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President's tax file

APR 14 1975

MEMORANDUM TO THE HONORABLE WILLIAM E. CASSELMAN II
Counsel to the President

Re: Reply to GAO Concerning Flight by Julie Nixon Eisenhower

This is in response to your memorandum to this Office of March 5, 1975, requesting a review as to form and legality of a proposed response by the White House to a series of questions posed by the General Accounting Office (GAO). These questions concerned a series of "courier" flights from Washington to former President Nixon in San Clemente and the presence of Julie Nixon Eisenhower on one of those flights.

It is our opinion that the courier flights were properly authorized by the President as Commander-in-Chief, because they involved a proper military mission--that is, as we have been informed was the fact, transmission of military and diplomatic information and intelligence to a person whom the President would have had to call upon in the event of war or national emergency at that time.

The particularly abrupt elevation of Mr. Ford to the Presidency necessitated coordination with Mr. Nixon for a limited period of time. The need for such coordination is explicitly recognized in the Presidential Transition Act of 1963, Pub. L. No. 88-277, March 7, 1964, 78 Stat. 153. That Act (section 4) authorizes the provision of services and facilities to former Presidents for a period up to six months, in furtherance of the stated purpose "to promote the orderly transfer of the executive power in connection with the expiration of the term of office of a President and the inauguration of a new President" (section 2). In the absence of contrary statute, the determination by the President in his role as Commander-in-Chief that a particular mission is properly a military one would ordinarily be conclusive. In this light, the transmission of information to Mr. Nixon during this brief period is fully justifiable as a defense mission.

As for the President's authorization of Julie Nixon Eisenhower's unreimbursed travel on one of those courier flights: The proposed response to GAO which you sent to this Office states:

> "The Commander-in-Chief, Secretary of Defense, Secretary of the Army, Secretary of the Navy and Secretary of the Air Force may authorize private citizens to travel via Government aircraft when it is of benefit to the United States Government or for compassionate reasons. This authority is . . . covered by Department of Defense regulations in granting authority to the Secretaries."

After discussion with the General Counsel's office in DOD, we have concluded that no regulations exist which would be applicable to Mrs. Eisenhower's travel. Certain regulations provide for the transportation of private citizens to save their lives, see DOD Reg. 4515.13-R, ¶ 11-7b, ¶ 14-6b; Memorandum from the Deputy Assistant Secretary of Defense (Supply, Maintenance & Services) to the Assistant Secretaries of the three branches, dated April 28, 1972 (hereinafter "Memo"). Others provide for transportation of specific DOD-related persons for compassionate or humanitarian reasons, see, e.g., DOD Reg. 4515.13-R, ¶ 4-5a(6), ¶ 4-6b(2). Regulations also provide for so-called "National Interest Traffic," but only when the head of an agency certifies that commercial air service is not available or readily obtainable and that such transportation serves the national interest, i.e., is "beneficial to the political or economic interests of the U.S." See DOD Reg. 4515.13-R, ¶ 2-3s, 6-1c(1); see also DOD Directive 4500.9, ¶ IV.F.1.b.; Memo. None of these regulations appear to apply to Mrs. Eisenhower's flight.

The types of transportation authorized by the above-mentioned regulations, however, have no more statutory basis than did Mrs. Eisenhower's carriage. They must be considered expressions of a reasonable approach to the exercise of the authority given to the President "to direct the movements of the naval and military forces placed at his command . . . ." Fleming v. Page, 9 How. (50 U.S.) 603, 615 (1850) (Taney, Ch.J.). That is, in the absence of an expression of a contrary intent by Congress, see, e.g., 18 U.S.C. § 1385, the President must be deemed authorized by the Constitution to utilize the troops and equipment under his command for reasonable purposes, even if they are not purely military in nature. The carrying of a sick or injured person to a hospital to save his life, the carrying of supplies to a disaster-struck area, or even the carrying of a person to be with a seriously ill member of his or her immediate family may be considered reasonable under the circumstances of the particular case.

Section 638a(c)(2) of Title 31, United States Code, may be read as indicating that Congress does not disapprove such use at least of aircraft placed at the President's command for his official use. That paragraph generally makes it unlawful for government aircraft to be used other than "exclusively for official purposes." It provides, however, that "the limitations of this paragraph shall not apply to any . . . aircraft for official use of the President," thus indicating that aircraft dedicated to the official use of the President need not be used "exclusively" for official purposes. Inasmuch as the courier flight carrying Mrs. Eisenhower involved an aircraft which had been dedicated to the "official use of the President," as apparently all aircraft of the 89th Military Support Group are; and inasmuch as that aircraft was engaged primarily on official business; the authorization to allow Mrs. Eisenhower to fly on a space-available basis may be seen as within the contemplation of Congress that the President's planes need not be used exclusively for official purposes.

In a sense, therefore, the President's authorization of Mrs. Eisenhower's carriage has stronger presumptive validity than the types of transportation explicitly authorized in the DOD regulations cited above. The latter are not, as far as we are aware, supported by any implicit statutory approval. Nonetheless, there exists the problem of reconciling the President's authorization of Mrs. Eisenhower's flight with the DOD regulations, since ordinarily the executive branch cannot act in violation of its own regulations, even if it has the power to change those regulations. This problem exists not merely with respect to the authorization of Mrs. Eisnehower's carriage but also with respect to the issue of reimbursement for it. DOD regulations set forth the general rule that transportation of non-U.S. Government traffic is reimbursable, see DOD Reg. 4515.13-R, ¶ 6-1c2; DOD Directive 4500.9, ¶ IV. F.1.b. An exception is made "for any services of a humanitarian nature performed in certain emergency situations such as lifesaving transportation for non-U.S. Armed

Forces patients, search and rescue operations, and airlift of personnel and supplies to a site of disaster." DOD Reg. 4515.13-R, ¶ 6-4b. While the carriage of Mrs. Eisenhower to California might be termed "humanitarian," it probably was not performed within one of those "certain emergency situations" contemplated by the regulations, if only because of the existence of alternative commercial means of transportation.

In our view it can persuasively be argued that the problem of inconsistent regulations, as to both the authorization of Mrs. Eisenhower's flight and the waiver of reimbursement, is resolved by the fact that the regulations should not be deemed applicable to aircraft assigned to the President's own use. It is certainly unlikely that the President was meant to be bound, with respect to matters bearing immediately upon his own functions and activities, by the orders of subordinates in the chain of command. The regulations restricting use of aircraft generally, should therefore not be interpreted to apply to aircraft in actual use by the President, at least when he specifically directs an action that is contrary to them.

The above discussion sets forth what we regard as the best legal argument to support the action taken by the President. Except with regard to the propriety of the courier flights themselves, however, the Presidential authority is questionable enough that it would seem to us unfortunate to provoke its first test in a factual context which is so trivial and unappealing. We therefore recommend a low-keyed and conciliatory reply to GAO, avoiding use of the phrase "inherent power," which will only serve to excite those Members of Congress who initiated this inquiry. We would suggest a reply along the lines of the attached.

Antonin Scalia
Assistant Attorney General
Office of Legal Counsel

Attachment

Attachment

1. Question What is the authority for the periodic courier flights to Mr. Nixon?

Answer After Mr. Nixon left office, there were three courier flights to San Clemente at the direction of President Ford acting as Commander-in Chief. These flights carried up-to-date classified information to Mr. Nixon so that he would remain informed with regard to international and military affairs. President Ford, lacking a normal transition period for his Presidency, felt that he might well require consultation on an emergency basis with Mr. Nixon regarding these matters, and he desired that Mr. Nixon's advice be based on the most current information.

In addition, at least the flight which carried Mrs. Eisenhower also carried six White House communications personnel who were to dismantle the extensive defense communications system at San Clemente.

These flights, therefore, at the direction of the President as Commander-in-Chief, were all operational flights of Air Force planes engaged in missions properly assigned to the military.

2. Question How long is it anticipated that these flights will continue?

Answer The last courier flight was October 4, 1974, and no further flights are contemplated.

3. Question What is the authority relied upon for allowing a private citizen to travel as a passenger on a Government aircraft?

Answer We are not aware of any statutory authority specifically granting the President the power to allow private citizens to travel on Government aircraft. Neither are we aware, however, of any specific limitation on the President's general command authority over military personnel and equipment which would bar him from allowing private citizens in certain compelling situations to ride on a space-available basis in military aircraft otherwise engaged on official business. Department of Defense Regulations of long standing have authorized, in the absence of positive statutory law, the use of military aircraft to transport private citizens in order to save their lives or otherwise to benefit the nation; we believe the Congress has been aware of this practice. So also, it has been a settled practice to transport the children of former Presidents to their fathers when the latter were critically ill. In light of this settled practice, the absence of contrary law, and the fact that neither appropriated funds nor the defense mission would be affected, the President authorized the carriage of Mrs. Eisenhower on the courier flight.

4. Question — Will the Government be reimbursed for the value of Mrs. Eisenhower's flight?

Answer — As has been the settled practice, both with regard to the children of former Presidents and with regard to other humanitarian missions, the carriage of Mrs. Eisenhower was not reimbursed. The policy of not seeking reimbursement on humanitarian missions is reflected in DOD Regulation 4515.13-R, ¶ 6-4b. Of course since Mrs. Eisenhower flew on a space-available basis, no expenditure of Government funds was involved. [If, however, the Congress feels that reimbursement of the equivalent one-way commercial air fare is necessary to preserve the integrity of the Government fisc, then the President will insure that reimbursement will be made.] */

5. Question — Will such flights by Mrs. Eisenhower or others be allowed on subsequent occasions?

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*/ This bracketed sentence might be omitted.

NEW YORK TIMES 4/16/80

# CARTER NET WORTH NOW BELOW MILLION

## '79 Tax Return Gives $80,000 Loss in Peanut Business — Refund of $16,703 Is Claimed

By STEVEN R. WEISMAN
Special to The New York Times

WASHINGTON, April 15 — President and Mrs. Carter today made public their 1979 income tax return and other documents showing that their net worth fell below the $1 million level it reached in 1978, in part because of soaring interest costs that affected the family peanut business.

In part because of a nearly $80,000 loss in the peanut business and in part because of a $14,500 credit for taxes already paid, the President claimed a refund of $16,703.59 for 1979.

Mr. Carter ended up paying $64,944.81 in taxes for 1979. He took three exemptions — for himself, his wife and his daughter Amy.

Mr. and Mrs. Carter's net worth as of Dec. 31, 1979, was $893,304.35, nearly $113,000 below the level of $1,005,910 the year before. They listed $529,332.10 in personal assets held in trust by Charles H. Kirbo, Mr. Carter's longtime friend, who oversees the family business.

### Home Valued at $89,400

The Carter family's assets were shown to be significantly liquid, with more than $291,000 in savings accounts, certificates, Treasury bills and savings bonds. The estimated value of the family home in Plains, Ga., was $89,400.

The return showed that the President claimed a loss of $79,609.52 in income from the trust, but there was no disclosure of the causes. The White House said he would disclose details of the business's finances next month, when such disclosure is required by Federal law.

But Jody Powell, the White House spokesman, said the business loss was in large part because of the increased cost of a loan on peanut-shelling equipment, the interest rate of which is pegged to 1.5 points above the level of prime.

Mr. Carter's return showed an adjusted gross income of $193,823.77. Included was $237,499.98 in salary income and $22,670.53 in interest income.

Until last year, the President listed his salary income as $250,000, consisting of $200,000 in straight salary and $50,000 for personal expenses. A law that went into effect last year required that the $50,000 for expenses not be counted as income. Instead, it is to be set aside for expense purposes, with any unspent portion returned.

The law went into effect last Oct. 1, which accounts for roughly $37,500 listed as regular income. The income tax return showed that Mr. Carter actually spent only $1,703.46 for expenses in 1979.

In distributing the returns, Mr. Powell said it had been the President's practice to disclose his income since his days as Governor of Georgia. In response to a question, Mr. Powell criticized Senator Edward M. Kennedy, the Massachusets Democrat who is challenging Mr. Carter for renomination, for allegedly not doing the same.

### Kennedy to Disclose Data

He asserted that Senator Kennedy had disclosed "a few bits and pieces" of financial information but had not kept what he said had been a pledge to make full disclosure. A spokesman for Senator Kennedy, Jim Flug, said "of course" Mr. Kennedy would disclose his return, which he said would be submitted by midnight tonight.

A spokesman for Ronald Reagan, the Republican Presidential candidate, said the former Governor of California had no intention of disclosing his income tax returns "at this point." A spokesman for George Bush, the former Congressman, diplomat and Director of Central Intelligence who is also seeking the Republican nomination, said Mr. Bush was undecided whether to disclose his returns.

Keke Anderson, wife of Representative John B. Anderson, the Illinois Republican aspirant, said Mr. Anderson had every intention of disclosing his tax return "as soon as he can."

Vice President Mondale also made his income tax return available today, showing that he paid $23,429 last year on an adjusted gross income of $89,424. Mr. Mondale got a $3,810 refund because of overpayment. He reported $76,031 in salary and $155 in interest income, and $10,430 in expense account allowances, with $6,070 in expense allowances returned to the Government because the money was not spent.

The Carters claimed $43,090.64 in itemized deductions, which included $15.53 in postage, $1,578.73 in fees for the administration of the family trust, $11,690.69 in professional services to Mr. Kirbo and others, $15.75 in dues and $14,414.70 in state, local, real estate, sales and property taxes. The President also paid $45.04 in interest for credit cards, an expense he also deducted.

He included $2,048 in income for transportation furnished by the Government. He gave $15,438.50 to charities that the White House would not specify.

The return was prepared by Robert Perry, an accountant in Americus, Ga., who has long done Mr. Carter's returns.

# PRESIDENT LISTS PERSONAL ASSETS

## Campaign Pledge Fulfilled —Net Worth Up $67,000 Since He Took Office

By JAMES M. NAUGHTON
Special to The New York Times

WASHINGTON, Feb. 12— President Ford, fulfilling a campaign pledge to disclose his personal finances, made public today documents showing that his net worth had increased by slightly more than $67,000 since he became President.

According to a financial statement issued at the White House, Mr. Ford's personal financial

*Details of Ford's Finances appear on page 31.*

worth increased to $323,489 at the end of 1975 from the $256,-378 listed at the time he became President in August 1974.

In making public details of Mr. and Mrs. Ford's finances dating to 1966, the White House spokesman, Ron Nessen, stressed that Mr. Ford consistently paid "a very large percentage of his income" in Federal, state and local taxes.

### Contrast With Reagan

The documents showed that $106,200 of Mr. Ford's $250,000 salary and expenses as President last year was withheld for Federal tax purposes and that Mr. Ford paid 42 percent of his gross income in Federal, state and local taxes for 1974.

The disclosures, less than two weeks before the Feb. 24 presidential primary in New Hampshire, apparently were designed to prod Mr. Ford's rival, Ronald Reagan, into making a comparable listing of personal finances.

They also served to draw attention to the contrast between the two Republican candidates' wealth and tax payments.

Mr. Reagan, a millionaire, acknowledged in 1971 that he paid no state taxes on his $44,000 income as Governor of California in 1970.

"His own personal philosophy," Mr. Nessen said today of the President, "is to not make any effort to find things that some people find to avoid taxes."

Earlier this week, in a conversation with a group of reporters, the President said he would make his financial statement public because "it is good for the electorate to know what all candidates have as far as assets and liabilities, and also what they paid or didn't pay in Federal and state income taxes."

The White House said that most of the appreciation in the President's net worth since he took office was the result of an increase in the estimated value of three properties owned by Mr. and Mrs. Ford and in the value of life insurance investments.

The documents listed valuations of $90,000 each on the house Mr. Ford owns in Alexandria, Va., and a condominium he owns in Vail, Colo., and $30,000 on a house in his hometown of Grand Rapids, Mich.

Before he took office, the President's Virginia house was valued at $70,000, the Colorado condominium at $65,000 and the Michigan house at $25,000.

The President's net worth was listed at $256,378 when he was confirmed as Vice President in late 1973. The White House said a few days after Mr. Ford became President in August 1974 that there had been no significant change in his personal finances since late 1973.

The Ford data made public today contrasted strikingly with the financial data on his predecessor, Richard M. Nixon.

Mr. Nixon's net worth in May 1973 was $988,522, more than three times the $307,141 he listed when he became President in 1969.

Mr. Ford's records showed that he paid $256,615 in Federal income taxes for the years 1966 through 1974 on total earnings of $754,605 as a member of Congress, Vice President and President.

By contrast, Mr. Nixon paid $78,650 in income taxes on total earnings of $1,122,254 for the years 1969 to 197? After investigations by the Internal Revenue Service and a joint committee of Congress, Mr. Nixon's deductions for gifts of his personal papers to the Government were disallowed and he was billed for $432,787 in back taxes.

The White House said details of Mr. Ford's 1975 income tax payments would be made public after the President and his wife file their return. In addition to the $106,200 withheld from Mr. Ford's biweekly paychecks last year, the White House said he had paid $9,123 in estimated Michigan income taxes.

Mr. Nessen said that the material made public today was prepared with the assistance of Mr. Ford's longtime accountant in Grand Rapids, Robert J. McBain.

The documents showed that, like many other Americans, Mr. Ford had not managed to save any money although his salary soared from $62,500 as Vice President to the $200,000 salary and $50,000 expenses he receives as President.

A statement of assets showed Mr. Ford had $1,239 in cash in banks on Dec. 31, 1975. In September 1973, he had $1,-281.

Mr. Ford's modest holdings in the stock market — 135 shares in Central Telephone of Illinois and 72.026 shares in a mutual fund, Stein Roe Farnum Balance Fund — depreciated during the bear market of 1975. They were valued at $3,942 at the end of 1975, at $4,539 in 1973.

Asked what had become of the President's salary and why he had not been able to accumulate savings, Mr. Nessen said he did not know what Mr. Ford "spends his money on." But he said the President had four children in college in one calendar year, that Mrs. Ford had purchased clothing and that the President paid his own personal expenses for food and entertainment.

According to a study of candidates' financial disclosures made public this evening by Common Cause, the self-styled citizen lobby, Mr. Reagan's only recent disclosure, was a "statement of economic interests" filed in California in January 1975.

A statement issued by Common Cause said that Mr. Reagan gave no total of income, assets or liabilities for the period covered, April 1, 1974 through Jan. 6, 1975.

### Reagan Reaction

CHICAGO, Feb. 12 (AP)— Mr. Reagan said tonight that he planned to release "some additional information" to update a financial statement that he said he filed upon leaving the California governorship.

After a delayed arrival at O'Hare International Airport for a one-day campaign tour in northern Illinois, Mr. Reagan said he "didn't know" President Ford had released a financial statement earlier in the day.

Asked whether he would release a similar financial disclosure, Reagan said, "There is a California law . . . that requires anybody upon leaving office to make a financial statement.

"There has bee no change in my situation since then," he said.

Mr. Reagan filed a "Statement of Economic Interests" with the California's Secretary of State" in January 1975. He listed three estate properties, including two ranches, with values of more than $10,000 each. He also listed investments over $10,000 each in Continental Illinois Properties, Beneficial Standard Investors and Salant Corporation. All of these are in revokable trusts created by Mr. Reagan in 1966, the year he became Governor.

Mr. Reagan owns three pieces of real estate in California with a total market value, according to public records, of $2,363,000. His total worth is not known, however.

The San Francisco Examiner estimated Mr. Reagan's 1975 earnings from lectures, his radio show and newspaper columns at $700,000 and said it was the most money he had ever made in one year.

# Details of Ford's Net Worth and His Financial Affairs

*WASHINGTON, Feb. 12—The White House made public today the following details of President Ford's personal net worth and financial affairs:*

**THE HONORABLE GERALD R. AND ELIZABETH B. FORD**
**STATEMENT OF NET WORTH**
**DECEMBER 31, 1975**

**ASSETS**

| | | |
|---|---|---|
| Cash in Banks | | $ 1,239 |
| Securities: | | |
| Ford Paint and Varnish Co.—Debenture Bonds | $ 9,031 | |
| Central Telephone of Illinois—Stock | 2,734 | |
| Stein Roe Farnum Balance Fund—Stock | 1,208 | 12,973 |
| Cash Value—Life Insurance: | | |
| Gerald R. Ford (Face Value $25,000.00) | $ 8,267 | |
| Elizabeth B. Ford (Face Value $5,000.00) | 1,634 | 9,901 |
| U.S. Congressional Retirement Fund—Contributed Cost | | 53,701 |
| Real Estate: | | |
| Residence — Alexandria, Virginia | $90,000 | |
| Condominium — Vail, Colorado | 90,000 | |
| Rental Dwelling — Grand Rapids, Michigan | 30,000 | |
| Cabin—South Branch Township, Michigan (1/4 Interest) | 2,000 | 212,000 |
| Furnishings and Personal Effects: | | |
| Residence | $20,000 | |
| Condominium | 6,000 | |
| Rental Dwelling | 2,000 | 28,000 |
| Automobiles and Other Vehicles | | 6,875 |
| TOTAL ASSETS | | $324,689 |

**LIABILITIES**

| | |
|---|---|
| General Bills Outstanding | $ 1,200 |
| NET WORTH | $323,489 |

**NOTES**

The Cash in Bank consists of accounts at the Central Bank N.A. Grand Rapids, a business account and a personal account at the First National Bank of Washington.

The Debenture Bonds are with the Ford Paint and Varnish Co.

The Stock consists of 135 Shares of Central Telephone of Illinois and 72.206 Shares of Stein Roe Farnum Balance Fun.

All securities were valued as of December 31, 1975.

The cash value Life Insurance was supplied by New England Mutual Life Insurance Company.

The U.S. Congressional Retirement Fund represents your contributed cost to December 31, 1975.

The value of the Real Estate, Furnishings and Personal Effects represent estimated market values determined by you and are in excess of the original cost.

The automobiles and other vehicles consist of a 1974 Jeep, 1972 Jeep and a 1971 Mustang. These vehicles were valued by Orson E. Coe, owner of Coe Pontiac, Grand Rapids, Michigan.

The general bills outstanding are estimated miscellaneous items unpaid at December 31, 1975.

**Income and Tax Information for the President and Mrs. Ford—1966/1974**

| Year | Gross Income | Taxable Income | Deductions: Medical | Deductions: Contributions | Deductions: State, Local & Other Taxes | Deductions: Interest & Others | Federal Income Tax | All Taxes As % of Income |
|---|---|---|---|---|---|---|---|---|
| 1966 | 59,513.65 | 50,267.90 | 277.79 | 1335.00 | 1012.55 | 20.41 | 17,389.05 | 31% |
| 1967 | 71,608.55 | 60,827.53 | 150.00 | 2960.00 | 1071.02 | .... | 22,896.16 | 33 1/3% |
| 1968 | 68,952.43 | 56,759.55 | 150.00 | 2353.20 | 3089.68 | .... | 22,617.43 | 37% |
| 1969 | 80,741.96 | 67,838.99 | 611.98 | 2125.50 | 3565.51 | .... | 29,610.90 | 41% |
| 1970 | 94,322.11 | 80,944.31 | 1001.18 | 1892.50 | 3348.91 | 385.21 | 35,121.09 | 41% |
| 1971 | 71,114.58 | 55,308.68 | 1886.45 | 2187.00 | 4090.02 | 592.43 | 20,390.53 | 34 1/2% |
| 1972 | 67,927.41 | 53,723.20 | 150.00 | 2286.25 | 4036.85 | 221.00 | 20,296.75 | 36% |
| 1973 | 92,745.40 | 77,867.06 | 150.00 | 2760.20 | 4297.38 | 170.76 | 31,997.58 | 39% |
| 1974 | 147,683.10 | 128,472.96 | 150.00 | 5849.00 | 5984.71 | 2726.43 | 56,296.49 | 42% |

1975 The President and Mrs. Ford's Tax Returns for 1975 have not yet been prepared. The following figures available:

| Gross Income | Federal Income Tax Withheld | Payment of Michigan Income Tax (Estimated) |
|---|---|---|
| 250,000.00+ | 106,200.00 | 9,123.00 |

file : TAXES – PRESIDENT'S

W. Post
4-17-83

# The Reagans Incurred No IRS Penalty for Withheld Income Tax

The Washington Post received dozens of phone calls yesterday asking if President Reagan and his wife will be penalized by the Internal Revenue Service for not having 80 percent of their anticipated tax bill withheld last year.

The Reagans paid $292,616 in taxes on a total 1982 income of $741,253. Eighty percent of their total taxes would have been $234,093. But $168,034 was withheld: $68,034 from the president's $200,000 salary and $100,000 in estimated tax payments.

The president wrote a check for $124,582 Thursday night to cover the balance owed.

The Reagans will not be penalized for the withholding shortage, however. IRS rules require only that an amount equal to the previous year's tax bill be withheld.

In 1981 the Reagans' tax payment totaled $165,291. The $168,034 set aside for this tax year exceeds that amount by $2,743. That keeps the Reagans free from any penalty payment.

—*Juan Williams*

# How One Family Gained From New Tax Policies

4-16-83

By ROBERT D. HERSHEY Jr.

Special to The New York Times

WASHINGTON, ~~April 15~~ — Ronald W. & Nancy D. Reagan, occupations President and First Lady, saved about $44,000 in Federal income taxes because of legislation adopted in Mr. Reagan's term, an analysis of the Reagans' 1982 tax return shows.

In addition, the Reagans, whose net worth is estimated at $4 million to $5 million, have benefited by a further tax saving of about $4,000 that resulted from an adjustment in the law since he took office but for which he was not directly responsible.

The Reagans' tax return, signed Thursday and distributed today by the White House, provides new information about their finances and generally reflects a continued conservative approach to tax matters.

It also shows that, despite a promise last year to be more generous with charitable donations, these rose only a few thousand dollars, to $15,563, out of a total income of $741,253. The President's salary is $200,000 a year.

But the return is interesting in illustrating how the Reagans' tax situation has been helped by the tax policies Mr. Reagan has prescribed.

**Two Propositions Supported**

It tends to confirm these two important, but seemingly contradictory, propositions:

¶The well-to-do have indeed gained far more than the average citizen from the fairly ambitious reductions that have been made in tax rates since Mr. Reagan came to office.

¶The well-to-do are likely to pay more in taxes than they did before.

The calculations of the effect of the President's policies on his personal taxes were made this afternoon by a partner of one of the nation's Big Eight accounting firms with the aid of a computer. He asked that, for professional reasons, because of the limited time available, he not be identified.

A key part of the Reagans' return this year is the sale Jan. 29, 1982, of their home in Pacific Palisades, a Los Angeles suburb. This property, which was originally on the market for $1.9 million, brought $1,000,100. The Reagans' cost, including various improvements, was $184,120.

Eighty percent of the sale price, or $800,000, was received in 1982 with the balance deferred to an unspecified date. The bulk of the proceeds received appear to have been transferred, as the White House indicated previously, to the blind trust set up for Mr. Reagan when he took office.

The trust, started with $740,000 from the sale of stocks and other assets, is handled by Raymond J. Armstrong, president of the Starwood Corporation, a relatively small New York investment manager.

Mr. Armstrong would not provide the current size of the trust or how the Reagan investments fared in the big stock and bond market rally that began last summer. "I'm pleased," was Mr. Armstrong's only comment.

In selling the house, the Reagans took advantage of the one-time exclusion, now $125,000, available to people over 55 years old who sell homes that have been their principal residence.

The Reagan-sponsored Economic Recovery Tax Act of 1981 raised this exclusion from $100,000, thereby saving the Reagans $4,000.

If they had waited much longer to sell the house, which they bought in 1955, they would have lost the exclusion since they would not have met the test of living in it for at least three of the most recent five years. Had they sold it much sooner, their tax bill would have been tens of thousands of dollars higher.

The tax professional also pointed out that had the sale been followed within 24 months by occupancy of a new, owned principal residence, part or all of the $720,000 gain after expenses could have been deferred.

The return gives no clues on Mr. Reagan re-election plans.

But the overwhelming benefit to the Reagans from the 1981 tax law was the provision that reduced the highest tax bracket on all income to 50 percent from 70 percent. Previously it was only "earned" income that was limited to 50 percent.

This cut, the calculations showed, saved the Reagans about $47,000 on their 1982 return, including some benefit for the house sale. An additional $1,000 or so in savings came from the cuts they and most other Americans got from the 10 percent tax cut last July 1. The third installment — there had been a 5 percent cut in October 1981 — is scheduled to take effect this July.

Although the Reagans have so far gained about $48,000 in tax benefits from policies he initiated, it is also true that their taxes have risen sharply. The Reagans' total liability of $292,616 this year was up from $165,641 last year and $67,465 in 1980.

It is uncertain that the tax cuts were a factor in the decision to sell the Pacific Palisades home but the large increase in their tax bill is what many predicted would happen to the wealthy. The Reagans can be expected to retire eventually to their 688-acre ranch near Santa Barbara.

Supply-side economics, with its lower tax rates, is based on increasing the incentive to earn more money. This results in higher reported incomes and higher actual taxes.

The Reagans' return showed, not surprisingly, that neither he nor his wife invested in an individual retirement account. A taxpayer may be no more than 70½ years old by the end of the year in which he buys an I.R.A.; Mr. Reagan recently turned 72.

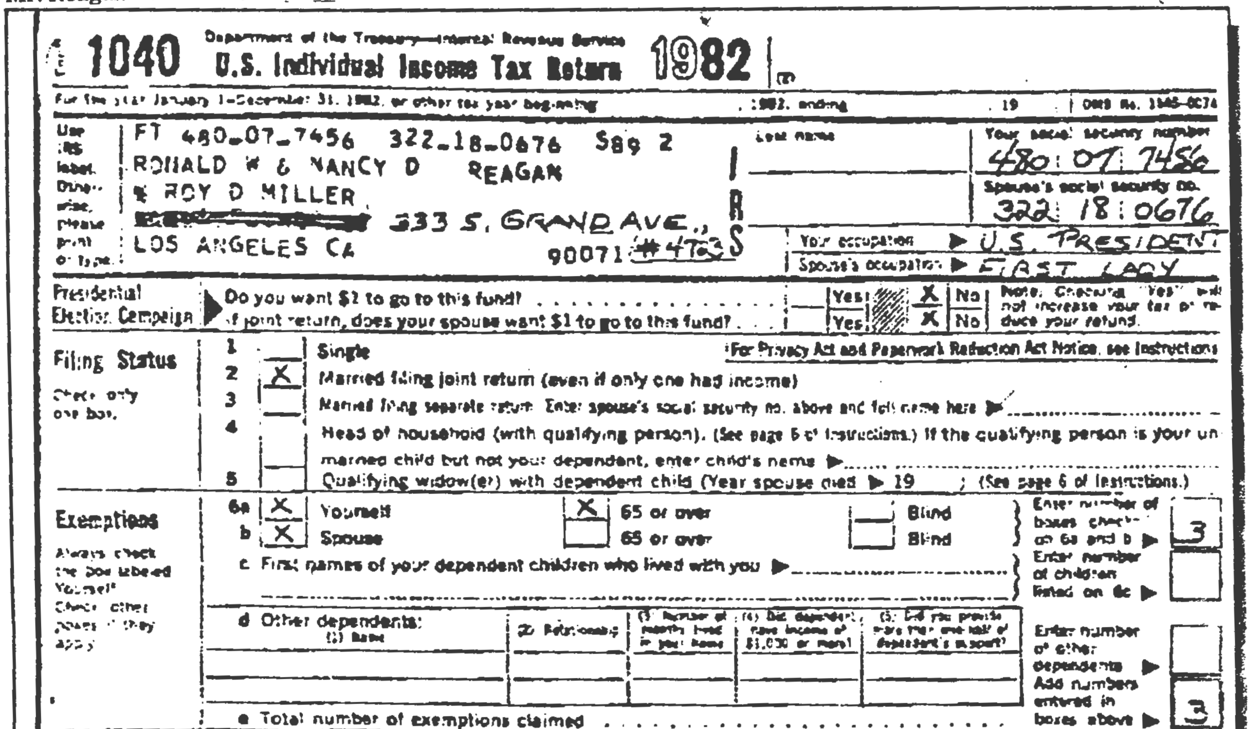
The return also showed that the contributions to charity broke down as follows: $9,963 in unspecified cash contributions; a cash gift of $5,000 to Eureka College in Illinois, his alma mater; and the donation by Mrs. Reagan to The Colleagues, a Los Angeles organization, of an ornamental wrought iron table and four chairs "in perfect condition" valued at $600.

Fees for legal work and tax preparation, performed by the Los Angeles firm of Gibson, Dunn & Crutcher totaled $36,172 for 1981, producing an deduction of that amount for 1982.

Although the size of the blind trust is not known, the Reagans' return showed it generated $158,000 in income last year, up from $76,500 in 1981. The management fee was $7,200.

Once again, the Reagans did not choose to have $2 of their taxes earmarked for public campaign financing.

The Reagans underestimated their ultimate liability by $16,515, but a White House spokesman said there was no penalty, apparently because this was within the permissible range. The final payment, the "amount you owe," was $124,582.



1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 1982

For the year January 1–December 31, 1982, or other tax year beginning , 1982, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.
FT 480-07-7456 322-18-0676 S89 2
RONALD W & NANCY D REAGAN
% ROY D MILLER
[redacted] 333 S. GRAND AVE., #4763
LOS ANGELES CA 90071

Last name | Your social security number 480 07 7456 | Spouse's social security no. 322 18 0676

Your occupation ▶ U.S. PRESIDENT
Spouse's occupation ▶ FIRST LADY

Presidential Election Campaign ▶ Do you want $2 to go to this fund? Yes No X
If joint return, does your spouse want $1 to go to this fund? Yes No X
Note: Checking "Yes" will not increase your tax or reduce your refund.

Filing Status — Check only one box.
1 Single — For Privacy Act and Paperwork Reduction Act Notice, see Instructions
2 X Married filing joint return (even if only one had income)
3 Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 Head of household (with qualifying person). (See page 6 of Instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name ▶
5 Qualifying widow(er) with dependent child (Year spouse died ▶ 19 ). (See page 6 of Instructions.)

Exemptions — Always check the box labeled Yourself. Check other boxes if they apply.
6a X Yourself X 65 or over Blind
b X Spouse 65 or over Blind
Enter number of boxes checked on 6a and b ▶ 3
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶
d Other dependents: (1) Name (2) Relationship (3) Number of months lived in your home (4) Did dependent have income of $1,000 or more? (5) Did you provide more than one-half of dependent's support?
Enter number of other dependents ▶
e Total number of exemptions claimed
Add numbers entered in boxes above ▶ 3

Income 7 Wages, salaries, tips, etc. SCHEDULE ATTACHED 7 200920
8 47,061

The White House via United Press International

Part of the 1982 income tax return submitted by Ronald W. & Nancy D. Reagan, U.S. President and First Lady.

# Tax Changes Helped Reagans

4·24·83

By Juan Williams
Washington Post Staff Writer

Taxpayer Ronald Reagan saved $91,619 on his 1982 taxes—about one-third of what he otherwise would have owed—as a result of legislation signed in the last two years by President Ronald Reagan.

But he owed his good fortune in part to Congress as well as to his own proposals. Congress sweetened his recommendations in a way that gave him a bigger tax cut for 1982 than he would have given himself.

The president and Mrs. Reagan, who filed their tax return April 14, would have paid $384,235 in taxes without the benefit of the new legislation. But with the amendments to the code, principally the cut in the maximum tax on unearned income from 70 to 50 percent, they paid $292,616.

The savings were confirmed in an analysis of the Reagans' tax returns by Ross L. Collins II, a certified public accountant in McLean, at the request of The Washington Post.

The tax on the Reagans' 1982 income of $741,253 was calculated by Ross on both a 1980 tax form—the last in use before his proposals took effect—and a 1982 tax form, keeping the amounts and types of income the same. The bottom-line difference was that changes in the law saved the Reagans $91,619—more than 10 percent of their adjusted gross income and nearly a third of the total taxes they otherwise would have owed.

Reagan has been criticized for pushing tax cuts mainly for the rich while cutting social programs meant to protect the poor. His own return is an illustration of what his policies meant to one rich family. The Reagans still paid almost 40 percent of their income in taxes, however.

Not all of the Reagans' tax savings can be directly linked to the president's original "supply-side" plan to reinvigorate the economy by cutting taxes and putting more money into the hands of investors and buyers.

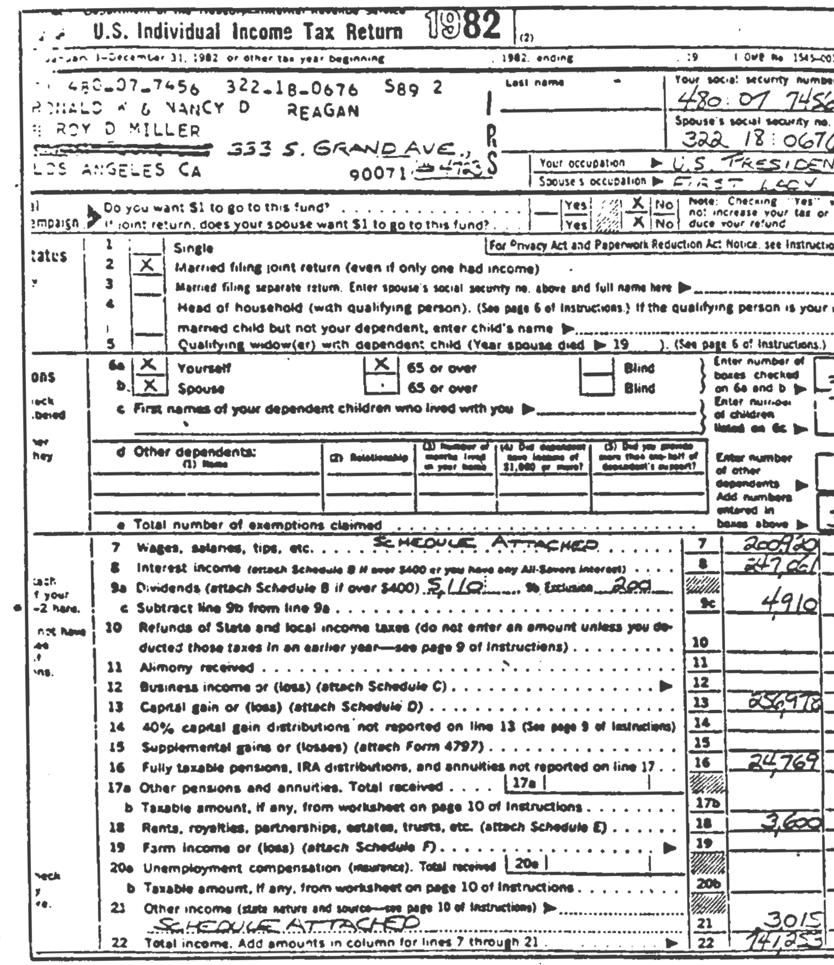
Reagan had planned to reduce the maximum tax on unearned or investment income—dividends, interest, capital gains from the sale of real estate or other assets—from 70 to 50 percent gradually over three years. But Congress offered, and Reagan accepted, an immediate cut in this tax rate to 50 percent in 1981.

The Reagans' largest single source of income last year was unearned income from the sale of their home in the Pacific Palisades section of Los Angeles for $1,000,100. The first family reported a capital gain of $256,978 on the sale, and that gain was taxed at the lower rate.

They saved another $5,000 as a result of the increase—from $100,000 to $125,000—in the maximum tax-free gain allowed on the sale of a principal residence by persons over age 55.

Collins, the accountant, points out that Reagan could have saved himself even more money had he purchased an All-Savers Certificate; the 1981 bill authorized such certificates, on which limited amounts of interest are tax free.

And there is another point to be made: If history is any guide, Congress would have cut taxes sometime over the last two years with or without Reagan. It might not have cut them as much or the same way as it did. But to offset inflation's effect in lifting people into higher tax brackets it has voted tax cuts every few years in the past, and there is no reason to think it would have stopped now.



U.S. Individual Income Tax Return 1982

January 1–December 31, 1982, or other tax year beginning ..., 1982, ending ..., 19 | OMB No. 1545-0074

480-07-7456 322-18-0676 S89 2
RONALD W & NANCY D REAGAN
% ROY D MILLER
333 S. GRAND AVE.,
LOS ANGELES CA 90071

Your social security number: 480 07 7456
Spouse's social security no.: 322 18 0676
Your occupation ▶ U.S. PRESIDENT
Spouse's occupation ▶ FIRST LADY

Do you want $1 to go to this fund? — X No
If joint return, does your spouse want $1 to go to this fund? — X No
Note: Checking "Yes" will not increase your tax or reduce your refund

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

1 Single
2 X Married filing joint return (even if only one had income)
3 Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 Head of household (with qualifying person). (See page 6 of Instructions.) If the qualifying person is your unmarried child but not your dependent, enter child's name ▶
5 Qualifying widow(er) with dependent child (Year spouse died ▶ 19 ). (See page 6 of Instructions.)

6a X Yourself | X 65 or over | Blind
b X Spouse | 65 or over | Blind
Enter number of boxes checked on 6a and b ▶ 3
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶
d Other dependents: (1) Name | (2) Relationship | (3) Number of months lived in your home | (4) Did dependent have income of $1,000 or more? | (5) Did you provide more than one-half of dependent's support?
Enter number of other dependents ▶
e Total number of exemptions claimed
Add numbers entered in boxes above ▶ 3

| | | |
|---|---|---|
| 7 | Wages, salaries, tips, etc. SCHEDULE ATTACHED | 200,920 |
| 8 | Interest income (attach Schedule B if over $400 or you have any All-Savers interest) | 247,061 |
| 9a | Dividends (attach Schedule B if over $400) 5,110 9b Exclusion 200 | |
| 9c | Subtract line 9b from line 9a | 4,910 |
| 10 | Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions) | |
| 11 | Alimony received | |
| 12 | Business income or (loss) (attach Schedule C) | |
| 13 | Capital gain or (loss) (attach Schedule D) | 256,978 |
| 14 | 40% capital gain distributions not reported on line 13 (See page 9 of Instructions) | |
| 15 | Supplemental gains or (losses) (attach Form 4797) | |
| 16 | Fully taxable pensions, IRA distributions, and annuities not reported on line 17 | 24,769 |
| 17a | Other pensions and annuities. Total received | |
| 17b | Taxable amount, if any, from worksheet on page 10 of Instructions | |
| 18 | Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) | 3,600 |
| 19 | Farm income or (loss) (attach Schedule F) | |
| 20a | Unemployment compensation (insurance). Total received | |
| 20b | Taxable amount, if any, from worksheet on page 10 of Instructions | |
| 21 | Other income (state nature and source—see page 10 of Instructions) SCHEDULE ATTACHED | 3015 |
| 22 | Total income. Add amounts in column for lines 7 through 21 | 741,253 |

Associated Press

Reagans' 1982 tax bite was less thanks to tax code changes pushed by the president.

# The Reagans' Return

## Income in 1982 Was $741,253; Outgo in Taxes Totaled $292,616

4.16.83

By Juan Williams
Washington Post Staff Writer

President and Mrs. Reagan's joint tax return for 1982 shows that they had an income of $741,253 last year, on which they paid $292,616 in federal income taxes.

This puts the Reagans in the top .02 of the top 1 percent of the nation's taxpayers, according to the Internal Revenue Service.

The Reagans, who listed their professions as "U.S. President" and "First Lady" on their return, wrote a $124,582 check for the balance due and mailed it with their tax forms on Thursday, according to Larry Speakes, a White House spokesman. The White House released the tax documents yesterday.

During 1982, the Reagans had $68,034 withheld and made estimated tax payments of $100,000.

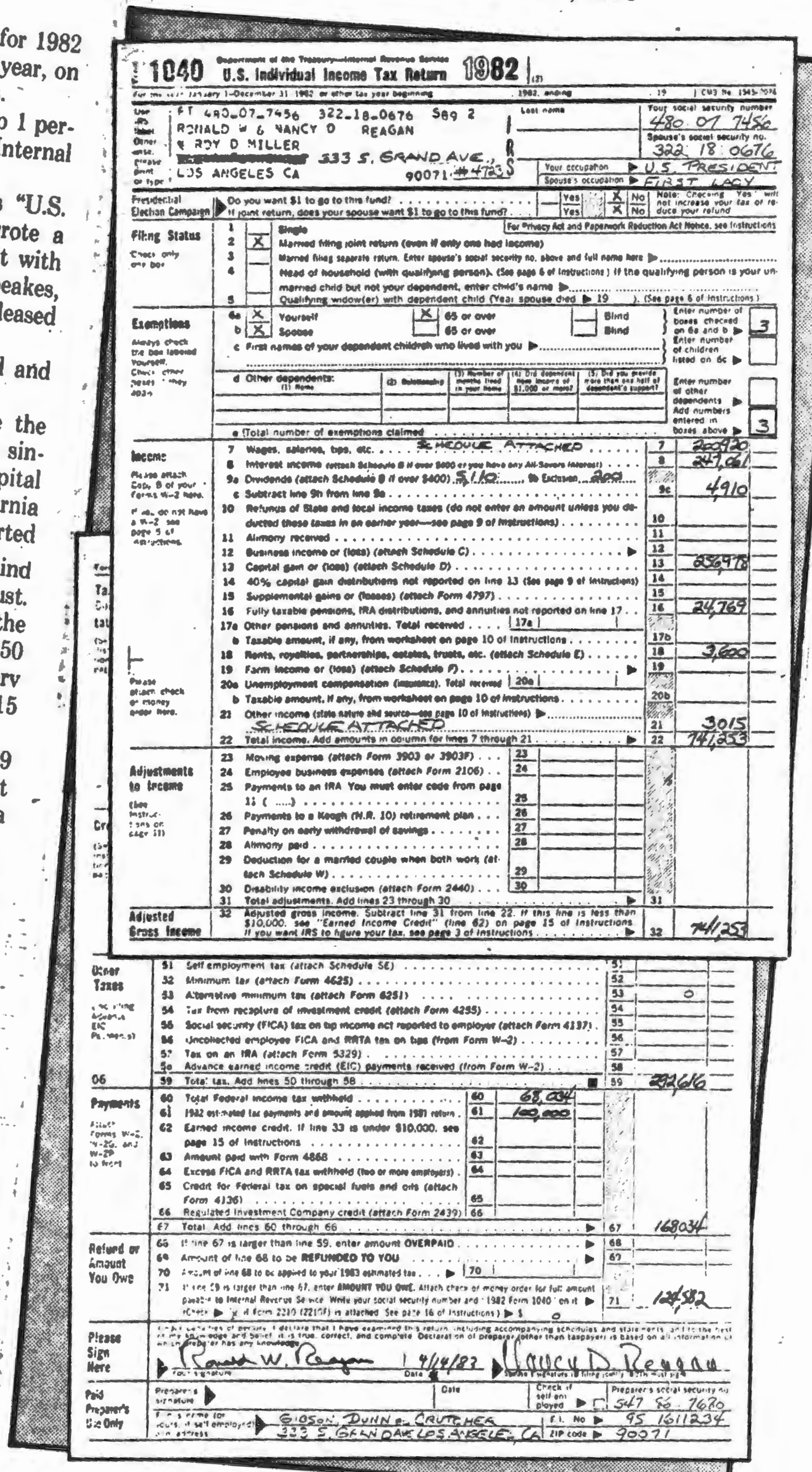
The Reagans' income in 1982 was nearly twice the $418,826 income they reported in 1981. The largest single source of income they reported in 1982 was a capital gain of $256,978, largely from the sale of their California home for $1,000,10.). The president and his wife reported $247,061 in interest, including $157,994 from a blind trust, and $4,910 in dividends from the same blind trust.

The president's salary was $200,000. In addition, the former actors received $38 from Columbia Pictures, $450 from Mike Douglas Productions and $432 from Merv Griffin Productions. Nancy Reagan was paid a $3,015 advance on her book "To Love a Child."

The Reagans also reported pension income of $24,769 in 1982 and $3,600 in rent from the federal government for putting an air navigation station on their California ranch.

Although the president is eligible at age 72 to receive Social Security benefits, he did not apply for the payments. A spokesman said the president's White House counsel, Fred F. Fielding, is reviewing the Social Security eligibility to see if the money can be contributed to a private group called "The Fund to Retire the National Debt."

The Reagans bought their Pacific Palisades home in 1955 and sold it last year for $1,000,100, taking advan-



1040 U.S. Individual Income Tax Return 1982

RONALD W & NANCY D REAGAN
% ROY D MILLER
333 S. GRAND AVE.
LOS ANGELES CA 90071

Your social security number: 480 07 7456
Spouse's social security no.: 322 18 0676
Your occupation: U.S. PRESIDENT
Spouse's occupation: FIRST LADY

Filing Status: 2 [X] Married filing joint return (even if only one had income)

Exemptions: 6a [X] Yourself [X] 65 or over; b [X] Spouse [X] 65 or over — 3

e Total number of exemptions claimed — 3

| | | |
|---|---|---|
| 7 | Wages, salaries, tips, etc. — SCHEDULE ATTACHED | 200,920 |
| 8 | Interest income | 247,061 |
| 9a | Dividends — 5,110 — 9b Exclusion 200 — 9c | 4,910 |
| 13 | Capital gain or (loss) (attach Schedule D) | 256,978 |
| 16 | Fully taxable pensions, IRA distributions, and annuities not reported on line 17 | 24,769 |
| 18 | Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) | 3,600 |
| 21 | Other income — SCHEDULE ATTACHED | 3015 |
| 22 | Total income. Add amounts in column for lines 7 through 21 | 741,253 |
| 32 | Adjusted gross income | 741,253 |
| 53 | Alternative minimum tax (attach Form 6251) | 0 |
| 59 | Total tax. Add lines 50 through 58 | 292,616 |
| 60 | Total Federal income tax withheld | 68,034 |
| 61 | 1982 estimated tax payments and amount applied from 1981 return | 100,000 |
| 67 | Total. Add lines 60 through 66 | 168034 |
| 71 | If line 59 is larger than line 67, enter AMOUNT YOU OWE | 124,582 |

Please Sign Here: Ronald W. Reagan 4/14/83 Nancy D. Reagan

Paid Preparer's Use Only: GIBSON, DUNN & CRUTCHER, 333 S. GRAND AVE, LOS ANGELES, CA — 547 56 7620 — E.I. No. 95 1611234 — ZIP code 90071

By Kathy Jungjohann—The Washington Post

Copies of tax returns that Ronald and Nancy Reagan filed for calendar year 1982.

tage of a one-time tax exemption that permits owners over age 55 to subtract up to $125,000 from the selling price. Even with that exemption, they paid taxes on a capital gain of about $250,000 on the transaction.

Among their itemized deductions, the Reagans claimed $49,187 in state and local income taxes, $36,172 in legal fees, $150 for medical and dental insurance premiums and $78 in union and professional dues.

President Reagan, who has promoted voluntary charity as a substitute for many government welfare programs, gave about $15,563, or 2 percent of his income, to charity.

Last year the president said that throughout his life he has followed the tradition of "tithing," or giving a tenth of his income to charity, and had made some charitable contributions that were not tax deductible.

He promised then to make some public contributions this year, but among the contributions he claimed only two were itemized: $5,000 to Eureka College, Reagan's alma mater in Illinois, and a wrought iron table and four chairs, valued at $600, that were given to The Colleagues, a Los Angeles charity.

At a news conference last January Reagan said his "conscience is clear" on the amount he gives to charity, but added, "Some have noticed that there seems to be a small percentage of deductions for worthwhile causes and that is true. And I'm afraid it will be true this year because I haven't changed my habits."

This year's tax returns showed that the Reagans paid $3,887 in interest to three insurance companies, indicating that the president at one time had borrowed against his life insurance polices.

In addition to his blind trust interests, Reagan earned income from certificates of deposit or mutual funds with Penn Mutual Life Insurance and Massachusetts Mutual Life Insurance and he has U.S. treasury bills worth $11,426.

Although they are interested participants in the political process, the Reagans checked "No" in the box that asks if the taxpayers want $1 each to go to the presidential election campaign fund.

The Reagans were audited in 1980, and in 1981 they paid more than $20,000 in back taxes and interest to the federal government and California after the IRS disallowed claims on earlier returns for business losses on their Santa Barbara ranch.

# Return Shows Extra Tax Payments by the Reagans

By JEFF GERTH
Special to The New York Times

WASHINGTON, May 14 — President Reagan and his wife, Nancy, paid an unspecified amount of additional Federal and California taxes plus interest last year for the years 1978 and 1979, according to a copy of the tax return released by the White House.

The return shows that President Reagan deducted $2,734 in interest expense for the back taxes, but White House officials say they have no knowledge of the additional taxes.

Last year the Reagans also accepted more than $30,000 in gifts from dozens of friends, including the singer Frank Sinatra, the designer Bill Blass, and the producer Ray Stark, according to a financial disclosure statement filed today with the Office of Government Ethics.

Under the Ethics in Government Act of 1978, Federal officials, including the President, are required to report all gifts over $100. The President is not prohibited from accepting gifts, except in the case of donations from foreign officials, according to ethics officials.

Today's disclosure offers little other new information about the President's finances. Many of the President's assets are in a blind trust that incurred a net capital loss of $118 for last year. Earlier this year, the Reagans sold their Pacific Palisades house for about $1 million, but that transaction will not be reported until next year. Mr. Reagan's other assets outside his trust include his ranch in Santa Barbara and mortgages he holds on California property he sold in 1976.

Last year, in addition to his Presidential salary of $193,776, Mr. Reagan's main source of income was more than $150,000 in interest income from Government and bank obligations, according to the tax returns, which were released last month.

Fred F. Fielding, counsel to the President, said he had no knowledge of the additional taxes paid last year by Mr. Reagan and referred a reporter to the President's private attorney in Los Angeles, Roy Miller. Mr. Miller did not return a reporter's telephone call.

It is not clear whether the additional taxes paid by the Reagans were the result of an audit by the Internal Revenue Service or were uncovered by Mr. Miller. While in office the President's returns are audited automatically by the Internal Revenue Service, but it is not known when the questioned returns, which cover the years 1978 and 1979, were examined.

Until February of this year, the I.R.S. charged taxpayers 12 percent interest for additional taxes, a deductible expense provided there are no charges of fraud, according to agency officials. Last year the Administration's Economic Recovery Tax Act raised the interest rate to 20 percent, effective this year, because of criticism that people paying back taxes were, in effect, receiving low interest loans from the Government, the officials add.

For a high income taxpayer like President Reagan, the savings can be substantial. For example, by paying $25,000 in taxes three years later, a taxpayer in a 50 percent tax bracket can save thousands of dollars by investing the money rather than paying the I.R.S.

The gifts accepted last year by the Reagans take up six pages of the financial disclosure report. They include a porcelain sculpture of an American eagle valued at $2,500 and donated by Henry Salvatori, a Los Angeles oilman; two silver picture frames with inscriptions from Mr. Sinatra valued at $400, and a $125 music box from Robert Gray of Washington.

President Carter and his wife, Rosalyn, also received gifts while in the White House but it is not clear how many gifts they kept. According to J. Jackson Walter, head of the Government ethics office, the Carters' disclosure forms lumped all the gifts together, and did not specify which gifts were kept and which were left with such depositories as the National Archives.

THE WALL STREET JOURNAL
Monday, April 18, 1983

# *Reagans' '82 Income Rose 75% From '81, Tax Return Shows*

* * *

## Gains From Trust, Home Sale Made Earnings $741,253; Tax Bill Totaled $292,616

By RICH JAROSLOVSKY
*Staff Reporter of* THE WALL STREET JOURNAL

WASHINGTON—Last year wasn't so hot for the U.S. economy as a whole, but President and Mrs. Reagan made out quite nicely, thank you.

While the nation struggled through its deepest recession since the Great Depression, the Reagans' 1982 income increased more than 75% from 1981, according to their joint tax return made public by the White House. They reported 1982 income of $741,253 and had a tax bill of $292,616.

In 1981, the president had income of $418,826 and owed tax of $165,291.

The big jump didn't come in the chief executive's salary, which is fixed by law at $200,000 a year. But the blind trust into which Mr. Reagan placed his personal holdings had a banner year—income of more than $230,000, the White House said—and the president also realized a sizable capital gain from the sale of his former home in Pacific Palisades, Calif.

With so much income in 1982, Mr. Reagan substantially under-withheld on his tax obligations and last week had to write the Internal Revenue Service a check for $124,582. The president wasn't subject to an underpayment penalty, because the amount he withheld and paid during the course of the year slightly exceeded his total 1981 tax liability. The check he had to write with this year's return, however, contrasted with his filing a year ago; then, he was entitled to a $14 refund.

The president reported that, in 1982, he donated $15,563 to charity. Of that total, $5,000 in cash went to Eureka College, his alma mater in Illinois, and $9,963 in cash went to other causes that he didn't enumerate. The only non-cash contribution was a $600 table-and-chair set that Nancy Reagan gave a charitable organization in Los Angeles.

The cash contributions nearly tripled the amount Mr. Reagan reported a year ago. Though the president has claimed he believes in tithing—the giving of a tenth of income to charity—the comparatively small amount he gave in 1981 drew press and public criticism. Larry Speakes, the presidential spokesman, has asserted that Mr. Reagan does some of his giving in ways that aren't tax deductible.

Also in 1981, the Reagans deducted nearly $6,000 for non-cash contributions, much of it coming from the donation of some of Mrs. Reagan's designer gowns to various museums. That too proved politically embarrassing and wasn't repeated in 1982.

Easily the largest single item on the Reagans' 1982 return was the sale of their Pacific Palisades home for $1 million. The Reagans purchased the hilltop house for $184,120 in 1955.

The president and Mrs. Reagan realized capital gains during the year of $481,018, nearly all from the house. Because of the tax breaks accorded long-term capital gains, $256,978 of this was listed as taxable income. Interest income totaled $247,061, much of it from the blind trust. The president also received $24,769 in pension and related payments, primarily resulting from the two terms he served as governor of California.

(The president, who recently turned 72 years old, hasn't filed for Social Security benefits. A White House spokesman said Mr. Reagan is investigating the possibility of having his benefits turned over to a Treasury Department fund aimed at reducing the national debt.)

Finally, as they have done in the past, the Reagans refused to allow $2 of their tax payments to be used to help finance presidential election campaigns. An aide said they philosophically oppose public financing of campaigns, even though Mr. Reagan received public money for his 1980 campaign.

As in the past, the president's return was prepared by Gibson, Dunn & Crutcher, the Los Angeles law firm that has long handled his financial affairs.

To JGR

Date 6/21 Time 12:45

## WHILE YOU WERE OUT

M ARI [redacted] DAVID

of CONG. ASPEN

Phone 225-3031

Area Code Number Extension

| | | | |
|---|---|---|---|
| TELEPHONED | X | PLEASE CALL | X |
| CALLED TO SEE YOU | | WILL CALL AGAIN | |
| WANTS TO SEE YOU | | URGENT | |

| | |
|---|---|
| RETURNED YOUR CALL | |

Message Re: INTEREST ON PREZ REAGAN'S TAXES CONST. QUESTION

A
Operator

AMPAD EFFICIENCY® 23-020

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 17, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS JGR

SUBJECT: Questions Concerning Reagan Tax Return

We have received inquiries from three citizens (two through Congressmen) asking why the Reagans were not required to pay a penalty for having only $168,034 withheld or paid as estimated tax on a total tax liability for 1982 of $292,616. The source of the citizens' concern is 26 U.S.C. § 6654, which imposes a penalty on taxpayers who have not paid at least 80 percent of their tax liability through withholding or estimated tax payments. The penalty is essentially interest on the amount by which 80 percent of the tax liability exceeds the amount withheld or paid as estimated tax. 26 U.S.C. § 6654(b). Since 80 percent of the Reagans' 1982 tax liability ($234,093) exceeds $168,034 by $66,059, it would appear that a sizable penalty should have been imposed.

The penalty imposed by § 6654 is not applicable, however, if the amount withheld or paid as estimated tax exceeds the previous year's tax liability. 26 U.S.C. § 6654(d)(1). The Reagans' 1981 tax bill was $165,291. The amount withheld or paid as estimated tax for 1982 exceeded this amount by $2,743, so the Reagans easily fell within the § 6654(d)(1) exception. I have drafted appropriate responses to two of the concerned citizens for your signature. We do not know the identity or address of the third, so the draft response is to Congressman Hall, who transmitted the inquiry to us.

Attachments

THE WHITE HOUSE

WASHINGTON

June 17, 1983

Dear Mrs. Sauer:

Thank you for your recent letter to the President concerning his income taxes. In your letter you questioned why the President was not subject to a penalty for failing to pre-pay a sufficient portion of his tax liability for 1982.

The Internal Revenue Code specifies that the penalty to which you referred is not applicable if the amount which was pre-paid exceeds the tax liability for the previous year. In this case, the amount pre-paid by the Reagans for 1982 exceeded their tax liability for 1981. Accordingly, they were not subject to any penalty.

In your letter you also suggested that the due dates for estimated tax payments for the second and third quarters should be changed, from June 15 to July 15 and from September 15 to October 15, respectively. We appreciate having the benefit of your views on this question, and you may be assured that they will receive every appropriate consideration.

Thank you for writing.

Sincerely,

Fred F. Fielding
Counsel to the President

Mrs. Gayl Sauer
11215 Bentley
Houston, Texas 77093

FFF:JGR:aw 6/17/83

cc: FFFielding/JGRoberts/Subj./Chron

THE WHITE HOUSE

WASHINGTON

June 17, 1983

Dear Mr. Walraven:

Congressman Pease has referred your letter concerning the Reagans' taxes to the White House for appropriate response. In that letter you questioned why the Reagans were not subject to a penalty for having an insufficient amount withheld or paid as estimated taxes.

The Internal Revenue Code specifies that the penalty to which you referred is not applicable if the amount which was pre-paid exceeds the tax liability for the previous year. In this case, the amount pre-paid by the Reagans for 1982 exceeded their tax liability for 1981. Accordingly, they were not subject to any penalty.

I hope this information responds to your concerns.

Sincerely,

Orig. signed by

Fred F. Fielding
Counsel to the President

Mr. Ernest L. Walraven
36620 Center Ridge Road
North Ridgeville, Ohio 44039

FFF:JGR:aw 6/17/83

cc: FFFielding/JGRoberts/Subj./Chron

THE WHITE HOUSE

WASHINGTON

June 17, 1983

Dear Congressman Pease:

You asked the White House to respond to questions raised by one of your constituents, Ernest Walraven, concerning the Reagans' tax return. Attached please find a copy of a letter we have sent to Mr. Walraven, responding to his concerns.

Please do not hesitate to contact us if we may be of any further assistance.

Sincerely,

Orig. [illegible]

Fred F. Fielding
Counsel to the President

The Honorable Don J. Pease
House of Representatives
Washington, D.C. 20515

Attachment

FFF:JGR:aw 6/17/83

cc: FFFielding/JGRoberts/Subj./Chron

THE WHITE HOUSE

WASHINGTON

June 17, 1983

Dear Congressman Hall:

On May 9, 1983, you forwarded to the White House a letter from a constituent concerning the Reagans' tax return. The constituent, who cannot be identified from the copy of the letter forwarded to us, questioned why the Reagans were not subject to a penalty for failure to have 80 percent of their tax liability paid by January 15, 1983.

The Internal Revenue Code specifies that the penalty to which your constituent referred is not applicable if the amount which was pre-paid exceeds the tax liability for the previous year. In this case, the amount pre-paid by the Reagans for 1982 exceeded their tax liability for 1981. Accordingly, they were not subject to any penalty.

You may assure your constituent that the President is not "exempt from the same rules the rest of us taxpayers must follow." Please do not hesitate to contact us if we may be of any further assistance.

Sincerely,

Fred F. Fielding
Counsel to the President

The Honorable Tony P. Hall
House of Representatives
Washington, D.C. 20515

FFF:JGR:aw 6/17/83

cc: FFFielding/JGRoberts/Subj./Chron

ID # 147914 CU

PP006

# WHITE HOUSE
# CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING

☐ H - INTERNAL

☐ I - INCOMING

Date Correspondence Received (YY/MM/DD) / /

**Name of Correspondent:** Mrs. Gayle Sauer

☐ **MI Mail Report** **User Codes:** (A) ____ (B) ____ (C) ____

**Subject:** Prepayment of President's income tax

## ROUTE TO: ACTION DISPOSITION

| Office/Agency (Staff Name) | Action Code | Tracking Date YY/MM/DD | Type of Response | Code | Completion Date YY/MM/DD |
|---|---|---|---|---|---|
| CUH011 | ORIGINATOR | 83/06/14 | | | / / |
| Referral Note: | | | | | |
| MLT 14 | D | 83/06/14 | | S | 83/06/24 |
| Referral Note: | | | | | |
| | | / / | | | / / |
| Referral Note: | | | | | |
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| Referral Note: | | | | | |
| | | / / | | | / / |
| Referral Note: | | | | | |

ACTION CODES:

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- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

**Comments:**

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Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

5/81

11215 Bentley
Houston, TX 77093
April 29, 1983

President Ronald Reagan
The White House
Washington, D.C. 20500

147914 cu

Dear President Reagan:

I have a question that may be sufficiently personal that you may choose to ignore it.

But I read in the paper that you paid $100,000+ in ~~taxes~~ April 15th. I did ~~may~~ not ~~have~~ read all the fine print, but we figure as 1040 ES. Why didn't you have to prepay your taxes like we do? On April 15, June 15, September 15 and January 15, or suffer through an IRS penalty form 2210 to save having to pay 16% on $100,000 for a whole year.

If you had had to prepay your taxes by quarters, perhaps you too would be trying to get Congress to change the due dates for:

2nd quarter from June 15 to July 15
3rd quarter from Sept. 15 to Oct. 15

I've been bugging my Congressman about this matter for 4 or 5 years with no change as of yet.

I made a calculation error on ~~my~~ our 1040 ES in 1982 and almost had to pay a penalty. That's why I heard about the form 2210.

Sincerely,
Mrs. Carl Sauer

Sauer
11215 Bentley
Houston, Texas 77093

Roberts / ID # 139015

PP006

# WHITE HOUSE
# CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING

☐ H - INTERNAL

☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) / /

**Name of Correspondent:** Tony P. Hall

☐ **MI Mail Report** **User Codes: (A)** ______ **(B)** ______ **(C)** ______

**Subject:** Encloses letter from Constituent who has a question about the President's method of paying taxes

| ROUTE TO: Office/Agency (Staff Name) | ACTION: Action Code | Tracking Date YY/MM/DD | DISPOSITION: Type of Response | Code | Completion Date YY/MM/DD |
|---|---|---|---|---|---|
| CUHO11 | ORIGINATOR | 83/06/10 | | | / / |
| | Referral Note: | | | | |
| CUAT 18 | D | 83/06/10 | | S | 83/06/20 |
| | Referral Note: | | | | |
| | | / / | | | / / |
| | Referral Note: | | | | |
| | | / / | | | / / |
| | Referral Note: | | | | |
| | | / / | | | / / |
| | Referral Note: | | | | |

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5/81

139015

PD

:D: 139015 CORRESPONDENCE TRACKING WORKSHEET PAGE D01

INCOMING CORRESPONDENCE DATE 830509 RECEIVED DATE 830512

| (PREFIX) | (FIRST) | (LAST) | (SUFFIX) |
|---|---|---|---|
| HE HONORABLE | TONY P. | HALL | |

TITLE:

RGANIZATION: U. S. HOUSE OF REPRESENTATIVES

STREET:

CITY: WASHINGTON STATE: DC ZIP: 20515

COUNTRY:

UBJECT: ENCLOSES LETTER FROM CONSTITUENT WHO HAS A
QUESTION ABOUT THE PRESIDENT'S METHOD OF
PAYING TAXES

| GY/OFF | ACTION CODE | TRACKING DATE | | | |
|---|---|---|---|---|---|
| ADUBE | ORG | 830512 | KD | A | 830606 DD |

TAFF NAME: KENNETH DUBERSTEIN MEDIA: L OPID: LC TYPE: IBA

OMMENTS:

ODES: REPORT INDIV: 1230 USER:

Cu Fiel A DD 830608

Cu Hall A 830615 WS

Cu AT 18 S 830620 WS

S 830620

June 6, 1983

Dear Tony:

Thank you for your May 9 letter enclosing correspondence from your constituent.

In an effort to be of assistance, please know that I have forwarded the letter to the appropriate White House officials. We appreciate your interest in contacting us in this matter.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Tony P. Hall
House of Representatives
Washington, D.C. 20515

KMD:CMP:KRJ:[redacted] dps

cc: w/copy of inc, [redacted] Fred Fielding -- for appropriate action

WH RECORDS MANAGEMENT WILL RETAIN ORIGINAL INCOMING

#/39015

TONY P. HALL
THIRD DISTRICT, OHIO
COMMITTEE:
HOUSE COMMITTEE ON RULES
SUBCOMMITTEE ON RULES OF THE HOUSE

1728 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-6465

DISTRICT OFFICE:
501 FEDERAL BUILDING
200 WEST SECOND STREET
DAYTON, OHIO 45402
(513) 225-2843

# Congress of the United States
## House of Representatives
## Washington, D.C. 20515

May 9, 1983

Congressional Liaison Office
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Gentlemen:

I am enclosing a letter from one of my constituents who raises a question about the President's method of paying taxes.

Inasmuch as I do not feel qualified to comment upon the President's taxes, I am referring it to you for comment.

Thank you for your assistance in this matter.

Sincerely,

Tony P. Hall

Tony P. Hall
Member of Congress

TPH:gml
Enclosure

April 18, 1983

Congressman Tony Hall
200 W. 2nd Street
Dayton,
Ohio 45402

RECEIVED
APR 2 1983
TONY P. HALL, M. C.
Dayton Office

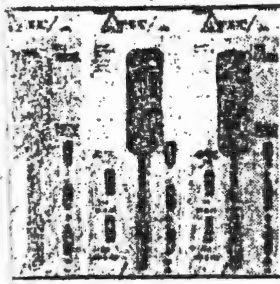
The enclosed article was the headline feature of the Dayton Journal Herald on Saturday, April 16, 1983.

My concern is: Why was there no penalty for failure to have 80% of the tax liability paid by Jan 15, 1983?

Is this a journalistic oversight or is the President exempt from the same rules that the rest of us taxpayers must follow?

Your response would be appreciated!

Sincerely,



Even Japan reaches Apex for tools

Page 18

Myers moves from papers to paperbacks

Page 23

Reds 3
Giants 1

Page 13

# ʔeagans pay ʼnis year

WASHINGTON (AP) — Like millions of Americans who waited until almost the last minute, President and Mrs. Reagan filed their joint 1982 federal tax return Thursday and sent Uncle Sam a check for $124,582, the tax balance owed on total income of $741,253.

Their total tax bill for the year was $292,616 — 39.5 percent of income. But $168,034 had been paid previously through estimated tax payments and withholding.

Last year, the Reagans received a $14 refund, with their taxes totaling $165,291 on 1981 income of $418,826.

The large jump in taxable income in 1982 is attributed, largely to the sale of the Reagan residence in Los Angeles for $1,000,100. Only a portion of this was subject to taxes.

The selling price had not been reported previously.

The return, released by the White House Friday, showed that Reagan, as president, earned a salary of $200,000. Interest income was reported at $247,061 and dividends at $4,910.

The Reagans reported $256,978 income from capital gains, $24,769 in pensions, $3,800 from rents and $3,015 from other sources.

Major deductions claimed included $49,187 in state and local taxes, $38,172 in legal fees, $16,578 in home mortgage interest, $15,563 in cash contributions. Deductions totaled $127,919.

The president did not check the box that would have given $1 to the presidential election campaign fund. Deputy White House press secretary Larry Speakes said Reagan doesn't believe in it.

Roberts ID # 138970

# WHITE HOUSE
# CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) / /

**Name of Correspondent:** Don J. Pease

☐ **MI Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

**Subject:** Encloses Letter from Mr. Ernest L. Walraven With Questions re: President & Mrs. Reagan's Tax Return

| ROUTE TO: Office/Agency (Staff Name) | ACTION: Action Code | Tracking Date YY/MM/DD | DISPOSITION: Type of Response | Code | Completion Date YY/MM/DD |
|---|---|---|---|---|---|
| CUH011 | ORIGINATOR | 83/06/10 | | | / / |
| | Referral Note: | | | | |
| CUAS 18 | D | 83/06/10 | | S | 83/06/20 |
| | Referral Note: | | | | |
| | | / / | | | / / |
| | Referral Note: | | | | |
| | | / / | | | / / |
| | Referral Note: | | | | |
| | | / / | | | / / |
| | Referral Note: | | | | |

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5/81

138970

D: 138970 CORRESPONDENCE TRACKING WORKSHEET PAGE D01

INCOMING CORRESPONDENCE DATE 830509 RECEIVED DATE 830511

| (PREFIX) | (FIRST) | (LAST) | (SUFFIX) |
|---|---|---|---|
| HE HONORABLE | DON J. | PEASE | |

TITLE:

RGANIZATION: U. S. HOUSE OF REPRESENTATIVES

STREET:

CITY: WASHINGTON STATE: DC ZIP: 20515

COUNTRY:

UBJECT: ENCLOSES LETTER FROM MR. ERNEST L. WALRAVEN
WITH QUESTIONS RE: PRESIDENT & MRS. REAGAN'S
TAX RETURN

| GY/OFF | ACTION CODE | TRACKING DATE | |
|---|---|---|---|
| ADUBE | ORG | 830511 | KD A 8306DD |

TAFF NAME: KENNETH DUBERSTEIN MEDIA: L OPID: LC TYPE: IBA

OMMENTS:

ODES: REPORT INDIV: 1230 USER:

Cu Ficl ADDT 830608

830610 WS

18 830610

June 6, 1983

Dear Mr. Pease:

Thank you for your May 9 letter enclosing correspondence from your constituent.

In an effort to be of assistance, please know that I have forwarded the letter to the appropriate White House officials. We appreciate your interest in contacting us in this matter.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistant to the President

The Honorable Don J. Pease
House of Representatives
Washington, D.C. 20515

KMD:CMP:dps

cc: w/copy of inc, Fred Fielding -- for appropriate action

WH RECORDS MANAGEMENT WILL RETAIN ORIGINAL INCOMING

DON J. PEASE
13TH DISTRICT, OHIO

1127 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
(202) 225-3401

COMMITTEE ON
WAYS AND MEANS

SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON
PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION

John Hogan
7052

# Congress of the United States
## House of Representatives
Washington, D.C. 20515

ADMINISTRATIVE ASSISTANT:
BILL GOOLD

DISTRICT OFFICE:
MRS. NANCY YOOD
1936 COOPER-FOSTER PARK ROAD, LORAIN
(216) 282-5003

PART-TIME OFFICES:
MRS. MARY ANN SLOAN
157 COLUMBUS AVENUE, SANDUSKY
(419) 625-7193

MRS. BARBARA FLOWERS
COUNTY ADMINISTRATION BUILDING, MEDINA
(216) 725-6120

MUNICIPAL BUILDING, BARBERTON
(216) 848-1001

May 9, 1983

Mr. Kenneth M. Duberstein
Congressional Liaison
The White House
Washington, D.C. 20500

Dear Mr. Duberstein:

This is in regard to the enclosed copy of a letter I recently received from a constituent of mine concerning President and Mrs. Reagan's tax return.

Since I am not familiar with the particulars of their return, I would appreciate your answering Mr. Walraven's questions about it.

Thank you for your assistance in this matter. I look forward to hearing from you soon.

Sincerely yours,

D J Pease

DON J. PEASE
Member of Congress

Enclosure
DJP/sg

36620 Center Ridge Road
North Ridgeville, Ohio 44039
April 16, 1983

Honorable Donald J. Pease
House of Representatives
Washington, D. C. 20515

APR 19 1983

Dear Mr. Pease:

How can President and Mrs. Reagan owe $292,616 in taxes and write a check for $124,582 to cover the balance due for 1982. Estimated quarterly taxes on $292,616 would be $73,154 making the excess $51,428 far more than the $200 allowed by IRS and the $124,582 more than 20% allowed by IRS without having a penalty assessed.

In 1981 I owed a total tax of $3903 of which $2084.27 was withheld by my employer and the balance of $1818.73 I paid with my return. In June of 1982 I got a bill from IRS for $95.70, a penalty for owing more than $200 at the end of the year.

My plight came about because of my illness whereby I was unable to work and was paid disability by my insurance company and the insurance company did not withhold. I was on a week to week basis with the doctors whereby they would make no commitment as to when of if I could return to work. I did not ask for withholding because I fully expected to return to work. As fate had it I was never able to return to work and because of my illness had to retire.

On June 28, 1982 I sent the $95.70 penalty along with a letter to the Chief, Taxpayer Assistance Section explaining what had happened to me and asked for the elimination of the penalty that IRS had assessed against me. To date I have never received an answer from IRS although the check was cashed so I know they received the letter.

If the information regarding the President's return as released to the news media is correct I feel that I and many like me are unjustly footing the tax burden.

I would appreciate hearing from you, Mr. Pease.

Sincerely,

Ernest L. Walraven

Ernest L. Walraven

THE WHITE HOUSE

WASHINGTON

July 25, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS

SUBJECT: Suggestion Concerning the President's Personal Tax Liability

Robert Lindboe of the Lincoln National Life Insurance Company wrote the President on April 18 to alert him to a means of reducing his personal tax liability while promoting voluntarism. Lindboe's plan basically involves the well-known tax benefits flowing from the donation to charity of appreciated property. Lindboe requested a meeting with the President to discuss his plans.

On June 20, Fred Ryan sent Lindboe a form letter thanking him for his interest but noting that a meeting could not be arranged. On June 23, Lindboe replied that a meeting was not necessary, but he wanted someone to respond to the substance of his April 18 letter, after having discussed his proposals with the President. Ryan sent a sur-rebuttal on June 29, advising Lindboe that the matter was being brought to the attention of the appropriate office and that he could expect a reply as soon as possible. Ryan then referred the matter to us.

Lindboe's proposal concerns the President's private tax planning and accordingly we are in no position to fashion a substantive reply. I have drafted a letter to Lindboe noting that the President's personal matters are handled by his private attorney. Since Lindboe also raises voluntarism concerns, the draft letter alerts him to the existence of the Private Sector Initiatives Office.

Attachment

THE WHITE HOUSE

WASHINGTON

July 25, 1983

Dear Mr. Lindboe:

Your previous correspondence concerning the President's taxes and voluntarism has been routed to this office for appropriate handling. In your correspondence you discussed a proposal to reduce the President's personal tax liability and promote voluntarism through the donation to charity of tangible assets.

The President's personal legal matters, including the preparation of his income tax forms, are not handled by the White House but by the President's personal attorney, Roy D. Miller of the Los Angeles law firm Gibson, Dunn & Crutcher. Accordingly, any inquiries or suggestions concerning the preparation of the President's taxes should be directed to Mr. Miller.

Since your correspondence also concerned voluntarism, I should alert you to the existence of the Office of Private Sector Initiatives here at the White House, headed by Special Assistant to the President James Coyne. More general inquiries or proposals to increase charitable giving should be directed to that office.

I am sorry that it has taken some time for you to be directed to the appropriate individuals who can respond to the substance of your correspondence. Thank you for your patience.

Sincerely,

Fred F. Fielding
Counsel to the President

Mr. Robert Lindboe
Lincoln/Northwest, Inc.
Suite 202
180 Nickerson
Seattle, Washington 98109

FFF:JGR:aw 7/25/83
cc: FFFielding/JGRoberts/Subj./Chron
cc: Roy D. Miller, Esquire

ID # 151848 CU
PP006
JR

# WHITE HOUSE
# CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) / /

**Name of Correspondent:** Robert Lindboe

☐ **MI Mail Report** **User Codes: (A)** ______ **(B)** ______ **(C)** ______

**Subject:** Letter to Frederick J. Ryan, Jr Re: suggestions for the reduction of the President's income tax.

**ROUTE TO:** **ACTION** **DISPOSITION**

| Office/Agency (Staff Name) | Action Code | Tracking Date YY/MM/DD | Type of Response | Code | Completion Date YY/MM/DD |
|---|---|---|---|---|---|
| CU Holland | ORIGINATOR | 83/07/05 | | | / / |
| | Referral Note: | | | | |
| CUAT18 | D | 83/07/05 | | S | 83/07/15 |
| | Referral Note: | | | | |
| | | / / | | | / / |
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| | Referral Note: | | | | |

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5/81

June 29, 1983

Dear Mr. Lindboe:

This is with reference to your letter of April 18 to the President and your subsequent mailgrams and letter regarding this communication.

All of this is being brought to the attention of the appropriate office here in the White House for review and I am sure you can expect to hear further about your letter just as soon as it is possible.

With best wishes,

Sincerely,

FREDERICK J. RYAN, JR.
Director, Presidential
Appointments and Scheduling

Mr. Robert Lindboe
Lincoln/Northwest, Inc.
Suite 202
180 Nickerson
Seattle, WA 98109

FJR/las --

cc: w/inc mailgram of 6/21 and 5/4 to Mr. Orfield, ltr of 6/23 to Fred Ryan and copies ~~of Fred Ryan~~ reply and Mr. Lindboe's letter of April 18 to Fred Fielding

6/28/83

Sarah --

You asked for the previous file and here i is - meantime, he has written in greater detail - actually what he wants to do is to make the Pesident aware of a program which he the writer proposes to reduce the President's income tax burden and asks that Fred or someone respond to the substance of his letters - I think this really ought to be handled by Fred Fielding

6/28

I agree — let's do it! Paul

Mary

LINCOLN NATIONAL LIFE

The Lincoln National Life Insurance Company
Fort Wayne, Indiana

ROBERT LINDBOE, CLU

RECEIVED
JUN 27 1983
SCHEDULING OFFICE

June 23, 1983

15/848 cu

Mr. Frederick J. Ryan, Jr.
Director, Presidential Appointments
THE WHITE HOUSE
Washington, D. C. 20500

Re: Your Letter of June 20, 1983

Dear Mr. Ryan,

Thank you for your letter of June 20, 1983 in response to my letter of April 18, 1983 to The President.

My letter focused on matters pertaining to The President's personal financial affairs and a means whereby he could reduce his income tax burden and, at the same time, give personal and active support to his most worthy voluntarism concept. My goal was not so much to arrange a meeting with The President as it was to make him aware of an opportunity available to him.

As I stated in my letter, I would be happy to meet with The President should he desire further discussion or desire to implement the capital gains property transfer program I also mentioned in my letter. However, a meeting is neither mandatory nor even desirable should The President determine that my recommendations are without merit. Thus, what I do ask is that you or someone please respond to the substance of my April 18, 1983 letter, hopefully having discussed the contents with The President beforehand since the topic deals with his own personal financial situation.

Thank you for your kind attention in this matter. I look forward to your reply. I remain,

Sincerely yours,

Robert Lindboe, CLU

RLL/me

LINCOLN/NORTHWEST, INC.
180 NICKERSON / SUITE 202
SEATTLE / WASHINGTON / 98109

ERT LINDBOE 180 NICKERSON SU
12 64 PL WEST
RETT WA 98204 21AM

**Western Union Mailgram**

569705172 06/21/83 ICS IPMMTZZ CSP WHSA
52823838 MGM TDMT SEATTLE WA 37 06-21 0543P EST

Computer record → Registered letter
#R030506344 → Scheduling 5-26-83

HANDLE AS PRESIDENTIAL

RFIELD
TE HOUSE
HINGTON DC 20500

RECEIVED
JUN 27 1983
SCHEDULING
OFFICE

edulin-g

FYI

MK - Can you pull any corresp. we have from him? Gail

ASE ADVISE AS TO DISPOSITION OF MY 4-18-83 LETTER TO THE PRESIDENT
MAILGRAMS OF 5-5-83 AND 6-6-83.
OBERT LINDBOE 180 NICKERSON SUITE 202 SEATTLE WA 98109

46 EST

CCMP

d a reply from
ed telling him it's been
rwarded to the ggorop. office
or review.

BOB LINDBOE
10512 64 PL WEST
EVERETT WA 98204 04AM

Western Union Mailgram

1-055692S124 05/04/83 ICS IPMRNCZ CSP WHSA
49 2063558806 MGM TDRN EVERETT WA 30 05-04 0553P EST

AH-118

~~HANDLE AS~~ PRESIDENTIAL

N ORFIELD
WHITE HOUSE
WASHINGTON DC 20500

PLEASE ADVISE AS TO DISPOSITION OF MY LETTER OF APRIL 18 TO THE PRESIDENT.

ROBERT LINDBOE
180 NICKERSON SUITE 202
SEATTLE WA 98109

17:53 EST

MGMCOMP

THE WHITE HOUSE
WASHINGTON

June 14, 1985

TO: FRED F. FIELDING
RICHARD A. HAUSER
SHERRIE M. COOKSEY
H. LAWRENCE GARRETT, III
JOHN G. ROBERTS
HUGH HEWITT
DEBORAH OWEN

FROM: DAVID B. WALLER

For your information.

# All the President's Money

## Yes, Ronald Reagan *is* better off than four years ago—by $750,000 to $1 million. But our advisers ask: "Where's Nancy's IRA?"

by Greg Anrig Jr.

In the coming weeks, as Ronald Reagan stumps for his Administration's plan to revamp the tax code, expect to hear him speak with emotion about the unfairness of the current system. Although he is far wealthier than most taxpayers, the President, no less than citizens of more modest means, has felt the uneven hand of the tax code. Last year Ronald W. and Nancy D. Reagan turned over slightly more than 33% of their $440,657 adjusted gross income to the Internal Revenue Service. In contrast, by some estimates, as many as 22% of all taxpayers with incomes of more than $100,000 paid the government less than 25% of their earnings. A notorious minority of them—probably about 2,000—paid no tax at all. That surely galls Ronald Reagan, both as taxpayer and President, and he is expected to dedicate much of his summer to revamping a tax code that many Americans see as being riddled with loopholes big enough to drive a stretch limo through.

In preparing this article, *Money* spoke to dozens of accountants, tax attorneys, government experts and longtime Reagan associates. From those interviews, and from examinations of the President's financial disclosure statements and tax returns since 1980, we were able to piece together a clear picture of how the First Family's finances work—or, sometimes, don't. The advisers we consulted looked at ways for the President to get more out of his investments, suggested methods for achieving his probable retirement objectives and even offered him estate planning advice. Politically, however, and also from a personal financial standpoint, the most pressing item on the President's agenda is tax overhaul. If a reform package passes, Reagan is likely to benefit in a big way—politically and personally.

In no sense, of course, is the President's enthusiasm for tax reform motivated by a desire to cut his own tax bill. He has never taken financial advantage of political office. Moreover, as his tax returns show, he has generally shunned all but the most basic tax deductions, such as those for charitable contributions. Nonetheless, if a tax law is enacted that includes, among other changes, an $1,800 personal exemption, a top rate of 35% for individuals, an elimination of the write-off for state and local income taxes and a requirement that charitable deductions be limited to amounts in excess of 1% of adjusted gross income, the Reagans would find that:

- Assuming their finances remained roughly the same as in 1984, their total deductions and exemptions would decrease 40%, from $107,805 to $65,181.
- They would lose $30,200 in deductions they took for state and local income taxes.
- They would have to forgo $4,355 of the $20,616 in write-offs they took for charitable contributions in 1984.
- Yet their total income tax bill would fall $28,328, from $147,826 to $119,498.*

Quite apart from what happens this year with tax reform, however, President Reagan—a 74-year-old contemplating retirement—faces some major money-management decisions. Not that he'll be in a state of high anxiety when he makes them: *Money* estimates that he and Nancy have a net worth of $4.4 million—a figure that has increased by about $750,000 to $1 million since he became President in 1981. Yet if Reagan is Reagan in retirement too, he'll do as he has done for nearly 20 years in matters financial: he'll delegate the details to others. Until he became President, Reagan's financial brain trust usually included the late Justin Dart, the founder of the highly profitable $2 billion Dart

### The First Family's finances

*The Reagans' income and taxes jumped twice in the past five years: when they moved to the White House in 1981 and when they sold their home in Pacific Palisades, Calif. in 1982. Under the reform assumptions described in this article, their taxes would drop by more than $25,000.*

| Year | Adjusted gross income | Total tax deductions and exemptions | Income taxes paid | % of income paid as tax | Estimated net worth |
|---|---|---|---|---|---|
| 1980 | $227,968 | $84,164 | $69,563 | 30.5 | $3.25 million to $3.5 million |
| 1981 | 412,730 | 129,063 | 165,291 | 40.0 | $3.5 million to $3.75 million |
| 1982 | 741,253 | 302,119 | 292,616 | 39.5 | $3.75 million to $4 million |
| 1983 | 422,834 | 133,561 | 128,639 | 30.4 | $4 million to $4.25 million |
| 1984 | 440,657 | 107,805 | 147,826 | 33.5 | $4.25 million to $4.4 million |
| Flat-tax estimate | 440,657 | 65,181 | 119,498 | 27.1 | $4.4 million-plus |

*These calculations were done by Ralph Steinman, an accountant with Anchin Block & Anchin in New York City.

Industries that merged with Kraft Inc. in 1980; William A. Wilson, a land developer and rancher who now is U.S. Ambassador to the Vatican; and William French Smith, Reagan's onetime lawyer, whom he later named U.S. Attorney General.

They helped nourish the wealth earned by a man who, as he tells it, grew up poor in Dixon, Ill., the son of a shoe salesman who often had trouble finding steady work. But by the mid-'40s, Reagan was earning about $150,000 a year in Hollywood as an actor for Warner Bros Studios.

In today's dollars, Reagan's top Warner Bros. salary would be worth nearly $900,000. But the movies didn't make him wealthy, largely because his income tax bracket was as high as 92% at the time. Nor did the up to $150,000 a year he made in the late 1950s and early 1960s as a spokesman for General Electric and as the host of TV's *Death Valley Days*. What made him rich was California land.

Reagan grossed upwards of $3 million pretax in a series of real estate deals spanning more than three decades. His first transaction was his best. In 1951, looking for a place to ride horses and enjoy the rustic life, he bought a 290-acre ranch in Malibu Canyon, Calif., a sparsely inhabited region 24 miles from Hollywood. The price: about $65,000. Fifteen years later, Hollywood came to his mountain in the form of 20th Century-Fox Studios, which bought most of his land for location filming for $1,931,000—giving Reagan a nearly 2,900% return on his money.

Reagan's other major land deals involved 771 acres of property in Riverside County that he sold to a developer in 1976 for $856,000, a house that he sold in Pacific Palisades, Calif. three years ago for $1 million and, perhaps most famously, his 688-acre spread 20 miles outside Santa Barbara.

The ranch is now the Reagans' most valuable asset. Again seeking solitude, he bought the property in 1974 for $526,000. Today it's worth from $1.75 million to $2.25 million. And the Reagans own it outright. They paid off their 8% mortgage last year.

Despite the property's market value, last year the Reagans paid real estate taxes of only $2,808. Reason: the land is classified as an agricultural preserve under a California law that was passed in 1965 under Democratic Governor Edmund G. Brown. The law protects ranchers and farmers from having their land taxed at full market value, thus reducing pressure on them to sell out to subdividers. The property, including the compact five-room vacation house on it, was assessed last year at only $271,686.

*Part-time rancher Ronald Reagan can rest easy on his $4 million personal safety net.*

The Reagans' second most valuable asset is a blind trust managed by Raymond J. Armstrong, president of Geneve Associates, a money-management firm in Stamford, Conn. Reagan's California financial advisers opened the trust for him, and chose Armstrong to manage it, before the Inauguration in January 1981. They funded it with more than $740,000 they accumulated by selling most of the President-elect's stocks and liquid investments. Under the terms of the agreement, Armstrong can't reveal the trust's current value. But by matching his normal 0.6% annual management charge against the $8,654 investment fee that the Reagans deducted on their 1984 tax return, it appears that last year the trust averaged $1.4 million. It's impossible to know, however, whether the trust's increase in value is due solely to Armstrong's investment decisions. The President can transfer any sum into or out of the trust at will.

Neither Reagan, nor anyone other than Armstrong, knows how the President's cash is invested. But, Armstrong, 59, who was a Chaucerian scholar at Brown University in his youth, spoke to *Money* about his investment philosophy—thereby suggesting a rough notion of the President's portfolio. In a phrase, it's equity-oriented and conservative. Armstrong, who manages about $140 million of mostly pension fund money, focuses on undervalued companies that have more than $40 million in working capital, long-term debt below 40% of total capitalization and returns on equity exceeding 10%, on average, over the past five years. Among the stocks that he says now meet his investment criteria—and so might be part of Reagan's portfolio—are Litton Industries, Gulf Canada Ltd. and Shawmut Corp.

When any stock falls 20% below the

## Aside from taxes, the Reagans' biggest bill last year was a deductible $33,290.

price Armstrong paid for it, he sells. Since the Reagans' tax return showed realized trust losses of $114,002 last year, Armstrong clearly unloaded some losers.

The Reagans' 1984 tax return reveals that overall the blind trust produced taxable interest of $38,220 and dividends of $86,876 last year—for a total taxable yield of about 8.7%. However, that 8.7% does not reflect interest the President may have earned from tax-exempt bonds.

In addition to the $2 million ranch and the $1.4 million trust, the Reagans hold mortgages now worth an estimated $400,000 on the Riverside County property they sold. They receive interest of 8.5% a year on the notes—$39,123 in 1984. In January, they got a $200,000 final installment payment on their former Pacific Palisades house.

The President and First Lady keep three separate accounts containing about $140,000 at the Bank of America in Beverly Hills. Last year's tax return indicates that the money was split between Treasury bills and certificates of deposit that, on average, earned about 10%. Add a conservative $200,000 for personal property, and the Reagans' total net worth comes to around $4.4 million, up about $1 million since the President took office.

The main reason for the additional $1 million, aside from the growth in his investments, is that the government pays for most of the Reagans' expenses, in addition to his $200,000 annual salary. For example, the First Family doesn't have to pay rent, the Treasury picks up all travel costs except those run up in political campaigning, and the Reagans don't have to fork over any cash for official dinners or other White House events. The government also provides the President with a $50,000 expense account, mainly for business meals at the White House and official gifts. Last year Reagan spent $28,000; the Treasury kept the rest.

But the government does not pay for the Reagans' clothing, jewelry, hair styling, food that isn't consumed at official functions, or other personal expenses. Based on the $973 in sales tax that they deducted on their 1984 return, the Reagans spent at least $15,000 for items other than food. Of that, the biggest portion probably went for clothing. The President generally buys five or six custom-made suits a year from Beverly Hills tailor Frank Mariani for about $1,500 each. (He last met with Mariani in March and was fitted for a gray plaid suit and a blue-and-white striped sports jacket. Price tag: face down.) Nancy is partial to outfits designed by Adolfo, which can range from $895 to $1,800 for a day suit and $1,200 to $2,100 for an evening gown.

Both the President and First Lady carry little cash, usually a few small bills at most. Almost all of their purchases are billed to Gibson Dunn & Crutcher, a 157-partner Los Angeles-based law firm that has supervised their day-to-day transactions for the past 19 years. Last year the Reagan's biggest bill aside from taxes was a deductible $33,290 to the firm for handling their financial affairs.

With 3½ years to go before retirement, the Reagans are in sound financial health. Whatever monetary goals they have probably are fairly limited and easily attainable. For example, the Reagans should have no trouble replacing his $200,000 presidential salary. Book contracts alone should keep them more than comfortable. Then too there are the $20,000-plus lecture fees that the Reagans could command. The President will also receive a federal pension equal to a cabinet member's salary—or $86,200.

According to financial planners and accountants consulted by *Money*, the President and Mrs. Reagan's immediate financial concerns should be reducing their taxes in ways that don't seem to take undue advantage of the tax code, however it may be reformed; keeping their funds rather liquid so they can buy, presumably, a $1 million-plus residential home in Southern California after the President leaves office; and taking steps so that their four children, or charities of their choosing, receive as much of their estate as possible.

Several financial consultants said that the Reagans' taxes could be substantially reduced by shifting more money into municipal bonds. Says Washington, D.C. financial planner Robin Oegerle: "Their blind trust, CDs and Treasury bills combined yielded taxable income of $137,000 last year. Munis could have provided them with just as much income, but they

Reporter associate: Jill Rachlin

The Reagans should give their children $20,000 a year.

wouldn't have had to pay taxes on the interest." Oegerle also would put most of the $140,000 or so that the Reagans keep in their bank accounts into tax-exempt money-market funds invested in munis.

After inspecting the Reagans' 1984 tax return, Lawrence A. Krause, president of a San Francisco financial planning firm bearing his name, asks: "Where's Nancy's IRA?" Even though the President is over the 70½ cutoff age for contributing to an Individual Retirement Account—and apparently has never opened either an IRA or Keogh—Nancy, 62, is still eligible. Because she earned $5,463 last year for magazine articles she wrote and TV appearances on *Diff'rent Strokes*, *Good Morning America* and *Hour Magazine*, she could have contributed the maximum $2,000. Instead she donated nearly all her income to the National Federation of Parents for Drug-Free Youth and deducted that amount as a charitable contribution. But if she had given the organization an identical amount of her savings and kept her income, the IRS would have allowed her to take an IRA write-off as well.

As for estate planning, under the laws of California, the Reagans' home state, half of the property they acquired during their 33-year marriage is considered the President's and half is Nancy's. If the President died, Nancy could receive the President's half without losing any portion to federal taxes. But after her death, assets in excess of $400,000—$500,000 in 1986 and $600,000 in 1987 and later years—would be taxed before being passed along to their children.

Julian S. Bush, a senior estate partner in the New York City law firm of Shea & Gould, recommends that the Reagans make annual tax-free gifts of up to $20,000 to each of their children and grandchildren, if they are not already doing that. Those payments will reduce the size of their taxable estate. Bush adds that if the President wants to ensure that Nancy leaves each of their children an equal portion of his estate, he could stipulate that by establishing a trust in his will. Says Bush: "The kids should have no problem living off the estate—as long as the President and First Lady do what everyone should do: plan now." $