

DTF TAX-FREE INCOME INC  
Form N-CSR  
January 03, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-06416

**DTF Tax-Free Income Inc.**

(Exact name of registrant as specified in charter)

**200 South Wacker Drive, Suite 500, Chicago, Illinois 60606**

(Address of principal executive offices) (Zip code)

**Alan M. Meder**  
**DTF Tax-Free Income Inc.**  
**200 South 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: 1-800-338-8214

Date of fiscal year end: October 31

Date of reporting period: October 31, 2010

**ITEM 1. REPORTS TO STOCKHOLDERS.**

The Annual Report to Stockholders follows.

**Directors**

David J. Vitale, *Chairman*

Nancy Lampton, *Vice Chairman*

Stewart E. Conner

Robert J. Genetski

Philip R. McLoughlin

Geraldine M. McNamara

Eileen A. Moran

Nathan I. Partain, CFA

Christian H. Poindexter

Carl F. Pollard

**Officers**

Nathan I. Partain, CFA, *President & Chief Executive Officer*

T. Brooks Beittel, CFA, *Secretary*

Timothy M. Heaney, CFA, *Chief Investment Officer*

Lisa H. Leonard, *Vice President*

Alan M. Meder, CFA, CPA, *Treasurer & Assistant Secretary*

Joyce B. Riegel, *Chief Compliance Officer*

**Investment Adviser**

Duff & Phelps Investment Management Co.

200 South Wacker Drive Suite 500

Chicago, IL 60606

Call toll-free (800) 243-4361 ext. 4941

(860) 263-4941

[www.dpimc.com](http://www.dpimc.com)

**Administrator**

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J.J.B. Hilliard, W.L. Lyons, LLC

500 West Jefferson Street

Louisville, KY 40202

(888) 878-7845

### **Custodian**

State Street Bank and Trust Company

One Heritage Drive

North Quincy, MA 02171

### **Transfer Agent**

American Stock Transfer & Trust Company

6201 15th Avenue

Brooklyn, NY 11219

Call toll free (800) 937-5449

### **Independent Registered Public Accounting Firm**

Ernst & Young LLP

155 North Wacker Drive

Chicago, IL 60606

### **Legal Counsel**

Mayer Brown LLP

71 South Wacker Drive

Chicago, IL 60606

This report is for stockholder information. This is not a prospectus intended for use in the purchase or sale of Fund shares.

# **DTF Tax-Free**

# **Income Inc.**

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## **Annual Report**

**October 31, 2010**

# LETTER TO SHAREHOLDERS

December 15, 2010

Dear Fellow Shareholder:

## **The Current Municipal Market Environment and Your Fund:**

The tax-exempt municipal bond market has been the beneficiary of strong investor demand in 2010 as inflows of cash into municipal bond mutual funds and direct buying of municipal bonds have been remarkably steady all year. The high cash flows from investors have served to push municipal interest rates lower and prices higher for all types of municipal bonds, especially those securities issued with lower credit ratings. This elevated level of investment into the tax-exempt bond market has come at a time when the supply of tax-exempt bonds has declined compared to previous years due to the Build America Bond Program (known as BABs in the municipal bond market). BABs have provided issuers the ability to access the taxable bond markets at more favorable costs (after factoring in the 35% U.S. Government subsidy for the cost of interest) compared to the traditional tax-exempt market.

While the technical market conditions of exceptionally strong demand and lower volume of issuance have clearly dominated the market over the past 18 months, ongoing concerns persist over difficult state and local fiscal conditions. Headline news (both print and television), discussing the current and pending problems facing large and small municipalities continues to be reported throughout the country. As such, credit concerns are heightened as numerous state and local municipalities face recurring budget deficits. Additionally, underfunded pension obligations and post-retirement healthcare benefits also have been the subject of concern and could become more problematic as municipalities look to close these gaps at the expense of some essential programs. While the overall default rate for municipal bonds has moved higher, our expectation is that municipal defaults will remain sporadic and not become a systemic problem. However, despite the favorable default statistics supporting the relative value of municipal bonds over the past 80+ years, investors are being inundated with constant news raising questions about the sector and suggesting that severe problems lie ahead. This ongoing fundamental concern may cause performance to level off as we move into 2011 if investors decide to reduce allocation to the asset class. Further, if a large issuer were to default or struggle to meet debt service, the market might experience above average selling by nervous investors who have poured billions of dollars into the asset class over the past 18 months. In addition to ongoing municipal fiscal challenges, factors that could influence the municipal bond market include the possibility of further actions by the Federal Government, the ongoing health of the U.S. economy and its labor markets and potential changes to current tax laws.

While BABs have contributed to the positive technical market conditions for the tax-exempt municipal bond market, the continuation of the program is very much in question beyond 2010. The BABs program is officially set to expire on December 31, 2010. Earlier in the year, most market participants expected the program to be extended for two or three additional years but with a lower subsidy rate. However, given that the size of the Federal deficit continues to be a hotly debated topic in Washington and that a number of newly elected members of Congress expressed strong support for attacking the deficit in their campaigns, it is anticipated that renewal of the BABs program will encounter more opposition on the grounds that it is too costly to the American taxpayer. The outcome of this decision will have significant implications to the municipal bond market. An extension of the BABs program will likely keep tax-exempt yields low since the volume of tax-exempt issuance will

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remain low if issuers can continue to access the BABs market for capital needs. A decision to end the program will likely result in higher tax-exempt yields since the supply of tax-exempt bonds will increase if issuers no longer have the option to borrow in the taxable market at subsidized rates. We will continue to monitor this development closely in an effort to minimize risks to the Fund.

In our pursuit of the Fund's objective of providing shareholders with a steady stream of tax-exempt income that is consistent with the preservation of the Fund's capital, we continue to emphasize higher quality bonds in a diversified portfolio in this volatile and still very uncertain market environment. The Fund is well diversified between many sectors with water and sewer, pre-refunded bonds and electric utility issues representing the Fund's largest exposures. The Fund continues to focus on the higher quality segment of the municipal market with over two-thirds of its issues rated AA or higher. Additionally, the Fund is well diversified geographically with exposure to 29 states along with Puerto Rico and Washington D.C. We continue to be fully invested along the entire yield curve in order to insulate the portfolio from potential changes in interest rates and the shape of the yield curve that may occur from future Federal Reserve actions and changing investor sentiment.

## Fund Performance:

The following table compares the DTF Fund's total return, on an NAV and share price basis, to its Lipper peer group and the Barclays Capital Municipal Bond Index for one, three, five and ten year periods:

|   | Annualized Total Return<br>(10/31/10) <sup>1</sup> |             |            |           |
|---|--|-------------|------------|-----------|
|   | One Year   | Three Years | Five Years | Ten Years |
| DTF Fund (NAV) <sup>2</sup>                                 | 9.9%   | 6.2%        | 5.1%       | 6.1%      |
| DTF Fund (Share Price) <sup>3</sup>                         | 19.7   | 9.9         | 6.8        | 8.0       |
| Lipper Peer Group Average Return (NAV) <sup>4</sup>         | 13.8   | 5.0         | 4.9        | 6.4       |
| Lipper Peer Group Average Return (Share Price) <sup>4</sup> | 18.8   | 7.6         | 6.1        | 7.8       |
| Barclays Capital Municipal Bond Index <sup>5</sup>          | 7.8  | 5.8         | 5.2        | 5.6       |

<sup>1</sup> Past performance is not indicative of future results. Current performance may be lower or higher than the performance in historical periods.

<sup>2</sup> Source: Administrator of the Fund. Total return of the Fund represents the change in net asset value from the beginning of the period through the period ending date of 10/31/2010 and assumes the reinvestment of dividends and distributions.

<sup>3</sup> Source: Administrator of the Fund. Shares of the Fund are traded on the New York Stock Exchange (NYSE) using the symbol DTF. Total return of the Fund represents the change in the DTF share price from the beginning of the period through the period ending date of 10/31/2010 and assumes the reinvestment of dividends and distributions in the Fund's dividend reinvestment plan.

<sup>4</sup> Source: Lipper Inc. General Municipal Debt Funds (Leveraged) peer group average return.

<sup>5</sup> Source: Barclays Capital.

As of October 31, 2010, the Fund was paying a 78-cent annualized dividend and had a share price of \$16.06. The Fund has increased its monthly common dividend by 30% since February of 2009 despite the many challenges facing the municipal bond market. This higher monthly dividend translates into a taxable equivalent current yield of 7.47% for an individual in the 35% federal tax bracket on October 31, 2010. This is approximately 480 basis points higher than the yield available on a 10-year taxable U.S. Treasury bond. One principal reason for these dividend increases was the low cost of leverage that persisted over the past 18 months. During this period, common shareholders have benefited from a very steep municipal yield curve that has allowed the Fund to issue leverage at a very low rate while re-investing the proceeds into much higher yielding bonds. However, that relationship between cost of leverage and investment returns could change in the future. If leverage costs were to move higher, future dividend increases would be more difficult to implement and the dividend rate could even decrease.

We continue to appreciate your interest in the DTF Tax-Free Income Fund and look forward to being of continued service in the future.

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Timothy M. Heaney, CFA  
Chief Investment Officer

Nathan I. Partain, CFA  
Director, President & CEO

## DTF TAX-FREE INCOME INC.

## Portfolio of Investments

As of 10/31/2010

| Principal<br>Amount<br>(000) | Description (a)   | Value                  |
|------------------------------|---|------------------------|
|                              | <b>LONG-TERM<br/>INVESTMENTS 143.9%</b>   |                        |
|                              | <b>Arizona 3.1%</b>   |                        |
| \$ 2,000                     | Arizona St. Trans Brd. Hwy. Rev.,<br>5.00%, 7/1/30, Ser. B                                | \$ 2,176,360           |
| 2,000                        | Salt River Proj. Agric. Impvt. & Pwr.<br>Dist. Elec. Sys. Rev.,<br>5.00%, 1/1/38, Ser. A  | 2,109,480              |
|                              |   | <hr/> 4,285,840 <hr/>  |
|                              | <b>California 21.6%</b>   |                        |
| 2,000                        | Bay Area Toll Auth. Rev.,<br>5.125%, 4/1/39, Ser. F-1                                     | 2,117,220              |
| 500                          | California St. Gen. Oblig.,<br>5.50%, 3/1/26  | 534,145                |
| 1,000                        | 6.00%, 4/1/38   | 1,114,530              |
| 500                          | 5.50%, 3/1/40   | 531,085                |
| 2,000                        | California Statewide Communities<br>Dev. Auth. Rev.,<br>5.75%, 7/1/47, FGIC               | 2,074,580              |
| 2,000                        | Fresno Swr. Rev.<br>6.25%, 9/1/14, Ser. A-1, AMBAC  | 2,185,660              |
| 3,000                        | Golden State Tobacco Securitization<br>Corp. Rev.,<br>5.75%, 6/1/47, Ser. A-1             | 2,387,010              |
| 2,000                        | Los Angeles Wastewtr. Sys. Rev.,<br>5.00%, 6/1/26, Ser. A, NRE                            | 2,124,180              |
| 1,000                        | Los Angeles Dept. Wtr. & Pwr. Rev.,<br>5.25%, 7/1/21, Ser. A-A-1, AGM                     | 1,025,030              |
| 440(b)                       | 5.375%, 7/1/21, Ser. A-2,<br>Prerefunded 7/1/11 @ \$100                                   | 455,198                |
| 560                          | 5.375%, 7/1/21, Ser. A-2, NRE   | 574,487                |
| 2,500(b)                     | Riverside Cnty. Sngl. Fam. Rev.,<br>7.80%, 5/1/21, Ser. A,<br>Escrowed to maturity        | 3,533,450              |
| 7,840(b)                     | San Bernardino Cnty. Residential<br>Mtge. Rev.,<br>9.60%, 9/1/15,<br>Escrowed to maturity | 10,893,993             |
| 1,040                        | Saratoga Unified Sch. Dist., Gen.<br>Oblig.<br>Zero Coupon, 9/1/20, Ser. A,<br>FGIC / NRE | 682,781                |
|                              |   | <hr/> 30,233,349 <hr/> |

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|                                       |   |                   |
|---------------------------------------|---|-------------------|
|                                       | <b>Connecticut 1.5%</b>   |                   |
|                                       | Connecticut St. Health & Edl. Facs.<br>Auth. Rev.,  |                   |
| 1,000                                 | 5.00%, 7/1/25, Ser. C, RAD<br>Mashantucket Western Pequot Tribe                             | 949,060           |
| 2,500(c)(d)                           | Spl. Rev., 144A,<br>5.75%, 9/1/18, Ser. B   | 1,178,375         |
|                                       |   | <u>2,127,435</u>  |
| <b>Principal<br/>Amount<br/>(000)</b> | <b>Description (a)</b>  | <b>Value</b>      |
|                                       | <b>District of Columbia 2.7%</b>  |                   |
| \$ 1,000                              | District of Columbia Income Tax Rev.,<br>5.00%, 12/1/31, Ser. A                             | \$ 1,091,450      |
| 1,500                                 | District of Columbia Wtr. & Swr.<br>Auth. Rev.,<br>5.00%, 10/1/33, FGIC / NRE               | 1,575,660         |
| 1,000                                 | Metropolitan Washington DC Airport<br>Auth. Rev.,<br>5.00%, 10/1/18, Ser. A, AGM /<br>AMBAC | 1,114,230         |
|                                       |   | <u>3,781,340</u>  |
|                                       | <b>Florida 9.7%</b>   |                   |
| 1,500                                 | Broward Cnty. Port Fac. Rev.,<br>6.00%, 9/1/23, Ser. A                                      | 1,692,000         |
| 1,000                                 | Escambia Cnty. Hlth. Fac. Auth. Rev.,<br>6.00%, 8/15/36                                     | 1,032,790         |
| 2,210                                 | Florida Mun. Ln. Council Rev.,<br>5.375%, 8/1/20, Ser. B, NRE                               | 2,364,125         |
| 2,000                                 | Florida St. Bd. of Ed. Gen. Oblig.,<br>5.00%, 6/1/21, Ser. A                                | 2,145,300         |
| 70(b)                                 | Highlands Cnty. Hlth. Fac. Auth. Rev.,<br>5.125%, 11/15/32, Ser. G                          |                   |
|                                       | Prerefunded 11/15/16 @ \$100  | 83,952            |
| 1,930                                 | 5.125%, 11/15/32, Ser. G  | 1,971,669         |
| 2,000                                 | Orlando and Orange Cnty. Expwy.<br>Auth. Rev.,<br>5.00%, 7/1/35, Ser. B,<br>BHAC / AMBAC    | 2,021,780         |
| 2,000                                 | Seminole Cnty. Sales Tax Rev.,<br>5.25%, 10/01/31, Ser. B, NRE                              | 2,236,720         |
|                                       |   | <u>13,548,336</u> |
|                                       | <b>Georgia 11.4%</b>  |                   |
| 2,385                                 | Atlanta Wtr. & Wastewtr. Rev., Ser. A,<br>5.00%, 11/1/29, FGIC / NRE                        | 2,391,368         |
| 715                                   | 5.00%, 11/1/38, FGIC / NRE  | 715,422           |
| 2,000                                 | Fulton Cnty. Sch. Dist., Gen. Oblig.<br>5.375%, 1/1/16                                      | 2,384,260         |
| 145(b)                                | Georgia Mun. Elec. Auth. Pwr. Rev.,<br>Ser. Y,<br>6.40%, 1/1/13,<br>Escrowed to maturity    | 154,640           |
| 2,440                                 | 6.40%, 1/1/13, AMBAC  | 2,578,031         |

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|       |  |            |
|-------|--|------------|
| 30(b) | 6.40%, 1/1/13<br>Prerefunded 1/1/11 @ \$100<br>Georgia Mun. Elec. Auth. Pwr. Rev., | 30,317     |
| 5,500 | 6.50%, 1/1/20, Ser. X, AMBAC<br>Metro. Atlanta Rapid Tran. Auth. Rev.,             | 6,632,120  |
| 1,000 | 5.00%, 7/1/39, Ser. 3  | 1,072,620  |
|       |  | <hr/>      |
|       |  | 15,958,778 |
|       |  | <hr/>      |

See Notes to Financial Statements.

| Principal<br>Amount<br>(000) | Description (a)  | Value                  |
|------------------------------|--|------------------------|
|                              | <b>Idaho 0.1%</b>  |                        |
|                              | Idaho Hsg. Agcy., Sngl. Fam. Mtge.<br>Sr., Rev.,   |                        |
| \$ 100                       | 6.65%, 7/1/14, Ser. B  | \$ 103,219             |
| 93                           | 6.60%, 7/1/27, Ser. B  | 93,538                 |
|                              |  | <hr/> 196,757 <hr/>    |
|                              | <b>Illinois 7.3%</b>   |                        |
| 1,000                        | Chicago Bd. of Ed. Gen. Oblig.,<br>5.50%, 12/1/30, Ser. A, AMBAC   | 1,132,710              |
| 1,415(b)                     | Chicago Gen. Oblig.,<br>6.25%, 1/1/11,<br>Escrowed to maturity   | 1,429,532              |
| 500                          | Chicago Multi-Family Hsg. Rev.,<br>4.90%, 3/20/44, FHA   | 504,135                |
| 1,000                        | Chicago Park Dist., Gen. Oblig.,<br>5.00%, 1/1/27, Ser. A, AMBAC   | 1,035,510              |
| 1,000(b)                     | Illinois Fin. Auth. Education Rev.,<br>5.375%, 9/1/32, Ser. C,<br>Prerefunded 9/1/17 @ \$100                   | 1,231,000              |
| 1,000                        | Illinois Fin. Auth. Rev.,<br>6.00%, 8/15/38, Ser. A  | 1,022,040              |
| 2,000                        | Illinois St. Gen. Oblig.,<br>5.50%, 1/1/29   | 2,222,560              |
| 1,500                        | Illinois St. Toll Hwy. Auth. Rev.,<br>5.50%, 1/1/33, Ser. B  | 1,621,515              |
|                              |  | <hr/> 10,199,002 <hr/> |
|                              | <b>Indiana 7.8%</b>  |                        |
| 1,000                        | Indiana Fin. Auth. Hospital Rev.,<br>5.875%, 5/1/29, Ser. A  | 1,030,400              |
| 5,000                        | Indiana Mun. Pwr. Agcy., Pwr.<br>Supply<br>Sys. Rev.,<br>6.00%, 1/1/13, Ser. B, NRE                            | 5,519,800              |
| 2,100(b)                     | Indianapolis Local Pub. Impvt. Bond<br>Bank Rev.,<br>5.25%, 7/1/33, Ser. A                                     | 2,267,727              |
| 2,000                        | Prerefunded 7/1/12 @ \$100<br>5.00%, 2/1/38, Ser. A  | 2,110,260              |
|                              |  | <hr/> 10,928,187 <hr/> |
|                              | <b>Kentucky 1.2%</b>   |                        |
| 1,750                        | Louisville & Jefferson Cnty. Met.<br>Swr. Dist., Swr. & Drain Sys. Rev.,<br>5.00%, 5/15/30, Ser. A, FGIC / NRE | 1,751,295              |
|                              | <b>Louisiana 0.8%</b>  |                        |
| 1,100                        | Regional Tran. Auth. Louisiana Sales<br>Tax Rev.,<br>5.00%, 12/01/2030, AGM                                    | 1,162,447              |

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|                                       |  |              |
|---------------------------------------|--|--------------|
|                                       | <b>Maryland 1.5%</b>   |              |
| 2,000                                 | Maryland St. Trans. Auth. Rev.,<br>5.00%, 7/1/37, AGM                                  | 2,140,460    |
|                                       |  | <hr/>        |
|                                       | <b>Massachusetts 6.1%</b>  |              |
| 3,000                                 | Massachusetts Bay Trans. Auth.<br>Rev.,<br>5.50%, 7/1/29, Ser. B, NRE                  | 3,663,750    |
| <b>Principal<br/>Amount<br/>(000)</b> | <b>Description (a)</b>   | <b>Value</b> |
|                                       | Massachusetts St. College Bldg. Auth.<br>Rev.,<br>5.00%, 5/1/40, Ser. B                | \$ 2,124,340 |
| \$ 2,000                              | Massachusetts St. Dev. Finance<br>Agency, Solid Waste Disp. Rev.<br>5.00%, 2/1/36      | 1,474,530    |
| 1,500                                 | Massachusetts St. Gen. Oblig.,<br>5.50%, 8/1/30, Ser. A, AMBAC                         | 1,237,820    |
| 1,000                                 |  | <hr/>        |
|                                       |  | 8,500,440    |
|                                       |  | <hr/>        |
|                                       | <b>Michigan 3.3%</b>   |              |
| 500                                   | Detroit Gen. Oblig.,<br>5.25%, 11/1/35   | 508,955      |
| 2,000(b)                              | Detroit Wtr. Supply Sys. Rev., Ser. A,<br>5.50%, 7/1/24,<br>Prerefunded 7/1/11 @ \$100 | 2,069,920    |
| 2,000                                 | 5.00%, 7/1/30, FGIC / NRE  | 2,001,820    |
|                                       |  | <hr/>        |
|                                       |  | 4,580,695    |
|                                       |  | <hr/>        |
|                                       | <b>Nebraska 4.8%</b>   |              |
| 2,000                                 | Omaha Gen. Oblig.,<br>5.25%, 4/1/27  | 2,445,580    |
| 1,270(b)                              | Omaha Pub. Pwr. Dist., Elec. Rev., Ser.<br>B,<br>6.15%, 2/1/12<br>Escrowed to maturity | 1,321,880    |
| 2,500(b)                              | 6.20%, 2/1/17<br>Escrowed to maturity  | 2,930,275    |
|                                       |  | <hr/>        |
|                                       |  | 6,697,735    |
|                                       |  | <hr/>        |
|                                       | <b>Nevada 4.2%</b>   |              |
| 2,165                                 | Clark Cnty. Gen. Oblig.,<br>5.00%, 11/1/22, AMBAC                                      | 2,316,463    |
| 1,400                                 | Las Vegas Valley Wtr. Dist., Gen.<br>Oblig.,<br>5.00%, 6/1/25, Ser. B, NRE             | 1,465,058    |
| 2,000                                 | Nevada St. Gen. Oblig.,<br>5.00%, 12/1/24, Ser. F, AGM                                 | 2,157,700    |
|                                       |  | <hr/>        |
|                                       |  | 5,939,221    |
|                                       |  | <hr/>        |
|                                       | <b>New Jersey 4.8%</b>   |              |
| 1,025                                 | New Jersey Econ. Dev. Auth. Rev.,<br>4.95%, 3/1/47                                     | 983,436      |
| 2,000                                 | New Jersey St. Gen. Oblig.,<br>5.25%, 7/1/17, Ser. H                                   | 2,380,660    |

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|-------|--|-----------|
| 1,000 | New Jersey St. Tpk. Auth. Rev.,<br>5.00%, 1/1/36, Ser. H               | 1,059,770 |
| 2,000 | New Jersey Trans. Trust Fund Auth.<br>Rev.,<br>5.25%, 12/15/22, Ser. A | 2,259,460 |
|       |  | <hr/>     |
|       |  | 6,683,326 |
|       |  | <hr/>     |
|       | <b>New York 4.8%</b>   |           |
| 1,000 | Albany Industrial Dev. Agy. Rev.,<br>5.00%, 4/1/32, Ser. A             | 911,680   |
| 800   | Long Island Pwr. Auth. Elec. Sys. Rev.,<br>5.00%, 12/1/35, Ser. B      | 825,120   |
| 1,000 | Metro. Trans. Auth. Rev.,<br>5.25%, 11/15/31, Ser. A, FGIC / NRE       | 1,052,360 |

See Notes to Financial Statements.

| Principal Amount<br>(000) | Description (a)   | Value            |
|---------------------------|---|------------------|
| \$ 1,500                  | New York St. Dorm. Auth. Rev.,<br>Sch. Dist. Rev. Bond Financing<br>Program Rev.,<br>7.25%, 10/1/28, Ser. C | \$ 1,821,330     |
| 2,000                     | New York St. Dorm. Auth.<br>State Personal Inc. Tax Rev.,<br>5.00%, 3/15/30, Ser. F                         | 2,123,220        |
|                           |   | <u>6,733,710</u> |
|                           | <b>Ohio 4.1%</b>  |                  |
| 750                       | Deerfield Twp. Tax Increment Rev.,<br>5.00%, 12/1/25  | 766,125          |
| 1,000                     | Hamilton Elec. Sys. Rev.<br>4.60%, 10/15/20, Ser. A, AGM  | 1,081,720        |
| 750                       | Ohio St. Air Quality Dev. Auth. Rev.,<br>5.70%, 2/1/14, Ser. A  | 828,517          |
| 2,445                     | Ohio St. Wtr. Dev. Auth. Rev.,<br>5.50%, 6/1/20, Ser. B, AGM  | 3,022,925        |
|                           |   | <u>5,699,287</u> |
|                           | <b>Pennsylvania 5.6%</b>  |                  |
| 2,000(b)                  | Delaware Cnty. Auth. Rev.,<br>5.00%, 6/1/21, Ser. A,<br>Prerefunded 6/1/15 @ \$100                          | 2,302,260        |
| 1,000                     | East Stroudsburg Area Sch. Dist., Gen.<br>Oblig.<br>7.75%, 9/1/27, Ser. A, FGIC / NRE                       | 1,239,930        |
| 1,000                     | Pennsylvania Economic Dev. Fin.<br>Auth. Res. Recov. Rev.,<br>4.625%, 12/1/18, Ser. F, AMBAC                | 952,850          |
| 2,000                     | Pennsylvania St. Higher Ed. Facs. Auth.<br>Rev.,<br>5.00%, 6/15/28, Ser. AL                                 | 2,195,300        |
| 1,020                     | Pennsylvania St. Tpk. Comm. Oil<br>Franchise Tax Rev.,<br>5.00%, 12/1/23, Ser. A-2, AGT                     | 1,137,616        |
|                           |   | <u>7,827,956</u> |
|                           | <b>Puerto Rico 0.7%</b>   |                  |
| 1,000                     | Puerto Rico Elec. Pwr. Auth. Rev.,<br>5.00%, 7/1/25, Ser. PP, FGIC / NRE                                    | 1,024,510        |
|                           | <b>Rhode Island 1.5%</b>  |                  |
| 2,000                     | Rhode Island Health & Edl. Bldg. Corp.<br>Higher Ed. Facs. Rev.,<br>5.00%, 9/01/37                          | 2,109,960        |
|                           | <b>South Carolina 1.2%</b>  |                  |
| 1,500(b)                  | Spartanburg Waterworks Rev.,<br>5.25%, 6/1/28<br>Prerefunded 6/1/14 @ \$100                                 | 1,723,605        |

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|       |  |           |
|-------|--|-----------|
|       | <b>Tennessee 1.9%</b>                                  |           |
|       | Tennessee Energy Acquisition Corp.<br>Rev.,<br>Ser. A, |           |
| 1,500 | 5.25%, 9/1/20  | 1,587,330 |
| 1,000 | 5.25%, 9/1/21  | 1,050,570 |
|       |  | <hr/>     |
|       |  | 2,637,900 |

See Notes to Financial Statements.

| <b>Principal<br/>Amount<br/>(000)</b> | <b>Description (a)</b>  | <b>Value</b> |
|---------------------------------------|---|--------------|
|                                       | <b>Texas 16.7%</b>  |              |
| \$ 1,000                              | Alliance Airport Auth. Inc. Rev.,<br>4.85%, 4/1/21                                      | \$ 1,010,790 |
| 2,500                                 | Bexar Met. Wtr. Dist. Waterworks<br>Sys. Rev.,<br>5.00%, 5/1/25, NRE                    | 2,501,825    |
| 4,000                                 | Coastal Wtr. Auth. Contract Rev.,<br>5.00%, 12/15/25, AGM                               | 4,005,240    |
| 1,000                                 | Dallas Area Rapid Transit Rev.,<br>5.25%, 12/1/48                                       | 1,060,920    |
| 2,000                                 | Dallas Gen. Oblig.<br>4.50%, 2/15/23  | 2,027,920    |
| 1,555                                 | El Paso Wtr. & Swr. Rev.,<br>5.50%, 3/1/12, Ser. A, AGM                                 | 1,657,739    |
| 1,000                                 | Everman Indep. Sch. Dist. Gen.<br>Oblig.,<br>5.00%, 2/15/36, PSF                        | 1,066,270    |
| 1,500(b)                              | Houston Wtr. & Swr. Sys. Rev.,<br>5.25%, 12/1/23, Ser. B<br>Prerefunded 12/1/10 @ \$100 | 1,506,570    |
| 1,000                                 | Klein Indep. Sch. Dist. Gen. Oblig.,<br>5.00%, 8/1/38, Ser. A, PSF                      | 1,066,740    |
| 2,000                                 | Lower Colorado River Auth. Rev.,<br>5.00%, 5/15/31, AGM                                 | 2,008,580    |
| 2,000                                 | McLennan Cnty. Pub. Fac. Corp. Proj.<br>Rev.,<br>6.625%, 6/1/35                         | 2,193,540    |
| 1,975                                 | Pharr-San Juan-Alamo Indep. Sch.<br>Dist.<br>Gen. Oblig.,<br>5.50%, 2/1/33, PSF         | 2,154,508    |
| 1,000                                 | Spring Branch Indep. Sch. Dist. Gen.<br>Oblig.,<br>5.25%, 2/1/38, PSF                   | 1,074,300    |
|                                       |   | <hr/>        |
|                                       |   | 23,334,942   |
|                                       | <b>Utah 1.5%</b>  |              |
| 1,000                                 | Utah Trans. Auth. Sales Tax Rev., Ser<br>A.,<br>5.00%, 6/15/32, AGM                     | 1,075,340    |
| 1,000                                 | 5.00%, 6/15/36, AGM   | 1,066,490    |
|                                       |   | <hr/>        |

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|       |                                     |           |
|-------|-------------------------------------|-----------|
|       |                                     | 2,141,830 |
|       |                                     | <hr/>     |
|       | <b>Virginia 4.4%</b>                |           |
|       | Virginia College Bldg. Auth. Rev.,  |           |
| 2,000 | 5.00%, 2/1/23, Ser. E-1             | 2,359,620 |
|       | Virginia St. Hsg. Dev. Auth. Rev.,  |           |
| 1,500 | 4.55%, 1/1/24                       | 1,510,110 |
|       | Virginia St. Pub. Bldg. Auth. Rev., |           |
| 2,050 | 5.00%, 8/1/29, Ser. B               | 2,271,913 |
|       |                                     | <hr/>     |
|       |                                     | 6,141,643 |
|       |                                     | <hr/>     |
|       | <b>Washington 2.2%</b>              |           |
|       | Energy Northwest Wind Proj. Rev.,   |           |
| 500   | 4.75%, 7/1/21, NRE                  | 526,805   |
|       | King Cnty. Swr. Rev.,               |           |
| 2,500 | 5.00%, 1/1/31, FGIC / NRE           | 2,544,500 |
|       |                                     | <hr/>     |
|       |                                     | 3,071,305 |
|       |                                     | <hr/>     |

| Principal<br>Amount<br>(000) | Description (a)  | Value                 |
|------------------------------|--|-----------------------|
|                              | <b>West Virginia 1.0%</b>  |                       |
|                              | Monongalia Cnty. Building<br>Commission Hospital Rev.<br>5.00%, 7/1/30, Ser. A | \$ 1,461,405          |
|                              | <b>Wisconsin 3.1%</b>  |                       |
| 2,000                        | Wisconsin St. Gen. Rev.,<br>6.00%, 5/1/33, Ser. A                              | 2,279,800             |
| 2,000                        | Wisconsin St. Health & Edl. Facs.<br>Auth. Rev.,<br>6.50%, 4/15/33             | 2,060,680             |
|                              |  | <u>4,340,480</u>      |
|                              | <b>Wyoming 3.3%</b>  |                       |
| 4,000                        | Wyoming St. Farm Loan Brd. Cap.<br>Facs. Rev.,<br>5.75%, 10/1/20               | 4,631,560             |
|                              | Total long-term investments<br>(cost \$188,704,009)                            | <u>201,594,736</u>    |
| <b>Shares</b>                |  |                       |
|                              | <b>SHORT-TERM<br/>INVESTMENT 0.4%</b>  |                       |
| 607                          | State Street Institutional Tax-Free<br>Money Market Fund (cost \$607,152)      | 607,152               |
|                              | <b>Total Investments 144.3%</b><br>(cost \$189,311,161)                        | 202,201,888           |
|                              | Other assets in excess of<br>liabilities 2.1%                                  | 2,897,793             |
|                              | Liquidation value of remarketed<br>preferred stock (46.4%)                     | (65,000,000)          |
|                              | <b>Net Assets Applicable to Common<br/>Stock 100.0%</b>                        | <u>\$ 140,099,681</u> |
|                              | Net asset value per share of common<br>stock (\$140,099,681 / 8,507,456)       | <u>\$ 16.47</u>       |

(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.

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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 October 31, 2010, these securities amounted to a value of \$1,178,375 or 0.84% 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 interest payment to bondholders was made from a debt service reserve fund maintained by a trustee.

### Notes

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 October 31, 2010:

| <u>Valuations</u>  | <u>Level 1</u>    | <u>Level 2</u>        |
|--------------------|-------------------|-----------------------|
| <b>Description</b> |                   |                       |
| Assets:            |                   |                       |
| Money Market Fund  | \$ 607,152        | \$                    |
| Municipal Bonds    |                   | 201,594,736           |
| <b>Total</b>       | <b>\$ 607,152</b> | <b>\$ 201,594,736</b> |

### Summary of Ratings as a Percentage of Long-Term Investments

(Unaudited)

As of October 31, 2010

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| <u>Rating *</u> | <u>%</u>     |
|-----------------|--------------|
| AAA             | 20.4         |
| AA              | 46.7         |
| A               | 23.4         |
| BBB             | 6.6          |
| BB              | 1.8          |
| NR              | 1.1          |
|                 | <u>100.0</u> |

\* Prerefunded bonds that are rated AAA by Standard & Poor's Financial Services, LLC or Aaa by Moody's Investors Service, Inc. are included in the AAA classification in the above table. Otherwise, ratings are based on the lowest rating of Standard & Poor's Financial Services, LLC or Moody's Investors Service, Inc. If not rated by either service, a rating from Fitch Ratings Ltd. is used, if available.

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Summary of State Diversification as a Percentage of Net Assets applicable to Common Shareholders

As of October 31, 2010

| <u>State</u>                                    | <u>%</u> |
|---|----------|
| California                                      | 21.6     |
| Texas   | 16.7     |
| Georgia   | 11.4     |
| Florida   | 9.7      |
| Indiana   | 7.8      |
| Illinois  | 7.3      |
| Massachusetts                                   | 6.1      |
| Pennsylvania                                    | 5.6      |
| Nebraska  | 4.8      |
| New Jersey                                      | 4.8      |
| New York  | 4.8      |
| Virginia  | 4.4      |
| Nevada  | 4.2      |
| Ohio  | 4.1      |
| Michigan  | 3.3      |
| Wyoming   | 3.3      |
| Arizona   | 3.1      |
| Wisconsin                                       | 3.1      |
| District of Columbia                            | 2.7      |
| Washington                                      | 2.2      |
| Tennessee                                       | 1.9      |
| Connecticut                                     | 1.5      |
| Maryland  | 1.5      |
| Rhode Island                                    | 1.5      |
| Utah  | 1.5      |
| Kentucky  | 1.2      |
| South Carolina                                  | 1.2      |
| West Virginia                                   | 1.0      |
| Louisiana                                       | 0.8      |
| Puerto Rico                                     | 0.7      |
| Idaho   | 0.1      |
| Short-Term Investment                           | 0.4      |
|   | <hr/>    |
|   | 144.3    |
| Other assets in excess of liabilities           | 2.1      |
| Liquidation value of remarketed preferred stock | (46.4)   |
|   | <hr/>    |
|   | 100.0%   |
|   | <hr/>    |

See Notes to Financial Statements.

**DTF TAX-FREE INCOME INC.**

**Statement of Assets and Liabilities****October 31, 2010****Assets**

|  |                             |
|--|-----------------------------|
| Investments, at value (cost \$189,311,161) | \$ 202,201,888              |
| Interest receivable                        | 3,084,668                   |
| Other assets                               | 6,772                       |
|  | <u>                    </u> |
| Total assets                               | <u>205,293,328</u>          |

**Liabilities**

|   |                             |
|---|-----------------------------|
| Investment advisory fee payable (Note 2)    | 87,001                      |
| Administrative fee payable (Note 2)         | 16,620                      |
| Dividends payable to preferred shareholders | 392                         |
| Accrued expenses                            | 89,634                      |
|   | <u>                    </u> |
| Total liabilities                           | <u>193,647</u>              |

|   |                             |
|---|-----------------------------|
| Remarketed preferred stock (\$.01 par value; 1,300 shares issued and outstanding, liquidation preference \$50,000 per share) (Note 6) | 65,000,000                  |
|   | <u>                    </u> |

|  |                             |
|--|-----------------------------|
| <b>Net Assets Applicable to Common Stock</b> | <b>\$ 140,099,681</b>       |
|  | <u>                    </u> |

**Capital**

|   |                             |
|---|-----------------------------|
| Common stock, \$.01 par value; 599,998,700 shares authorized, 8,507,456 issued and outstanding (Note 5) | \$ 85,075                   |
| Additional paid-in capital  | 120,440,442                 |
| Undistributed net investment income   | 5,771,331                   |
| Accumulated net realized gain on investment transactions  | 912,106                     |
| Net unrealized appreciation on investments  | 12,890,727                  |
|   | <u>                    </u> |

|  |                             |
|--|-----------------------------|
| <b>Net Assets Applicable to Common Stock</b> | <b>\$ 140,099,681</b>       |
|  | <u>                    </u> |

|   |                             |
|---|-----------------------------|
| Net assets applicable to common stock (\$140,099,681 / 8,507,456 shares of common stock issued and outstanding) | \$ 16.47                    |
|   | <u>                    </u> |

**DTF TAX-FREE INCOME INC.****Statement of Operations****For the Year Ended October 31, 2010****Investment Income**

|                 |              |
|-----------------|--------------|
| Interest income | \$ 9,820,564 |
|-----------------|--------------|

**Expenses**

|                                   |           |
|-----------------------------------|-----------|
| Investment advisory fees (Note 2) | 1,010,720 |
|-----------------------------------|-----------|

|                              |         |
|------------------------------|---------|
| Administrative fees (Note 2) | 203,354 |
|------------------------------|---------|

|                              |         |
|------------------------------|---------|
| Directors' fees and expenses | 124,819 |
|------------------------------|---------|

|                  |        |
|------------------|--------|
| Remarketing fees | 98,853 |
|------------------|--------|

|                   |         |
|-------------------|---------|
| Professional fees | 102,862 |
|-------------------|---------|

|                             |        |
|-----------------------------|--------|
| Custodian fees and expenses | 52,389 |
|-----------------------------|--------|

|                         |        |
|-------------------------|--------|
| Reports to shareholders | 27,010 |
|-------------------------|--------|

|                                  |        |
|----------------------------------|--------|
| Transfer agent fees and expenses | 27,794 |
|----------------------------------|--------|

|                   |        |
|-------------------|--------|
| Registration fees | 23,750 |
|-------------------|--------|

|       |        |
|-------|--------|
| Other | 38,198 |
|-------|--------|

|                |           |
|----------------|-----------|
| Total expenses | 1,709,749 |
|----------------|-----------|

|                       |           |
|-----------------------|-----------|
| Net investment income | 8,110,815 |
|-----------------------|-----------|

**Realized and Unrealized Gain on Investments**

|  |           |
|--|-----------|
| Net realized gain on investment transactions | 1,059,984 |
|--|-----------|

|  |           |
|--|-----------|
| Net change in unrealized appreciation on investments | 3,627,702 |
|--|-----------|

|   |           |
|---|-----------|
| Net realized and unrealized gain on investments | 4,687,686 |
|---|-----------|

**Dividends and Distributions on Remarketed Preferred Stock From:**

|                       |           |
|-----------------------|-----------|
| Net investment income | (138,990) |
|-----------------------|-----------|

|   |                      |
|---|----------------------|
| <b>Net Increase in Net Assets Resulting from Operations</b> | <b>\$ 12,659,511</b> |
|---|----------------------|

**DTF TAX-FREE INCOME INC.****Statements of Changes In Net Assets**

|  |
|--|
| <b>For the Year<br/>Ended<br/>October 31, 2010</b> |
|--|

|  |
|--|
| <b>For the Year<br/>Ended<br/>October 31, 2009</b> |
|--|

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|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>Operations</b>  |                       |                       |
| Net investment income  | \$ 8,110,815          | \$ 8,323,712          |
| Net realized gain on investment transactions   | 1,059,984             | 188,204               |
| Net change in unrealized appreciation on investments                                 | 3,627,702             | 12,450,452            |
| Dividends and distributions on remarketed preferred stock from net investment income | (138,990)             | (318,939)             |
|  | <u>12,659,511</u>     | <u>20,643,429</u>     |
| Net increase in net assets resulting from operations                                 |                       |                       |
| Dividends and distributions on common stock from net investment income               | (6,515,631)           | (5,444,772)           |
|  | <u>(6,515,631)</u>    | <u>(5,444,772)</u>    |
| Total dividends and distributions on common stock                                    |                       |                       |
|  | <u>6,143,880</u>      | <u>15,198,657</u>     |
| Total increase in net assets   |                       |                       |
| <b>Net Assets Applicable to Common Stock</b>   |                       |                       |
| Beginning of year  | 133,955,801           | 118,757,144           |
|  | <u>133,955,801</u>    | <u>118,757,144</u>    |
| End of year(a)   | \$ 140,099,681        | \$ 133,955,801        |
|  | <u>\$ 140,099,681</u> | <u>\$ 133,955,801</u> |
| <hr/>  |                       |                       |
| (a) includes undistributed net investment income of                                  | \$ 5,771,331          | \$ 4,315,751          |
|  | <u>\$ 5,771,331</u>   | <u>\$ 4,315,751</u>   |

See Notes to Financial Statements.

## DTF TAX-FREE INCOME INC.

## Financial Highlights

|   | For the Year Ended October 31, |            |            |            |            |
|---|--------------------------------|------------|------------|------------|------------|
|   | 2010                           | 2009       | 2008       | 2007       | 2006       |
| <b>PER SHARE OPERATING PERFORMANCE</b>  |                                |            |            |            |            |
| Net asset value, beginning of year  | \$ 15.75                       | \$ 13.96   | \$ 15.88   | \$ 16.37   | \$ 16.32   |
| Net investment income <sup>(1)</sup>  | 0.95                           | 0.98       | 0.97       | 0.95       | 0.95       |
| Net realized and unrealized gain/(loss) on investment transactions            | 0.55                           | 1.49       | (2.05)     | (0.49)     | 0.14       |
| Dividends and distributions on remarketed preferred stock from:               |                                |            |            |            |            |
| Net investment income   | (0.02)                         | (0.04)     | (0.24)     | (0.29)     | (0.26)     |
| Net increase/(decrease) from investment operations                            | 1.48                           | 2.43       | (1.32)     | 0.17       | 0.83       |
| Dividends and distributions on common stock from:                             |                                |            |            |            |            |
| Net investment income   | (0.76)                         | (0.64)     | (0.60)     | (0.66)     | (0.78)     |
| Total dividends and distributions on common stock                             | (0.76)                         | (0.64)     | (0.60)     | (0.66)     | (0.78)     |
| Net asset value, end of year  | \$ 16.47                       | \$ 15.75   | \$ 13.96   | \$ 15.88   | \$ 16.37   |
| Per share market value, end of year   | \$ 16.06                       | \$ 14.10   | \$ 11.25   | \$ 13.97   | \$ 15.01   |
| <b>TOTAL INVESTMENT RETURN ON COMMON STOCK<sup>(2)</sup></b>                  | 18.57%                         | 31.62%     | (15.78)%   | (2.69)%    | 7.30%      |
| <b>RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON STOCK:<sup>(3)</sup></b> |                                |            |            |            |            |
| Operating expenses  | 1.25%                          | 1.32%      | 1.35%      | 1.42%      | 1.43%      |
| Net investment income   | 5.91%                          | 6.52%      | 6.28%      | 5.95%      | 5.88%      |
| <b>SUPPLEMENTAL DATA</b>  |                                |            |            |            |            |
| Portfolio turnover rate   | 12%                            | 26%        | 5%         | 13%        | 7%         |
| Net assets applicable to common stock, end of year (000)                      | \$ 140,100                     | \$ 133,956 | \$ 118,757 | \$ 135,098 | \$ 139,296 |
| Asset coverage per share of preferred stock, end of the period                | \$ 157,769                     | \$ 153,043 | \$ 141,352 | \$ 153,921 | \$ 157,151 |
| Preferred stock outstanding (000)   | \$ 65,000                      | \$ 65,000  | \$ 65,000  | \$ 65,000  | \$ 65,000  |

(1) Based on average number of shares of common stock outstanding.

(2) Total investment return is calculated assuming a purchase of common stock at the current market value on the first day and a sale at the current market value on the last day of each year reported. Dividends are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Brokerage commissions are not reflected.

(3) Ratios calculated on the basis of income and expenses applicable to both the common and preferred stock relative to the average net assets applicable to common stock. Ratios do not reflect the effect of dividend and distributions on remarketed preferred stock.

See Notes to Financial Statements.

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**DTF TAX-FREE INCOME INC.**

**Notes to Financial Statements**

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DTF Tax-Free Income Inc. (the Fund) was organized in Maryland on September 24, 1991 as a diversified, closed-end management investment company. The Fund's investment objective is current income exempt from regular federal income tax consistent with preservation of capital. The Fund seeks to achieve its investment objective by investing primarily (at least 80% of its total assets) in a diversified portfolio of investment-grade tax-exempt obligations. The Fund may not invest more than 25% of its total assets (taken at market value at the time of each investment) in the securities of issuers in a single industry; provided that, for purposes of this restriction, tax-exempt securities of issuers that are states, municipalities or their political subdivisions are not considered to be the securities of issuers in any single industry. The ability of the issuers of the securities held by the Fund to meet their obligations may be affected by economic developments in a specific state, industry or region.

**Note 1. Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

*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 the time of purchase are valued on an amortized cost basis, which approximates market value.

The Fund adopted an Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*, which provides guidance on how investment assets and liabilities are to be valued and disclosed.

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.

*Securities Transactions and Investment Income:* Securities transactions are recorded on the trade date. Realized gains and losses on sales of securities are calculated on the identified cost basis. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts on securities using the effective interest method.

*Federal Income Taxes:* It is the Fund's intention to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute sufficient net income and capital gains to shareholders to qualify as a regulated investment company. Therefore, no provision for federal income tax or excise tax is required. Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Since tax authorities can examine previously filed tax returns, the Fund's tax returns for each of the four years in the period ended October 31, 2010 are subject to such review.

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*Dividends and Distributions:* The Fund will declare and pay dividends on its common stock monthly from net investment income. Net long-term capital gains, if any, in excess of loss carryforwards are expected to be distributed annually. The Fund will make a determination at the end of its fiscal year as to whether to retain or distribute such gains. Dividends and distributions are recorded on the ex-dividend date. Dividends on the Fund's preferred stock are accrued and paid on a weekly basis and are determined as described in Note 6.

Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from investment income and capital gains recorded in accordance with U.S. generally accepted accounting principles.

*Reclassification of Capital Accounts:* U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the year ended October 31, 2010, \$614 has been reclassified between undistributed net investment income and accumulated net realized gain on investment transactions as a result of permanent differences attributable to amortization methods on fixed income securities. This reclassification has no effect on net assets or net asset value per share.

*Use of Estimates:* The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Note 2. Agreements**

The Fund has an Advisory Agreement with Duff & Phelps Investment Management Co. (the Adviser), a subsidiary of Virtus Investment Partners Inc. (Virtus) and an Administration Agreement with J.J.B. Hilliard, W.L. Lyons, LLC (Hilliard). Hilliard began providing administrative services on September 1, 2010. Prior to that time, Princeton Administrators, LLC (Princeton) provided such services.

The investment advisory fee is computed weekly and payable monthly at an annual rate of 0.50% of the Fund's average weekly managed assets, which is defined as the average weekly value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (other than the aggregate amount of any outstanding borrowings or other indebtedness constituting financial leverage).

The administration fee paid to Hilliard is computed weekly and payable monthly at an annual rate of 0.14% of the Fund's average weekly net assets. For the period November 1, 2009 through August 31, 2010, the administration fee paid to Princeton was paid on an annual rate of 0.15% of the Fund's average weekly net assets. Average weekly net assets is defined as the average weekly value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (including aggregate amount of any outstanding borrowings or other indebtedness constituting financial leverage).

Pursuant to the Advisory Agreement, the Adviser provides continuous supervision of the investment portfolio and pays the compensation of officers of the Fund who are affiliated persons of the Adviser. Pursuant to the Administration Agreement, Hilliard provides administration services that include oversight of the Fund's books and records and preparation of financial statements and other regulatory filings. The Fund bears all other costs and expenses.

**Note 3. Portfolio Securities**

Purchases and sales of investment securities, other than short-term investments, for the year ended October 31, 2010 aggregated \$28,937,871 and \$24,236,835, respectively.

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

| <b>Tax Basis of</b> |                     |                     | <b>Net</b>          |
|---------------------|---------------------|---------------------|---------------------|
| <b>Investments</b>  | <b>Appreciation</b> | <b>Depreciation</b> | <b>Unrealized</b>   |
| <u>Investments</u>  | <u>Appreciation</u> | <u>Depreciation</u> | <u>Appreciation</u> |
| \$189,032,945       | \$ 14,588,575       | \$ 1,419,632        | \$ 13,168,943       |

**Note 4. Distributions to Shareholders**

The tax character of distributions paid during the fiscal years ended October 31, 2010 and 2009 was as follows:

| <u>10/31/2010</u> | <u>10/31/2009</u> |
|-------------------|-------------------|
|-------------------|-------------------|

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*Distributions paid from:*

|                     |              |              |
|---------------------|--------------|--------------|
| Tax-exempt income   | \$ 6,263,825 | \$ 5,749,151 |
| Ordinary income     | 390,796      | 14,560       |
|                     | <hr/>        | <hr/>        |
| Total distributions | \$ 6,654,621 | \$ 5,763,711 |
|                     | <hr/>        | <hr/>        |

As of October 31, 2010, the components of accumulated earnings on a tax basis were as follows:

|   |               |
|---|---------------|
| Undistributed tax-exempt income net       | \$ 5,468,134  |
| Undistributed ordinary income net         | 24,981        |
| Undistributed long-term capital gains net | 912,106       |
|   | <hr/>         |
| Total undistributed earnings              | 6,405,221     |
| Unrealized gains/(losses) net             | 13,168,943*   |
|   | <hr/>         |
| Total accumulated earnings                | \$ 19,574,164 |
|   | <hr/>         |

\* The difference between book-basis and tax-basis unrealized gains/(losses) is attributable primarily to the difference between book and tax amortization methods for premiums and discounts on fixed income securities.

The Fund utilized \$148,492 of prior year net capital loss carryforward to offset current fiscal year recognized capital gains.

**Note 5. Capital**

There are 600 million shares of \$0.01 par value stock authorized.

For the years ended October 31, 2010 and October 31, 2009, the Fund did not issue any shares of common stock in connection with the reinvestment of dividends.

**Note 6. Remarketed Preferred Stock**

The Fund's Charter authorizes the issuance of Remarketed Preferred Stock ( RP ). Accordingly, the Fund issued 1,300 shares of RP on February 4, 1992. The RP has a liquidation value of \$50,000 per share plus any accumulated but unpaid dividends.

Dividends on shares of RP are cumulative from their date of original issue and payable on each dividend payment date. Since February 2008, the short-term auction and remarketed preferred stock market has been ineffective at matching buyers with sellers. This has impacted the Fund's RP shares. The RP shares dividend rate was reset to the maximum applicable rate. These maximum dividend rates ranged from 0.110% to 0.310% during the year ended October 31, 2010. A failed remarketing is not an event of default for the Fund, but it is a liquidity event for the holders of its RP shares. Recent auction and RP market liquidity problems have triggered numerous failed auctions and remarketings for many closed-end funds. A failed remarketing occurs when there are more sellers of RP shares than buyers. It is impossible to predict how long this imbalance will last. A successful remarketing of the Fund's RP shares may not occur for a long period of time, if ever. Even if the RP market becomes more liquid, the holders of the Fund's RP shares may not have the amount of liquidity they desire or the ability to sell the RP shares at par.

Under the Investment Company Act of 1940, the Fund may not declare dividends or make other distributions on shares of common stock or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding preferred stock would be less than 200%.

The RP is redeemable at the option of the Fund, in whole or in part, on any dividend payment date at \$50,000 per share plus any accumulated or unpaid dividends, whether or not declared. The RP is also subject to a mandatory redemption at \$50,000 per share plus any accumulated or unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in the Fund's Charter are not satisfied.

The holders of RP have voting rights equal to the holders of common stock (one vote per share) and generally vote together with holders of common stock as a single class. However, holders of RP are also entitled, voting as a separate class, to elect two of the Fund's directors. In addition, the Investment Company Act of 1940 requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding shares of preferred stock, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the preferred stock, and (b) take certain actions requiring a vote of security holders, including, among other things, changes in the Fund's subclassification as a closed-end investment company or changes in its fundamental investment restrictions.

#### **Note 7. Subsequent Events**

Subsequent to October 31, 2010, dividends declared and paid on preferred stock totaled \$24,258 through December 10, 2010. On November 4, 2010, the Board of Directors of the Fund declared a dividend of \$0.065 per share of common stock payable on December 31, 2010, January 31, 2011, and February 28, 2011 to common shareholders of record on December 15, 2010, January 14, 2011, and February 15, 2011, respectively. In addition to the above dividend declarations, the Fund has also declared a long term capital gains distribution of \$0.104983 and a special taxable distribution of \$.002877 per share of common stock, payable on December 28, 2010 to shareholders of record on December 23, 2010.

#### **Note 8. Indemnifications**

Under the Fund's organizational documents, its Officers and Directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and believes the risk of loss to be remote.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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The Shareholders and Board of Directors of

DTF Tax-Free Income Inc.:

We have audited the accompanying statement of assets and liabilities of DTF Tax-Free Income Inc. (the Fund ), including the portfolio of investments, as of October 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2010, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of DTF Tax-Free Income Inc. at October 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Chicago, Illinois

December 15, 2010

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**IMPORTANT TAX INFORMATION (Unaudited)**

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Taxable distributions of ordinary income of \$533 were paid to preferred shareholders, and \$390,263 were paid to common shareholders during the taxable year ended October 31, 2010. All of the other net investment income distributions paid by the Fund qualify and are designated as tax-exempt interest dividends for Federal income tax purposes.

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**REPORT ON ANNUAL MEETING OF SHAREHOLDERS (Unaudited)**

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The Annual Meeting of Shareholders of the Fund was held on May 6, 2010. The following is a description of each matter voted upon at the meeting and the number of votes cast on each matter:

|   | <b>Shares Voted<br/>For</b> | <b>Shares<br/>Withheld</b> |
|---|-----------------------------|----------------------------|
|   | <hr/>                       | <hr/>                      |
| 1. To elect three directors to serve until the Annual Meeting in the year indicated below or until their successors are duly elected and qualified: |                             |                            |
| Robert J. Genetski (2013)   | 5,797,698                   | 1,685,606                  |
| Philip R. McLoughlin (2013)   | 5,814,545                   | 1,668,759                  |
| Nathan I. Partain (2013)  | 5,815,068                   | 1,668,236                  |

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Directors whose term of office continued beyond this meeting are as follows: Stewart E. Conner, Nancy Lampton, Geraldine M. McNamara, Eileen A. Moran, Christian H. Poindexter, Carl F. Pollard, and David J. Vitale.

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**DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (Unaudited)**

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Pursuant to the Fund's Dividend Reinvestment Plan (the "Plan"), common shareholders may elect to have all distributions of dividends and capital gains automatically reinvested by American Stock Transfer & Trust Company (the "Plan Agent") in shares of common stock of the Fund ("Fund Shares") pursuant to the Plan; provided that such election is subject to the power of the Board of Directors to declare capital gains distributions in the form of stock (if such a declaration is made by the Board of Directors, all shareholders who do not elect to receive cash will receive the distribution in the form of stock whether or not they elect to participate in the Plan). Common shareholders who do not participate in the Plan will receive all distributions in cash (except as described above) paid by check in United States dollars mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Custodian, as dividend disbursing agent. Common shareholders who wish to participate in the Plan should contact the Fund at 6201 15th Avenue, Brooklyn, New York, 11219 or call toll free (800) 937-5449.

The Plan Agent serves as agent for the common shareholders in administering the Plan. After the Fund declares a dividend or determines to make a capital gain distribution, if (1) the market price is lower than net asset value, the participants in the Plan will receive the equivalent in Fund Shares valued at the market price determined as of the time of purchase (generally, the payment date of the dividend or distribution); or if (2) the market price of Fund Shares on the payment date of the dividend or distribution is equal to or exceeds their net asset value, participants will be issued Fund Shares at the higher of net asset value or 95% of the market price. This discount reflects savings in underwriting and other costs that the Fund otherwise will be required to incur to raise additional capital. If net asset value exceeds the market price of Fund Shares on the payment date or the Fund declares a dividend or other distribution payable only in cash (i.e., if the board of directors precludes reinvestment in Fund Shares for that purpose), the Plan Agent will, as agent for the participants, receive the cash payment and use it to buy Fund Shares in the open market, on the New York Stock Exchange, other national securities exchanges on which the Fund's common stock is listed or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of a Fund Share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of Fund Shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. The Fund will not issue shares under the Plan below net asset value.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent and will receive certificates for whole Fund Shares and a cash payment will be made for any fraction of a Fund Share.

There is no charge to participants for reinvesting dividends or capital gain distributions, except for certain brokerage commissions, as described below. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. There will be no brokerage commissions charged with respect to shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all shareholders of the Fund at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent upon at least 90 days written notice to all common shareholders of the Fund. All correspondence concerning the Plan should be directed to the Fund at the address on the front of this report.

The Plan permits Plan participants to periodically purchase additional shares of common stock through the Plan by delivering to the Plan Agent a check for at least \$100, but not more than \$5,000, in any month. The Plan Agent will use the funds to purchase shares in the open market or in private transactions as described above with respect to reinvestment of dividends and distributions. Purchases made pursuant to this feature of

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the Plan will be made commencing at the time of the first dividend or distribution payment following the second business day after receipt of the funds for additional purchases, and may be aggregated with purchases of shares for reinvestment of the dividends and distributions. Shares will be allocated to the accounts of participants purchasing additional shares at the average price per share, plus a service charge imposed by the Plan Agent and brokerage commissions (or equivalent purchase costs) paid by the Plan Agent for all shares purchased by it, including for reinvestment of dividends and distributions. Checks drawn on a foreign bank are subject to collection and collection fees, and will be invested at the time of the next distribution after funds are collected by the Plan Agent.

The Plan Agent will make every effort to invest funds promptly, and in no event more than 30 days after the Plan Agent receives a dividend or distribution, except where postponement is deemed necessary to comply with applicable provisions of the federal securities laws.

Funds sent to the Plan Agent for voluntary additional share investment may be recalled by the participant by written notice received by the Plan Agent not later than two business days before the next distribution payment date. If for any reason a regular monthly distribution is not paid by the Fund, funds for voluntary additional share investment will be returned to the participant, unless the participant specifically directs that they continue to be held by the Plan Agent for subsequent investment.

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### **ADDITIONAL INFORMATION (Unaudited)**

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Since November 1, 2009: (i) there have been no material changes in the Fund's investment objectives or policies that have not been approved by the shareholders; (ii) there have been no changes in the Fund's charter or by-laws that would delay or prevent a change in control of the Fund which have not been approved by the shareholders; (iii) there have been no material changes in the principal risk factors associated with an investment in the Fund; and (iv) there have been no changes in the persons who are primarily responsible for the day-to-day management of the Fund's portfolio.

Additional information, if any, relating to the Fund's directors and officers, in addition to such information as is found elsewhere in the Annual Report, may be requested by contacting the Fund at the address provided in this report.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may from time to time purchase its shares of common stock in the open market.

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### **PROXY VOTING POLICY AND PROCEDURES (Unaudited)**

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Although the Fund does not typically hold voting securities, the Fund's Board of Directors has adopted proxy voting procedures whereby the Adviser would review any proxy solicitation materials on a case-by-case basis and would vote any such securities in accordance with the Adviser's good faith belief as to the best interests of the Fund and its shareholders. These proxy voting procedures may be changed at any time or from time to time by the Fund's Board of Directors. A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities during the most recent 12-month period ended June 30 are available without charge, upon request, by calling toll free (800) 243-4361 ext. 4941 and on the Securities Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov).

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### **AVAILABILITY OF QUARTERLY SCHEDULE OF INVESTMENTS (Unaudited)**

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The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) 732-0330. The Fund's Form N-Q is also available, without charge, upon request, by calling toll free (800) 243-4361 ext. 4941.



**PRIVACY PRINCIPLES OF THE FUND (Unaudited)**

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The Fund is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how the Fund protects that information and why, in certain cases, the Fund may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about its shareholders to employees of the Adviser, the Fund's administrator and their respective affiliates with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

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**DIRECTORS OF THE FUND (Unaudited)**


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Information pertaining to the Directors of the Fund is set forth below. Directors who are not deemed to be interested persons of the Funds, as defined in the Investment Company Act of 1940, as amended (the 1940 Act ) are referred to as Independent Directors. Directors who are deemed to be interested persons of the Fund are referred to as Interested Directors. The term Fund Complex refers to the Fund and all other investment companies advised by affiliates of Virtus, the Adviser's parent company.

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**Independent Directors**


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| Name, Address and Age  | Positions Held with Fund                | Term of Office and Length of Time Served  | Principal Occupation(s) During Past 5 Years   | Number of                                       |   |
|--|---|---|---|---|---|
|  |   |   |   | Portfolios in Fund Complex Overseen by Director | Other Directorships Held by the Director  |
| Stewart E. Conner<br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 69            | Director                                | Term expires 2012;<br>Director since 2009 | Attorney, Wyatt Tarrant & Combs LLP since 1966 (Chairman, Executive Committee 2000-2004, Managing Partner 1988-2000)  | 3   |   |
| Robert J. Genetski<br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 67           | Director                                | Term expires 2013;<br>Director since 2009 | President, Robert Genetski & Associates, Inc. (economic and financial consulting firm) since 1991; Senior Managing Director, Chicago Capital Inc. (financial services firm) 1995-2001; former Senior Vice President and Chief Economist, Harris Trust & Savings Bank, author of several books; regular contributor to the Nikkei Financial Daily  | 3   | Director, Midwest Banc Holdings, Inc.   |
| Nancy Lampton <sup>(1)</sup><br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 68 | Director and Vice Chairman of the Board | Term expires 2012;<br>Director since 2005 | Vice Chairman of the Board of the Fund since May 2007, DNP Select Income Fund Inc. ( DNP ) since February 2006 and Duff & Phelps Utility and Corporate Bond Trust Inc. ( DUC ) since May 2007; Chairman and Chief Executive Officer, Hardscuffle Inc. (insurance holding company) since January 2000; Chairman and Chief Executive Officer, American Life and Accident Insurance Company of Kentucky since 1971 | 3   | Director, Constellation Energy Group, Inc. (public utility holding company); Strategic Advisory Council Member, Lightbridge Corporation (provider of nuclear energy consulting services and developer of proprietary nuclear fuel designs); Advisory Board Member, CanAlaska Uranium Ltd. |

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|  |                 |   |   |           |   |
|--|-----------------|---|---|-----------|---|
| <p>Philip R. McLoughlin<br/>c/o Duff &amp; Phelps Investment<br/>Management Co.<br/>200 South Wacker Drive, Suite<br/>500<br/>Chicago, IL 60606</p>  | <p>Director</p> | <p>Term expires<br/>2013;<br/>Director<br/>since 1996</p> | <p>Managing Director, Seacap Partners<br/>LLC (strategic advisory firm) since<br/>February 2009; Partner, CrossPond<br/>Partners, LLC (investment<br/>management consultant) 2006-2008;<br/>Consultant to Phoenix Investment<br/>Partners, Ltd ( PXP ), 2002-2004; Chief<br/>Executive Officer of PXP, 1995-2002<br/>(Chairman 1997-2002, Director<br/>1995-2002); Executive Vice President<br/>and Chief Investment Officer, The<br/>Phoenix Companies, Inc. 2000-2002</p> | <p>49</p> | <p>Director, The World Trust<br/>Fund (closed-end fund);<br/>Director, Argo Group<br/>International Holdings,<br/>Ltd. (insurance holding<br/>company, formerly known<br/>as PXRE Group Ltd.)<br/>1999-2009</p> |
| <p>Age: 64</p>   |                 |   |   |           |   |
| <p>Geraldine M. McNamara<br/>c/o Duff &amp; Phelps Investment<br/>Management Co.<br/>200 South Wacker Drive, Suite<br/>500<br/>Chicago, IL 60606</p> | <p>Director</p> | <p>Term expires<br/>2011;<br/>Director<br/>since 2003</p> | <p>Private investor since July 2006;<br/>Managing Director, U.S. Trust<br/>Company of New York 1982-July<br/>2006</p>   | <p>49</p> |   |
| <p>Age: 59</p>   |                 |   |   |           |   |

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| Name, Address and Age  | Positions Held with Fund           | Term of Office and Length of Time Served   | Principal Occupation(s) During Past 5 Years  | Number of                                       | Other Directorships Held by the Director   |
|--|------------------------------------|--|--|---|--|
|  |                                    |  |  | Portfolios in Fund Complex Overseen by Director |  |
| Eileen A. Moran<br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 56                | Director                           | Term expires 2012;<br>Director since 1996  | President and Chief Executive Officer, PSEG Resources L.L.C. (investment company) since 1990   | 3   |  |
| Christian H. Poindexter<br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 72        | Director                           | Terms expires 2011;<br>Director since 2008 | Retired Executive Committee Chairman, Constellation Energy Group, Inc. (public utility holding company) since March 2003 (Executive Committee Chairman, July 2002-March 2003; Chairman of the Board, April 1999-July 2002; Chief Executive Officer, April 1999-October 2001; President, April 1999-October 2000) Chairman, Baltimore Gas and Electric Company, January 1993-July 2002 (Chief Executive Officer January 1993-July 2000; President, March 1998-October 2000; Director, 1988-2003)  | 3   | Director, The Baltimore Life Insurance Company   |
| Carl F. Pollard <sup>(1)</sup><br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 72 | Director                           | Term expires 2011;<br>Director since 2006  | Owner, Hermitage Farm L.L.C. (thoroughbred breeding) since January 1995; Chairman, Columbia Healthcare Corporation 1993-1994; Chairman and Chief Executive Officer, Galen Health Care, Inc. March-August 1993; President and Chief Operating Officer, Humana Inc. 1991-1993 (previously Senior Executive Vice President, Executive Vice President and Chief Financial Officer)   | 3   | Chairman of the Board and Director, Churchill Downs Incorporated   |
| David J. Vitale<br>c/o Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606                           | Director and Chairman of the Board | Term expires 2012;<br>Director since 2005  | Chairman of the Board of the Fund, DNP and DUC since May 2009; Executive Chairman, Urban Partnership Bank since August 2010; Private investor December 2008-August 2010; Senior Advisor to the CEO, Chicago Public Schools April 2007-December 2008; Chief Administrative Officer, Chicago Public Schools April 2003-April 2007; Private investor November 2002-April 2003; President and Chief Executive Officer, Board of Trade of the City of Chicago, Inc. March 2001-November 2002; Private | 3   | Director, UAL Corporation (airline holding company), Urban Partnership Bank, Alion Science and Technology Corporation, ISO New England Inc. (not for profit independent system operator of New England's electricity supply), Ariel Capital Management, LLC and Wheels, Inc. (automobile fleet |

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Age: 64

investor 1999-2001; Vice Chairman and Director, Bank One Corporation, 1998-1999; Vice Chairman and Director, First Chicago NBD Corporation, and President, The First National Bank of Chicago, 1995-1998; Vice Chairman, First Chicago Corporation and The First National Bank of Chicago, 1993-1998 (Director, 1992-1998; Executive Vice President, 1986-1993)

management)

| Name, Address and Age   | Positions Held with Fund                        | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years   | Number of                                       | Other Directorships Held by the Director  |
|---|---|--|---|---|---|
|   |   |  |   | Portfolios in Fund Complex Overseen by Director |   |
| <b>Interested Director</b>  |   |  |   |   |   |
| Nathan I. Partain, CFA <sup>(2)</sup><br>Duff & Phelps Investment Management Co.<br>200 South Wacker Drive, Suite 500<br>Chicago, IL 60606<br>Age: 54 | Director, President and Chief Executive Officer | Term expires 2013; Director since 2007   | President and Chief Executive Officer of the Fund and DUC since 2004; President and Chief Investment Officer of the Adviser since April 2005 (Executive Vice President 1997-2005); President and Chief Executive Officer of DNP since February 2001 (Chief Investment Officer since April 1998; Executive Vice President, April 1998-February 2001; Senior Vice President, January 1997-April 1998); Director of Utility Research, Duff & Phelps Investment Research Co. 1989-1996 (Director of Equity Research, 1993-1996 and Director of Fixed Income Research, 1993) | 3   | Director, Otter Tail Corporation (manages diversified operations in the electric, plastics, manufacturing, health services, food ingredient processing and other business operations sectors) |

<sup>(1)</sup> Elected by the preferred stockholders, voting as a separate class.

<sup>(2)</sup> Mr. Partain is an Interested Director because he is an officer and employee of the Adviser.

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**MANAGEMENT OF THE FUND (Unaudited)**


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The officers serve until their respective successors are chosen and qualified. The Fund's officers receive no compensation from the Fund, but are also officers of the Adviser or Virtus and receive compensation in such capacities. Information pertaining to Nathan I. Partain, the President and Chief Executive Officer of the Fund, is provided above under the caption Interested Director. Information pertaining to the other officers of the Fund is set forth below.

| Name, Address and Age   | Position(s) Held with Fund and Length of Time Served  | Principal Occupation(s) During Past 5 Years  |
|---|---|--|
| T. Brooks Beittel, CFA<br>Duff & Phelps Investment<br>Management Co.<br>200 South Wacker Drive,<br>Suite 500<br>Chicago, IL 60606 | Secretary since 2005  | Executive Vice President and Assistant Chief Investment Officer of the Adviser since 2008 (Senior Vice President 1993-2008; Vice President 1987-1993)  |
| Age: 60<br>Timothy M. Heaney, CFA<br>Virtus Investment Advisers,<br>Inc.<br>100 Pearl Street<br>Hartford, CT 06103                | Chief Investment Officer since 2004; Vice President since 1997                                      | Senior Vice President of the Adviser since 2004 (Vice President 1997-2004); Senior Managing Director, Fixed Income, Virtus Investment Advisers, Inc. (f/k/a Phoenix Investment Counsel, Inc.) since 2006 (Managing Director, Fixed Income 1997-2006; Director, Fixed Income Research 1996-1997; Investment Analyst, 1992-1996) |
| Age: 45<br>Lisa H. Leonard<br>Virtus Investment Advisers,<br>Inc.<br>100 Pearl Street<br>Hartford, CT 06103                       | Vice President since 2006   | Vice President of the Adviser since 2006; Portfolio Manager, Virtus Investment Advisers, Inc. (f/k/a Phoenix Investment Counsel, Inc.) since 1998 (Director, Investment Operations 1994-1998, Fixed Income Trader 1987-1993)   |
| Age: 47<br>Alan M. Meder, CFA, CPA<br>Duff & Phelps Investment<br>Management Co.<br>200 South Wacker Drive,                       | Treasurer since 2000; Principal Financial and Accounting Officer and Assistant Secretary since 2002 | Senior Vice President of the Adviser since 1994  |

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Suite 500

Chicago, IL 60606

Age: 51

Joyce B. Riegel

Chief Compliance Officer since 2003

Senior Vice President and Chief Compliance Officer of the Adviser since 2004  
(Vice

Duff & Phelps Investment

Management Co.

President and Compliance Officer 2002-2004); Vice President and Chief  
Compliance Officer, Stein Roe Investment Counsel LLC 2001-2002

200 South Wacker Drive,

Suite 500

Chicago, IL 60606

Age: 56

**ITEM 2. CODE OF ETHICS.**

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer and principal financial officer (the Code of Ethics). The registrant's principal financial officer also performs the functions of principal accounting officer.

The text of the Code of Ethics is posted on the registrant's web site at <http://www.DTFfund.com>. In the event that the registrant makes any amendment to or grants any waiver from the provisions of the Code of Ethics, the registrant intends to disclose such amendment or waiver on its web site within five business days.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

The registrant's board of directors has determined that two members of its audit committee, Philip R. McLoughlin and Carl F. Pollard, are audit committee financial experts and that each of them is independent for purposes of this Item.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The following table sets forth the aggregate audit and non-audit fees billed to the registrant for each of the last two fiscal years for professional services rendered by the registrant's principal accountant (the Independent Auditor).

|                                 | Fiscal year ended<br>October<br>31, 2010 | Fiscal year ended<br>October<br>31, 2009 |
|---------------------------------|--|--|
| Audit Fees (1)                  | \$ 48,000                                | \$ 47,000                                |
| Audit-Related Fees (2)(6)       | 3,500                                    | 3,400                                    |
| Tax Fees (3)(6)                 | 5,400                                    | 4,900                                    |
| All Other Fees (4)(6)           | 0  | 0  |
| Aggregate Non-Audit Fees (5)(6) | 8,900                                    | 8,300                                    |

- (1) Audit Fees are fees billed for professional services rendered by the Independent Auditor for the audit of the registrant's annual financial statements and for services that are normally provided by the Independent Auditor in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related Fees are fees billed for assurance and related services by the Independent Auditor that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under the caption Audit Fees. In both years shown in the table, such services consisted of the performance of periodic agreed-upon procedures relating to the registrant's preferred stock.
- (3) Tax Fees are fees billed for professional services rendered by the Independent Auditor for tax compliance, tax advice and tax planning. In both years shown in the table, such services consisted of preparation of the registrant's annual federal and state income tax returns and excise tax returns.
- (4) All Other Fees are fees billed for products and services provided by the Independent Auditor, other than the services reported under the captions Audit Fees, Audit-Related Fees and Tax Fees.
- (5) Aggregate Non-Audit Fees are non-audit fees billed by the Independent Auditor for services rendered to the registrant, the registrant's investment adviser (the Adviser) and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the registrant (collectively, the Covered Entities). During both years shown in the table, no portion of such fees related to services rendered by the Independent Auditor to the Adviser or any other Covered Entity.

- (6) No portion of these fees was approved by the registrant's audit committee after the beginning of the engagement pursuant to the waiver of the pre-approval requirement for certain *de minimis* non-audit services described in Section 10A of the Securities Exchange Act of 1934 (the Exchange Act) and applicable regulations.

The audit committee of the board of directors of the registrant (the Audit Committee), jointly with the audit committee of the board of directors of DNP Select Income Fund Inc. (DNP) and Duff & Phelps Utility and Corporate Bond Trust Inc. (DUC), has adopted a Joint Audit Committee Pre-Approval Policy to govern the provision by the Independent Auditor of the following services (collectively, Covered Services): (i) all engagements for audit and non-audit services to be provided by the Independent Auditor to the registrant and (ii) all engagements for non-audit services to be provided by the Independent Auditor to the Adviser or any other Covered Entity, if the engagement relates directly to the operations and financial reporting of the registrant. With respect to non-audit services rendered by the Independent Auditor to the Adviser or any other Covered Entity that were not required to be pre-approved by the Audit Committee because they do not relate directly to the operations and financial reporting of the registrant, the Audit Committee has nonetheless considered whether the provision of such services is compatible with maintaining the independence of the Independent Auditor.

Set forth below is a copy of the Joint Audit Committee Pre-Approval Policy (omitting data in the appendices relating to DNP and DUC).

**DNP SELECT INCOME FUND INC.**

**DTF TAX-FREE INCOME INC.**

**DUFF & PHELPS UTILITY AND CORPORATE BOND TRUST INC.**

**AUDIT COMMITTEE**

**AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY**

**(adopted February 23, 2010)**

**I. Statement of Principles**

Under the Sarbanes-Oxley Act of 2002 (the Act), the Audit Committee of the Board of Directors of each of DNP Select Income Fund Inc., DTF Tax-Free Income Inc. and Duff & Phelps Utility and Corporate Bond Trust Inc. (each a Fund and, collectively, the Funds) is responsible for the appointment, compensation and oversight of the work of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor's independence from the Fund. To implement these provisions of the Act, the Securities and Exchange Commission (the SEC) has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the Audit Committee's administration of the engagement of the independent auditor. Accordingly, the Audit Committee has adopted this Audit and Non-Audit Services Pre-Approval Policy (this Policy), which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditor may be pre-approved.

- (1) This Joint Audit Committee Pre-Approval Policy has been adopted by the Audit Committee of each Fund. Solely for the sake of clarity and simplicity, this Joint Audit Committee Pre-Approval Policy has been drafted as if there is a single Fund, a single Audit Committee and a single Board. The terms Audit Committee and Board mean the Audit Committee and Board of each Fund, respectively, unless the context otherwise requires. The Audit Committee and the Board of each Fund, however, shall act separately and in the best interests of its respective Fund.

The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Audit Committee ( general pre-approval ); or require the specific pre-approval of the Audit Committee ( specific pre-approval ). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the independent auditor. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the independent auditor. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

For both types of pre-approval, the Audit Committee will consider whether such services are consistent with the SEC's rules on auditor independence. The Audit Committee will also consider whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Fund's business, people, culture, accounting systems, risk profile and other factors, and whether the service might enhance the Fund's ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor should necessarily be determinative.

Under the SEC's rules, the Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the Fund's investment adviser and other affiliated entities that provide ongoing services to the Fund if the independent accountant's services to those affiliated entities have a direct impact on the Fund's operations or financial reporting.

The Audit Committee is also mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may determine, for each fiscal year, the appropriate ratio between the total amount of fees for audit, audit-related and tax services (including any audit-related or tax service fees for affiliates that are subject to pre-approval) and the total amount of fees for certain permissible non-audit services classified as all other services (including any such services for affiliates that are subject to pre-approval).

The appendices to this Policy describe the audit, audit-related, tax and all other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the independent auditor without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of this Policy is to set forth the procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the independent auditor to management.

The independent auditor has reviewed this Policy and believes that implementation of this Policy will not adversely affect the auditor's independence.

## **II. Delegation**

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members who are independent directors. Any member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. In accordance with the foregoing provisions, the Audit Committee has delegated pre-approval to its chairman, since under the Audit Committee's charter each member of the Audit Committee, including the chairman, is required to be an independent director.

### **III. Audit Services**

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the independent auditor to be able to form an opinion on the Fund's financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit. The Audit Committee will monitor the audit services engagement as necessary, but no less than on a semiannual basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Fund structure or other items.

In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other audit services, which are those services that only the independent auditor reasonably can provide. Other audit services may include statutory audits and services associated with SEC registration statements (on Forms N-1A, N-2, N-3, N-4, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the audit services in Appendix A. All other audit services not listed in Appendix A must be specifically pre-approved by the Audit Committee.

### **IV. Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements or that are traditionally performed by the independent auditor. Because the Audit Committee believes that the provision of audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to audit-related services. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters not classified as audit services; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under form N-SAR.

The Audit Committee has pre-approved the audit-related services in Appendix B. All other audit-related services not listed in Appendix B must be specifically pre-approved by the Audit Committee.

### **V. Tax Services**

The Audit Committee believes that the independent auditor can provide tax services to the Fund such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the independent auditor may provide such services. Hence, the Audit Committee believes it may grant general pre-approval to those tax services that have historically been provided by the auditor, that the Audit Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with the SEC's rules on auditor independence. The Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Audit Committee will consult with the Fund's Administrator or outside counsel to determine that the tax planning and reporting positions are consistent with this Policy.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the tax services in Appendix C. All tax services involving large and complex transactions not listed in Appendix C must be specifically pre-approved by the Audit Committee, including: tax services proposed to be provided by the independent auditor to any executive officer or director of the Fund, in his or her individual capacity, where such services are paid for by the Fund.

## **VI. All Other Services**

The Audit Committee believes, based on the SEC's rules prohibiting the independent auditor from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as all other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the all other services in Appendix D. Permissible all other services not listed in Appendix D must be specifically pre-approved by the Audit Committee.

A list of the SEC's prohibited non-audit services is attached to this Policy as Appendix E. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

## **VII. Pre-Approval Fee Levels or Budgeted Amounts**

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the Audit Committee. (Note that separate amounts may be specified for services to the Fund and for services to other affiliated entities that are subject to pre-approval.) Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Audit Committee may determine the appropriate ratio between the total amount of fees for audit, audit-related and tax services for the Fund (including any audit-related or tax services fees for affiliates that are subject to pre-approval), and the total amount of fees for services classified as all other services (including any such services for affiliates that are subject to pre-approval).

## **VIII. Procedures**

All requests or applications for services to be provided by the independent auditor that do not require specific approval by the Audit Committee will be submitted to the Fund's Administrator and must include a detailed description of the services to be rendered. The Administrator will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the independent auditor.

Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditor and the Fund's Administrator, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Fund's Administrator to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this Policy. The Administrator will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Administrator and any member of management will immediately report to the Chairman of the Audit Committee any breach of this Policy that comes to their attention.

## **IX. Additional Requirements**

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the independent auditor and to assure the auditor's independence from the Fund, such as reviewing a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Fund, consistent with applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and discussing with the independent auditor its methods and procedures for ensuring independence.

**Appendix A****Pre-Approved Audit Services for Fiscal Year Ending in 2010**

Dated: February 23, 2010

| Service   | DTF       | Affiliates <sup>(2)</sup> |
|---|-----------|---------------------------|
| 1. Services required under generally accepted auditing standards to perform the audit of the annual financial statements of the Fund, including performance of tax qualification tests relating to the Fund's regulated investment company status and issuance of an internal control letter for the Fund's Form N-SAR  | \$ 48,000 | N/A                       |
| 2. Reading of the Fund's semi-annual financial statements   | (3)       | N/A                       |
| 3. Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to SEC comment letters   | (3)       | N/A                       |
| 4. Consultations by the Fund's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies (Note: Under SEC rules, some consultations may be audit-related services rather than audit services) | (3)       | N/A                       |

<sup>(1)</sup> In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.

<sup>(2)</sup> These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.

<sup>(3)</sup> Fees for services designated with a (3) shall either be included in the fee approved for item 1 of this Appendix A or may be separately charged, provided that the aggregate separate charges for all services designated with a (3) in Appendices A and B may not exceed 10% of the fee approved for item 1 of this Appendix A.

**Appendix B****Pre-Approved Audit-Related Services for Fiscal Year Ending in 2010**

Dated: February 23, 2010

| Service   | DTF      | Affiliates <sup>(2)</sup> |
|---|----------|---------------------------|
| 1. Issuance of annual agreed-upon procedures letters relating to the preferred stock or commercial paper, if any, issued by the Fund  | \$ 3,500 | N/A                       |
| 2. Agreed-upon or expanded audit procedures related to accounting records required to respond to or comply with financial, accounting or regulatory reporting matters   | (3)      | N/A                       |
| 3. Consultations by the Fund's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be audit services rather than audit-related services) | (3)      | N/A                       |
| 4. General assistance with implementation of the requirements of SEC rules or listing standards promulgated pursuant to the Sarbanes-Oxley Act  | (3)      | N/A                       |

<sup>(1)</sup> In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.

<sup>(2)</sup> These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.

<sup>(3)</sup> Fees for services designated with a (3) shall either be included in the fee approved for item 1 of Appendix A or may be separately charged, provided that the aggregate separate charges for all services designated with a (3) in Appendices A and B may not exceed 10% of the fee approved for item 1 of Appendix A.

**Appendix C*****Pre-Approved Tax Services for Fiscal Year Ending in 2010***

Dated: February 23, 2010

| <b>Service</b>  | <b>DTF</b> | <b>Affiliates<sup>(2)</sup></b> |
|---|------------|---------------------------------|
| 1. Preparation of federal and state tax returns, including excise tax returns, and review of required distributions to avoid excise tax | \$ 5,400   | N/A                             |
| 2. Consultations with the Fund's management as to the tax treatment of transactions or events   | (3)        | N/A                             |
| 3. Tax advice and assistance regarding statutory, regulatory or administrative developments   | (3)        | N/A                             |

- (1) In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.
- (2) These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.
- (3) Fees for services designated with a (3) shall either be included in the fee approved for item 1 of this Appendix C or may be separately charged, provided that the aggregate separate charges for all services designated with a (3) in this Appendix C may not exceed 10% of the fee approved for item 1 of this Appendix C.

**Appendix D**

***Pre-Approved All Other Services for Fiscal Year Ending in 2010***

Dated: February 23, 2010

| Service | DTF | Affiliates <sup>(2)</sup> |
|---------|-----|---------------------------|
| None    |     |                           |

- (1) In addition to the fees shown in the table, the Audit Committee has pre-approved the reimbursement of the reasonable out-of-pocket expenses incurred by the independent accountant in providing the pre-approved services.
- (2) These affiliates include the Fund's investment adviser (excluding sub-advisers) and any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the Fund. The Fund's Audit Committee must pre-approve non-audit services provided not only to the Fund but also to the adviser and such other affiliated entities, where such entities provide ongoing services to the Fund *and* the independent accountant's services to such entities have a direct impact on the Fund's operations or financial reporting.

**Appendix E**

**Prohibited Non-Audit Services**

Bookkeeping or other services related to the accounting records or financial statements of the audit client

Financial information systems design and implementation

Appraisal or valuation services, fairness opinions or contribution-in-kind reports

Actuarial services

Internal audit outsourcing services

Management functions

Human resources

Broker-dealer, investment adviser or investment banking services

Legal services

Expert services unrelated to the audit

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

The registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Robert J. Genetski, Philip R. McLoughlin and Carl F. Pollard.

**ITEM 6. INVESTMENTS**

A schedule of investments is included as part of the report to shareholders filed under Item 1 of this report.

**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

Although the registrant does not typically hold voting securities, the registrant's board of directors has adopted the following statement of policy with respect to proxy voting.

**DTF TAX-FREE INCOME INC.**

**PROXY VOTING POLICIES AND PROCEDURES**

**As amended and restated on May 10, 2007**

**I. *Definitions.*** As used in these Policies and Procedures, the following terms shall have the meanings ascribed below:

A. **Adviser** refers to Duff & Phelps Investment Management Co.

B. **Advisers Act** refers to the Investment Advisers Act of 1940, as amended.

- C. corporate governance matters refers to changes involving the corporate ownership or structure of an issuer whose voting securities are within a portfolio holding, including changes in the state of incorporation, changes in capital structure, including increases and decreases of capital and preferred stock issuance, mergers and other corporate restructurings, and anti-takeover provisions such as staggered boards, poison pills, and supermajority voting provisions.
  - D. Delegate refers to the Adviser, any proxy committee to which the Adviser delegates its responsibilities hereunder and any qualified, independent organization engaged by the Adviser to vote proxies on behalf of the Fund.
  - E. executive compensation matters refers to stock option plans and other executive compensation issues.
  - F. Fund refers to DTF Tax-Free Income Inc.
  - G. Investment Company Act refers to the Investment Company Act of 1940, as amended.
  - H. portfolio holding refers to any company or entity whose voting securities are held within the investment portfolio of the Fund as of the date a proxy is solicited.
  - I. proxy contests refer to any meeting of shareholders of an issuer for which there are at least two sets of proxy statements and proxy cards, one solicited by management and the others by a dissident or group of dissidents.
  - J. social issues refers to social, political and environmental issues.
  - K. takeover refers to hostile or friendly efforts to effect radical change in the voting control of the board of directors of a company.
- II. General policy.** It is the intention of the Fund to exercise voting stock ownership rights in portfolio holdings in a manner that is reasonably anticipated to further the best economic interests of shareholders of the Fund. Accordingly, the Fund or its Delegate(s) shall endeavor to analyze and vote all proxies that are considered likely to have financial implications, and, where appropriate, to participate in corporate governance, shareholder proposals, management communications and legal proceedings. The Fund and its Delegate(s) must also identify potential or actual conflicts of interests in voting proxies and address any such conflict of interest in accordance with these Policies and Procedures.
- III. Factors to consider when voting.**
- A. The Delegate may abstain from voting when it concludes that the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant.
  - B. In analyzing **anti-takeover measures**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as overall long-term financial performance of the target company relative to its industry competition. Key measures which shall be considered include, without limitation, five-year annual compound growth rates for sales, operating income, net income, and total shareholder returns (share price appreciation plus dividends). Other financial indicators that will be considered include margin analysis, cash flow, and debt levels.

- C. In analyzing **proxy contests for control**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as long-term financial performance of the target company relative to its industry; management's track record; background to the proxy contest; qualifications of director nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions.

- D. In analyzing **contested elections for director**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as the qualifications of all director nominees. The Delegate shall also consider the independence and attendance record of board and key committee members. A review of the corporate governance profile shall be completed highlighting entrenchment devices that may reduce accountability.
- E. In analyzing **corporate governance matters**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as tax and economic benefits associated with amending an issuer's state of incorporation, dilution or improved accountability associated with changes in capital structure, management proposals to require a supermajority shareholder vote to amend charters and bylaws and bundled or conditioned proxy proposals.
- F. In analyzing **executive compensation matters**, the Delegate shall vote on a case-by-case basis taking into consideration such factors as executive pay and spending on perquisites, particularly in conjunction with sub-par performance and employee layoffs.
- G. The Delegate shall generally vote against shareholder proposals on **social issues**, except where the Delegate determines that a different position would be in the clear economic interests of the Fund and its shareholders.

**IV. Responsibilities of Delegates.**

- A. In the absence of a specific direction to the contrary from the Board of Directors of the Fund, the Adviser will be responsible for voting proxies for all portfolio holdings in accordance with these Policies and Procedures, or for delegating such responsibility as described below.
- B. The Adviser may delegate its responsibilities hereunder to a proxy committee established from time to time by the Adviser and may engage one or more qualified, independent organizations to vote proxies on behalf of the Fund. The Adviser shall be responsible for the ensuring that any such Delegate is informed of and complies with these Policies and Procedures.
- C. In voting proxies on behalf of the Fund, each Delegate shall have a duty of care to safeguard the best interests of the Fund and its shareholders and to act in accordance with these Policies and Procedures.
- D. No Delegate shall accept direction or inappropriate influence from any other client or third party, or from any director, officer or employee of any affiliated company, and shall not cast any vote inconsistent with these Policies and Procedures without obtaining the prior approval of the Board of Directors of the Fund or its duly authorized representative.

**V. Conflicts of interest**

- A. The Fund and its Delegate(s) seek to avoid actual or perceived conflicts of interest in the voting of proxies for portfolio holdings between the interests of Fund shareholders, on the one hand, and those of the Adviser or any affiliated person of the Fund or the Adviser, on the other hand. The Board of Directors may take into account a wide array of factors in determining whether such a conflict exists, whether such conflict is material in nature, and how to properly address or resolve the same.
- B. While each conflict situation varies based on the particular facts presented and the requirements of governing law, the Board of Directors or its duly authorized

representative may take the following actions, among others, or otherwise give weight to the following factors, in addressing material conflicts of interest in voting (or directing Delegates to vote) proxies pertaining to portfolio holdings: (i) vote pursuant to the recommendation of the proposing Delegate; (ii) abstain from voting; or (iii) rely on the recommendations of an established, independent third party with qualifications to vote proxies, such as Institutional Shareholder Services.

- C. The Adviser shall notify the Board of Directors of the Fund promptly after becoming aware that any actual or potential conflict of interest exists and shall seek the Board of Directors' recommendations for protecting the best interests of Fund's shareholders. The Adviser shall not waive any conflict of interest or vote any conflicted proxies without the prior written approval of the Board of Directors or its duly authorized representative.

**VI. *Miscellaneous.***

- A. A copy of the current Proxy Voting Policies and Procedures and the voting records for the Fund, reconciling proxies with portfolio holdings and recording proxy voting guideline compliance and justification, shall be kept in an easily accessible place and available for inspection either physically or through electronic posting on an approved website.
- B. In the event that a determination, authorization or waiver under these Policies and Procedures is requested at a time other than a regularly scheduled meeting of the Board of Directors, the Chairman of the Audit Committee shall be the duly authorized representative of the Board of Directors with the authority and responsibility to interpret and apply these Policies and Procedures and shall provide a report of his or her determinations at the next following meeting of the Board of Directors.
- C. The Adviser shall present a report of any material deviations from these Policies and Procedures at every regularly scheduled meeting of the Board of Directors and shall provide such other reports as the Board of Directors may request from time to time. The Adviser shall provide to the Fund or any shareholder a record of its effectuation of proxy voting pursuant to these Policies and Procedures at such times and in such format or medium as the Fund shall reasonably request. The Adviser shall be solely responsible for complying with its disclosure and reporting requirements under applicable laws and regulations, including, without limitation, Rule 206(4)-6 under the Advisers Act. The Adviser shall gather, collate and present information relating to its proxy voting activities and those of each Delegate in such format and medium as the Fund shall determine from time to time in order for the Fund to discharge its disclosure and reporting obligations pursuant to Rule 30b1-4 under the Investment Company Act.
- D. The Adviser shall pay all costs associated with proxy voting for portfolio holdings pursuant to these Policies and Procedures and assisting the Fund in providing public notice of the manner in which such proxies were voted, except that the Fund shall pay the costs associated with any filings required under the Investment Company Act.
- E. In performing its duties hereunder, any Delegate may engage the services of a research and/or voting adviser, the cost of which shall be borne by such Delegate.
- F. These Policies and Procedures shall be presented to the Board of Directors annually for their amendment and/or approval.

**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

In this Item 8, the term "Fund" refers to the registrant, DTF Tax-Free Income Inc.

**The Fund's Portfolio Managers**

A team of investment professionals employed by Duff & Phelps Investment Management Co., the Fund's investment adviser (the Adviser), is responsible for the day-to-day management of the Fund's portfolio. The members of that investment team and their respective roles, as of January 3, 2011, are as follows:

Timothy M. Heaney has been Chief Investment Officer of the Fund since 2004 and Vice President since 1997 (Portfolio Manager 1997-2004). He has been a Senior Vice President of the Adviser since 2004 (Vice President 1997-2004). He has also been a Senior Managing Director in the Fixed Income unit of the Adviser's affiliate, Virtus Investment Advisers, Inc. (f/k/a Phoenix Investment Counsel, Inc.) (VIA) since 2006 (Managing Director 1997-2006, Director, Fixed Income Research 1996-1997, Investment Analyst 1992-1996). Mr. Heaney is the head of the municipal bond product area for the Adviser and VIA.

Lisa H. Leonard has been Vice President of the Fund and the Adviser since 2006. She has also been a Portfolio Manager in the Fixed Income unit of VIA since 1998 (Director, Investment Operations 1994-1998, Fixed Income Trader 1987-1993). Ms. Leonard assists Mr. Heaney in the management of the Fund's portfolio in her capacity as a portfolio manager in the municipal bond product area for the Adviser and VIA.

**Other Accounts Managed by the Fund's Portfolio Managers**

The following table provides information as of October 31, 2010 regarding the other accounts besides the Fund that are managed by the portfolio managers of the Fund. As noted in the table, portfolio managers of the Fund may also manage or be members of management teams for other mutual funds within the same fund complex or other similar accounts. For purposes of this disclosure, the term fund complex includes the Fund and all other investment companies advised by affiliates of Virtus Investment Partners, Inc. (Virtus), the Adviser's parent company. As of October 31, 2010, the Fund's portfolio managers did not manage any accounts with respect to which the advisory fee is based on the performance of the account, nor do they manage any hedge funds.

| Name of Portfolio Manager | Registered Investment Companies (1) |               | Other Pooled Investment Vehicles (2) |               | Other Accounts (3) |               |
|---------------------------|-------------------------------------|---------------|--------------------------------------|---------------|--------------------|---------------|
|                           | Number                              | Total Assets  | Number                               | Total Assets  | Number             | Total Assets  |
|                           | of Accounts                         | (in millions) | of Accounts                          | (in millions) | of Accounts        | (in millions) |
| Timothy M. Heaney         | 1                                   | \$ 59         | N/A                                  | N/A           | 46                 | \$ 1,900      |
| Lisa H. Leonard           | 1                                   | \$ 59         | N/A                                  | N/A           | 46                 | \$ 1,900      |

- (1) Registered Investment Companies include all open and closed-end mutual funds. For Registered Investment Companies, assets represent net assets of all open-end investment companies and gross assets of all closed-end investment companies.
- (2) Other Pooled Investment Vehicles include, but are not limited to, securities of issuers exempt from registration under Section 3(c) of the Investment Company Act of 1940, such as private placements and hedge funds.
- (3) Other Accounts include, but are not limited to, individual managed accounts, separate accounts, institutional accounts, pension funds and collateralized bond obligations.

There may be certain inherent conflicts of interest that arise in connection with the portfolio managers' management of the Fund's investments and the investments of any other accounts they manage. Such conflicts could include aggregation of orders for all accounts managed by a particular portfolio manager, the allocation of purchases across all such accounts, the allocation of IPOs and any soft dollar arrangements that the Adviser may have in place that could benefit the Fund and/or such other accounts. The Adviser has adopted policies and procedures designed to address any such conflicts of interest to ensure that all management time, resources and investment opportunities are allocated equitably. There have been no material compliance issues with respect to any of these policies and procedures during the Fund's most recent fiscal year.

***Compensation of the Fund's Portfolio Managers***

The following is a description of the compensation structure, as of October 31, 2010, of the Fund's portfolio managers.

Virtus and its affiliated investment management firms, including the Adviser, believe that their compensation programs are adequate and competitive to attract and retain high-caliber investment professionals. The Fund's portfolio managers receive a competitive base salary, an incentive bonus opportunity and a benefits package. Portfolio managers may also have the opportunity to participate in long-term equity programs, including potential awards of Virtus restricted stock units ( Virtus RSUs ) with multi-year vesting, subject to Virtus board approval.

*Base Salary.* Each portfolio manager is paid a fixed base salary, which is designed to be competitive in light of the individual's experience and responsibilities. In order to evaluate competitive market compensation when determining base salary for its investment management professionals, Virtus uses compensation survey results of investment industry compensation conducted by an independent third party.

*Incentive Bonus.* Annual incentive payments are based on targeted compensation levels, adjusted based on profitability, investment performance factors and a subjective assessment of each individual's contribution to the team effort. The short-term incentive payment is generally paid in cash, but a portion may be made in Virtus RSUs. Individual payments are assessed using comparisons of actual investment performance with specific peer group or index measures. Performance of the funds managed is generally measured over one-, three- and five-year periods and an individual portfolio manager's participation is based on the performance of each fund/account managed.

*Other Benefits.* Portfolio managers are also eligible to participate in broad-based plans offered generally to employees of Virtus and its affiliates, including 401(k), health and other employee benefit plans.

***Equity Ownership of Portfolio Managers***

The following table sets forth the dollar range of equity securities in the Fund beneficially owned, as of October 31, 2010, by each of the portfolio managers identified above.

| <b>Name of Portfolio Manager</b> | <b>Dollar Range of<br/>Equity<br/>Securities in the Fund</b> |
|----------------------------------|--|
| Timothy M. Heaney                | \$10,001-\$50,000  |
| Lisa H. Leonard                  | None   |

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

During the period covered by this report, no purchases were made by or on behalf of the registrant or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of shares or other units of any class of the registrant's equity securities that is registered by the registrant pursuant to Section 12 of the Exchange Act.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors have been implemented after the registrant last provided disclosure in response to the requirements of Item 22(b)(15) of Schedule 14A (*i.e.*, in the registrant's Proxy Statement dated March 31, 2010) or this Item.

**ITEM 11. 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 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 second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 12. EXHIBITS.**

- (a) Exhibit 99.CERT Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (b) Exhibit 99.906CERT Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**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 January 3, 2011

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 January 3, 2011

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

Date January 3, 2011