

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

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

Investment Company Act file number 811-06416

DTF Tax-Free Income Inc.

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

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

(Name and address of agents for service)

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

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

Date of fiscal year end: October 31

Date of reporting period: July 31, 2009

Item 1 Schedule of Investments

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

As of 7/31/2009 (unaudited)

Principal Amount (000)	Description (a)	Value
LONG-TERM INVESTMENTS		146.8%
Alabama		0.6%
	DCH Health Care Auth. Rev.,	
\$ 1,000	5.125%, 6/1/36	\$ 824,200
California		21.9%
	California St. Gen. Oblig.,	
500	5.50%, 3/1/26	516,545
1,000	5.00%, 11/1/32	931,040
	California Statewide Communities Dev. Auth. Rev.,	
2,000	5.75%, 7/1/47, F.G.I.C.	1,963,560
	Fresno Swr. Rev., Ser. A-1,	
3,030	6.00%, 9/1/09, A.M.B.A.C.	3,043,605
2,000	6.25%, 9/1/14, A.M.B.A.C.	2,243,440
	Los Angeles Wastewtr. Sys. Rev.,	
2,000	5.00%, 6/1/26, Ser. A, NATL-RE	2,004,000
	Los Angeles Wtr. & Pwr. Rev.,	
1,000	5.25%, 7/1/21, Ser. A-A-1, F.S.A.	1,038,170
1,000	5.375%, 7/1/21, Ser. A-A-2, NATL-RE	1,055,580
	Pomona Sngl. Fam. Mtge. Rev.,	
635(b)	7.375%, 8/1/10, Ser. B, Escrowed to maturity	653,155
	Riverside Cnty. Sngl. Fam. Rev.,	
2,500(b)	7.80%, 5/1/21, Ser. A, Escrowed to maturity	3,460,350
	San Bernardino Cnty. Residential Mtge. Rev.,	
7,840(b)	9.60%, 9/1/15, Escrowed to maturity	11,227,742
	Saratoga Unified Sch. Dist., Gen. Oblig.	
1,040	Zero Coupon, 9/1/20, Ser. A, F.G.I.C. / NATL-RE	585,395
		28,722,582
Connecticut		3.2%
	Connecticut St. Dev. Auth. Rev.,	
1,000	5.25%, 5/1/31	1,013,100
	Connecticut St. Health & Edl. Facs. Auth. Rev.,	
1,000	5.00%, 7/1/25, Ser. C, Radian Mashantucket Western Pequot Tribe Spl. Rev., 144A,	819,790
3,500(c)	5.75%, 9/1/18, Ser. B	2,378,845
		4,211,735
District of Columbia		1.9%
	District of Columbia Wtr. & Swr. Auth. Rev.,	

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1,500	5.00%, 10/1/33, F.G.I.C. / NATL-RE Metropolitan Washington DC Airport	1,493,640
1,000	5.00%, 10/1/18, Ser. A, F.S.A. / A.M.B.A.C.	1,033,100
		2,526,740
	Florida	11.3%
	Brevard Cnty. Hlth. Fac. Auth. Rev.,	
1,005	5.00%, 4/1/34	790,995
	Broward Cnty. Port. Fac. Rev.,	
1,500	6.00%, 9/1/23, Ser. A	1,570,740
	Escambia Cnty. Hlth. Fac. Auth. Rev.,	
1,190	5.125%, 10/1/19	1,103,796
	Florida Mun. Ln. Council Rev.,	
2,210	5.375%, 8/1/20, Ser. B, NATL-RE	2,251,570
	Florida St. Bd. of Ed. Gen. Oblig.,	
2,000	5.00%, 6/1/21, Ser. A	2,153,700
	Highlands Cnty. Hlth. Fac. Auth. Rev.,	
70(b)	5.125%, 11/15/32, Ser. G Prerefunded 11/15/16 @ \$100	82,070
1,930	5.125%, 11/15/32, Ser. G	1,783,050
	St. Petersburg Public Util. Rev.,	
5,000(b)	5.00%, 10/1/28, Ser. A, Prerefunded 10/1/09 @ \$101	5,076,600
		14,812,521

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Principal Amount (000)	Description (a)	Value
Georgia		14.1%
	Atlanta Wtr. & Wastewtr. Rev., Ser. A,	
\$ 2,385	5.00%, 11/1/29, F.G.I.C. / NATL-RE	\$ 2,161,812
715	5.00%, 11/1/38, F.G.I.C. / NATL-RE	616,909
	De Kalb Cnty. Wtr. & Swr. Rev., 5.00%, 10/1/24	
4,000(b)	Prerefunded 10/1/09 @ \$101	4,070,440
	Fulton Cnty. Sch. Dist., Gen. Oblig.	
2,000	5.375%, 1/1/16	2,342,780
	Georgia Mun. Elec. Auth. Pwr. Rev., Ser. Y, 6.40%, 1/1/13,	
145(b)	Escrowed to maturity	159,996
2,440	6.40%, 1/1/13, A.M.B.A.C.	2,646,790
30(b)	6.40%, 1/1/13	
	Prerefunded 1/1/11 @ \$100	32,429
	Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, A.M.B.A.C.	
5,500		6,404,145
		18,435,301
Hawaii		1.3%
	Hawaii Dept. Budget & Fin. Rev., 4.80%, 1/1/25, Ser. A, F.G.I.C.	
2,000		1,733,420
Idaho		0.2%
	Idaho Hsg. Agcy., Sngl. Fam. Mtge. Sr., Rev.,	
155	6.65%, 7/1/14, Ser. B	159,721
133	6.60%, 7/1/27, Ser. B	137,422
		297,143
Illinois		7.8%
	Chicago Gen. Oblig., 6.25%, 1/1/11, A.M.B.A.C.	
2,745		2,850,573
1,000	5.25%, 1/1/33, Ser. A	1,006,040
	Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, F.H.A.	
500		449,495
	Chicago Park Dist., Gen. Oblig., 5.00%, 1/1/27, Ser. A, A.M.B.A.C.	
1,000		1,019,590
	Illinois Fin. Auth. Education Rev., 5.375%, 9/1/32, Ser. C,	
1,000(b)	Prerefunded 9/1/17 @ \$100	1,213,050
	Illinois St. Gen. Oblig., 5.50%, 1/1/29	
2,000		2,154,360
	Illinois St. Toll Hwy. Auth. Rev., 5.50%, 1/1/33, Ser. B	
1,500		1,568,760
		10,261,868
Indiana		6.1%
	Indiana Mun. Pwr. Agcy., Pwr. Supply Sys. Rev.,	
5,000	6.00%, 1/1/13, Ser. B, NATL-RE	5,580,000
	Indianapolis Local Pub. Impvt.	

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2,100(b)	Bond Bank Waterworks Proj. Rev., 5.25%, 7/1/33, Ser. A, Prerefunded 7/1/12 @ \$100	2,354,604
		7,934,604

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Principal Amount (000)	Description (a)	Value
	Kentucky	2.9%
	Louisville & Jefferson Cnty. Met. Swr. Dist., Swr. & Drain Sys. Rev.,	
\$ 2,000	5.00%, 5/15/30, Ser. A, F.G.I.C. / NATL-RE	\$ 2,001,380
	Louisville & Jefferson Cnty. Metro. Govt. Health Sys. Rev.,	
1,000	5.00%, 10/1/30	875,510
1,000	5.25%, 10/1/36	869,970
		3,746,860
	Massachusetts	6.0%
	Boston Wtr. & Swr. Comm. Rev.,	
2,000	5.00%, 11/1/28, Ser. D, F.G.I.C. / NATL-RE	2,001,100
	Massachusetts St. Dev. Finance Agency, Solid Waste Disp. Rev.	
1,500	5.00%, 2/1/36	1,238,625
	Massachusetts St. Tpk. Auth., Metro. Highway Sys. Rev.,	
2,355	5.125%, 1/1/23, Ser. B, NATL-RE	2,355,259
2,500	4.75%, 1/1/34, Ser. A, A.M.B.A.C.	2,206,825
		7,801,809
	Michigan	3.5%
	Detroit Wtr. Supply Sys. Rev., Ser. A,	
2,000(b)	5.50%, 7/1/24, Prerefunded 7/1/11 @ \$100	2,172,820
2,000	5.00%, 7/1/30, F.G.I.C. / NATL-RE	1,776,440
	Michigan Tobacco Settlement Finance Auth. Rev.,	
1,000	6.00%, 6/1/48, Ser. A	603,350
		4,552,610
	Nebraska	3.8%
	Omaha Pub. Pwr. Dist., Elec. Rev., Ser. B,	
1,875(b)	6.15%, 2/1/12 Escrowed to maturity	2,007,075
2,500(b)	6.20%, 2/1/17 Escrowed to maturity	2,963,300
		4,970,375
	Nevada	4.8%
	Nevada St. Gen. Oblig.,	
2,000	5.00%, 12/1/24, Ser. F, F.S.A.	2,030,180
	Las Vegas Valley Wtr. Dist., Gen. Oblig.,	
1,400	5.00%, 6/1/25, Ser. B, NATL-RE	1,402,884
3,000	5.00%, 6/1/32, Ser. A, F.G.I.C. / NATL-RE	2,787,660
		6,220,724
	New Jersey	4.0%

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	New Jersey Econ. Dev. Auth. Rev.,	
1,025	4.95%, 3/1/47	737,406
	New Jersey St. Gen. Oblig.,	
2,000	5.25%, 7/1/17, Ser. H	2,335,680
	New Jersey Trans. Trust Fund Auth. Rev.,	
2,000	5.25%, 12/15/22, Ser. A	2,116,740
		5,189,826
	New York	7.1%
	Albany Industrial Dev. Agy. Rev.,	
1,000	5.00%, 4/1/32, Ser. A	675,060
	Long Island Pwr. Auth. Elec.	
	Sys. Rev.,	
800	5.00%, 12/1/35, Ser. B	762,808
	Metro. Trans. Auth. Rev.,	
1,000	5.25%, 11/15/31, Ser. A, F.G.I.C. / NATL-RE	1,001,410
	New York City Mun. Wtr. Fin. Auth.,	
	Wtr. & Swr. Sys. Rev.,	
5,000	5.00%, 6/15/29, Ser. B, F.S.A.	5,014,950
	New York St. Dorm. Auth. Rev.,	
	Sch. Dist. Rev. Bond Financing Program	
1,500	7.25%, 10/1/28, Ser. C	1,779,630
		9,233,858

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Principal Amount (000)	Description (a)	Value
	Ohio	6.5%
	Buckeye Tobacco Settlement Financing Auth. Rev.,	
\$ 3,000	6.00%, 6/1/42, Ser. A-2	\$ 1,784,520
2,000	6.50%, 6/1/47, Ser. A-2	1,272,020
	Deerfield Twp. Tax Increment Rev.,	
750	5.00%, 12/1/25	708,322
	Hamilton Elec. Sys. Rev.	
1,000	4.60%, 10/15/20, Ser. A, F.S.A.	1,044,550
	Ohio St. Air Quality Dev. Auth. Rev.,	
750	5.70%, 2/1/14, Ser. A	787,448
	Ohio St. Wtr. Dev. Auth. Rev.,	
2,445	5.50%, 6/1/20, Ser. B, F.S.A.	2,915,980
		8,512,840
	Pennsylvania	3.0%
	Delaware Cnty. Auth. Rev.,	
2,000	5.00%, 6/1/21, Ser. A, Radian	1,902,020
	East Stroudsburg Area Sch. Dist., Gen. Oblig.	
1,000	7.75%, 9/1/27, Ser. A, F.G.I.C. / NATL-RE	1,193,440
	Pennsylvania Economic Dev. Fin.	
	Auth. Res. Recov. Rev.,	
1,000	4.625%, 12/1/18, Ser. F, A.M.B.A.C.	854,830
		3,950,290
	Puerto Rico	0.7%
	Puerto Rico Elec. Pwr. Auth. Rev.,	
1,000	5.00%, 7/1/25, Ser. PP, F.G.I.C. / NATL-RE	963,800
	South Carolina	1.3%
	Spartanburg Waterworks Rev.,	
1,500(b)	5.25%, 6/1/28,	
	Prerefunded 6/1/14 @ \$100	1,738,335
	Tennessee	1.8%
	Tennessee Energy Acquisition Corp. Rev., Ser. A,	
1,500	5.25%, 9/1/20	1,415,595
1,000	5.25%, 9/1/21	932,310
		2,347,905
	Texas	23.6%
	Alliance Airport Auth. Inc. Rev.,	
1,000	4.85%, 4/1/21	848,610
	Bexar Met. Wtr. Dist.	
	Waterworks Sys. Rev.,	
2,500	5.00%, 5/1/25, NATL-RE	2,502,725
	Coastal Wtr. Auth. Contract Rev.,	
4,000	5.00%, 12/15/25, F.S.A.	4,005,880
	Dallas Area Rapid Transit Rev.,	
1,000	5.25%, 12/1/48	1,007,480
	Dallas Gen. Oblig.	
2,000	4.50%, 2/15/23	2,029,960
	El Paso Wtr. & Swr. Rev.,	
1,555	5.50%, 3/1/12, Ser. A, F.S.A.	1,723,593

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	Everman Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 2/15/36, PSF	1,006,560
	Harris Cnty. Gen. Oblig.,	
1,650	7.00%, 8/15/10, Ser. A	1,757,646
	Houston Wtr. & Swr. Sys. Rev.,	
1,500(b)	5.25%, 12/1/23, Ser. B,	
	Prerefunded 12/1/10 @ \$100	1,587,915
3,500(b)	5.00%, 12/1/28, Ser. A,	
	Prerefunded 12/1/09 @ \$100	3,552,010
	Klein Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 8/1/38, Ser. A, PSF	1,007,210
	Lower Colorado River Auth. Rev.,	
2,000	5.00%, 5/15/31, F.S.A.	2,000,860
	McLennan Cnty. Pub. Fac. Corp. Proj. Rev.,	
2,000	6.625%, 6/1/35	2,073,660
	Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig.,	
1,975	5.50%, 2/1/33, PSF	2,071,360
	San Antonio Elec. & Gas Rev.,	
2,595	5.00%, 2/1/18, Ser. A	2,631,071
	Spring Branch Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.25%, 2/1/38, PSF	1,024,270
		30,830,810

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Principal Amount (000)	Description (a)		Value
	Virginia	1.1%	
1,500	Virginia St. Hsg. Dev. Auth. Rev., 4.55%, 1/1/24		\$ 1,394,685
	Washington	2.3%	
500	Energy Northwest Wind Proj. Rev., 4.75%, 7/1/21, NATL-RE		504,670
2,500	King Cnty. Swr. Rev., 5.00%, 1/1/31, F.G.I.C. / NATL-RE		2,504,975
			3,009,645
	West Virginia	1.0%	
1,500	Monongalia Cnty. Building Commission Hospital Rev. 5.00%, 7/1/30, Ser. A		1,355,595
	Wisconsin	1.6%	
2,000	Wisconsin St. Gen. Rev., 6.00%, 5/1/33, Ser. A		2,143,100
	Wyoming	3.4%	
4,000	Wyoming St. Farm Loan Brd. Cap. Facs. Rev., 5.75%, 10/1/20		4,495,440
	Total long-term investments (cost \$186,950,690)		192,218,621
	Shares		
	SHORT-TERM INVESTMENT	1.0%	
1,266,227	State Street Institutional Tax-Free Money Market Fund (cost \$1,266,227)		\$ 1,266,227
	Total Investments (cost \$188,216,917)	147.8%	193,484,848
	Other assets in excess of liabilities	1.8%	2,402,520
	Liquidation value of remarketed preferred stock	(49.6)	(65,000,000)
	Net Assets Applicable to Common Stock	100.0%	\$ 130,887,368
	Net asset value per share of common stock (\$130,887,368 / 8,507,456)		\$ 15.39

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

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

F.H.A. - Federal Housing Authority.

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

NATL-RE - National Public Finance Guarantee Corp. (formerly MBIA).

PSF - Texas Permanent School Fund.

Radian - Radian Asset Assurance Inc.

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

- (c) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A to qualified institutional buyers. At July 31, 2009, these securities amounted to a value of \$2,378,845 or 1.8% of net assets applicable to common stock.

Notes

Securities Valuation:

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

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

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

Tax Basis of Investment	Appreciation	Depreciation	Net Unrealized Appreciation
\$ 187,666,951	\$ 12,833,119	\$ 7,015,222	\$ 5,817,897

The Fund implemented Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157), effective November 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 establishes a three-tier hierarchy to classify fair value measurements for disclosure purposes. The three tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities

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

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in these securities.

The following is a summary of the inputs used to value each of the Fund's investments as of July 31, 2009:

Valuations Description	Level 1	Level 2	Level 3
Assets:			
Municipal Bonds	\$	\$ 192,218,621	\$
Money Market Funds		1,266,227	
Total	\$	\$ 193,484,848	\$

In April 2009, the FASB issued FASB Staff Position No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 provides additional guidance for estimating fair value in accordance with FAS 157, when the volume and level of activity for the asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for fiscal years and interim periods ending after June 15, 2009. Management has concluded that the adoption of FSP 157-4 did not materially impact its financial disclosures.

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

Item 2 Controls and Procedures

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

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

Item 3 Exhibits

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

SIGNATURES

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

(Registrant) DTF TAX-FREE INCOME INC.

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

Date September 24, 2009

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

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

Date September 24, 2009

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

Date September 24, 2009