

DTF TAX-FREE INCOME INC
Form N-Q
September 26, 2011

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 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: (800) 338-8214

Date of fiscal year end: October 31

Date of reporting period: July 31, 2011

Item 1 Schedule of Investments

DTF TAX-FREE INCOME INC.**Statement of Net Assets****July 31, 2011 (Unaudited)**

Principal Amount (000)	Description (a)	Value
LONG-TERM INVESTMENTS - 143.1%		
Arizona - 3.1%		
\$ 2,000	Arizona St. Trans Brd. Hwy. Rev., 5.00%, 7/1/30, Ser. B	\$ 2,117,340
2,000	Salt River Proj. Agric. Impvt. & Pwr. Dist. Elec. Sys. Rev., 5.00%, 1/1/38, Ser. A	2,045,100
		4,162,440
California - 20.5%		
2,000	Bay Area Toll Auth. Rev., 5.125%, 4/1/39, Ser. F-1	2,040,280
500	California St. Gen. Oblig., 5.50%, 3/1/26	535,275
1,000	California St. Gen. Oblig., 6.00%, 4/1/38	1,069,560
500	California St. Gen. Oblig., 5.50%, 3/1/40	519,735
2,000	California Statewide Communities Dev. Auth. Rev., 5.75%, 7/1/47, FGIC	2,001,700
2,000	Fresno Swr. Rev., 6.25%, 9/1/14, Ser. A-1, AMBAC	2,131,760
3,000	Golden State Tobacco Securitization Corp. Rev., 5.75%, 6/1/47, Ser. A-1	2,234,010
500	Imperial Irrigation District Electric System Rev., 5.00%, 11/1/36, Ser. B	501,430
2,000	Los Angeles Wastewtr. Sys. Rev., 5.00%, 6/1/26, Ser. A, NRE	2,081,500
2,500	Riverside Cnty. Sngl. Fam. Rev., 7.80%, 5/1/21, Ser. A, Escrowed to maturity (b)	3,479,675
7,840	San Bernardino Cnty. Residential Mtge. Rev., 9.60%, 9/1/15, Escrowed to maturity (b)	10,599,994
1,040	Saratoga Unified Sch. Dist. Gen. Oblig. Zero Coupon, 9/1/20, Ser. A, FGIC / NRE	688,064
		27,882,983
Connecticut - 2.1%		
1,000	Connecticut St. Health & Edl. Facs. Auth. Rev., 5.00%, 7/1/25, Ser. C, RAD	912,640
2,500	Mashantucket Western Pequot Tribe Spl. Rev., 144A,	

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	5.75%, 9/1/18, Ser. B (c)(d)	958,125
1,000	South Central Connecticut Reg. Wtr. Auth. Rev., 5.00%, 8/1/41, Ser. 26	1,017,330
		2,888,095
	District of Columbia - 2.7%	
1,000	District of Columbia Income Tax Rev., 5.00%, 12/1/31, Ser. A	1,059,260
1,500	District of Columbia Wtr. & Swr. Auth. Rev., 5.00%, 10/1/33, FGIC / NRE	1,507,245
1,000	Metropolitan Washington D.C. Airport Auth. Rev., 5.00%, 10/1/18, Ser. A, AGM / AMBAC	1,110,870
		3,677,375
	Florida - 9.7%	
1,500	Broward Cnty. Port Fac. Rev., 6.00%, 9/1/23, Ser. A	1,670,100
1,000	Escambia Cnty. Hlth. Fac. Auth. Rev., 6.00%, 8/15/36	967,300

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Principal			
Amount			
(000)		Description (a)	Value
\$ 2,210		Florida Mun. Ln. Council Rev., 5.375%, 8/1/20, Ser. B, NRE	\$ 2,305,693
2,000		Florida St. Bd. of Ed. Gen. Oblig., 5.00%, 6/1/21, Ser. A	2,147,960
70		Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G, Prerefunded 11/15/16 @ \$100 (b)	83,627
1,930		Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G	1,934,728
2,000		Orlando and Orange Cnty. Expwy. Auth. Rev., 5.00%, 7/1/35, Ser. B, BHAC / AMBAC	2,003,180
2,000		Seminole Cnty. Sales Tax Rev., 5.25%, 10/1/31, Ser. B, NRE	2,123,360
			13,235,948
		Georgia - 11.6%	
2,385		Atlanta Wtr. & Wastewtr. Rev., 5.00%, 11/1/29, Ser. A, FGIC / NRE	2,385,644
715		Atlanta Wtr. & Wastewtr. Rev., 5.00%, 11/1/38, Ser. A, FGIC / NRE	698,305
2,000		Fulton Cnty. Sch. Dist. Gen. Oblig., 5.375%, 1/1/16	2,356,680
100		Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, Escrowed to maturity (b)	105,297
1,655		Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, AMBAC	1,725,354
5,500		Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, AMBAC	6,518,050
2,000		Metro. Atlanta Rapid Tran. Auth. Rev., 5.00%, 7/1/39, Ser. 3	1,996,920
			15,786,250
		Idaho - 0.1%	
5		Idaho Hsg. Agcy. Sngl. Fam. Mtge. Sr. Rev., 6.65%, 7/1/14, Ser. B	5,164
78		Idaho Hsg. Agcy. Sngl. Fam. Mtge. Sr. Rev., 6.60%, 7/1/27, Ser. B	78,420
			83,584
		Illinois - 6.9%	
1,000		Chicago Bd. of Ed. Gen. Oblig., 5.50%, 12/1/30, Ser. A, AMBAC	1,052,530
500		Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, FHA	450,520

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1,000	Chicago Park Dist. Gen. Oblig., 5.00%, 1/1/27, Ser. A, AMBAC	1,020,370
1,000	Illinois Fin. Auth. Education Rev., 5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ \$100 (b)	1,226,830
1,000	Illinois Fin. Auth. Rev., 6.00%, 8/15/38, Ser. A	976,450
2,000	Illinois St. Gen. Oblig., 5.50%, 1/1/29	2,112,920
1,500	Illinois St. Toll Hwy. Auth. Rev., 5.50%, 1/1/33, Ser. B	1,549,020
1,000	Railsplitter Tobacco Settlement Auth. Rev., 6.00%, 6/1/28	1,029,850
		9,418,490
	Indiana - 7.8%	
1,000	Indiana Fin. Auth. Hospital Rev., 5.875%, 5/1/29, Ser. A	1,019,080
5,000	Indiana Mun. Pwr. Agcy. Pwr. Supply Sys. Rev., 6.00%, 1/1/13, Ser. B, NRE	5,364,700
2,100	Indianapolis Local Pub. Impvt. Bond Bank Rev., 5.25%, 7/1/33, Ser. A, Prerefunded 7/1/12 @ 100 (b)	2,197,062

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Principal			
Amount			
(000)		Description (a)	Value
\$ 2,000		Indianapolis Local Pub. Impvt. Bond Bank Rev., 5.00%, 2/1/38, Ser. A	\$ 2,054,680
			10,635,522
		Kentucky - 1.1%	
1,500		Louisville & Jefferson Cnty. Met. Swr. Dist. Swr. & Drain Sys. Rev., 5.00%, 5/15/30, Ser. A, FGIC / NRE	1,500,795
		Louisiana - 1.6%	
1,000		Louisiana St. Gasoline & Fuels Tax Rev., 5.00%, 5/1/41, Ser. A	1,007,070
1,100		Regional Tran. Auth. Louisiana Sales Tax Rev., 5.00%, 12/1/30, AGM	1,150,039
			2,157,109
		Maryland - 1.5%	
2,000		Maryland St. Trans. Auth. Rev., 5.00%, 7/1/37, AGM	2,062,440
		Massachusetts - 6.0%	
3,000		Massachusetts Bay Trans. Auth. Rev., 5.50%, 7/1/29, Ser. B, NRE	3,558,900
2,000		Massachusetts St. College Bldg. Auth. Rev., 5.00%, 5/1/40, Ser. B	2,026,740
1,500		Massachusetts St. Dev. Finance Agency Solid Waste Disp. Rev., 5.00%, 2/1/36	1,415,100
1,000		Massachusetts St. Gen. Oblig., 5.50%, 8/1/30, Ser. A, AMBAC	1,198,340
			8,199,080
		Michigan - 1.8%	
500		Detroit Gen. Oblig., 5.25%, 11/1/35	496,565
2,000		Detroit Wtr. Supply Sys. Rev., 5.00%, 7/1/30, Ser. A, FGIC / NRE	1,938,060
			2,434,625
		Nebraska - 4.4%	
2,000		Omaha Gen. Oblig., 5.25%, 4/1/27	2,395,180

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665	Omaha Pub. Pwr. Dist. Elec. Rev., 6.15%, 2/1/12, Ser. B, Escrowed to maturity (b)	682,583
2,500	Omaha Pub. Pwr. Dist. Elec. Rev., 6.20%, 2/1/17, Ser. B, Escrowed to maturity (b)	2,893,125
		5,970,888
Nevada - 4.3%		
2,165	Clark Cnty. Gen. Oblig., 5.00%, 11/1/22, AMBAC	2,314,926
1,400	Las Vegas Valley Wtr. Dist. Gen. Oblig., 5.00%, 6/1/25, Ser. B, NRE	1,437,982
2,000	Nevada St. Gen. Oblig., 5.00%, 12/1/24, Ser. F, AGM	2,099,360
		5,852,268
New Jersey - 4.8%		
1,025	New Jersey Econ. Dev. Auth. Rev., 4.95%, 3/1/47	951,743
2,000	New Jersey St. Gen. Oblig., 5.25%, 7/1/17, Ser. H	2,378,500
1,000	New Jersey St. Tpk. Auth. Rev., 5.00%, 1/1/36, Ser. H	1,007,980
2,000	New Jersey Trans. Trust Fund Auth. Rev., 5.25%, 12/15/22, Ser. A	2,223,540
		6,561,763

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Principal		
Amount		
(000)	Description (a)	Value
New York - 6.3%		
\$ 1,000	Albany Industrial Dev. Agy. Rev., 5.00%, 4/1/32, Ser. A	\$ 829,650
800	Long Island Pwr. Auth. Elec. Sys. Rev., 5.00%, 12/1/35, Ser. B	804,384
1,000	Metro. Trans. Auth. Rev., 5.25%, 11/15/31, Ser. A, FGIC / NRE	1,006,630
1,000	New York City Mun. Wtr. Fin. Auth. Rev., 5.375%, 6/15/43, Ser. EE	1,060,790
1,000	New York City Mun. Wtr. Fin. Auth. Rev., 5.50%, 6/15/43, Ser. EE	1,078,140
1,500	New York St. Dorm. Auth. Rev., 7.25%, 10/1/28, Ser. C	1,768,470
2,000	New York St. Dorm. Auth. State Personal Inc. Tax Rev., 5.00%, 3/15/30, Ser. F	2,074,340
		8,622,404
Ohio - 5.3%		
750	Deerfield Twp. Tax Increment Rev., 5.00%, 12/1/25	759,705
1,000	Hamilton Elec. Sys. Rev., 4.60%, 10/15/20, Ser. A, AGM	1,066,180
750	Ohio St. Air Quality Dev. Auth. Rev., 5.70%, 2/1/14, Ser. A	806,422
500	Ohio St. Gen. Oblig., 5.00%, 9/1/30, Ser. A	533,450
1,040	Ohio St. Tpk. Comm. Tpk. Rev., 5.00%, 2/15/31, Ser. A	1,090,814
2,445	Ohio St. Wtr. Dev. Auth. Rev., 5.50%, 6/1/20, Ser. B, AGM	3,002,925
		7,259,496
Pennsylvania - 5.7%		
2,000	Delaware Cnty. Auth. Rev., 5.00%, 6/1/21, Ser. A, Prerefunded 6/1/15 @ \$100 (b)	2,303,640
1,000	East Stroudsburg Area Sch. Dist. Gen. Oblig., 7.75%, 9/1/27, Ser. A, FGIC / NRE	1,201,430
1,000	Pennsylvania Economic Dev. Fin. Auth. Res. Recov. Rev., 4.625%, 12/1/18, Ser. F, AMBAC	923,680
2,000	Pennsylvania St. Higher Ed. Facs. Auth. Rev., 5.00%, 6/15/28, Ser. AL	2,149,680
1,020	Pennsylvania St. Tpk. Comm. Oil Franchise Tax Rev., 5.00%, 12/1/23, Ser. A-2, AGT	1,117,798
		7,696,228

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Puerto Rico - 0.7%		
1,000	Puerto Rico Elec. Pwr. Auth. Rev., 5.00%, 7/1/25, Ser. PP, FGIC / NRE	1,001,570
Rhode Island - 1.5%		
2,000	Rhode Island Health & Edl. Bldg. Corp. Higher Ed. Facs. Rev., 5.00%, 9/1/37	2,046,240
South Carolina - 1.3%		
1,500	Spartanburg Waterworks Rev., 5.25%, 6/1/28, Prerefunded 6/1/14 @ \$100 (b)	1,691,490
Tennessee - 1.9%		
1,500	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/20, Ser. A	1,519,065
1,000	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/21, Ser. A	1,006,180
		2,525,245

Principal			
Amount			
(000)		Description (a)	Value
		Texas - 14.6%	
\$ 1,000		Alliance Airport Auth. Inc. Rev., 4.85%, 4/1/21	\$ 1,024,020
2,500		Bexar Met. Wtr. Dist. Waterworks Sys. Rev., 5.00%, 5/1/25, NRE	2,500,825
1,000		Dallas Area Rapid Transit Rev., 5.25%, 12/1/48	1,022,150
2,000		Dallas Gen. Oblig., 4.50%, 2/15/23	
		Prerefunded 2/15/12 @ \$100 (b)	2,046,100
1,555		El Paso Wtr. & Swr. Rev., 5.50%, 3/1/12, Ser. A, AGM	1,603,174
1,000		Everman Indep. Sch. Dist. Gen. Oblig., 5.00%, 2/15/36, PSF	1,032,060
1,000		Houston Hotel Occupancy Tax & Spl Rev., 5.25%, 9/1/29, Ser. A	1,014,030
1,000		Klein Indep. Sch. Dist. Gen. Oblig., 5.00%, 8/1/38, Ser. A, PSF	1,032,790
2,000		Lower Colorado River Auth. Rev., 5.00%, 5/15/31, AGM	2,000,620
1,970		McLennan Cnty. Pub. Fac. Corp. Proj. Rev., 6.625%, 6/1/35	2,113,652
1,200		North Texas Twy. Auth. Rev., 5.75%, 1/1/40, Ser. A, BHAC	1,264,344
1,975		Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig., 5.50%, 2/1/33, PSF	2,102,032
1,000		Spring Branch Indep. Sch. Dist. Gen. Oblig., 5.25%, 2/1/38, PSF	1,060,860
			19,816,657
		Utah - 1.5%	
1,000		Utah Trans. Auth. Sales Tax Rev., 5.00%, 6/15/32, Ser. A, AGM	1,044,280
1,000		Utah Trans. Auth. Sales Tax Rev., 5.00%, 6/15/36, Ser. A, AGM	1,026,270
			2,070,550
		Virginia - 4.5%	
2,000		Virginia College Bldg. Auth. Rev., 5.00%, 2/1/23, Ser. E-1	2,351,820
1,500		Virginia St. Hsg. Dev. Auth. Rev., 4.55%, 1/1/24	1,473,420
2,050		Virginia St. Pub. Bldg. Auth. Rev., 5.00%, 8/1/29, Ser. B	2,218,428
			6,043,668
		Washington - 2.3%	

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500	Energy Northwest Wind Proj. Rev., 4.75%, 7/1/21, NRE	518,685
2,500	King Cnty. Swr. Rev., 5.00%, 1/1/31, FGIC / NRE	2,524,725
		3,043,410
West Virginia - 1.0%		
1,500	Monongalia Cnty. Bldg. Commission Hospital Rev., 5.00%, 7/1/30, Ser. A	1,404,045
Wisconsin - 3.1%		
2,000	Wisconsin St. Gen. Rev., 6.00%, 5/1/33, Ser. A	2,199,920
2,000	Wisconsin St. Health & Edl. Facs. Auth. Rev., 6.50%, 4/15/33	2,020,640
		4,220,560
Wyoming - 3.4%		
4,000	Wyoming St. Farm Loan Brd. Cap. Facs. Rev., 5.75%, 10/1/20	4,571,640
Total long-term investments		

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	(Cost \$185,916,168)	194,522,858
Shares		
	SHORT-TERM INVESTMENT - 3.7%	
5,026	State Street Institutional Tax-Free Money Market Fund (Cost \$5,025,643)	\$ 5,025,643
Total Investments - 146.8% (Cost \$190,941,811)		199,548,501
Other assets in excess of liabilities - 1.0%		1,329,685
Liquidation value of remarketed preferred stock - (47.8%)		(65,000,000)
Net Assets Applicable to Common Stock - 100.0%		\$ 135,878,186
Net asset value per share of common stock (\$135,878,186 / 8,507,456)		\$ 15.97

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

AGM Assured Guaranty Municipal Corporation.

AGT Assured Guaranty Corp.

BHAC Berkshire Hathaway Assurance Corporation.

FGIC Financial Guaranty Insurance Company.

FHA Federal Housing Authority.

NRE National Public Finance Guarantee Corporation.

PSF Texas Permanent School Fund.

RAD Radian Asset Assurance Inc.

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

(c) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A to qualified institutional buyers. At July 31, 2011, these securities amounted to a value of \$958,125 or 0.71% of net assets applicable to common stock.

(d) Non-income producing security.

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The percentage shown for each investment category is the total value of that category as a percentage of the net assets applicable to common stock of the Fund.

Notes

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

Level 1 quoted prices in active markets for identical securities.

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

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in these securities. The following is a summary of the inputs used to value each of the Fund's investments as of July 31, 2011:

	Level 1	Level 2
Money Market Fund	\$ 5,025,643	
Municipal Bonds		\$ 194,522,858
Total	\$ 5,025,643	\$ 194,522,858

There were no significant transfers between level 1 and level 2 during the quarter ended July 31, 2011.

(2) 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:

Tax Basis of	Appreciation		Net Unrealized
Investments	Appreciation	Depreciation	Appreciation
\$189,032,945	\$14,588,575	\$1,419,632	\$13,168,943

Other information regarding the Fund is available in the Fund's most recent semi-annual and annual reports. This information is available on the Fund's website at www.dtffund.com or the Securities and Exchange Commission's website at 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 26, 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 September 26, 2011

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

Date September 26, 2011