attach Form(s) W-2 to face of return)	30	
31. 1973 California estimated tax payments (include amount allowable as a credit from 1972 return)	31	
32. Excess California SDI tax withheld (attach Form DE 1964 to face of return)	32	
33. Total prepayment credits (add lines 29 through 32)	33	
34. If line 28 is equal to or larger than line 33, enter amount of BALANCE DUE Pay in full and mail with return to: Franchise Tax Board, Sacramento, CA 95867	34	None
35. If line 33 is larger than line 28 enter amount OVERPAID Mail return to: Franchise Tax Board, P.O. Box 13-540, Sacramento, CA 95813	35	
36. Amount of line 35 to be REFUNDED . (allow at least six weeks for your refund)	36	
37. Amount of line 35 to be credited on your 1974 estimated tax	37	

ATTACH COPY 2 OF FORM W-2 HERE
ATTACH FORM DE1964 HERE
Write social security number on check or money order. ATTACH HERE

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

SIGN ▶	Your signature _____	Date _____	▶ <i>Blaine A. Butts</i>	Preparer's signature (other than taxpayer)	Date <u>4/21/74</u>
HERE ▶	Wife's signature—if filing a joint return _____	Date _____	▶ <i>Bob J. ...</i>	Preparer's Employer—Identification (or SSA) Number	95-2105245



ITEMIZED DEDUCTIONS

Attach to Form 540NR

Name as shown on Form 540NR

RICHARD M. and PATRICIA R. NIXON

Social Security Number

567 68 0515

During the period of nonresidence no deduction may be taken which is attributable to property or business located outside of California, alimony is not deductible, and all other deductions must be directly related to California income. See separate instructions for limitations on allowance of specific deductions.

MEDICAL AND DENTAL EXPENSE (not compensated by insurance or otherwise) for medicine and drugs, doctors, dentists, nurses, hospital care, insurance premiums for medical care, etc.

	A. Total	B. California
1. One-half (but not more than \$150) of insurance premiums for medical care		
2. Total cost of medicine and drugs		
3. Enter 1% of adjusted gross income shown on Form 540NR		
4. Subtract line 3 from line 2 (if less than zero, enter zero)		
5. Enter balance of insurance premiums for medical care not entered on line 1		
6. Other medical, dental expenses:		
(a) Doctors, dentists, etc.		
(b) Hospitals		
(c) Other (itemize)		
7. Total (add lines 4, 5, 6(a), (b) and (c)).		
8. Enter 3% of adjusted gross income shown on Form 540NR		
9. Subtract line 8 from line 7 (if less than zero, enter zero)		
10. Total (add lines 1 and 9). Enter total of col. B on Form 540NR, page 2		

CHILD ADOPTION EXPENSE

11. Total expense paid or incurred (Attach itemized list)		
12. Enter 3% of adjusted gross income shown on Form 540NR		
13. Subtract line 12 from line 11 (See instructions for maximum limitations). Enter total of col. B on Form 540NR, page 2		

TAXES (See tables in instructions)

14. Real estate	11,969	11,969
15. State and local gasoline		
16. General sales		
17. Auto license (excess of registration and weight fees)		
18. Personal property		
19. State disability insurance (SDI). Employer private disability plans do not qualify		
20. Other		
21. Total taxes. Enter total of col. B on Form 540NR, page 2	11,969	11,969

INTEREST EXPENSE

	A. Total	B. California
22. Home mortgage	19,833	19,833
23. Installment purchases		
24. Other (itemize)		
25. Total. Enter total of col. B on Form 540NR, page 2	19,833	19,833

CONTRIBUTIONS

26. Cash contributions for which you have receipts, canceled checks, etc.	300	300
27. Other cash contributions. List donees and amounts		
28. Other than cash (see instructions for required statement)		
29. Total (Add lines 26, 27 and 28—maximum deduction may not exceed 20% of adjusted gross income). Enter total of col. B on Form 540NR, page 2	300	300

MISCELLANEOUS DEDUCTIONS

Casualty or Theft Loss(es) NOTE: If you had more than one loss omit lines 30 through 34 and follow instructions for guidance.		
30. Loss before insurance reimbursement		
31. Insurance reimbursement		
32. Subtract line 31 from line 30		
33. Enter the smaller of \$100 or line 32		
34. Casualty or theft loss (line 32 less line 33)		
35. Alimony paid		
36. Child Care—See instructions		
37. Employment education expense		
38. Union dues		
39. Other—See instructions—itemize		
40. Total (Add lines 34, 35, 36, 37, 38 and 39). Enter total of col. B on Form 540NR, page 2		



SUPPLEMENTAL INCOME

Attach to Form 540 or 540NR

Name as shown on Form 540 or 540NR: **RICHARD M. and PATRICIA R. NIXON** Social Security Number: **567 68 0515**

Part I.—PENSION AND ANNUITY INCOME. If fully taxable, do not complete this part. Enter amount on page 2 of Form 540 or 540NR, under Miscellaneous Income. For each pension or annuity not fully taxable, attach a separate Part I and enter combined total of taxable portions on line 4. If first payment was received PRIOR to 1968, see Schedule E Instructions for amount of taxable income to be reported.

Name of payer: _____ Date first payment received: _____

1. Did your employer contribute part of the cost? YES NO
 If "YES," is your contribution recoverable within 3 years of the annuity starting date? YES NO
 If "YES," show: Your contribution \$ _____, Your contribution recovered in prior years \$ _____

2. Amount received this year _____

3. Amount excludable this year _____

4. Taxable portion (subtract line 3 from line 2). Enter on Form 540 or Form 540NR in space provided _____

Part II.—RENT AND ROYALTY INCOME. If you need more space, you may use Federal Form 4831. **Note:** If you are reporting farm rental income here that is based on crops or livestock produced by a tenant farmer but you did not materially participate in the operation of the farm, see Schedule E Instructions, to determine if you should also file Federal Form 4835.

(a). Kind and location of property	(b). Total amount of rents	(c). Total amount of royalties	(d). Depreciation (explain in Part IV) or depletion (attach computation)	(e). Other expenses (explain in Part V)
Whittier House	600			5,971
1. Totals	600			5,971
2. Net income (or loss) (col. (b) plus col. (c), less cols. (d) and (e)). Enter on Form 540 or 540NR in space provided				(5,371)

Part III.—INCOME OR LOSSES FROM PARTNERSHIPS AND ESTATES OR TRUSTS. If any of the partnership, estate or trust income reported below is from farming, see Schedule E Instructions, to determine if you should also file Federal Form 4835.

(a). Name and address	(b). Federal employer no.	(c). Partnerships	(d). Estates or trusts
Totals—(Enter total of each column on Form 540 or 540NR in spaces provided)			

Part IV.—SCHEDULE FOR DEPRECIATION CLAIMED IN PART II ABOVE. **Note:** Depreciation may be computed by using the Asset Guideline Classes specified in Federal Revenue Procedure 72-10, regardless of when the assets were placed in service. If this method is used, do NOT use the Lower Limit or the Upper Limit (ADR) Ranges. Attach detailed statement of depreciation computation.

(a). Group and guideline class or description of property	(b). Date acquired	(c). Cost or other basis	(d). Depreciation allowed or allowable in prior years	(e). Method of computing depreciation	(f). Life or rate	(g). Depreciation for this year	
1. Total additional first-year depreciation (do not include in items below)							
2. Asset Guideline Class System (See note above)							
3. Other depreciation							
4. Totals							
SUMMARY		Straight line	Declining balance	Sum of the years-digits	Units of production	Other (specify)	Total
5. Line 2 above							
6. Other							

Part V.—EXPLANATION OF COLUMN (e), PART II

Item	Amount	Item	Amount	Item	Amount

April 12, 1974

Franchise Tax Board
State of California
1025 P Street
Sacramento, California 95814

Re: Richard M. and Patricia R. Nixon
Rev. Code 3432300:JM:VM

Gentlemen:

In accordance with the authority granted to me in a Power of Attorney from the above designated taxpayers and previously filed with your office, I hereby authorize the disclosure by your office of a fact that a notice of additional tax proposed to be assessed has been issued to the taxpayers, and that you have been advised that the adjustments and the resulting tax for the calendar year 1969 and the tax and penalty for the calendar year 1970 have been approved and accepted by the taxpayers, and that the taxpayers' representative has indicated that appropriate returns and payments of tax owing will be promptly presented. You are also authorized to disclose any of the details of the adjustments which you feel are appropriate.

Yours very truly,

DEAN S. BUTLER

DSB:bws

PS.
After 7 o'clock applies equally
to the taxable years 1971 & 1972
DSB

NEWS RELEASE FROM:

Franchise Tax Board
Sacramento, CA 95867

FOR IMMEDIATE RELEASE

Phone: Martin Huff, (916) 445-0408

We have now determined the amount of tax due to the State of California from income derived from sources within this state by Richard M. and Patricia Nixon during the years 1969 through 1972.

In determining California source income, the President's salary and allowances for the years under review and the income attributed to him by the Joint Committee on Internal Revenue Taxation for the personal use of government airplanes was apportioned to the State of California on the basis which the time spent in this state bears to the time during which the income was earned. In addition to the income apportioned to the state certain other items of income are considered to have their source in this state. These items consist of residual compensation in the amount of \$11.00 received in 1969. This incidental income was paid because of a California television appearance. Income realized because of improvements to the San Clemente property were attributed to California. Such amounts were considered to constitute California source income because they are uniquely related to the performance of service as President while in California.

The income received from his mother's estate is California source income, as is the gain on the sale of part of the property located at San Clemente. Royalties from the book "Six Crises" which was written while Mr. and Mrs. Nixon were residents of the state is also California income.

The income determined was reduced in order to reflect losses from the rental property located at Whittier, California.

74-1-549
4-12-74

-more-

Itemized deductions were allowed for contributions made to educational and charitable organizations located in this state. When appropriate, charitable contributions were limited to 20% of adjusted income.

An interest deduction was allowed for interest paid to purchase real property in this state. A tax deduction was also allowed tax paid on real property located in this state, and for sales and California gasoline taxes, and for that part of truck registration fees which constitute the in lieu tax.

Following is a summary of the key figures in the determination:

A detailed schedule is attached.

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Adjusted Gross Income	\$66,140	\$116,317	\$37,187	\$18,015
Allowable Deductions	<u>10,587</u>	<u>106,773</u>	<u>68,819</u>	<u>56,523</u>
Taxable Income (Loss)	<u>55,553</u>	<u>9,544</u>	<u>(31,632)</u>	<u>(38,508)</u>
Tax	<u>\$ 4,107</u>	<u>\$ 156</u>	<u>\$ -</u>	<u>\$ -</u>

A penalty of 25% for failure to file a timely return for 1969 was included in the proposed assessment and was subsequently withdrawn upon satisfactory showing of reasonable cause as required by Section 18681 (R&TC).

A penalty of 25% for failure to file a timely return for 1970 was imposed because of the receipt of California source income in excess of \$6,500.

The report of the Joint Committee on Internal Revenue Taxation was made available to us the day after it was issued. The taxpayers and their representative have extended the fullest possible cooperation and assistance in this matter. In addition

all requests for additional information with respect to California source income and the California income tax liability has been furnished promptly.

We have been advised by counsel to the taxpayers that tax returns will be prepared in accordance with our determination and a remittance liquidating the liability will be remitted promptly.

###

74-1-549
4-12-74

Richard M. and Patricia Nixon
Income as Nonresidents of California

	Calendar Years			
	1969	1970	1971	1972
Regular Tax	\$4,115.30	\$176.32	-	-
Minimum Tax (5)	-	-	-	-
Total tax before credits	<u>4,115.30</u>	<u>176.32</u>	<u>-</u>	<u>-</u>
Credit for personal exemptions (6)	8.26	19.64	-	-
Tax	<u>4,107.04</u>	<u>156.68</u>	<u>-</u>	<u>-</u>
Penalty (§18681-failure to file-25%)	-	39.17	-	-
TOTAL TAX & PENALTIES	<u><u>\$4,107.04</u></u>	<u><u>\$195.85</u></u>	<u>-</u>	<u>-</u>

- (1) Interest received United Calif. Bank not taxable by Calif. under Reg. 17951-17954(f)(2).
- (2) Royalty income from book "Six Crises" written in Calif.
- (3) Contribution of royalty income to the Nixon Foundation - a charitable/educational Calif. organization.
- (4) Interest expense paid Alplanalp limited to \$400,000 invested in property or \$400,000 at 8% 7/11/69 - 12/15/70 for a total of \$45,335.

Year	Amount	Ratio	Deduction
1970	\$15,000	45,335/ 56,883	\$11,955
1971	15,000	"	11,955
1972	<u>26,883</u>	"	<u>21,425</u>
	<u>\$56,883</u>		<u>\$45,335</u>

- (5) Minimum tax - the California tax on preference items did not become effective until 1971. The only preference deduction after 1971 was investment interest which did not exceed the \$30,000 exemption.

(6) Exemption Credit			
1969	\$58.00	x	66,140/464,235
			=
			\$ 8.26
1970	58.00	x	116,317/343,427
			=
			\$19.64

Richard M. and Patricia Nixon
Income as Nonresidents of California

	Calendar Years			
	1969	1970	1971	1972
Regular Tax	\$4,115.30	\$176.32	-	-
Minimum Tax (5)	-	-	-	-
Total tax before credits	<u>4,115.30</u>	<u>176.32</u>	<u>-</u>	<u>-</u>
Credit for personal exemptions (6)	8.26	19.64	-	-
Tax	<u>4,107.04</u>	<u>156.68</u>	<u>-</u>	<u>-</u>
Penalty (§18681-failure to file-25%)	-	39.17	-	-
TOTAL TAX & PENALTIES	<u><u>\$4,107.04</u></u>	<u><u>\$195.85</u></u>	<u>-</u>	<u>-</u>

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1972	<u>26,883</u>	"	<u>21,425</u>
	<u>\$56,883</u>		<u>\$45,335</u>

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(6) Exemption Credit

1969	\$58.00	x	66,140/464,235	=	\$ 8.26
1970	58.00	x	116,317/343,427	=	\$19.64

April 15, 1974

Mr. Martin Huff
Executive Director
P.O. Box 1468
Sacramento, California 95807

Dear Mr. Huff:

As previously discussed, I am enclosing non-resident tax return for 1973 for Richard M. and Patricia R. Nixon. As you know, this return has been signed by me acting under Power of Attorney authorizing this action.

You are also advised that this return is prepared on the basis of facts and circumstances known to us at this time. In light of the fact that there were some adjustments in earlier years, we recognize the possibility that later adjustments may require some amendment. We do not, however, anticipate that any adjustments would result in any taxable income or taxes for this year.

I am enclosing a copy of the Power of Attorney under which I acted in the execution of this return.

You are also advised that pursuant to the authority granted in this Power of Attorney, we expressly waive the restrictions on disclosure with regard to the fact that these taxpayers have, in fact, filed tax returns in any and all years through 1973.

If there are any questions in any of these matters, please let us know.

Sincerely,

DEAN S. BUTLER

DSB:bws
Enclosures

THE WHITE HOUSE
WASHINGTON

4-18-74

Memorandum For: Fred

From: Skip Williams

*You said you wanted
to see this.*

LAW OFFICES
WILLIS, BUTLER & SCHEIFLY

ARTHUR B. WILLIS
JOHN E. SCHEIFLY
IRVING M. GRANT
JAMES F. CHILDS, JR.
JOHN J. BARCAL
STEVEN W. PHILLIPS
NEAL S. MILLARD

DEAN S. BUTLER
FRED L. LEYDORF
DUDLEY M. LANG
MICHAEL I. BLAYLOCK
DAVID R. DECKER
CHARLES R. AJALAT
DAVID L. CASE

20TH FLOOR
CITY NATIONAL BANK BUILDING
606 SOUTH OLIVE STREET
LOS ANGELES, CALIFORNIA 90014
TELEPHONE (213) 620-1650

April 15, 1974

Mr. Kenneth W. Gemmill
Dechert, Price & Rhoads
1600 Three Penn Center
Philadelphia, Pennsylvania 19102

Dear Ken:

In order to complete your files on the President's California income tax problems, I am enclosing a substantial package of correspondence. If you care to wade through all of the dialogue, you will find that the Franchise Tax Board has issued a Notice of Proposed Assessment reflecting taxes as nonresidents amounting to \$4,107.04 for the year 1969 and \$156.68 plus a penalty of \$39.17 for the year 1970, and no taxes owing for the years 1971 and 1972. It also discloses that portions of the IRS report having to do with the calculation of Federal taxes have been returned to me and, accordingly, are not now included in the files of the Franchise Tax Board which have been subpoenaed by an Assembly investigating committee. Finally, the correspondence indicates that acting under the power of attorney which I had, I have indicated that the proposed assessment will not be protested and it is contemplated that returns for the prior years will be filed in accordance with the report and that the amounts owing will be paid. I also include in that letter a Waiver of Disclosure which resulted in a press conference held by Mr. Huff, of which a copy is also enclosed.

As you know, I did have some difficulty in accepting the procedures of the Franchise Tax Board as I felt there were some areas of inaccuracy. At your instruction, however, I did accept these findings. As it turns out, I suspect that it was an overall desirable result. I know that Mr. Huff was concerned with his political problems if they concluded that there was only a few hundred dollars owing for all years. The amount that they finally reached is sufficiently substantial to lend dignity to their efforts and, at the same time, it is sufficiently acceptable from our point of view.

From what I can tell, public reaction to the press release seems to be sympathetic with the President. As a matter of fact, a more recent release indicates that the State of New York is now reviewing their files on the sale of the apartment and I seem to detect a general reaction that everyone is now

Mr. Kenneth W. Gemmill

April 15, 1974
Page Two

involved in a little overkill. In other words, the tide of sympathy does seem to have switched.

Also, as we discussed, I did disclose to the press that the President and Mrs. Nixon had filed tax returns in the State of California for the years 1946 through 1963. I have not seen or heard a great deal in the media on this point, but they now have the information at least.

I also received today the new power of attorney which authorizes me to sign income tax returns on behalf of the President and Mrs. Nixon and, further, to waive the confidentiality relative to the returns filed in prior years. I talked today to Fred Buzhardt and it was agreed that I will sign the 1973 Nonresident Tax Return and, when appropriate, will sign the returns for 1969 through 1972. As you will note from the attached copy of the 1973 return, there is no tax owing. In transmitting this return, however, I have noted that this is based upon information currently available and could require amendment if there is any further determination of additional income along the lines of the Joint Committee determination. I understand that we should not anticipate any substantial additional income as the San Clemente and Key Biscayne improvements were in earlier years and I also gather that there was substantially less airplane travel by the family in 1973.

I am sending copies of this letter and the enclosures to Fred Buzhardt and Arthur Blech. I am enclosing the original Notice of Action and Notice of Assessment with Fred Buzhardt's package so that he may see that they are placed in the President's files.

Incidentally, in discussion with Arthur Blech it was agreed today that he will sign all of these tax returns as the preparer in order that there are not any further questions generated regarding his status.

As soon as we have finished with a little additional housekeeping and manage to get the press out of the way, it would appear that we can close our files on this matter. Although I would suspect that we may be sending some additional correspondence, I would like to say at this time it has been a pleasure to have worked with you. Obviously, we would all like to have had more favorable results in several respects but more importantly perhaps we can hope that it is essentially a closed issue. Thank you again for all your help and consideration.

Yours sincerely,


DEAN S. BUTLER

DSB:cmn
Enclosures

cc: Mr. Fred Buzhardt
Mr. Arthur Blech

LAW OFFICES
WILLIS, BUTLER & SCHEIFLY

ARTHUR B. WILLIS
JOHN E. SCHEIFLY
IRVING M. GRANT
JAMES F. CHILDS, JR.
JOHN J. BARCAL
STEVEN W. PHILLIPS
NEAL S. MILLARD

DEAN S. BUTLER
FRED L. LEYDORF
DUDLEY M. LANG
MICHAEL I. BLAYLOCK
DAVID R. DECKER
CHARLES R. AJALAT
DAVID L. CASE

20TH FLOOR
CITY NATIONAL BANK BUILDING
606 SOUTH OLIVE STREET
LOS ANGELES, CALIFORNIA 90014
TELEPHONE (213) 620-1650

April 11, 1974

PERSONAL AND CONFIDENTIAL

Mr. Martin Huff
Executive Officer
California Franchise Tax Board
1025 "P" Street
Sacramento, California 95814

Re: Richard M. and Patricia R. Nixon

Dear Mr. Huff:

As required by Section 18451, I forwarded to you on April 9, 1974, Income Tax Audit Changes for the above taxpayers for the years 1969 through 1972. In my haste to furnish you Tax Audit Changes I find that I inadvertently included information which does not relate to the amount of gross income or deductions as changed or corrected by the Internal Revenue Service.

Since this information is not necessary to your determination, not required to be furnished under the provisions of the California Income Tax Law, and as I may have exceeded the powers granted me, I request that you return information not required for your determination.

The material I refer to is that portion of the Income Tax Audit Changes relating to the computations of Federal liability. Specifically, I refer to all items after Line 2 on Page 1, and Page 3, for all years. For the years 1970 through 1972, Pages 4 through 8 and Pages 35 through 39.

Sincerely,


DEAN S. BUTLER

DSB:cmn



FRANCHISE TAX BOARD

SACRAMENTO, CALIFORNIA 95867

April 11, 1974

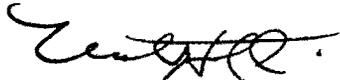
Mr. Dean Butler
Willis, Butler & Scheifly
606 South Olive, 20th Floor
Los Angeles, CA 90014

Richard M. and Patricia R. Nixon, Years 1969-72

We are in receipt of your letter requesting that I return to you non-essential portions of the Income Tax Audit Changes made by the Internal Revenue Service with respect to the above taxpayers.

Upon review, we find that the parts of the report that you requested be returned are not required to be submitted and are not necessary for our determination of the above taxpayers' state income tax liability.

Accordingly, enclosed are the portions of the five sets of reports you have requested be returned.


Martin Huff
Executive Officer

Enc.

FRANCHISE TAX BOARD

SACRAMENTO, CALIFORNIA 95867

Supervised



April 10, 1974

Mr. Dean Butler
Willis, Butler & Schiefly
606 South Olive, 20th Floor
Los Angeles, CA 90014

Richard M. and Patricia R. Nixon

Enclosed are notices of proposed assessments for the taxable years 1969 and 1970. Also attached is a schedule reflecting income and deductions for the years 1969 through 1972. The schedule reflects income we have determined as being attributable to California source based upon the report prepared by the Joint Committee on Internal Revenue Taxation.

In determining income from California sources, the President's salary and allowances and that income realized from the personal use of government airplanes was apportioned to California upon the ratio which the total number of days spent in the state bears to the total number of days during which compensation was earned. Other items of income are attributed to the state. These include residual compensation in the amount of \$11.00 from a prior television appearance, income from his mother's estate for the year 1969, and gain on the sale of the San Clemente real property. California source income also includes royalties from the book "Six Crises" which was written while Mr. and Mrs. Nixon were California residents. It has also been determined that income resulting from the improvements to the property located at San Clemente, California is uniquely related to the performance of services within the state and as such is attributable to California.

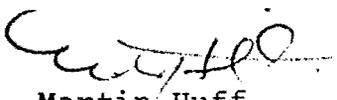
A deduction has been allowed for the losses on the rental property located at Whittier, California. The itemized deductions provided are those allowed nonresidents by Sections 17301, 17302, and 17303 of the Revenue and Taxation

Mr. Dean Butler
April 10, 1974
Page 2

Code. A charitable contribution deduction was allowed for contributions made to California charities. A deduction was allowed for taxes paid on real property located in this state. A sales tax deduction was allowed based upon information you furnished and tax tables, the deduction for gasoline taxes and the automobile in-lieu license tax was based upon schedules prepared by the Joint Committee.

In addition to the tax, a 25% penalty is imposed under the provisions of Section 18681 of the Revenue and Taxation Code. This penalty is for failure to file a timely return.

Section 18401(b) and (c) of the Revenue and Taxation Code requires an individual to file a return if his adjusted gross income is over \$6,500, if married, or his gross income is over \$7,000 regardless of the amount of adjusted gross income. Under these provisions, a return is required for all years included in the schedule.



Martin Huff
Executive Officer

Enclosures



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
 SACRAMENTO, CALIFORNIA 95867

**NOTICE OF ADDITIONAL TAX
 PROPOSED TO BE ASSESSED**

03207791

Date April 10, 1974

2

RICHARD M. AND PATRICIA R. NIXON
 The White House
 Washington, D.C. 20500

567680515

Income year
 Taxable year 1969
 Serial No.
 Amount \$ 5,133.80
 Ind. Code
 Rev. Code 3432300:JM:VM

In accordance with the provisions of the Revenue and Taxation Code, notice is hereby given that a deficiency is proposed to be assessed for the taxable year and in the amount shown above. Details of the proposed assessment are set forth below.

Taxable Income	\$55,553.00
Total tax	4,115.30
Credit for personal exemptions (6)	8.26
Tax	4,107.04
Penalty, Section 18681, failure to file return, 25%	1,026.76
Total tax and penalties	5,133.80

Income from California sources as determined from the report of the Joint Committee on Internal Revenue Taxation, plus royalty income from prior California services. See attached schedule.

cc: Dean S. Butler
 City National Bank Building
 606 S. Olive Street, 20th Floor
 Los Angeles, CA 90014

IF YOU AGREE to the proposed assessment you should promptly remit the amount of additional liability plus interest at six percent a year on the amount of additional tax from the original due date of the return to the date of payment, unless specified differently above. (The amount of interest, if included above, is computed only to the date indicated.) The remittance should be made payable to the FRANCHISE TAX BOARD.

IF YOU DO NOT AGREE to the proposed assessment you may file a protest with the Franchise Tax Board within 60 days of the date of this notice (see the reverse side of this form). Otherwise, this proposed deficiency assessment will become final at the expiration of the 60-day period.



STATE OF CALIFORNIA
FRANCHISE TAX BOARD
 SACRAMENTO, CALIFORNIA 95867

**NOTICE OF ADDITIONAL TAX
 PROPOSED TO BE ASSESSED**

03207791

Date April 10, 1974 **2**

RICHARD M. AND PATRICIA R. NIXON
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 Washington, D.C. 20500

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cc: Dean S. Butler
 City National Bank Building
 606 S. Olive Street, 20th Floor
 Los Angeles, CA 90014

REMITTANCE TRANSMITTAL COPY

This copy is for your convenience when forwarding your remittance. Interest should be included at six percent a year on the amount of additional tax from the original due date of the return to the date of payment unless specified differently above. The remittance should be made payable to the FRANCHISE TAX BOARD.

Richard M. and Patricia Nixon
Income as Nonresidents of California

	Calendar Years			
	1969	1970	1971	1972
<u>Income</u>				
Apportionable income				
Presidential salary & allowance	\$236,459	\$250,000	\$250,000	\$250,000
Personal use of gov't. airplanes	4,001	9,276	4,636	9,102
Total	<u>240,460</u>	<u>259,276</u>	<u>254,636</u>	<u>259,102</u>
Less business expenses	-	-	-	-
Total to be apportioned	<u>240,460</u>	<u>259,276</u>	<u>254,636</u>	<u>259,102</u>
Apportionment formula	39/345	55/365	51/365	34/366
Income apportioned to Calif.	<u>\$ 27,171</u>	<u>\$ 39,072</u>	<u>\$ 35,572</u>	<u>\$ 24,072</u>
<u>California income</u>				
Residual compensation	11			
Interest (1)	-	-	-	-
Improvements to San Clemente	43,625	15,635	6,963	391
Income Mother's Estate	322			
Whittier rental	(5,699)	(6,188)	(5,715)	(6,448)
Gain on sale of San Clemente property (50% NLTCG)		58,918		
Royalty income (2)	710	8,880	367	-
<u>ADJUSTED GROSS INCOME</u>	<u>\$ 66,140</u>	<u>\$116,317</u>	<u>\$ 37,187</u>	<u>\$ 18,015</u>
<u>Deductions</u>				
<u>California contributions</u>				
UCLA Alumni Ass'n		\$ 100		
Whittier College	\$ 500		\$ 100	
Nixon Foundation (3)			10,385	
E. Whittier Friends Church	250		1,000	
E. Whittier YMCA		250		
So. Calif. School Theology				200
Total	<u>750</u>	<u>350</u>	<u>11,485</u>	<u>200</u>
Excess over 20% of AGI	-	-	(3,998)	-
Allowable deduction	<u>\$ 750</u>	<u>\$ 350</u>	<u>7,437</u>	<u>\$ 200</u>
<u>California interest expense</u>				
Elmore		\$ 6,000		
Ogden		75,000	\$ 38,045	\$ 17,437
Abplanalp (4)		11,955	11,955	21,425
Total	-	<u>\$ 92,955</u>	<u>\$ 50,000</u>	<u>\$ 38,862</u>
<u>California taxes</u>				
Real property - San Clemente	\$ 7,561	\$ 12,953	\$ 11,346	\$ 17,402
California sales tax	2,256	486	-	-
California gas tax	20	9	17	59
License tags - net		20	19	
Total	<u>9,837</u>	<u>13,468</u>	<u>11,382</u>	<u>17,461</u>
Total deductions	<u>10,587</u>	<u>106,773</u>	<u>68,819</u>	<u>56,523</u>
<u>TAXABLE INCOME (LOSS)</u>	<u>\$ 55,553</u>	<u>\$ 9,544</u>	<u>(\$ 31,632)</u>	<u>(\$ 38,508)</u>

Richard M. and Patricia Nixon
Income as Nonresidents of California

	Calendar Years			
	1969	1970	1971	1972
Regular Tax	\$ 4,115.30	\$ 176.32	-	-
Minimum Tax (5)	-	-	-	-
Total tax before credits	4,115.30	176.32	-	-
Credit for personal exemptions (6)	8.26	19.64	-	-
Tax	4,107.04	156.68	-	-
Penalty (§18681-failure to file-25%)	1,026.76	39.17	-	-
TOTAL TAX & PENALTIES	\$ 5,133.80	\$ 195.85	-	-

- (1) Interest received United Calif. Bank not taxable by Calif. under Reg. 17951-17954(f)(2).
- (2) Royalty income from book "Six Crises" written in Calif.
- (3) Contribution of royalty income to the Nixon Foundation - a charitable/educational Calif. organization.
- (4) Interest expense paid Alplanalp limited to \$400,000 invested in property or \$400,000 at 8% 7/11/69 - 12/15/70 for a total of \$45,335.

Year	Amount	Ratio	Deduction
1970	\$15,000	45,335/ 56,883	\$11,955
1971	15,000	"	11,955
1972	26,883	"	21,425
	\$56,883		\$45,335

- (5) Minimum tax - the California tax on preference items did not become effective until 1971. The only preference deduction after 1971 was investment interest which did not exceed the \$30,000 exemption.

(6) Exemption Credit					
1969	\$58.00	x	66,140/464,235	=	\$ 8.26
1970	58.00	x	116,317/343,427	=	\$19.64