

LETTER TO SHAREHOLDERS

December 15, 2011

Dear Fellow
Shareholders:

The Current Municipal Market Environment and Your Fund:

After a very challenging start to 2011, the municipal bond market rebounded in the second and third quarters as media predictions of a significant increase in municipal bond defaults did not materialize and municipal interest rates declined to historically low levels. Through the first ten months of this year, the municipal bond market produced solid returns, with municipal interest rates on bonds with maturities beyond ten years declining by 80 to almost 100 basis points. Because the market value of bonds tends to increase when interest rates fall, this decline in municipal interest rates was a major factor in the DTF Fund's net asset value (NAV) return of 11% for the ten months ended October 31, 2011. While impressive, the decline in municipal bond yields is still well below the level experienced in the U.S. Treasury (UST) bond market. Through the first three quarters of 2011, 10- to 30-year UST yields have declined by almost 120 basis points. As a result, municipal bond yields as a percentage of UST yields have increased in 2011 and are now well above average levels across the entire yield curve. This attractive relative value is beginning to draw the attention of even nontraditional buyers to the municipal bond market.

As 2011 comes to a close, uncertainty surrounding the U.S. and global economy and the European sovereign debt problems will be the main focus of all fixed income investors. While these macro concerns will clearly remain front and center for municipal bond investors, additional concerns surrounding municipal credit, new issue volume and the supply and demand for municipal bonds will also be important determinants of performance as we move into 2012.

Credit: The underlying credit fundamentals in the municipal market improved slowly during the first ten months of 2011. States are reporting year-over-year improvements in revenue as tax collections have increased and economic activity, albeit lower than we would prefer, has been positive. While states have experienced improved financial metrics, local government issuers have begun to feel the impact of reduced state support and uncertain revenue prospects. Local issuers, who generally rely more heavily on property taxes, are being forced to navigate in an environment where assessed valuations and financial support from the states are declining. These issuers will be challenged to reduce expenses and preserve revenue until the housing market begins to show signs of sustained improvement. While this challenge will be difficult for local municipal issuers and will remain an area of focus for municipal investors over the next several quarters, we believe it will be manageable and will not result in large-scale defaults or multiple-notch downgrades.

New Issue Volume: As we move through the balance of 2011 and into 2012, the level of new issuance will be very important to bond valuations. After a very slow start to the year, the new issue market has experienced a revival. Through the first ten months of 2011, new issue volume is on pace to approach \$300 billion, or approximately 75% of the annual issuance levels experienced over the past few years. Issuers appear to be taking advantage of historically low municipal interest rates, while investor demand for municipal bonds has improved. However, with municipalities still hesitant to take on the additional cost of debt while their fiscal situations are challenging, we do not expect to see issuance levels return to the robust levels of 2007-2010 in the near term.

Demand: After starting the year 2011 with five consecutive months of outflows from open-end municipal bond mutual funds, the direction of flows has reversed. Combined, September and October have seen approximately \$4 billion of inflows. These strong inflows are helping to support bond valuations. This is especially helpful in the current environment as UST yields and equity markets continue to be extremely volatile. In addition to the demand from the market's traditional investors, several nontraditional types of investors (hedge funds, pension funds and taxable bond funds) have recently become buyers of

municipal bonds as the relationship between municipal yields and UST yields has reached its widest level since the 2008/2009 credit crisis. While the overall yields available on municipal bonds are low by historical standards, when compared to UST bond yields, the municipal market still provides solid value and relative opportunity for investors, as evidenced by this nontraditional demand.

In managing the DTF Fund, we continue to emphasize an investment strategy of owning higher quality bonds, given the significant budgetary challenges facing most municipalities across the country. The Fund is well diversified across multiple sectors, with water and sewer, pre-refunded bonds and electric utility issues representing the Fund's largest exposures. We continue to be attracted to revenue-backed bonds because they generally provide a sound legal framework for investors. The theme of high quality is evident in the fact that almost two-thirds of the portfolio's holdings are 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.

Outlook:

As the municipal bond market moves into 2012, investors will be closely watching the U.S. economy and the developments in Europe. In addition to these macro themes, we expect increased attention by the mainstream media on the fiscal challenges facing municipalities, higher levels of interest rate volatility and the tax-exempt status of municipal bonds. As the increasing U.S. deficit continues to be a hotly debated topic in Washington D.C. and on Main Street, the federal government is looking for ways to increase revenue and cut expenses. Recently, President Obama introduced a jobs proposal that included a provision to reduce the tax exemption for high-income individuals holding existing and future tax-exempt securities. While we assign a low probability to the prospect of this provision being passed in the near future, the greater concern is the apparent interest in Washington on overhauling the tax-exempt bond market as a solution to deficit reduction. While we expect these and other challenges to persist for the foreseeable future, we believe our conservative style of management will help navigate through these uncertain times. We still believe that tax-exempt municipal bonds will continue to be an important asset class for clients with a goal of wealth protection and the desire to receive predictable levels of tax-exempt income.

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 (10/31/11) ¹			
	One Year	Three Years	Five Years	Ten Years
DTF Fund (NAV) ²	4.7%	10.9%	4.9%	5.2%
DTF Fund (Share Price) ³	2.7	17.4	5.8	6.3
Lipper Peer Group Average Return (NAV) ⁴	4.8	14.3	4.2	5.6
Lipper Peer Group Average Return (Share Price) ⁴	3.0	18.1	4.8	6.1
Barclays Capital Municipal Bond Index ⁵	3.8	8.3	4.8	4.9

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

2 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 10/31/2011 and assumes the reinvestment of dividends and distributions.

3 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 10/31/2011 and assumes the reinvestment of dividends and distributions in the Fund's dividend reinvestment plan.

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

5. Source: Barclays Capital.

As of October 31, 2011, the Fund was paying an 81-cent annualized dividend and had a closing share price of \$15.54. This monthly dividend translates into a taxable equivalent current yield of 8.02% as of October 31, 2011 for an individual in the 35% federal tax bracket.

On December 12, 2011, the Board of Directors increased the common dividend for the second time in the past year. The monthly dividend was increased from \$0.0675 to \$0.07 per common share beginning January 2012. One principal reason why the Fund was able to increase its dividends has been the low cost of leverage over the past two years. During this period, common shareholders have benefited from a very steep municipal yield curve that has allowed the Fund to pay a very low dividend rate on its preferred stock 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.

Additionally, the Fund's common shareholders will receive a long term capital gains distribution of \$0.048298 and special distribution of \$0.011818 per share payable December 23, 2011. This special distribution, taxed as ordinary income, is the result of market discount being recognized on bonds redeemed by several bond issuers during the year. Market discount arises when a bond is purchased in the secondary market at a price below par. Please consult your financial advisor for the tax treatment of this distribution.

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

Timothy M. Heaney, CFA
Chief Investment Officer

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

DTF TAX-FREE INCOME INC.

Schedule of Investments

October 31, 2011

Principal Amount (000)	Description (a)	Value (Note 2)
LONG-TERM INVESTMENTS—142.9%		
Arizona—3.1%		
\$2,000	Arizona St. Trans Brd. Hwy. Rev., 5.00%, 7/1/30, Ser. B	\$ 2,146,160
2,000	Salt River Proj. Agric. Impvt. & Pwr. Dist. Elec. Sys. Rev., 5.00%, 1/1/38, Ser. A	<u>2,097,100</u>
		<u>4,243,260</u>
California—19.8%		
2,000	Bay Area Toll Auth. Rev., 5.125%, 4/1/39, Ser. F-1	2,086,200
500	California St. Gen. Oblig., 5.50%, 3/1/26	547,420
1,000	California St. Gen. Oblig., 6.00%, 4/1/38	1,106,940
500	California St. Gen. Oblig., 5.50%, 3/1/40	523,420
2,000	California Statewide Communities Dev. Auth. Rev., 5.75%, 7/1/47, FGIC	2,046,780
1,545	Fresno Swr. Rev., 6.25%, 9/1/14, Ser. A-1, AMBAC ..	1,658,156
3,000	Golden State Tobacco Securitization Corp. Rev., 5.75%, 6/1/47, Ser. A-1	2,159,970
500	Imperial Irrigation District Elec. Sys. Rev., 5.00%, 11/1/36, Ser. B	516,465
2,000	Los Angeles Wastewtr. Sys. Rev., 5.00%, 6/1/26, Ser. A, NRE	2,102,640
2,500	Riverside Cnty. Sngl. Fam. Rev., 7.80%, 5/1/21, Ser. A, Escrowed to maturity(b)	3,467,750
7,840	San Bernardino Cnty. Res. Mtge. Rev., 9.60%, 9/1/15, Escrowed to maturity(b)	10,383,610
1,040	Saratoga Unified Sch. Dist. Gen. Oblig. Zero Coupon, 9/1/20, Ser. A, FGIC / NRE	<u>715,198</u>
		<u>27,314,549</u>
Connecticut—3.2%		
1,000	Connecticut St. Hlth. & Edl. Facs. Auth. Rev., 5.00%, 7/1/25, Ser. C, RAD	932,280

Principal Amount (000)	Description (a)	Value (Note 2)
\$1,000	Connecticut St. Hlth. & Edl. Facs. Auth. Rev., 5.00%, 7/1/41, Ser. A	\$ 989,250
500	Connecticut St. Hlth. & Edl. Facs. Auth. Rev., 5.00%, 7/1/32, Ser. A	502,630
2,500	Mashantucket Western Pequot Tribe Spl. Rev., 144A, 5.75%, 9/1/18, Ser. B(c)(d)	927,325
1,000	South Central Connecticut Reg. Wtr. Auth. Rev., 5.00%, 8/1/41, Ser. 26	<u>1,058,470</u>
		<u>4,409,955</u>
District of Columbia—2.7%		
1,000	District of Columbia Inc. Tax Rev., 5.00%, 12/1/31, Ser. A	1,082,590
1,500	District of Columbia Wtr. & Swr. Auth. Rev., 5.00%, 10/1/33, FGIC / NRE	1,575,690
1,000	Metropolitan Washington D.C. Airport Auth. Rev., 5.00%, 10/1/18, Ser. A, AGM / AMBAC	<u>1,113,230</u>
		<u>3,771,510</u>
Florida—9.7%		
1,500	Broward Cnty. Port Fac. Rev., 6.00%, 9/1/23, Ser. A	1,705,350
1,000	Escambia Cnty. Hlth. Fac. Auth. Rev., 6.00%, 8/15/36	989,710
2,210	Florida Mun. Ln. Council Rev., 5.375%, 8/1/20, Ser. B, NRE	2,290,289
2,000	Florida St. Bd. of Ed. Gen. Oblig., 5.00%, 6/1/21, Ser. A	2,138,340
70	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G, Prerefunded 11/15/16 @ \$100(b) ...	82,785
1,930	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G	1,949,995
2,000	Orlando and Orange Cnty. Expwy. Auth. Rev., 5.00%, 7/1/35, Ser. B, BHAC / AMBAC	2,018,640
2,000	Seminole Cnty. Sales Tax Rev., 5.25%, 10/1/31, Ser. B, NRE	<u>2,204,220</u>
		<u>13,379,329</u>

The accompanying notes are an integral part of these financial statements.

Principal Amount (000)	Description (a)	Value (Note 2)
Georgia—11.4%		
\$2,385	Atlanta Wtr. & Wastewtr. Rev., 5.00%, 11/1/29, Ser. A, FGIC / NRE ..	\$ 2,386,097
715	Atlanta Wtr. & Wastewtr. Rev., 5.00%, 11/1/38, Ser. A, FGIC / NRE ..	715,086
2,000	Fulton Cnty. Sch. Dist. Gen. Oblig., 5.375%, 1/1/16	2,329,480
100	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, Escrowed to maturity(b)	103,930
1,655	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, Ser. Y, AMBAC	1,705,345
5,500	Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, AMBAC	6,465,800
2,000	Metro. Atlanta Rapid Tran. Auth. Rev., 5.00%, 7/1/39, Ser. 3	2,085,180
		<u>15,790,918</u>
Idaho—0.1%		
Idaho Hsg. Agcy.		
5	Sngl. Fam. Mtge. Sr. Rev., 6.65%, 7/1/14, Ser. B	5,159
Idaho Hsg. Agcy.		
78	Sngl. Fam. Mtge. Sr. Rev., 6.60%, 7/1/27, Ser. B	78,417
		<u>83,576</u>
Illinois—6.9%		
1,000	Chicago Bd. of Ed. Gen. Oblig., 5.50%, 12/1/30, Ser. A, AMBAC ...	1,071,210
500	Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, FHA	464,800
1,000	Chicago Park Dist. Gen. Oblig., 5.00%, 1/1/27, Ser. A, AMBAC	1,030,360
1,000	Illinois Fin. Auth. Ed. Rev., 5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ \$100(b)	1,213,150
1,000	Illinois Fin. Auth. Rev., 6.00%, 8/15/38, Ser. A	1,010,940
2,000	Illinois St. Gen. Oblig., 5.50%, 1/1/29	2,159,880
1,500	Illinois St. Toll Hwy. Auth. Rev., 5.50%, 1/1/33, Ser. B	1,582,380
Railsplitter Tobacco Settlement Auth. Rev.,		
1,000	6.00%, 6/1/28	1,039,820
		<u>9,572,540</u>
Indiana—7.7%		
1,000	Indiana Fin. Auth. Hospital Rev., 5.875%, 5/1/29, Ser. A	1,021,860
Indiana Mun. Pwr. Agcy.		
5,000	Pwr. Supply Sys. Rev., 6.00%, 1/1/13, Ser. B, NRE	5,300,050

Principal Amount (000)	Description (a)	Value (Note 2)
Indianapolis Local Pub. Impvt.		
\$2,100	Bond Bank Rev., 5.25%, 7/1/33, Ser. A, Prerefunded 7/1/12 @ 100(b)	\$ 2,169,888
Indianapolis Local Pub. Impvt.		
2,000	Bond Bank Rev., 5.00%, 2/1/38, Ser. A	2,108,700
		<u>10,600,498</u>
Kentucky—1.1%		
Louisville & Jefferson Cnty. Met. Swr.		
1,500	Dist. Swr. & Drain Sys. Rev., 5.00%, 5/15/30, Ser. A, FGIC / NRE ..	1,502,790
Louisiana—1.6%		
Louisiana St. Gasoline & Fuels Tax Rev.,		
1,000	5.00%, 5/1/41, Ser. A	1,029,190
Regional Tran. Auth. Louisiana Sales Tax Rev.,		
1,100	5.00%, 12/1/30, AGM	1,172,688
		<u>2,201,878</u>
Maryland—1.5%		
Maryland St. Trans. Auth. Rev.,		
2,000	5.00%, 7/1/37, AGM	2,121,920
Massachusetts—6.2%		
Massachusetts Bay Trans. Auth. Rev.,		
3,000	5.50%, 7/1/29, Ser. B, NRE	3,682,380
Massachusetts St. College Bldg. Auth. Rev.,		
2,000	5.00%, 5/1/40, Ser. B	2,091,560
Massachusetts St. Dev. Fin. Agcy.		
1,500	Solid Waste Disp. Rev., 5.00%, 2/1/36	1,491,540
1,000	Massachusetts St. Gen. Oblig., 5.50%, 8/1/30, Ser. A, AMBAC	1,223,400
		<u>8,488,880</u>
Michigan—1.8%		
Detroit Gen. Oblig.,		
500	5.25%, 11/1/35	516,290
Detroit Wtr. Supply Sys. Rev.,		
2,000	5.00%, 7/1/30, Ser. A, FGIC / NRE ...	2,000,020
		<u>2,516,310</u>
Nebraska—4.4%		
Omaha Gen. Oblig.,		
2,000	5.25%, 4/1/27	2,479,220
Omaha Pub. Pwr. Dist. Elec. Rev.,		
665	6.15%, 2/1/12, Ser. B, Escrowed to maturity(b)	673,785
2,500	Omaha Pub. Pwr. Dist. Elec. Rev., 6.20%, 2/1/17, Ser. B, Escrowed to maturity(b)	2,888,100
		<u>6,041,105</u>

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Principal Amount (000)	Description (a)	Value (Note 2)
Nevada—4.3%		
\$2,165	Clark Cnty. Gen. Oblig., 5.00%, 11/1/22, AMBAC	\$2,362,188
1,400	Las Vegas Valley Wtr. Dist. Gen. Oblig., 5.00%, 6/1/25, Ser. B, NRE	1,470,574
2,000	Nevada St. Gen. Oblig., 5.00%, 12/1/24, Ser. F, AGM	<u>2,143,040</u>
		<u>5,975,802</u>
New Jersey—4.8%		
1,025	New Jersey Econ. Dev. Auth. Rev., 4.95%, 3/1/47	989,463
2,000	New Jersey St. Gen. Oblig., 5.25%, 7/1/17, Ser. H	2,362,400
1,000	New Jersey St. Tpk. Auth. Rev., 5.00%, 1/1/36, Ser. H	1,040,220
2,000	New Jersey Trans. Trust Fund Auth. Rev., 5.25%, 12/15/22, Ser. A	<u>2,283,220</u>
		<u>6,675,303</u>
New York—6.3%		
1,000	Albany Industrial Dev. Agy. Rev., 5.00%, 4/1/32, Ser. A	844,660
800	Long Island Pwr. Auth. Elec. Sys. Rev., 5.00%, 12/1/35, Ser. B	815,376
1,000	Metro. Trans. Auth. Rev., 5.25%, 11/15/31, Ser. A, FGIC / NRE ..	1,016,760
1,000	New York City Mun. Wtr. Fin. Auth. Rev., 5.375%, 6/15/43, Ser. EE	1,099,370
1,000	New York City Mun. Wtr. Fin. Auth. Rev., 5.50%, 6/15/43, Ser. EE	1,112,850
1,500	New York St. Dorm. Auth. Rev., 7.25%, 10/1/28, Ser. C	1,787,970
2,000	New York St. Dorm. Auth. St. Personal Inc. Tax Rev., 5.00%, 3/15/30, Ser. F	<u>2,091,980</u>
		<u>8,768,966</u>
Ohio—5.3%		
750	Deerfield Twp. Tax Increment Rev., 5.00%, 12/1/25	768,930
1,000	Hamilton Elec. Sys. Rev., 4.60%, 10/15/20, Ser. A, AGM	1,072,590
750	Ohio St. Air Quality Dev. Auth. Rev., 5.70%, 2/1/14, Ser. A	809,197
500	Ohio St. Gen. Oblig., 5.00%, 9/1/30, Ser. A	543,465
1,040	Ohio St. Tpk. Comm. Tpk. Rev., 5.00%, 2/15/31, Ser. A	1,112,696

Principal Amount (000)	Description (a)	Value (Note 2)
\$2,445	Ohio St. Wtr. Dev. Auth. Rev., 5.50%, 6/1/20, Ser. B, AGM	<u>\$2,999,942</u>
		<u>7,306,820</u>
Pennsylvania—5.6%		
2,000	Delaware Cnty. Auth. Rev., 5.00%, 6/1/21, Ser. A, Prerefunded 6/1/15 @ \$100(b)	2,275,580
1,000	East Stroudsburg Area Sch. Dist. Gen. Oblig., 7.75%, 9/1/27, Ser. A, FGIC / NRE ..	1,210,670
1,000	Pennsylvania Econ. Dev. Fin. Auth. Res. Recov. Rev., 4.625%, 12/1/18, Ser. F, AMBAC ...	962,240
2,000	Pennsylvania St. Higher Ed. Facs. Auth. Rev., 5.00%, 6/15/28, Ser. AL	2,188,820
1,020	Pennsylvania St. Tpk. Comm. Oil Franchise Tax Rev., 5.00%, 12/1/23, Ser. A-2, AGT	<u>1,136,453</u>
		<u>7,773,763</u>
Puerto Rico—0.7%		
1,000	Puerto Rico Elec. Pwr. Auth. Rev., 5.00%, 7/1/25, Ser. PP, FGIC / NRE ...	<u>1,011,620</u>
Rhode Island—1.5%		
2,000	Rhode Island Hlth. & Edl. Bldg. Corp. Higher Ed. Facs. Rev., 5.00%, 9/1/37	<u>2,093,500</u>
South Carolina—1.3%		
1,500	Spartanburg Waterworks Rev., 5.25%, 6/1/28, Prerefunded 6/1/14 @ \$100(b)	<u>1,671,345</u>
Tennessee—1.8%		
1,500	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/20, Ser. A	1,509,375
1,000	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/21, Ser. A	<u>1,003,740</u>
		<u>2,513,115</u>
Texas—14.5%		
1,000	Alliance Airport Auth. Inc. Rev., 4.85%, 4/1/21	1,040,520
2,500	Bexar Met. Wtr. Dist. Waterworks Sys. Rev., 5.00%, 5/1/25, NRE	2,501,500
1,000	Dallas Area Rapid Transit Rev., 5.25%, 12/1/48	1,057,690

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Principal Amount (000)	Description (a)	Value (Note 2)
\$2,000	Dallas Gen. Oblig., 4.50%, 2/15/23, Prerefunded 2/15/12 @ \$100(b)	\$ 2,024,640
1,555	El Paso Wtr. & Swr. Rev., 5.50%, 3/1/12, Ser. A, AGM	1,582,415
1,000	Everman Indep. Sch. Dist. Gen. Oblig., 5.00%, 2/15/36, PSF	1,060,180
1,000	Houston Hotel Occupancy Tax & Spl Rev., 5.25%, 9/1/29, Ser. A	1,021,500
1,000	Klein Indep. Sch. Dist. Gen. Oblig., 5.00%, 8/1/38, Ser. A, PSF	1,061,010
2,000	Lower Colorado River Auth. Rev., 5.00%, 5/15/31, AGM	2,001,140
1,970	McLennan Cnty. Pub. Fac. Corp. Proj. Rev., 6.625%, 6/1/35	2,121,493
1,200	North Texas Twy. Auth. Rev., 5.75%, 1/1/40, Ser. A, BHAC	1,285,248
1,975	Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig., 5.50%, 2/1/33, PSF	2,131,361
1,000	Spring Branch Indep. Sch. Dist. Gen. Oblig., 5.25%, 2/1/38, PSF	1,109,830
		<u>19,998,527</u>
Utah—1.5%		
1,000	Utah Trans. Auth. Sales Tax Rev., 5.00%, 6/15/32, Ser. A, AGM	1,063,010
1,000	Utah Trans. Auth. Sales Tax Rev., 5.00%, 6/15/36, Ser. A, AGM	1,055,250
		<u>2,118,260</u>
Virginia—4.5%		
2,000	Virginia College Bldg. Auth. Rev., 5.00%, 2/1/23, Ser. E-1	2,412,160
1,500	Virginia St. Hsg. Dev. Auth. Rev., 4.55%, 1/1/24	1,496,025
2,050	Virginia St. Pub. Bldg. Auth. Rev., 5.00%, 8/1/29, Ser. B	2,251,207
		<u>6,159,392</u>
Washington—2.2%		
500	Energy Northwest Wind Proj. Rev., 4.75%, 7/1/21, NRE	520,420
2,500	King Cnty. Swr. Rev., 5.00%, 1/1/31, FGIC / NRE	2,519,975
		<u>3,040,395</u>
West Virginia—1.0%		
1,500	Monongalia Cnty. Bldg. Comm. Hospital Rev., 5.00%, 7/1/30, Ser. A	1,424,805

Principal Amount (000)	Description (a)	Value (Note 2)
Wisconsin—3.1%		
\$2,000	Wisconsin St. Gen. Rev., 6.00%, 5/1/33, Ser. A	\$ 2,263,900
2,000	Wisconsin St. Hlth. & Edl. Facs. Auth. Rev., 6.50%, 4/15/33	2,040,980
		<u>4,304,880</u>
Wyoming—3.3%		
4,000	Wyoming St. Farm Loan Brd. Cap. Facs. Rev., 5.75%, 10/1/20	4,554,080
	Total long-term investments (cost \$187,062,161)	<u>197,429,591</u>
Shares		
SHORT-TERM INVESTMENT—2.1%		
2,872	State Street Institutional Tax-Free Money Market Fund (cost \$2,871,599)	\$ 2,871,599
	Total Investments—145% (cost \$189,933,760)	200,301,190
	Other assets in excess of liabilities—2.0%	2,803,778
	Liquidation Value of Remarketed Preferred Stock—(47.0%)	<u>(65,000,000)</u>
	Net Assets Applicable to Common Stock—100.0%	<u>\$138,104,968</u>

- (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.
- (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, 2011, such securities amounted to a value of \$927,325 or 0.67% of net assets applicable to common stock.
- (d) Non-income producing security.

The accompanying notes are an integral part of these financial statements.

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.

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 at October 31, 2011:

	Level 1	Level 2
Money Market Fund	\$ 2,871,599	—
Municipal Bonds	—	\$197,429,591
Total	<u>\$ 2,871,599</u>	<u>\$197,429,591</u>

There were no Level 3 priced securities held and there were no significant transfers between Level 1 and Level 2 during the year ended October 31, 2011.

Summary of Ratings as a Percentage of Long-Term Investments

At October 31, 2011

Rating *	%
AAA	9.0
AA	56.8
A	25.0
BBB	4.2
BB	0.5
B	2.4
NR	2.1
	<u>100.0</u>

*Individual ratings are grouped based on the lower rating of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Service, Inc. ("Moody's") and are expressed using the S&P ratings scale. If a particular security is rated by either S&P or Moody's, but not both, then the single

rating is used. If a particular security is not rated by either S&P or Moody's, then a rating from Fitch Ratings Ltd. is used, if available.

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

At October 31, 2011

State	%
California	19.8
Texas	14.5
Georgia	11.4
Florida	9.7
Indiana	7.7
Illinois	6.9
New York	6.3
Massachusetts	6.2
Pennsylvania	5.6
Ohio	5.3
New Jersey	4.8
Virginia	4.5
Nebraska	4.4
Nevada	4.3
Wyoming	3.3
Connecticut	3.2
Wisconsin	3.1
Arizona	3.1
District of Columbia	2.7
Washington	2.2
Short-Term Investment	2.1
Tennessee	1.8
Michigan	1.8
Louisiana	1.6
Utah	1.5
Maryland	1.5
Rhode Island	1.5
South Carolina	1.3
Kentucky	1.1
West Virginia	1.0
Puerto Rico	0.7
Idaho	0.1
	<u>145.0</u>
Other assets in excess of liabilities	2.0
Liquidation value of remarketed preferred stock	<u>(47.0)</u>
	<u>100.0</u>

The accompanying notes are an integral part of these financial statements.

DTF TAX-FREE INCOME INC.
Statement of Assets and Liabilities
October 31, 2011

Assets

Investments, at value (cost \$189,933,760)	\$200,301,190
Interest receivable	2,994,639
Cash	1,132
Other assets	<u>12,947</u>
Total assets	<u>203,309,908</u>

Liabilities

Investment advisory fee (Note 3)	86,328
Administrative fee (Note 3)	16,443
Preferred shareholder dividends	780
Accrued expenses	<u>101,389</u>
Total liabilities	<u>204,940</u>

Remarketed preferred stock (\$.01 par value; 1,300 shares issued and outstanding, liquidation preference \$50,000 per share) (Note 6)	<u>\$ 65,000,000</u>
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Net Assets Applicable to Common Stock	<u><u>\$138,104,968</u></u>
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Capital

Common stock (\$.01 par value; 599,998,700 shares authorized, 8,507,456 issued and outstanding)	\$ 85,075
Additional paid-in capital	120,440,442
Undistributed net investment income	6,795,280
Accumulated net realized gain on investments	416,741
Net unrealized appreciation on investments	<u>10,367,430</u>
Net Assets Applicable to Common Stock	<u><u>\$138,104,968</u></u>
Net asset value per share of common stock	<u><u>\$ 16.23</u></u>

DTF TAX-FREE INCOME INC.
Statement of Operations
For the Year Ended October 31, 2011

Investment Income

Interest income	<u>\$ 9,534,198</u>
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Expenses

Investment advisory fees (Note 3)	994,111
Administrative fees (Note 3)	187,351
Directors' fees	97,873
Remarketing agent fees	99,306
Professional fees	87,328
Custodian fees	62,659
Reports to shareholders	29,020
Transfer agent fees	29,307
Registration fees	19,781
Other expenses	<u>39,966</u>
Total expenses	<u>1,646,702</u>

Net investment income	<u>7,887,496</u>
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Realized and Unrealized Gain (Loss)

Net realized gain on investments	416,741
Net change in unrealized appreciation on investments	<u>(2,523,297)</u>
Net realized and unrealized loss	<u>(2,106,556)</u>

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

Net investment income	(96,913)
Net realized gains	<u>(18,967)</u>
Total dividends and distributions on remarketed preferred stock	<u>(115,880)</u>

**Net Increase in Net Assets
Applicable to Common Stock
Resulting from Operations**

<u><u>\$ 5,665,060</u></u>

The accompanying notes are an integral part of these financial statements.

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

	For the Year Ended October 31, 2011	For the Year Ended October 31, 2010
Operations		
Net investment income . . .	\$ 7,887,496	\$ 8,110,815
Net realized gain	416,741	1,059,984
Net change in unrealized appreciation	(2,523,297)	3,627,702
Dividends and distributions on remarketed preferred stock from:		
Net investment income . . .	(96,913)	(138,990)
Net realized gains	<u>(18,967)</u>	<u>—</u>
Net increase in net assets applicable to common stock resulting from operations	<u>5,665,060</u>	<u>12,659,511</u>
Dividends and Distributions on Common Stock from:		
Net investment income . . .	(6,766,634)	(6,515,631)
Net realized gains	<u>(893,139)</u>	<u>—</u>
Total dividends and distributions on common stock	<u>(7,659,773)</u>	<u>(6,515,631)</u>
Total increase (decrease) in net assets	(1,994,713)	6,143,880
Net Assets Applicable to Common Stock		
Beginning of year	<u>140,099,681</u>	<u>133,955,801</u>
End of year	<u>\$138,104,968</u>	<u>\$140,099,681</u>
Undistributed net investment income at end of year	<u>\$ 6,795,280</u>	<u>\$ 5,771,331</u>

The accompanying notes are an integral part of these financial statements.

DTF TAX-FREE INCOME INC.

Financial Highlights

The table below provides information about income and capital changes for a share of common stock outstanding throughout the years indicated (excluding supplemental data provided below):

	For the Year Ended October 31,				
	2011	2010	2009	2008	2007
PER SHARE DATA					
Net asset value, beginning of year	\$ 16.47	\$ 15.75	\$ 13.96	\$ 15.88	\$ 16.37
Net investment income ⁽¹⁾	0.92	0.95	0.98	0.97	0.95
Net realized and unrealized gain (loss)	(0.25)	0.55	1.49	(2.05)	(0.49)
Dividends and distributions on remarketed preferred stock from:					
Net investment income	(0.01)	(0.02)	(0.04)	(0.24)	(0.29)
Net increase (decrease) from investment operations	0.66	1.48	2.43	(1.32)	0.17
Dividends and distributions on common stock from:					
Net investment income	(0.90)	(0.76)	(0.64)	(0.60)	(0.66)
Total dividends and distributions on common stock	(0.90)	(0.76)	(0.64)	(0.60)	(0.66)
Net asset value, end of year	\$ 16.23	\$ 16.47	\$ 15.75	\$ 13.96	\$ 15.88
Per share market value, end of year	\$ 15.54	\$ 16.06	\$ 14.10	\$ 11.25	\$ 13.97
TOTAL INVESTMENT RETURN ON COMMON STOCK⁽²⁾	2.73%	18.57%	31.62%	(15.78)%	(2.69)
RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON STOCK:⁽³⁾					
Operating expenses	1.23%	1.25%	1.32%	1.35%	1.42%
Net investment income	5.90%	5.91%	6.52%	6.28%	5.95%
SUPPLEMENTAL DATA					
Portfolio turnover rate	6%	12%	26%	5%	13%
Net assets applicable to common stock, end of year (000's omitted)	\$138,105	\$140,100	\$133,956	\$118,757	\$135,098
Asset coverage per share of preferred stock, end of year	\$156,235	\$157,769	\$153,043	\$141,352	\$153,921
Preferred stock outstanding (000's omitted)	\$ 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 market value on the opening of the first day and a sale at market value on the closing of the last day of each year reported. Dividends and distributions 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.

The accompanying notes are an integral part of these financial statements.

DTF TAX-FREE INCOME INC.

Notes to Financial Statements

October 31, 2011

Note 1. Organization DTF Tax-Free Income Inc. (the “Fund”) was organized in Maryland on September 24, 1991 as a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund’s investment objective is current income exempt from regular federal income tax consistent with preservation of capital.

Note 2. Significant Accounting Policies The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Securities Valuation: The Fund values its fixed income securities by using valuation data provided by an independent pricing service, 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 for which it is determined that market prices are unavailable or inappropriate are valued at fair value using a procedure determined in good faith by the Board of Directors and are generally classified as Level 2 or 3.

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 and are classified as Level 1. 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 and are classified as Level 2.

B. Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Realized gains and losses on sales of securities are determined 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.

C. Federal Income Taxes: It is the Fund’s intention to comply with requirements of Subchapter M of the Internal

Revenue Code applicable to regulated investment companies and to distribute substantially all of its net taxable income and net capital gains to its shareholders. 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, 2011 are subject to such review.

D. 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. 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.

The amount and timing of distributions are generally determined in accordance with federal tax regulations, which may differ from U.S. generally accepted accounting principles.

E. 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, 2011, there were no reclassifications between components of net assets caused by permanent differences.

F. 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 3. Agreements and Management Arrangements

A. Adviser: The Fund has an Advisory Agreement with Duff & Phelps Investment Management Co. (the “Adviser”), a subsidiary of Virtus Investment Partners, Inc. (“Virtus”). The investment advisory fee is 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).

B. Administrator: The Fund has an Administration Agreement with J.J.B. Hilliard, W.L. Lyons, LLC (“Hilliard”). The administration fee is payable monthly at an annual rate of 0.14% of the Fund’s average weekly net 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 (including aggregate amount of any outstanding borrowings or other indebtedness constituting financial leverage).

C. Directors: The Fund pays each director not affiliated with the Adviser an annual fee plus a fee for certain meetings of the board or committees of the board attended. Total fees paid to directors for the year ended October 31, 2011 were \$97,873.

D. Affiliated Shareholders: At October 31, 2011, Virtus Partners Inc. held 24,270 shares of the Fund. This represents 0.29% of the Fund’s outstanding shares on this date. These shares may be sold at any time.

Note 4. Investment Transactions

Purchases and sales of investment securities (excluding short-term investments) for

the year ended October 31, 2011 aggregated \$11,688,488 and \$13,225,000, respectively.

Note 5. Distributions and Tax Information

The federal income tax basis of the Fund’s investments and the aggregate

gross unrealized appreciation (depreciation) at October 31, 2011 were as follows:

Federal Tax Cost	Unrealized Appreciation	Unrealized Depreciation	Net Unrealized Appreciation
\$189,684,975	\$12,492,345	\$1,876,130	\$10,616,215

The tax character of distributions paid during the fiscal years ended October 31, 2011 and 2010 was as follows:

	10/31/2011	10/31/2010
<i>Distributions paid from:</i>		
Tax-exempt income	\$6,838,551	\$6,263,825
Ordinary income	24,996	390,796
Long-term capital gains	912,106	—
Total distributions	<u>\$7,775,653</u>	<u>\$6,654,621</u>

At October 31, 2011, the components of distributable earnings on a tax basis were as follows:

Undistributed net tax-exempt income	\$ 6,446,446
Undistributed net ordinary income	100,049
Undistributed net long-term capital gains	416,741
Unrealized net appreciation (depreciation)	10,616,215
	<u>\$17,579,451</u>

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.

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 0.055% to 0.423% during the year ended October 31, 2011. 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 1940 Act, 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 1940 Act 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. 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 arrangements and expects the risk of loss to be remote.

Note 8. Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS)". ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose quantitative information about the unobservable inputs used in the fair value measurements and the valuation processes used by the reporting entity categorized within Level 3 of the fair value hierarchy. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements has not been determined.

Note 9. Subsequent Events

Subsequent to October 31, 2011, dividends paid on preferred stock totaled \$7,917 through December 9, 2011. On November 3, 2011, the Fund announced a dividend of \$0.0675 per share of common stock payable on December 30, 2011 to common shareholders of record on December 15, 2011. On December 9, 2011, the Fund announced a long term capital gains distribution of \$0.048298 and a special taxable distribution of \$0.011818 per share of common stock, payable on December 23, 2011 to shareholders of record on December 19, 2011. On December 12, 2011, the Board of Directors approved a dividend of \$0.07 per share of common stock payable on January 31, 2012 and February 29, 2012 to common shareholders of record on January 17, 2012, and February 15, 2012. Management has evaluated the impact all subsequent events on the Fund through the date the financial statements were issued and has determined that, other than those described above, there were no subsequent events requiring recognition or disclosure in these financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 schedule of investments, as of October 31, 2011, 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, 2011, 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, 2011, 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.

Ernst + Young LLP

Chicago, Illinois
December 15, 2011

IMPORTANT TAX INFORMATION (Unaudited)

Taxable distributions of ordinary income of \$520 were paid to preferred shareholders, and \$24,476 were paid to common shareholders during the taxable year ended October 31, 2011. The Fund designated and paid long-term capital gains dividends of \$18,967 to preferred shareholders and \$893,139 to common shareholders during the taxable year ended October 31, 2011. 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.

REPORT ON ANNUAL MEETING OF SHAREHOLDERS (Unaudited)

The Annual Meeting of Shareholders of the Fund was held on May 3, 2011. The following is a description of each matter voted upon at the meeting and the number of votes cast on each matter:

	<u>Shares Voted For</u>	<u>Shares Withheld</u>
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:		
Geraldine M. McNamara (2014)	4,853,692	123,664
Christian H. Poindexter (2014)	4,848,287	129,069
Carl F. Pollard (2014)*	868	376

*Elected by the holders of the Fund's preferred stock voting as a separate class.

Directors whose term of office continued beyond this meeting are as follows: Stewart E. Conner, Robert J. Genetski, Nancy Lampton, Philip R. McLoughlin, Eileen A. Moran, Nathan I. Partain, and David J. Vitale.

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (Unaudited)

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 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.

ADDITIONAL INFORMATION (Unaudited)

Since November 1, 2010: (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 1940 Act that the Fund may from time to time purchase its shares of common stock in the open market.

INFORMATION ABOUT PROXY VOTING BY THE FUND (Unaudited)

Although the Fund does not typically hold voting securities, the Fund's Board of Directors has adopted proxy voting policies and procedures whereby Duff & Phelps Investment Management Co., the Fund's investment adviser (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 policies and procedures may be changed at any 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 is available without charge, upon request, by calling the Administrator toll-free at (888) 878-7845 or is available on the Fund's website www.dtfund.com or on the SEC's website www.sec.gov.

INFORMATION ABOUT THE FUND'S PORTFOLIO HOLDINGS (Unaudited)

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third fiscal quarters of each fiscal year (quarters ended January 31 and July 31) on Form N-Q. The Fund's Form N-Q is available on the SEC's web site at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling (800) 732-0330. In addition, the Fund's Form N-Q is available without charge, upon request, by calling the Administrator toll-free at (888) 878-7845 or is available on the Fund's website at www.dtfund.com.

DIRECTORS OF THE FUND (Unaudited)

Set forth below are the names and certain biographical information about the directors of the Fund. Directors are divided into three classes and are elected to serve staggered three-year terms. All of the directors are elected by the holders of the Fund’s common stock, except for Mr. Pollard and Ms. Lampton, who are elected by the holders of the Fund’s preferred stock. All of the current directors of the Fund, with the exception of Mr. Partain, are classified as independent directors because none of them are “interested persons” of the Fund, as defined in the 1940 Act. Mr. Partain is an “interested person” of the Fund by reason of his position as President and Chief Executive Officer of the Fund and President, Chief Investment Officer and employee of the Adviser. The term “Fund Complex” refers to the Fund and all the other investment companies advised by affiliates of Virtus.

The address for all directors is c/o Duff & Phelps Investment Management Co., 200 South Wacker Drive, Suite 500, Chicago, Illinois 60606. All of the Fund’s directors currently serve on the Board of Directors of three other registered closed-end investment companies that are advised by Duff & Phelps Investment Management Co.: DNP Select Income Fund Inc. (“DNP”), Duff & Phelps Global Utility Income Fund Inc. (“DPG”) and Duff & Phelps Utility and Corporate Bond Trust Inc. (“DUC”).

Independent Directors

Name 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 During Past 5 Years
Stewart E. Conner Age: 70	Director	Term expires 2012; Director since 2009	Attorney, Wyatt Tarrant & Combs LLP since 1966 (Chairman, Executive Committee 2000-2004, Managing Partner 1988-2000)	4	
Robert J. Genetski Age: 68	Director	Term expires 2013; 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	4	Director, Midwest Banc Holdings, Inc. 2005-2010
Nancy Lampton Age: 69	Director and Vice Chairperson of the Board	Term expires 2012; Director since 2005	Vice Chairperson of the Board of the Fund and DUC since May 2007, DNP since February 2006 and DPG since May 2011; 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	4	Director, Constellation Energy Group, Inc. (public utility holding company); Advisory Board Member, CanAlaska Uranium Ltd.

Name 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 During Past 5 Years
Philip R. McLoughlin Age: 65	Director	Term expires 2013; Director since 1996	Partner, CrossPond Partners, LLC (investment management consultant) since 2006; Managing Director, SeaCap Partners LLC (strategic advisory firm) 2009-2010; Private investor 2004-2006; Consultant to Phoenix Investment Partners, Ltd. ("PXP") 2002-2004; Chief Executive Officer of PXP, 1995-2002 (Chairman 1997-2002, Director 1995-2002); Executive Vice President and Chief Investment Officer, The Phoenix Companies, Inc. 2000-2002	58	Chairman of the Board, The World Trust Fund (closed-end fund); Director, Argo Group International Holdings, Ltd. (insurance holding company, formerly known as PXRE Group Ltd.) 1999-2009
Geraldine M. McNamara Age: 60	Director	Term expires 2014; Director since 2003	Private investor since July 2006; Managing Director, U.S. Trust Company of New York 1982-July 2006	49	
Eileen A. Moran Age: 57	Director	Term expires 2012; Director since 1996	Private investor since April 2011; President and Chief Executive Officer, PSEG Resources L.L.C. (investment company) 1990-April 2011	4	
Christian H. Poindexter Age 73	Director	Term expires 2014; Director since 2008	Retired Executive, 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)	4	Director, The Baltimore Life Insurance Company (1998-November 2011)
Carl F. Pollard Age: 73	Director	Term expires 2014; Director since 2006	Owner, Hermitage Farm LLC (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)	4	Chairman of the Board and Director, Churchill Downs Incorporated 2001-June 2011 (Director 1985-June 2011)

Name 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 During Past 5 Years
David J. Vitale Age: 65	Director and Chairman of the Board	Term expires 2012; Director since 2005	Chairman of the Board of the Fund, DNP and DUC since May 2009 and DPG since May 2011; Executive Chairman, Urban Partnership Bank since August 2010; Private investor January 2009-August 2010; Senior Advisor to the CEO, Chicago Public Schools April 2007-December 2008; Chief Administrative Officer, Chicago Public Schools April 2007-December 2008; (Chief Administrative Officer, Chicago Public Schools April 2003-April 2007); President and Chief Executive Officer, Board of Trade of the City of Chicago, Inc. March 2001-November 2002; Private 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)	4	Director, UAL Corporation (airline holding company), Urban Partnership Bank, Alion Science and Technology Corporation, ISO New England Inc. (independent system operator of New England's electricity supply), Ariel Capital Management, LLC and Wheels, Inc. (automobile fleet management)

Interested Director

Nathan I. Partain, CFA Age: 55	Director	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)	4	Chairman of the Board and Director, Otter Tail Corporation (manages diversified operations in the electric, plastics, manufacturing, health services and other business operations sectors)
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OFFICERS OF THE FUND (Unaudited)

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. The address for all officers noted below is c/o Duff & Phelps Investment Management Co., 200 South Wacker Drive, Suite 500, Chicago, Illinois 60606.

<u>Name and Age</u>	<u>Position(s) Held with Fund and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>
T. Brooks Beittel, CFA Age: 61	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)
Timothy M. Heaney, CFA Age: 46	Chief Investment Officer since 2004; Vice President since 1997 (Portfolio Manager 1997-2004)	Senior Vice President of the Adviser since 2004 (Vice President 1997-2004); Senior Portfolio Manager, Fixed Income, Newfleet Asset Management, LLC since 2011; Senior Managing Director, Fixed Income, Virtus Investment Advisors, Inc. (f/k/a Phoenix Investment Counsel, Inc.) 2006-2011, (Managing Director, Fixed Income 1997-2006; Director, Fixed Income Research 1996-1997; Investment Analyst, 1992-1996)
Lisa H. Leonard Age: 48	Vice President since 2006	Vice President of the Adviser since 2006 (Assistant Vice President 1998-2006); Portfolio Manager, Fixed Income, Newfleet Asset Management, LLC since 2011; Managing Director, Fixed Income, Virtus Investment Advisors, Inc. (f/k/a Phoenix Investment Counsel, Inc.) 2006-2011, (Director, Fixed Income 1998-2006, Director, Investment Operations 1994-1998, Fixed Income Trader 1987-1994)
Alan M. Meder, CFA, CPA Age: 52	Treasurer since 2000; Principal Financial and Accounting Officer and Assistant Secretary since 2002	Senior Vice President of the Adviser since 1994; Chief Risk Officer since 2001; Member of Board of Governors of CFA Institute since 2008 (currently serves as Vice Chairman of the Board); Financial Accounting Standards Advisory Council Member since 2011
Joyce B. Riegel Age: 57	Chief Compliance Officer since 2003	Senior Vice President and Chief Compliance Officer of the Adviser since 2004 (Vice President and Compliance Officer 2002-2004); Vice President and Chief Compliance Officer, Stein Roe Investment Counsel LLC 2001-2002

Board of Directors

David J. Vitale, *Chairman*
Nancy Lampton, *Vice Chairperson*
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

Administrator

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500 West Jefferson Street
Louisville, KY 40202
Call toll-free (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.

Annual Report October 31, 2011

