

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		Description (a)	Value
(000)			
		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

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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. 5.375%, 1/1/16		2,382,400
145 (b)	Georgia Mun. Elec. Auth. Pwr. Rev., Ser. Y, 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
5,500	Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, AMBAC		6,628,985
1,000	Metro. Atlanta Rapid Tran. Auth. Rev., 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., 5.50%, 12/1/30, Ser. A, AMBAC		1,136,580
1,415 (b)	Chicago Gen. Oblig., 6.25%, 1/1/11, AMBAC Escrowed to maturity		1,450,573
500	Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, FHA		495,085
1,000	Chicago Park Dist., Gen. Oblig., 5.00%, 1/1/27, Ser. A, AMBAC		1,039,590
1,000 (b)	Illinois Fin. Auth. Education Rev., 5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ \$100		1,228,380
1,000	Illinois Fin. Auth. Rev., 6.00%, 8/15/38, Ser. A		1,008,640
2,000	Illinois St. Gen. Oblig., 5.50%, 1/1/29		2,190,460
1,500	Illinois St. Toll Hwy. Auth. Rev., 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., 5.00%, 5/15/30, Ser. A, FGIC / NRE		\$ 1,896,023
\$ 1,895			
	Maryland	1.5%	
	Maryland St. Trans. Auth. Rev., 5.00%, 7/1/37, AGM		2,127,560
2,000			
	Massachusetts	6.0%	
	Massachusetts Bay Trans. Auth. Rev., 5.50%, 7/1/29, Ser. B, NRE		3,624,450
3,000			
	Massachusetts St. College Bldg. Auth. Rev., 5.00%, 5/1/40, Ser. B		2,100,680
2,000			
	Massachusetts St. Dev. Finance Agency, Solid Waste Disp. Rev. 5.00%, 2/1/36		1,393,935
1,500			
	Massachusetts St. Gen. Oblig., 5.50%, 8/1/30, Ser. A, AMBAC		1,203,640
1,000			
			8,322,705
	Michigan	3.3%	
	Detroit Gen. Oblig., 5.25%, 11/1/35		500,745
500			
	Detroit Wtr. Supply Sys. Rev., Ser. A, 5.50%, 7/1/24, Prerefunded 7/1/11 @ \$100		2,096,360
2,000 (b)			
	5.00%, 7/1/30, FGIC / NRE		1,980,020
2,000			
			4,577,125
	Nebraska	4.9%	
	Omaha Gen. Oblig., 5.25%, 4/1/27		2,419,280
2,000			
	Omaha Pub. Pwr. Dist., Elec. Rev., Ser. B, 6.15%, 2/1/12		1,337,869
1,270 (b)			
	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., 5.00%, 11/1/22, AMBAC		2,314,861
2,165			

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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

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

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

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Principal			
Amount		Description (a)	Value
(000)			
		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
	1,500	Virginia St. Hsg. Dev. Auth. Rev.,	
		4.55%, 1/1/24	1,486,875
	2,050	Virginia St. Pub. Bldg. Auth. Rev.,	
		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
	2,500	King Cnty. Swr. Rev.,	
		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
	2,000	Wisconsin St. Health & Edl. Facs. Auth. Rev.,	
		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