

DTF TAX-FREE INCOME INC
Form N-Q
September 08, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-06416

DTF Tax-Free Income Inc.

(Exact name of registrant as specified in charter)

200 S. Wacker Drive, Suite 500, Chicago, Illinois 60606

(Address of principal executive offices) (Zip code)

**Alan M. Meder
DTF Tax-Free Income Inc.
200 S. Wacker Drive, Suite 500
Chicago, Illinois 60606**

(Name and address of agents for service)

**Lawrence R. Hamilton
Mayer Brown LLP
71 South Wacker Drive
Chicago, Illinois 60606**

Registrant's telephone number, including area code: (800) 338-8214

Date of fiscal year end: October 31

Date of reporting period: July 31, 2010

Item 1 **Schedule of Investments**

DTF TAX-FREE INCOME INC.**Portfolio of Investments**

As of 7/31/2010 (Unaudited)

Principal**Amount**

(000)	Description (a)	Value
LONG-TERM INVESTMENTS		144.0%
Arizona		3.1%
	Arizona St. Trans Brd. Hwy. Rev.,	
\$ 2,000	5.00%, 7/1/30, Ser. B	\$ 2,140,160
	Salt River Proj. Agric. Impvt. & Pwr.	
	Dist. Elec. Sys. Rev.,	
2,000	5.00%, 1/1/38, Ser. A	2,095,820
		4,235,980
California		21.8%
	Bay Area Toll Auth. Rev.,	
2,000	5.125%, 4/1/39, Ser. F-1	2,080,040
	California St. Gen. Oblig.,	
500	5.50%, 3/1/26	531,550
1,000	6.00%, 4/1/38	1,068,850
500	5.50%, 3/1/40	510,810
	California Statewide Communities	
	Dev. Auth. Rev.,	
2,000	5.75%, 7/1/47, FGIC	2,056,580
	Fresno Swr. Rev.	
2,000	6.25%, 9/1/14, Ser. A-1, AMBAC	2,201,360
	Golden State Tobacco Securitization Corp. Rev.,	
3,000	5.75%, 6/1/47, Ser. A-1	2,126,550
	Los Angeles Wastewtr. Sys. Rev.,	
2,000	5.00%, 6/1/26, Ser. A, NRE	2,106,720
	Los Angeles Dept. Wtr. & Pwr. Rev.,	
1,000	5.25%, 7/1/21, Ser. A-A-1, AGM	1,039,180
440 (b)	5.375%, 7/1/21, Ser. A-2, NRE	
	Prerefunded 7/1/11 @ \$100	461,032
560	5.375%, 7/1/21, Ser. A-2, NRE	581,364
	Pomona Sngl. Fam. Mtge. Rev.,	
220 (b)	7.375%, 8/1/10, Ser. B,	
	Escrowed to maturity	220,037
	Riverside Cnty. Sngl. Fam. Rev.,	
2,500 (b)	7.80%, 5/1/21, Ser. A,	
	Escrowed to maturity	3,517,325
	San Bernardino Cnty. Residential	
	Mtge. Rev.,	
7,840 (b)	9.60%, 9/1/15,	
	Escrowed to maturity	11,027,666
	Saratoga Unified Sch. Dist., Gen. Oblig.	

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1,040	Zero Coupon, 9/1/20, Ser. A, FGIC / NRE	678,267
		30,207,331
Connecticut 1.6%		
	Connecticut St. Health & Edl. Facs. Auth. Rev.,	
1,000	5.00%, 7/1/25, Ser. C, RAD	917,050
	Mashantucket Western Pequot	
	Tribe Spl. Rev., 144A,	
2,500 (c)(d)	5.75%, 9/1/18, Ser. B	1,275,000
		2,192,050
District of Columbia 2.7%		
	District of Columbia Income Tax Rev.,	
1,000	5.00%, 12/1/31, Ser. A	1,075,550
	District of Columbia Wtr. & Swr. Auth. Rev.,	
1,500	5.00%, 10/1/33, FGIC / NRE	1,573,890
	Metropolitan Washington DC Airport	
1,000	5.00%, 10/1/18, Ser. A, AGM / AMBAC	1,096,330
		3,745,770
Florida 8.2%		
	Broward Cnty. Port Fac. Rev.,	
1,500	6.00%, 9/1/23, Ser. A	1,678,920
	Escambia Cnty. Hlth. Fac. Auth. Rev.,	
1,000	6.00%, 8/15/36	1,008,970
	Florida Mun. Ln. Council Rev.,	
2,210	5.375%, 8/1/20, Ser. B, NRE	2,387,927
	Florida St. Bd. of Ed. Gen. Oblig.,	
2,000	5.00%, 6/1/21, Ser. A	2,203,980
	Highlands Cnty. Hlth. Fac. Auth. Rev.,	
70 (b)	5.125%, 11/15/32, Ser. G	83,900
	Prerefunded 11/15/16 @ \$100	
1,930	5.125%, 11/15/32, Ser. G	1,952,079
	Orlando and Orange Cnty. Expwy. Auth. Rev.,	
2,000	5.00%, 7/1/35, Ser. B,	2,012,320
	BHAC / AMBAC	
		11,328,096

Principal			
Amount			
(000)	Description (a)	Value	
Georgia		11.5%	
	Atlanta Wtr. & Wastewtr. Rev., Ser. A,		
\$ 2,385	5.00%, 11/1/29, FGIC / NRE	\$	2,386,049
715	5.00%, 11/1/38, FGIC / NRE		712,798
	Fulton Cnty. Sch. Dist., Gen. Oblig.		
2,000	5.375%, 1/1/16		2,382,400
	Georgia Mun. Elec. Auth. Pwr. Rev., Ser. Y,		
145 (b)	6.40%, 1/1/13,		
	Escrowed to maturity		155,689
2,440	6.40%, 1/1/13, AMBAC		2,603,724
30 (b)	6.40%, 1/1/13		
	Prerefunded 1/1/11 @ \$100		30,777
	Georgia Mun. Elec. Auth. Pwr. Rev.,		
5,500	6.50%, 1/1/20, Ser. X, AMBAC		6,628,985
	Metro. Atlanta Rapid Tran. Auth. Rev.,		
1,000	5.00%, 7/1/39, Ser. 3		1,052,130
			15,952,552
Idaho		0.1%	
	Idaho Hsg. Agcy.,		
	Sngl. Fam. Mtge. Sr., Rev.,		
100	6.65%, 7/1/14, Ser. B		103,266
93	6.60%, 7/1/27, Ser. B		93,548
			196,814
Illinois		7.4%	
	Chicago Bd. of Ed. Gen. Oblig.,		
1,000	5.50%, 12/1/30, Ser. A, AMBAC		1,136,580
	Chicago Gen. Oblig.,		
1,415 (b)	6.25%, 1/1/11, AMBAC		
	Escrowed to maturity		1,450,573
	Chicago Multi-Family Hsg. Rev.,		
500	4.90%, 3/20/44, FHA		495,085
	Chicago Park Dist., Gen. Oblig.,		
1,000	5.00%, 1/1/27, Ser. A, AMBAC		1,039,590
	Illinois Fin. Auth. Education Rev.,		
1,000 (b)	5.375%, 9/1/32, Ser. C,		
	Prerefunded 9/1/17 @ \$100		1,228,380
	Illinois Fin. Auth. Rev.,		
1,000	6.00%, 8/15/38, Ser. A		1,008,640
	Illinois St. Gen. Oblig.,		
2,000	5.50%, 1/1/29		2,190,460
	Illinois St. Toll Hwy. Auth. Rev.,		
1,500	5.50%, 1/1/33, Ser. B		1,638,135
			10,187,443

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	Indiana	8.0%
	Indiana Fin. Auth. Hospital Rev.,	
1,000	5.875%, 5/1/29, Ser. A	1,025,390
	Indiana Mun. Pwr. Agcy., Pwr.	
	Supply Sys. Rev.,	
5,000	6.00%, 1/1/13, Ser. B, NRE	5,588,400
	Indianapolis Local Pub. Impvt.	
	Bond Bank Rev.,	
2,100 (b)	5.25%, 7/1/33, Ser. A	
	Prerefunded 7/1/12 @ \$100	2,300,928
2,000	5.00%, 2/1/38, Ser. A	2,095,320
		11,010,038

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Principal

Amount

(000)	Description (a)	Value
	Kentucky 1.4%	
	Louisville & Jefferson Cnty. Met.	
	Swr. Dist., Swr. & Drain Sys. Rev.,	
\$ 1,895	5.00%, 5/15/30, Ser. A, FGIC / NRE	\$ 1,896,023
	Maryland 1.5%	
	Maryland St. Trans. Auth. Rev.,	
2,000	5.00%, 7/1/37, AGM	2,127,560
	Massachusetts 6.0%	
	Massachusetts Bay Trans. Auth. Rev.,	
3,000	5.50%, 7/1/29, Ser. B, NRE	3,624,450
	Massachusetts St. College Bldg. Auth. Rev.,	
2,000	5.00%, 5/1/40, Ser. B	2,100,680
	Massachusetts St. Dev. Finance Agency,	
	Solid Waste Disp. Rev.	
1,500	5.00%, 2/1/36	1,393,935
	Massachusetts St. Gen. Oblig.,	
1,000	5.50%, 8/1/30, Ser. A, AMBAC	1,203,640
		8,322,705
	Michigan 3.3%	
	Detroit Gen. Oblig.,	
500	5.25%, 11/1/35	500,745
	Detroit Wtr. Supply Sys. Rev.,	
	Ser. A,	
2,000 (b)	5.50%, 7/1/24,	
	Prerefunded 7/1/11 @ \$100	2,096,360
2,000	5.00%, 7/1/30, FGIC / NRE	1,980,020
		4,577,125
	Nebraska 4.9%	
	Omaha Gen. Oblig.,	
2,000	5.25%, 4/1/27	2,419,280
	Omaha Pub. Pwr. Dist.,	
	Elec. Rev., Ser. B,	
1,270 (b)	6.15%, 2/1/12	
	Escrowed to maturity	1,337,869
2,500 (b)	6.20%, 2/1/17	
	Escrowed to maturity	2,950,575
		6,707,724
	Nevada 4.3%	
	Clark Cnty. Gen. Oblig.,	
2,165	5.00%, 11/1/22, AMBAC	2,314,861

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	Las Vegas Valley Wtr. Dist.,	
	Gen. Oblig.,	
1,400	5.00%, 6/1/25, Ser. B, NRE	1,467,340
	Nevada St. Gen. Oblig.,	
2,000	5.00%, 12/1/24, Ser. F, AGM	2,135,260
		5,917,461
	New Jersey	4.8%
	New Jersey Econ. Dev. Auth. Rev.,	
1,025	4.95%, 3/1/47	953,383
	New Jersey St. Gen. Oblig.,	
2,000	5.25%, 7/1/17, Ser. H	2,373,280
	New Jersey St. Tpk. Auth. Rev.,	
1,000	5.00%, 1/1/36, Ser. H	1,042,510
	New Jersey Trans. Trust Fund Auth. Rev.,	
2,000	5.25%, 12/15/22, Ser. A	2,297,340
		6,666,513
	New York	4.8%
	Albany Industrial Dev. Agy. Rev.,	
1,000	5.00%, 4/1/32, Ser. A	868,630
	Long Island Pwr. Auth. Elec.	
	Sys. Rev.,	
800	5.00%, 12/1/35, Ser. B	819,456
	Metro. Trans. Auth. Rev.,	
1,000	5.25%, 11/15/31, Ser. A, FGIC / NRE	1,029,800
	New York St. Dorm. Auth. Rev.,	
	Sch. Dist. Rev. Bond Financing Program	
1,500	7.25%, 10/1/28, Ser. C	1,788,315
	New York St. Dorm. Auth. Rev.,	
	State Personal Inc. Tax Rev.	
2,000	5.00%, 3/15/30, Ser. F	2,090,460
		6,596,661

Principal			
Amount			
(000)	Description (a)		Value
	Ohio	5.8%	
	Buckeye Tobacco Settlement Financing Auth. Rev.,		
\$ 3,000	6.50%, 6/1/47, Ser. A-2		\$ 2,326,560
	Deerfield Twp. Tax Increment Rev.,		
750	5.00%, 12/1/25		756,825
	Hamilton Elec. Sys. Rev.		
1,000	4.60%, 10/15/20, Ser. A, AGM		1,077,160
	Ohio St. Air Quality Dev. Auth. Rev.,		
750	5.70%, 2/1/14, Ser. A		817,380
	Ohio St. Wtr. Dev. Auth. Rev.,		
2,445	5.50%, 6/1/20, Ser. B, AGM		3,019,722
			7,997,647
	Pennsylvania	5.4%	
	Delaware Cnty. Auth. Rev.,		
2,000	5.00%, 6/1/21, Ser. A, RAD		2,050,760
	East Stroudsburg Area Sch. Dist., Gen. Oblig.		
1,000	7.75%, 9/1/27, Ser. A, FGIC / NRE		1,219,010
	Pennsylvania Economic Dev. Fin.		
	Auth. Res. Recov. Rev.,		
1,000	4.625%, 12/1/18, Ser. F, AMBAC		953,110
	Pennsylvania St. Higher Ed. Facs. Auth. Rev.,		
2,000	5.00%, 6/15/28, Ser. AL		2,171,960
	Pennsylvania St. Tpk. Comm. Oil Franchise Tax Rev.,		
1,020	5.00%, 12/1/23, Ser. A-2, AGT		1,133,353
			7,528,193
	Puerto Rico	0.7%	
	Puerto Rico Elec. Pwr. Auth. Rev.,		
1,000	5.00%, 7/1/25, Ser. PP, FGIC / NRE		1,014,880
	South Carolina	1.3%	
	Spartanburg Waterworks Rev.,		
1,500 (b)	5.25%, 6/1/28		
	Prerefunded 6/1/14 @ \$100		1,740,360
	Tennessee	1.8%	
	Tennessee Energy Acquisition Corp. Rev., Ser. A,		
1,500	5.25%, 9/1/20		1,530,540
1,000	5.25%, 9/1/21		1,018,730
			2,549,270
	Texas	18.0%	
	Alliance Airport Auth. Inc. Rev.,		
1,000	4.85%, 4/1/21		992,950

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	Bexar Met. Wtr. Dist.	
	Waterworks Sys. Rev.,	
2,500	5.00%, 5/1/25, NRE	2,501,675
	Coastal Wtr. Auth. Contract Rev.,	
4,000	5.00%, 12/15/25, AGM	4,014,400
	Dallas Area Rapid Transit Rev.,	
1,000	5.25%, 12/1/48	1,052,590
	Dallas Gen. Oblig.	
2,000	4.50%, 2/15/23	2,031,780
	El Paso Wtr. & Swr. Rev.,	
1,555	5.50%, 3/1/12, Ser. A, AGM	1,678,809
	Everman Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 2/15/36, PSF	1,056,430
	Harris Cnty. Gen. Oblig.,	
1,650	7.00%, 8/15/10, Ser. A	1,654,587
	Houston Wtr. & Swr. Sys. Rev.,	
1,500 (b)	5.25%, 12/1/23, Ser. B	
	Prerefunded 12/1/10 @ \$100	1,525,020
	Klein Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 8/1/38, Ser. A, PSF	1,058,780
	Lower Colorado River Auth. Rev.,	
2,000	5.00%, 5/15/31, AGM	2,010,180
	McLennan Cnty. Pub. Fac. Corp. Proj. Rev.,	
2,000	6.625%, 6/1/35	2,186,380
	Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig.,	
1,975	5.50%, 2/1/33, PSF	2,140,801
	Spring Branch Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.25%, 2/1/38, PSF	1,068,000
		24,972,382

Principal			
Amount			
(000)	Description (a)		Value
	Utah	1.5%	
	Utah Trans. Auth. Sales Tax Rev., Ser A.,		
\$ 1,000	5.00%, 6/15/32, AGM		\$ 1,066,940
1,000	5.00%, 6/15/36, AGM		1,057,930
			2,124,870
	Virginia	4.4%	
	Virginia College Bldg. Auth. Rev.,		
2,000	5.00%, 2/1/23, Ser. E-1		2,372,880
	Virginia St. Hsg. Dev. Auth. Rev.,		
1,500	4.55%, 1/1/24		1,486,875
	Virginia St. Pub. Bldg. Auth. Rev.,		
2,050	5.00%, 8/1/29, Ser. B		2,247,538
			6,107,293
	Washington	2.2%	
	Energy Northwest Wind Proj. Rev.,		
500	4.75%, 7/1/21, NRE		531,925
	King Cnty. Swr. Rev.,		
2,500	5.00%, 1/1/31, FGIC / NRE		2,532,350
			3,064,275
	West Virginia	1.1%	
	Monongalia Cnty. Building Commission		
	Hospital Rev.		
1,500	5.00%, 7/1/30, Ser. A		1,452,150
	Wisconsin	3.1%	
	Wisconsin St. Gen. Rev.,		
2,000	6.00%, 5/1/33, Ser. A		2,231,760
	Wisconsin St. Health & Edl. Facs. Auth. Rev.,		
2,000	6.50%, 4/15/33		2,048,980
			4,280,740
	Wyoming	3.3%	
	Wyoming St. Farm Loan Brd.		
	Cap. Facs. Rev.,		
4,000	5.75%, 10/1/20		4,622,240
	Total long-term investments		
	(cost \$187,733,661)		199,322,146

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Shares

SHORT-TERM INVESTMENT		1.2%	
	State Street Institutional Tax-Free		
	Money Market Fund		
1,685,498	(cost \$1,685,498)		\$ 1,685,498
Total Investments (cost \$189,419,159)		145.2%	201,007,644
Other assets in excess of liabilities		1.8%	2,431,334
Liquidation value of remarketed preferred stock		(47.0%)	(65,000,000)
Net Assets Applicable to Common Stock		100.0%	\$ 138,438,978
Net asset value per share of common stock (\$138,438,978/ 8,507,456)			\$ 16.27

(a) The following abbreviations are used in portfolio descriptions to indicate providers of credit support, in whole or in part:
AMBAC - Ambac Assurance Corporation.

AGM - Assured Guaranty Municipal Corporation.

AGT - Assured Guaranty Corp.

BHAC - Berkshire Hathaway Assurance Corporation.

FGIC - Financial Guaranty Insurance Company.

FHA - Federal Housing Authority.

NRE - National Public Finance Guarantee Corporation.

PSF - Texas Permanent School Fund.

RAD - Radian Asset Assurance Inc.

(b) Prerefunded and escrowed to maturity issues are secured by escrowed cash, government obligations, or other securities.

(c) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A to qualified institutional buyers. At July 31, 2010, these securities amounted to a value of \$1,275,000 or 0.92% of net assets applicable to common stock.

(d) A portion of this security's March 1, 2010 interest payment and all of the September 1, 2010 semi-annual interest payment to bondholders was made from a debt service reserve fund maintained by a trustee.

Notes

The United States federal income tax basis of the Fund's investments and the net unrealized appreciation as of July 31, 2010 were as follows:

Tax Basis of	Appreciation		Net Unrealized
Investment		Depreciation	Appreciation
\$189,281,844	\$13,519,059	\$1,793,259	\$11,725,800

The Fund's investments are carried at fair value which is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. The three-tier hierarchy of inputs established to classify fair value measurements for disclosure purposes is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities.

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in these securities. The following is a summary of the inputs used to value each of the Fund's investments as of July 31, 2010:

Valuations	Level 1	Level 2	Level 3
Description			
Assets:			
Money Market Fund	\$ 1,685,498	\$ -	\$ -
Municipal Bonds	-	199,322,146	-
Total	\$ 1,685,498	\$ 199,322,146	\$ -

Other information regarding the Fund is available in the Fund's most recent Report to Shareholders. This information is available on the Securities and Exchange Commission's website (www.SEC.gov).

Item 2 Controls and Procedures

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) are effective, based on an evaluation of those controls and procedures made as of a date within 90 days of the filing date of this report as required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934.

(b) There has been no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Exhibit 99.CERT- Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) DTF TAX-FREE INCOME INC.

By (Signature and Title) /s/ ALAN M. MEDER
Alan M. Meder
Treasurer
(Principal Financial and Accounting Officer)

Date September 8, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ NATHAN I. PARTAIN
Nathan I. Partain
President and Chief Executive Officer

Date September 8, 2010

By (Signature and Title) /s/ ALAN M. MEDER
Alan M. Meder
Treasurer
(Principal Financial and Accounting Officer)

Date September 8, 2010