

DTF TAX-FREE INCOME INC
Form N-Q
March 20, 2012

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: January 31, 2012

Item 1 Schedule of Investments

The Schedule of Investments follows:

DTF TAX-FREE INCOME INC.

STATEMENT OF NET ASSETS

(UNAUDITED)

JANUARY 31, 2012

Principal Amount (000)	Description (a)	Value (Note 1)
LONG-TERM INVESTMENTS - 140.3%		
Arizona - 3.1%		
\$ 2,000	Arizona St. Trans. Brd. Hwy. Rev., 5.00%, 7/1/30, Ser. B	\$ 2,266,780
2,000	Salt River Proj. Agric. Impvt. & Pwr. Dist. Elec. Sys. Rev., 5.00%, 1/1/38, Ser. A	2,190,340
		4,457,120
California - 19.3%		
2,000	Bay Area Toll Auth. Rev., 5.125%, 4/1/39, Ser. F-1	2,187,620
500	California St. Gen. Oblig., 5.50%, 3/1/26	573,510
1,000	California St. Gen. Oblig., 6.00%, 4/1/38	1,160,630
500	California St. Gen. Oblig., 5.50%, 3/1/40	560,515
2,000	California Statewide Communities Dev. Auth. Rev., 5.75%, 7/1/47, FGIC	2,139,400
1,545	Fresno Swr. Rev., 6.25%, 9/1/14, Ser. A-1, AMBAC	1,652,702
3,000	Golden State Tobacco Securitization Corp. Rev., 5.75%, 6/1/47, Ser. A-1	2,261,160
500	Imperial Irrigation District Elec. Sys. Rev., 5.00%, 11/1/36, Ser. B	539,260
2,000	Los Angeles Wastewtr. Sys. Rev., 5.00%, 6/1/26, Ser. A, NRE	2,103,200
2,500	Riverside Cnty. Sngl. Fam. Rev., 7.80%, 5/1/21, Ser. A, Escrowed to maturity (b)	3,641,250
7,840	San Bernardino Cnty. Res. Mtge. Rev., 9.60%, 9/1/15, Escrowed to maturity (b)	10,333,669
1,040	Saratoga Unified Sch. Dist. Gen. Oblig., Zero Coupon, 9/1/20, Ser. A, FGIC / NRE	796,640
		27,949,556
Connecticut - 3.4%		
1,000	Connecticut St. Hlth. & Edl. Facs. Auth. Rev.,	

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	5.00%, 7/1/25, Ser. C, RAD	1,006,190
1,000	Connecticut St. Hlth. & Edl. Facs. Auth. Rev., 5.00%, 7/1/41, Ser. A	1,068,080
700	Connecticut St. Hlth. & Edl. Facs. Auth. Rev., 5.00%, 7/1/32, Ser. A	753,886
2,500	Mashantucket Western Pequot Tribe Spl. Rev., 144A, 5.75%, 9/1/18, Ser. B (c)(d)	931,600
1,000	South Central Connecticut Reg. Wtr. Auth. Rev., 5.00%, 8/1/41, Ser. 26	1,114,360
		4,874,116
	District of Columbia - 2.7%	
1,000	District of Columbia Inc. Tax Rev., 5.00%, 12/1/31, Ser. A	1,160,860
1,500	District of Columbia Wtr. & Swr. Auth. Rev., 5.00%, 10/1/33, FGIC / NRE	1,585,095
1,000	Metropolitan Washington D.C. Airport Auth. Rev., 5.00%, 10/1/18, Ser. A, AGM / AMBAC	1,155,760
		3,901,715
	Florida - 11.0%	
1,500	Broward Cnty. Port Fac. Rev., 6.00%, 9/1/23, Ser. A	1,787,790
1,000	Escambia Cnty. Hlth. Fac. Auth. Rev., 6.00%, 8/15/36	1,068,790

DTF TAX-FREE INCOME INC.

STATEMENT OF NET ASSETS (Continued)

(UNAUDITED)

JANUARY 31, 2012

Principal Amount (000)	Description (a)	Value (Note 1)
\$ 2,210	Florida Mun. Ln. Council Rev., 5.375%, 8/1/20, Ser. B, NRE	\$ 2,272,344
2,000	Florida St. Bd. of Ed. Gen. Oblig., 5.00%, 6/1/21, Ser. A	2,126,700
70	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G, Prerefunded 11/15/16 @ \$100 (b)	84,298
1,930	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G	2,025,381
2,000	JEA Wtr. & Swr. Rev., 4.25%, 10/1/41, Ser. A	2,012,900
2,000	Orlando and Orange Cnty. Expwy. Auth. Rev., 5.00%, 7/1/35, Ser. B, BHAC / AMBAC	2,035,780
2,000	Seminole Cnty. Sales Tax Rev., 5.25%, 10/1/31, Ser. B, NRE	2,475,000
		15,888,983
	Georgia - 10.4%	
2,385	Atlanta Wtr. & Wastewtr. Rev., 5.00%, 11/1/29, Ser. A, FGIC / NRE	2,389,555
715	Atlanta Wtr. & Wastewtr. Rev., 5.00%, 11/1/38, Ser. A, FGIC / NRE	715,965
2,000	Fulton Cnty. Sch. Dist. Gen. Oblig., 5.375%, 1/1/16	2,354,660
50	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, Escrowed to maturity (b)	52,576
780	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, AMBAC	814,656
5,500	Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, AMBAC	6,569,145
2,000	Metro. Atlanta Rapid Tran. Auth. Rev., 5.00%, 7/1/39, Ser. 3	2,176,700
		15,073,257
	Idaho - 0.1%	
68	Idaho Hsg. Agcy. Sngl. Fam. Mtge. Sr. Rev., 6.60%, 7/1/27, Ser. B	68,343

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68,343

Illinois - 7.1%		
1,000	Chicago Bd. of Ed. Gen. Oblig., 5.50%, 12/1/30, Ser. A, AMBAC	1,205,990
500	Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, FHA	500,265
1,000	Chicago Park Dist. Gen. Oblig., 5.00%, 1/1/27, Ser. A, AMBAC	1,049,360
1,000	Illinois Fin. Auth. Ed. Rev., 5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ \$100 (b)	1,247,280
1,000	Illinois Fin. Auth. Rev., 6.00%, 8/15/38, Ser. A	1,069,600
2,000	Illinois St. Gen. Oblig., 5.50%, 1/1/29	2,438,260
1,500	Illinois St. Toll Hwy. Auth. Rev., 5.50%, 1/1/33, Ser. B	1,651,455
1,000	Railsplitter Tobacco Settlement Auth. Rev., 6.00%, 6/1/28	1,121,320
		10,283,530
Indiana - 7.3%		
1,000	Indiana Fin. Auth. Hospital Rev., 5.875%, 5/1/29, Ser. A	1,043,680
5,000	Indiana Mun. Pwr. Agcy. Pwr. Supply Sys. Rev., 6.00%, 1/1/13, Ser. B, NRE	5,245,950
2,100	Indianapolis Local Pub. Impvt. Bond Bank Rev., 5.25%, 7/1/33, Ser. A, Prerefunded 7/1/12 @ 100 (b)	2,143,869

DTF TAX-FREE INCOME INC.

STATEMENT OF NET ASSETS (Continued)

(UNAUDITED)

JANUARY 31, 2012

Principal Amount (000)	Description (a)	Value (Note 1)
\$ 2,000	Indianapolis Local Pub. Impvt. Bond Bank Rev., 5.00%, 2/1/38, Ser. A	\$ 2,187,660
		10,621,159
	Louisiana - 1.6%	
1,000	Louisiana St. Gasoline & Fuels Tax Rev., 5.00%, 5/1/41, Ser. A	1,055,870
1,100	Regional Tran. Auth. Louisiana Sales Tax Rev., 5.00%, 12/1/30, AGM	1,248,544
		2,304,414
	Maryland - 1.5%	
2,000	Maryland St. Trans. Auth. Rev., 5.00%, 7/1/37, AGM	2,203,620
	Massachusetts - 6.3%	
3,000	Massachusetts Bay Trans. Auth. Rev., 5.50%, 7/1/29, Ser. B, NRE	4,125,480
2,000	Massachusetts St. College Bldg. Auth. Rev., 5.00%, 5/1/40, Ser. B	2,184,780
1,500	Massachusetts St. Dev. Fin. Agcy. Solid Waste Disp. Rev., 5.00%, 2/1/36	1,532,085
1,000	Massachusetts St. Gen. Oblig., 5.50%, 8/1/30, Ser. A, AMBAC	1,366,760
		9,209,105
	Michigan - 1.7%	
500	Detroit Gen. Oblig., 5.25%, 11/1/35	535,055
2,000	Detroit Wtr. Supply Sys. Rev., 5.00%, 7/1/30, Ser. A, FGIC / NRE	2,000,820
		2,535,875

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Nebraska - 4.3%		
2,000	Omaha Gen. Oblig., 5.25%, 4/1/27	2,720,380
665	Omaha Pub. Pwr. Dist. Elec. Rev., 6.15%, 2/1/12, Ser. B, Escrowed to maturity (b)	665,000
2,500	Omaha Pub. Pwr. Dist. Elec. Rev., 6.20%, 2/1/17, Ser. B, Escrowed to maturity (b)	2,880,250
		6,265,630
Nevada - 4.2%		
2,165	Clark Cnty. Gen. Oblig., 5.00%, 11/1/22, AMBAC	2,466,866
1,400	Las Vegas Valley Wtr. Dist. Gen. Oblig., 5.00%, 6/1/25, Ser. B, NRE	1,455,762
2,000	Nevada St. Gen. Oblig., 5.00%, 12/1/24, Ser. F, AGM	2,211,100
		6,133,728
New Jersey - 4.8%		
1,025	New Jersey Econ. Dev. Auth. Rev., 4.95%, 3/1/47	1,025,338
2,000	New Jersey St. Gen. Oblig., 5.25%, 7/1/17, Ser. H	2,443,520
1,000	New Jersey St. Tpk. Auth. Rev., 5.00%, 1/1/36, Ser. H	1,083,740
2,000	New Jersey Trans. Trust Fund Auth. Rev., 5.25%, 12/15/22, Ser. A	2,486,860
		7,039,458

DTF TAX-FREE INCOME INC.

STATEMENT OF NET ASSETS (Continued)

(UNAUDITED)

JANUARY 31, 2012

Principal			
Amount		Description (a)	Value
(000)			(Note 1)
		New York - 6.3%	
\$			
1,000		Albany Industrial Dev. Agy. Rev., 5.00%, 4/1/32, Ser. A	\$ 896,770
800		Long Island Pwr. Auth. Elec. Sys. Rev., 5.00%, 12/1/35, Ser. B	836,032
1,000		Metro. Trans. Auth. Rev., 5.25%, 11/15/31, Ser. A, FGIC / NRE	1,028,440
1,000		New York City Mun. Wtr. Fin. Auth. Rev., 5.375%, 6/15/43, Ser. EE	1,143,540
1,000		New York City Mun. Wtr. Fin. Auth. Rev., 5.50%, 6/15/43, Ser. EE	1,160,470
1,500		New York St. Dorm. Auth. Rev., 7.25%, 10/1/28, Ser. C	1,920,105
2,000		New York St. Dorm. Auth. St. Personal Inc. Tax Rev., 5.00%, 3/15/30, Ser. F	2,160,600
			9,145,957
		Ohio - 5.3%	
750		Deerfield Twp. Tax Increment Rev., 5.00%, 12/1/25	806,813
1,000		Hamilton Elec. Sys. Rev., 4.60%, 10/15/20, Ser. A, AGM	1,100,090
750		Ohio St. Air Quality Dev. Auth. Rev., 5.70%, 2/1/14, Ser. A	806,130
500		Ohio St. Gen. Oblig., 5.00%, 9/1/30, Ser. A	583,400
1,040		Ohio St. Tpk. Comm. Tpk. Rev., 5.00%, 2/15/31, Ser. A	1,170,187
2,445		Ohio St. Wtr. Dev. Auth. Rev., 5.50%, 6/1/20, Ser. B, AGM	3,169,062
			7,635,682
		Pennsylvania - 7.1%	
2,000		Delaware Cnty. Auth. Rev., 5.00%, 6/1/21, Ser. A,	

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	Prerefunded 6/1/15 @ \$100 (b)	2,278,000
1,000	East Stroudsburg Area Sch. Dist. Gen. Oblig., 7.75%, 9/1/27, Ser. A, FGIC / NRE	1,277,190
1,000	Pennsylvania Econ. Dev. Fin. Auth. Res. Recov. Rev., 4.625%, 12/1/18, Ser. F, AMBAC	988,410
2,000	Pennsylvania St. Higher Ed. Facs. Auth. Rev., 5.00%, 6/15/28, Ser. AL	2,326,300
1,020	Pennsylvania St. Tpk. Comm. Oil Franchise Tax Rev., 5.00%, 12/1/23, Ser. A-2, AGT	1,193,002
2,000	Philadelphia Wtr. & Wastewtr. Rev., 5.00%, 1/1/41, Ser. A	2,161,160
		10,224,062
	Puerto Rico - 0.7%	
1,000	Puerto Rico Elec. Pwr. Auth. Rev., 5.00%, 7/1/25, Ser. PP, FGIC / NRE	1,029,290
	Rhode Island - 2.7%	
2,000	Rhode Island Hlth. & Edl. Bldg. Corp. Higher Ed. Facs. Rev., 5.00%, 9/1/37	2,206,340
1,600	Rhode Island Hlth. & Edl. Bldg. Corp. Higher Ed. Facs. Rev., 5.00%, 11/1/41	1,710,688
		3,917,028
	South Carolina - 1.1%	
1,500	Spartanburg Waterworks Rev., 5.25%, 6/1/28, Prerefunded 6/1/14 @ \$100 (b)	1,664,805
	Tennessee - 1.9%	
1,500	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/20, Ser. A	1,638,570
1,000	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/21, Ser. A	1,088,770
		2,727,340

DTF TAX-FREE INCOME INC.

STATEMENT OF NET ASSETS (Continued)

(UNAUDITED)

JANUARY 31, 2012

Principal			
Amount		Description (a)	Value
(000)			(Note 1)
		Texas - 12.7%	
\$			
1,000		Alliance Airport Auth. Inc. Rev., 4.85%, 4/1/21	\$ 1,074,630
2,500		Bexar Met. Wtr. Dist. Waterworks Sys. Rev., 5.00%, 5/1/25, NRE	2,503,575
1,000		Dallas Area Rapid Transit Rev., 5.25%, 12/1/48	1,099,430
1,555		El Paso Wtr. & Swr. Rev., 5.50%, 3/1/12, Ser. A, AGM	1,561,966
1,000		Everman Indep. Sch. Dist. Gen. Oblig., 5.00%, 2/15/36, PSF	1,113,230
1,000		Houston Hotel Occupancy Tax & Spl Rev., 5.25%, 9/1/29, Ser. A	1,093,660
1,000		Klein Indep. Sch. Dist. Gen. Oblig., 5.00%, 8/1/38, Ser. A, PSF	1,099,340
2,000		Lower Colorado River Auth. Rev., 5.00%, 5/15/31, AGM	2,002,460
1,970		McLennan Cnty. Pub. Fac. Corp. Proj. Rev., 6.625%, 6/1/35	2,155,082
1,200		North Texas Twy. Auth. Rev., 5.75%, 1/1/40, Ser. A, BHAC	1,348,584
1,975		Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig., 5.50%, 2/1/33, PSF	2,235,700
1,000		Spring Branch Indep. Sch. Dist. Gen. Oblig., 5.25%, 2/1/38, PSF	1,177,500
			18,465,157
		Utah - 1.5%	
1,000		Utah Trans. Auth. Sales Tax Rev., 5.00%, 6/15/32, Ser. A, AGM	1,131,290
1,000		Utah Trans. Auth. Sales Tax Rev., 5.00%, 6/15/36, Ser. A, AGM	1,111,510
			2,242,800
		Virginia - 4.5%	
2,000		Virginia College Bldg. Auth. Rev.,	

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	5.00%, 2/1/23, Ser. E-1	2,583,400
1,500	Virginia St. Hsg. Dev. Auth. Rev., 4.55%, 1/1/24	1,517,505
2,050	Virginia St. Pub. Bldg. Auth. Rev., 5.00%, 8/1/29, Ser. B	2,395,466
		6,496,371
Washington - 0.4%		
500	Energy Northwest Wind Proj. Rev., 4.75%, 7/1/21, NRE	528,445
West Virginia - 1.0%		
1,500	Monongalia Cnty. Bldg. Comm. Hospital Rev., 5.00%, 7/1/30, Ser. A	1,518,720
Wisconsin - 3.1%		
2,000	Wisconsin St. Gen. Rev., 6.00%, 5/1/33, Ser. A	2,408,460
2,000	Wisconsin St. Hlth. & Edl. Facs. Auth. Rev., 6.50%, 4/15/33	2,056,940
		4,465,400
Wyoming - 3.2%		
4,000	Wyoming St. Farm Loan Brd. Cap. Facs. Rev., 5.75%, 10/1/20	4,652,840
Total long-term investments (Cost \$185,979,722)		203,523,506

DTF TAX-FREE INCOME INC.

STATEMENT OF NET ASSETS (Continued)

(UNAUDITED)

JANUARY 31, 2012

Shares

	SHORT-TERM INVESTMENT - 3.0%	
4,323	State Street Institutional Tax-Free	
	Money Market Fund	
	(Cost \$4,322,804)	\$ 4,322,804
Total Investments - 143.3% (Cost \$190,302,526)		207,846,310
Other assets in excess of liabilities - 1.5%		2,162,928
Liquidation value of remarketed preferred stock - (44.8%)		(65,000,000)
Net Assets Applicable to Common Stock - 100.0%		\$ 145,009,238
Net asset value per share of common stock (\$145,009,238 / 8,507,456)		\$ 17.04

(a) The following abbreviations are used in portfolio descriptions to indicate an obligation 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.

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

- (c) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A to qualified institutional buyers. At January 31, 2012, such securities amounted to a value of \$931,600 or 0.64% of net assets applicable to common stock.

- (d) Non-income producing security.
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.

DTF TAX-FREE INCOME INC.

NOTES TO STATEMENT OF NET ASSETS

(UNAUDITED)

JANUARY 31, 2012

Note 1. Security Valuation

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. For more information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent financial statements contained in its annual report. The following is a summary of the inputs used to value each of the Fund's investments at January 31, 2012:

	Level 1	Level 2
Money Market Fund	\$ 4,322,804	
Municipal Bonds		\$ 203,523,506
Total	\$ 4,322,804	\$ 203,523,506

There were no Level 3 priced securities held and there were no significant transfers between Level 1 and Level 2 during the quarter ended January 31, 2012.

Note 2. Federal Income Tax Information

At January 31, 2012, the federal tax cost of the Fund's investments and aggregate gross unrealized appreciation (depreciation) were as follows:

	Unrealized	Unrealized	Net Unrealized
Federal Tax Cost	Appreciation	Depreciation	Appreciation
\$190,302,526	\$18,976,723	(\$1,432,939)	\$17,543,784

Other information regarding the Fund is available on the Fund's website at www.dtfund.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 March 20, 2012

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

By (Signature and Title) /s/ NATHAN I. PARTAIN

Nathan I. Partain
President and Chief Executive Officer

Date March 20, 2012

By (Signature and Title) /s/ ALAN M. MEDER

Alan M. Meder
Treasurer
(Principal Financial and Accounting Officer)

Date March 20, 2012