

DTF TAX-FREE INCOME INC  
Form N-Q  
March 24, 2009

**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: January 31, 2009

**Item 1 Schedule of Investments**

## DTF TAX-FREE INCOME INC.

## Portfolio of Investments

As of 1/31/2009 (unaudited)

Principal Amount (000)	Description (a)	Value
	<b>LONG-TERM INVESTMENTS</b>	<b>147.4%</b>
	<b>Alabama</b>	<b>6.2%</b>
	DCH Health Care Auth. Rev.	
\$ 1,000	5.125%, 6/1/36	\$ 780,900
	Jefferson Cnty. Swr. Rev.	
	Capital Impvt.	
3,000(b)	5.125%, 2/1/29, Ser. A, Prerefunded 2/1/09 @ \$101	3,030,360
2,100(b)	5.00%, 2/1/33, Ser. A, Prerefunded 2/1/09 @ \$101	2,121,252
1,900(b)	5.00%, 2/1/33, Ser. A, Prerefunded 2/1/09 @ \$101	1,919,228
		7,851,740
	<b>California</b>	<b>23.0%</b>
	California St. Gen. Oblig.,	
500	5.50%, 3/1/26	508,915
1,000	5.00%, 11/1/32	913,300
	California Statewide Communities Dev. Auth. Rev.,	
2,000	5.75%, 7/1/47, F.G.I.C.	1,854,640
	Fresno Swr. Rev., Ser. A-1,	
3,030	6.00%, 9/1/09, A.M.B.A.C.	3,122,566
2,000	6.25%, 9/1/14, A.M.B.A.C.	2,244,980
	Los Angeles Wastewtr. Sys. Rev.,	
2,000	5.00%, 6/1/26, Ser. A, M.B.I.A.	1,967,980
	Los Angeles Wtr. & Pwr. Rev.,	
1,000	5.25%, 7/1/21, Ser. A-A-1, F.S.A.	1,031,550
1,000	5.375%, 7/1/21, Ser. A-A-2, M.B.I.A.	1,061,500
	Pomona Sngl. Fam. Mtge. Rev.,	
830(b)	7.375%, 8/1/10, Ser. B, Escrowed to maturity	867,898
	Riverside Cnty. Sngl. Fam. Rev.,	
2,500(b)	7.80%, 5/1/21, Ser. A, Escrowed to maturity	3,378,525
	San Bernardino Cnty. Residential Mtge. Rev.,	
7,840(b)	9.60%, 9/1/15, Escrowed to maturity	11,534,757
	Saratoga Unified Sch. Dist., Gen. Oblig.	
1,040	Zero Coupon, 9/1/20, Ser. A, F.G.I.C.	623,147
		29,109,758
	<b>Connecticut</b>	<b>2.7%</b>
	Connecticut St. Health & Edl. Facs. Auth. Rev.,	
1,000	5.00%, 7/1/25, Ser. C, Radian	753,750

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	Mashantucket Western Pequot	
	Tribe Spl. Rev., 144A,	
3,500(c)	5.75%, 9/1/18, Ser. B	2,674,630
		3,428,380
	<b>District of Columbia</b>	<b>1.1%</b>
	District of Columbia Wtr. & Swr. Auth. Rev.,	
1,500	5.00%, 10/1/33, F.G.I.C.	1,410,840

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Principal Amount (000)	Description (a)	Value
	<b>Florida</b>	<b>8.7%</b>
\$ 1,005	Brevard Cnty. Hlth. Fac. Auth. Rev., 5.00%, 4/1/34	\$ 699,209
1,190	Escambia Cnty. Hlth. Fac. Auth. Rev., 5.125%, 10/1/19	1,059,481
2,210	Florida Mun. Ln. Council Rev., 5.375%, 8/1/20, Ser. B, M.B.I.A.	2,306,776
70(b)	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G	83,152
1,930	Prerefunded 11/15/16 @ \$100 5.125%, 11/15/32, Ser. G	1,598,522
5,000(b)	St. Petersburg Public Util. Rev., 5.00%, 10/1/28, Ser. A, Prerefunded 10/1/09 @ \$101	5,198,250
		10,945,390
	<b>Georgia</b>	<b>15.3%</b>
2,385	Atlanta Wtr. & Wastewtr. Rev., Ser. A, 5.00%, 11/1/29, F.G.I.C.	2,078,289
715	5.00%, 11/1/38, F.G.I.C.	583,333
785(b)	5.00%, 11/1/38, Prerefunded 5/1/09 @ \$101	801,870
4,000(b)	De Kalb Cnty. Wtr. & Swr. Rev., 5.00%, 10/1/24 Prerefunded 10/1/09 @ \$101	4,160,560
2,000	Fulton Cnty. Sch. Dist., Gen. Oblig. 5.375%, 1/1/16	2,374,420
145(b)	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, Escrowed to maturity	163,731
2,440	6.40%, 1/1/13, A.M.B.A.C.	2,689,343
30(b)	6.40%, 1/1/13 Prerefunded 1/1/11 @ \$100	33,023
5,500	Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, A.M.B.A.C.	6,480,320
		19,364,889
	<b>Hawaii</b>	<b>1.1%</b>
2,000	Hawaii Dept. Budget & Fin. Rev., 4.80%, 1/1/25, Ser. A, F.G.I.C.	1,376,720
	<b>Idaho</b>	<b>0.3%</b>
170	Idaho Hsg. Agcy., Sngl. Fam. Mtge. Sr., Rev., 6.65%, 7/1/14, Ser. B	174,734
178	6.60%, 7/1/27, Ser. B	186,418
		361,152
	<b>Illinois</b>	<b>6.4%</b>
2,745	Chicago Gen. Oblig., 6.25%, 1/1/11, A.M.B.A.C.	2,910,194
1,000	5.25%, 1/1/33, Ser. A	1,002,780

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500	Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, F.H.A.	405,585
1,000	Chicago Park Dist., Gen. Oblig., 5.00%, 1/1/27, Ser. A, A.M.B.A.C.	1,005,610
1,000(b)	Illinois Fin. Auth. Education Rev., 5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ \$100	1,232,460
1,500	Illinois St. Toll Hwy. Auth. Rev., 5.50%, 1/1/33, Ser. B	1,524,225
		8,080,854

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Principal Amount (000)	Description (a)	Value
	<b>Indiana</b>	<b>6.3%</b>
	Indiana Mun. Pwr. Agcy., Pwr. Supply Sys. Rev.,	
\$ 5,000	6.00%, 1/1/13, Ser. B, M.B.I.A.	\$ 5,653,400
	Indianapolis Local Pub. Impvt. Bond Bank Waterworks Proj. Rev.,	
2,100(b)	5.25%, 7/1/33, Ser. A, Prerefunded 7/1/12 @ \$100	2,357,775
		8,011,175
	<b>Kentucky</b>	<b>2.7%</b>
	Louisville & Jefferson Cnty. Met. Swr. Dist., Swr. & Drain Sys. Rev.,	
2,000	5.00%, 5/15/30, Ser. A, F.G.I.C.	1,921,340
	Louisville & Jefferson Cnty. Metro. Govt. Health Sys. Rev.,	
1,000	5.00%, 10/1/30	735,870
1,000	5.25%, 10/1/36	722,810
		3,380,020
	<b>Massachusetts</b>	<b>5.5%</b>
	Boston Wtr. & Swr. Comm. Rev.,	
2,000	5.00%, 11/1/28, Ser. D, F.G.I.C.	1,989,900
	Massachusetts St. Dev. Finance Agency, Solid Waste Disp. Rev.	
1,500	5.00%, 2/1/36	1,047,540
	Massachusetts St. Tpk. Auth., Metro. Highway Sys. Rev.,	
2,355	5.125%, 1/1/23, Ser. B, M.B.I.A.	2,108,926
2,500	4.75%, 1/1/34, Ser. A, A.M.B.A.C.	1,808,700
		6,955,066
	<b>Michigan</b>	<b>3.6%</b>
	Detroit Wtr. Supply Sys. Rev., Ser. A,	
2,000(b)	5.50%, 7/1/24, Prerefunded 7/1/11 @ \$100	2,198,400
2,000	5.00%, 7/1/30, F.G.I.C.	1,696,500
	Michigan Tobacco Settlement Finance Auth. Rev.,	
1,000	6.00%, 6/1/48, Ser. A	585,570
		4,480,470
	<b>Nebraska</b>	<b>4.5%</b>
	Omaha Pub. Pwr. Dist., Elec. Rev., Ser. B,	
2,500(b)	6.15%, 2/1/12 Escrowed to maturity	2,685,500
2,500(b)	6.20%, 2/1/17 Escrowed to maturity	3,033,650
		5,719,150

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<b>Nevada</b>		<b>3.4%</b>
	Las Vegas Valley Wtr. Dist.,	
	Gen. Oblig.,	
1,400	5.00%, 6/1/25, Ser. B, M.B.I.A.	1,413,328
3,000	5.00%, 6/1/32, Ser. A, F.G.I.C.	2,911,350
		4,324,678
<b>New Jersey</b>		<b>4.1%</b>
	New Jersey Econ. Dev. Auth. Rev.,	
1,025	4.95%, 3/1/47	637,950
	New Jersey St. Gen. Oblig.,	
2,000	5.25%, 7/1/17, Ser. H	2,366,860
	New Jersey Trans. Trust Fund Auth. Rev.,	
2,000	5.25%, 12/15/22, Ser. A	2,109,420
		5,114,230

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Principal Amount (000)	Description (a)	Value
	<b>New York</b>	<b>7.1%</b>
\$ 1,000	Albany Industrial Dev. Agy. Rev., 5.00%, 4/1/32, Ser. A Long Island Pwr. Auth. Elec. Sys. Rev.,	\$ 613,240
800	5.00%, 12/1/35, Ser. B	711,400
1,000	Metro. Trans. Auth. Rev., 5.25%, 11/15/31, Ser. A, F.G.I.C.	963,880
5,000	New York City Mun. Wtr. Fin. Auth., Wtr. & Swr. Sys. Rev., 5.00%, 6/15/29, Ser. B, F.S.A.	4,936,800
1,500	New York St. Dorm. Auth. Rev., Sch. Dist. Program 7.25%, 10/1/28, Ser. C	1,725,060
		8,950,380
	<b>Ohio</b>	<b>6.0%</b>
3,000	Buckeye Tobacco Settlement Financing Auth. Rev., 6.00%, 6/1/42, Ser. A-2	1,749,360
2,000	6.50%, 6/1/47, Ser. A-2 Deerfield Twp. Tax Increment Rev.,	1,241,980
750	5.00%, 12/1/25 Hamilton Elec. Sys. Rev.	590,415
1,000	4.60%, 10/15/20, Ser. A, F.S.A.	1,049,780
2,445	Ohio St. Wtr. Dev. Auth. Rev., 5.50%, 6/1/20, Ser. B, F.S.A.	2,929,648
		7,561,183
	<b>Pennsylvania</b>	<b>3.0%</b>
2,000	Delaware Cnty. Auth. Rev., 5.00%, 6/1/21, Ser. A, Radian	1,729,560
1,000	East Stroudsburg Area Sch. Dist., Gen. Oblig. 7.75%, 9/1/27, Ser. A, F.G.I.C.	1,169,440
1,000	Pennsylvania Economic Dev. Fin. Auth. Res. Recov. Rev., 4.625%, 12/1/18, Ser. F, A.M.B.A.C.	918,210
		3,817,210
	<b>Puerto Rico</b>	<b>0.7%</b>
1,000	Puerto Rico Elec. Pwr. Auth. Rev., 5.00%, 7/1/25, Ser. PP, F.G.I.C.	847,220
	<b>South Carolina</b>	<b>1.4%</b>
1,500(b)	Spartanburg Waterworks Rev., 5.25%, 6/1/28, Prerefunded 6/1/14 @ \$100	1,768,155
	<b>Tennessee</b>	<b>1.5%</b>
1,500	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/20, Ser. A	1,176,720
1,000	5.25%, 9/1/21, Ser. A	767,740
		1,944,460

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<b>Texas</b>		<b>21.8%</b>
	Alliance Airport Auth. Inc. Rev.,	
1,000	4.85%, 4/1/21	746,880
	Bexar Met. Wtr. Dist.	
	Waterworks Sys. Rev.,	
2,500	5.00%, 5/1/25, M.B.I.A.	2,491,550
	Coastal Wtr. Auth. Contract Rev.,	
4,000	5.00%, 12/15/25, F.S.A.	4,000,120
	Dallas Area Rapid Transit Rev.,	
1,000	5.25%, 12/1/48	966,430
	Dallas Gen. Oblig.	
2,000	4.50%, 2/15/23	2,019,540
	El Paso Wtr. & Swr. Rev.,	
1,555	5.50%, 3/1/12, Ser. A, F.S.A.	1,728,134
	Everman Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 2/15/36, PSF	982,510
	Harris Cnty. Gen. Oblig.,	
1,650	7.00%, 8/15/10, Ser. A	1,797,147
	Houston Wtr. & Swr. Sys. Rev.,	
1,500(b)	5.25%, 12/1/23, Ser. B,	
	Prerefunded 12/1/10 @ \$100	1,616,130
3,500(b)	5.00%, 12/1/28, Ser. A,	
	Prerefunded 12/1/09 @ \$100	3,627,715

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Principal Amount (000)	Description (a)	Value
<b>Texas (continued)</b>		
\$ 1,000	Klein Indep. Sch. Dist. Gen. Oblig., 5.00%, 8/1/38, Ser. A, PSF	\$ 981,830
2,000	Lower Colorado River Auth. Rev., 5.00%, 5/15/31, F.S.A.	1,919,380
1,000	McLennan Cnty. Pub. Fac. Corp. Proj. Rev., 6.625%, 6/1/35	1,042,130
2,595	San Antonio Elec. & Gas Rev., 5.00%, 2/1/18, Ser. A	2,626,036
1,000	Spring Branch Indep. Sch. Dist. Gen. Oblig., 5.25%, 2/1/38, PSF	1,008,450
		27,553,982
	<b>Virginia</b>	<b>4.2%</b>
3,985	Henrico Cnty. Wtr. & Swr. Rev., 5.00%, 5/1/28	3,993,926
1,500	Virginia St. Hsg. Dev. Auth. Rev., 4.55%, 1/1/24	1,314,420
		5,308,346
	<b>Washington</b>	<b>2.3%</b>
500	Energy Northwest Wind Proj. Rev., 4.75%, 7/1/21, M.B.I.A.	507,375
2,500	King Cnty. Swr. Rev., 5.00%, 1/1/31, F.G.I.C.	2,356,975
		2,864,350
	<b>West Virginia</b>	<b>0.9%</b>
1,500	Monongalia Cnty. Building Commission Hospital Rev. 5.00%, 7/1/30, Ser. A	1,076,970
	<b>Wyoming</b>	<b>3.6%</b>
4,000	Wyoming St. Farm Loan Brd. Cap. Facs. Rev., 5.75%, 10/1/20	4,563,120
	Total long-term investments	
	(cost \$182,852,446)	186,169,888
<b>Shares</b>		
	<b>SHORT-TERM INVESTMENT</b>	<b>3.3%</b>
4,232,248	State Street Institutional Tax-Free Money Market Fund	
	(cost \$4,232,248)	\$ 4,232,248
<b>Total Investments (cost \$187,084,694)</b>		<b>150.7%</b> 190,402,136
Other assets in excess of liabilities		<b>0.7%</b> 932,661
Liquidation value of remarketed preferred stock		<b>(51.4)</b> (65,000,000)

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<b>Net Assets Applicable to Common Stock</b>	<b>100.0%</b>	<b>\$ 126,334,797</b>
Net asset value per share of common stock (\$126,334,797 / 8,507,456)		\$ 14.85

(a) The following abbreviations are used in portfolio descriptions to indicate providers of credit support, in whole or in part:

A.M.B.A.C. - Ambac Assurance Corporation.

F.G.I.C. - Financial Guaranty Insurance Company.

F.H.A. - Federal Housing Authority.

F.S.A. - Financial Security Assurance Inc.

M.B.I.A. - MBIA Insurance Corporation.

PSF - Texas Permanent School Fund.

Radian - 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 January 31, 2009, these securities amounted to a value of \$2,674,630 or 2.1% of net assets applicable to common stock.

**Notes**

*Securities Valuation:*

The Fund values its fixed income securities by using market quotations, prices provided by market makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics in accordance with procedures established by the Board of Directors of the Fund. The relative liquidity of some securities in the Fund's portfolio may adversely affect the ability of the Fund to accurately value such securities. Any securities or other assets for which such current market quotations are not readily available are valued at fair value as determined in good faith under procedures established by and under the general supervision and responsibility of the Fund's Board of Directors. Short-term investments having a maturity of 60 days or less at date of purchase are valued on an amortized cost basis, which approximates market value.

Investments in mutual funds are valued at their net asset value as of the close of the New York Stock Exchange on the date of valuation.

The United States federal income tax basis of the Fund's investments and the net unrealized appreciation as of January 31, 2009 were as follows:

<b>Tax Basis of Investment</b>	<b>Appreciation</b>	<b>Depreciation</b>	<b>Net Unrealized Appreciation</b>
\$186,404,419	\$14,481,180	\$10,483,463	\$3,997,717

The Fund implemented Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ), effective November 1, 2008. In accordance with FAS 157, fair value 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. FAS 157 establishes a three-tier hierarchy to classify fair value measurements for disclosure purposes. The three tier hierarchy of inputs 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 January 31, 2009:

Level 1	\$ -
Level 2	\$ 190,402,136
<b>Total</b>	<b>\$ 190,402,136</b>

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](http://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 (the "Exchange Act").

(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 March 23, 2009

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 March 23, 2009

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

Date March 23, 2009