LETTER TO SHAREHOLDERS

Dear Fellow Shareholder:

December 15, 2010

The Current Municipal Market Environment and Your Fund:

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

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

While BABs have contributed to the positive technical market conditions for the tax-exempt municipal bond market, the continuation of the program is very much in question beyond 2010. The BABs program is officially set to expire on December 31, 2010. Earlier in the year, most market participants expected the program to be extended for two or three additional years but with a lower subsidy rate. However, given that the size of the Federal deficit continues to be a hotly debated topic in Washington and that a number of newly elected members of Congress expressed strong support for attacking the deficit in their campaigns, it is anticipated that renewal of the BABs program will encounter more opposition on the grounds that it is too costly to the American taxpayer. The outcome of this decision will have significant implications to the municipal bond market. An extension of the BABs program will likely keep tax-exempt yields low since the volume of tax-exempt issuance will remain low if issuers can continue to access the BABs market for capital needs. A decision to end the program will likely result in higher tax-exempt yields since the supply of tax-exempt bonds will increase if issuers no longer have the option to borrow in the taxable market at subsidized rates. We will continue to monitor this development closely in an effort to minimize risks to the Fund.

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

Fund Performance:

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

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

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

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

Timothy M. Heaney, CFA
Chief Investment Officer

Nathan I. Partain, CFA
Director, President & CEO

DTF TAX-FREE INCOME INC.
Portfolio of Investments
As of 10/31/2010

Principal Amount (000)	Description (a)	Value
	LONG-TERM INVESTMENTS—143.9%	
	Arizona—3.1%	
	Arizona St. Trans Brd. Hwy. Rev.,	
$2,000	5.00%, 7/1/30, Ser. B	$ 2,176,360
	Salt River Proj. Agric. Impvt. & Pwr. Dist. Elec. Sys. Rev.,	
2,000	5.00%, 1/1/38, Ser. A	2,109,480
		4,285,840
	California—21.6%	
	Bay Area Toll Auth. Rev.,	
2,000	5.125%, 4/1/39, Ser. F-1	2,117,220
	California St. Gen. Oblig.,	
500	5.50%, 3/1/26	534,145
1,000	6.00%, 4/1/38	1,114,530
500	5.50%, 3/1/40	531,085
	California Statewide Communities Dev. Auth. Rev.,	
2,000	5.75%, 7/1/47, FGIC	2,074,580
	Fresno Swr. Rev.	
2,000	6.25%, 9/1/14, Ser. A-1, AMBAC	2,185,660
	Golden State Tobacco Securitization Corp. Rev.,	
3,000	5.75%, 6/1/47, Ser. A-1	2,387,010
	Los Angeles Wastewtr. Sys. Rev.,	
2,000	5.00%, 6/1/26, Ser. A, NRE	2,124,180
	Los Angeles Dept. Wtr. & Pwr. Rev.,	
1,000	5.25%, 7/1/21, Ser. A-A-1, AGM	1,025,030
440(b)	5.375%, 7/1/21, Ser. A-2, Prerefunded 7/1/11 @ $100	455,198
560	5.375%, 7/1/21, Ser. A-2, NRE	574,487
	Riverside Cnty. Sngl. Fam. Rev.,	
2,500(b)	7.80%, 5/1/21, Ser. A, Escrowed to maturity	3,533,450
	San Bernardino Cnty. Residential Mtge. Rev.,	
7,840(b)	9.60%, 9/1/15, Escrowed to maturity	10,893,993
	Saratoga Unified Sch. Dist., Gen. Oblig.	
1,040	Zero Coupon, 9/1/20, Ser. A, FGIC / NRE	682,781
		30,233,349
	Connecticut—1.5%	
	Connecticut St. Health & Edl. Facs. Auth. Rev.,	
1,000	5.00%, 7/1/25, Ser. C, RAD	949,060
	Mashantucket Western Pequot Tribe Spl. Rev., 144A,	
2,500(c)(d)	5.75%, 9/1/18, Ser. B	1,178,375
		2,127,435
	District of Columbia—2.7%	
	District of Columbia Income Tax Rev.,	
$1,000	5.00%, 12/1/31, Ser. A	$ 1,091,450
	District of Columbia Wtr. & Swr. Auth. Rev.,	
1,500	5.00%, 10/1/33, FGIC / NRE	1,575,660
	Metropolitan Washington DC Airport Auth. Rev.,	
1,000	5.00%, 10/1/18, Ser. A, AGM / AMBAC	1,114,230
		3,781,340
	Florida—9.7%	
	Broward Cnty. Port Fac. Rev.,	
1,500	6.00%, 9/1/23, Ser. A	1,692,000
	Escambia Cnty. Hlth. Fac. Auth. Rev.,	
1,000	6.00%, 8/15/36	1,032,790
	Florida Mun. Ln. Council Rev.,	
2,210	5.375%, 8/1/20, Ser. B, NRE	2,364,125
	Florida St. Bd. of Ed. Gen. Oblig.,	
2,000	5.00%, 6/1/21, Ser. A	2,145,300
	Highlands Cnty. Hlth. Fac. Auth. Rev.,	
70(b)	5.125%, 11/15/32, Ser. G Prerefunded 11/15/16 @ $100	83,952
1,930	5.125%, 11/15/32, Ser. G	1,971,669
	Orlando and Orange Cnty. Expwy. Auth. Rev.,	
2,000	5.00%, 7/1/35, Ser. B, BHAC / AMBAC	2,021,780
	Seminole Cnty. Sales Tax Rev.,	
2,000	5.25%, 10/01/31, Ser. B, NRE	2,236,720
		13,548,336
	Georgia—11.4%	
	Atlanta Wtr. & Wastewtr. Rev., Ser. A,	
2,385	5.00%, 11/1/29, FGIC / NRE	2,391,368
715	5.00%, 11/1/38, FGIC / NRE	715,422
	Fulton Cnty. Sch. Dist., Gen. Oblig.	
2,000	5.375%, 1/1/16	2,384,260
	Georgia Mun. Elec. Auth. Pwr. Rev., Ser. Y,	
145(b)	6.40%, 1/1/13, Escrowed to maturity	154,640
2,440	6.40%, 1/1/13, AMBAC	2,578,031
30(b)	6.40%, 1/1/13 Prerefunded 1/1/11 @ $100	30,317
	Georgia Mun. Elec. Auth. Pwr. Rev.,	
5,500	6.50%, 1/1/20, Ser. X, AMBAC	6,632,120
	Metro. Atlanta Rapid Tran. Auth. Rev.,	
1,000	5.00%, 7/1/39, Ser. 3	1,072,620
		15,958,778

See Notes to Financial Statements.

Principal Amount (000)	Description (a)	Value
	Idaho—0.1%	
	Idaho Hsg. Agcy., Sngl. Fam. Mtge. Sr., Rev.,	
$ 100	6.65%, 7/1/14, Ser. B	$ 103,219
93	6.60%, 7/1/27, Ser. B	93,538
		196,757
	Illinois—7.3%	
	Chicago Bd. of Ed. Gen. Oblig.,	
1,000	5.50%, 12/1/30, Ser. A, AMBAC	1,132,710
	Chicago Gen. Oblig.,	
1,415(b)	6.25%, 1/1/11, Escrowed to maturity	1,429,532
	Chicago Multi-Family Hsg. Rev.,	
500	4.90%, 3/20/44, FHA	504,135
	Chicago Park Dist., Gen. Oblig.,	
1,000	5.00%, 1/1/27, Ser. A, AMBAC	1,035,510
	Illinois Fin. Auth. Education Rev.,	
1,000(b)	5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ $100	1,231,000
	Illinois Fin. Auth. Rev.,	
1,000	6.00%, 8/15/38, Ser. A	1,022,040
	Illinois St. Gen. Oblig.,	
2,000	5.50%, 1/1/29	2,222,560
	Illinois St. Toll Hwy. Auth. Rev.,	
1,500	5.50%, 1/1/33, Ser. B	1,621,515
		10,199,002
	Indiana—7.8%	
	Indiana Fin. Auth. Hospital Rev.,	
1,000	5.875%, 5/1/29, Ser. A	1,030,400
	Indiana Mun. Pwr. Agcy., Pwr. Supply Sys. Rev.,	
5,000	6.00%, 1/1/13, Ser. B, NRE	5,519,800
	Indianapolis Local Pub. Impvt. Bond Bank Rev.,	
2,100(b)	5.25%, 7/1/33, Ser. A Prerefunded 7/1/12 @ $100	2,267,727
2,000	5.00%, 2/1/38, Ser. A	2,110,260
		10,928,187
	Kentucky—1.2%	
	Louisville & Jefferson Cnty. Met. Swr. Dist., Swr. & Drain Sys. Rev.,	
1,750	5.00%, 5/15/30, Ser. A, FGIC / NRE	1,751,295
	Louisiana—0.8%	
	Regional Tran. Auth. Louisiana Sales Tax Rev.,	
1,100	5.00%, 12/01/2030, AGM	1,162,447
	Maryland—1.5%	
	Maryland St. Trans. Auth. Rev.,	
2,000	5.00%, 7/1/37, AGM	2,140,460
	Massachusetts—6.1%	
	Massachusetts Bay Trans. Auth. Rev.,	
3,000	5.50%, 7/1/29, Ser. B, NRE	3,663,750

Principal Amount (000)	Description (a)	Value
	Massachusetts St. College Bldg. Auth. Rev.,	
$2,000	5.00%, 5/1/40, Ser. B	$2,124,340
	Massachusetts St. Dev. Finance Agency, Solid Waste Disp. Rev.	
1,500	5.00%, 2/1/36	1,474,530
	Massachusetts St. Gen. Oblig.,	
1,000	5.50%, 8/1/30, Ser. A, AMBAC	1,237,820
		8,500,440
	Michigan—3.3%	
	Detroit Gen. Oblig.,	
500	5.25%, 11/1/35	508,955
	Detroit Wtr. Supply Sys. Rev., Ser. A,	
2,000(b)	5.50%, 7/1/24, Prerefunded 7/1/11 @ $100	2,069,920
2,000	5.00%, 7/1/30, FGIC / NRE	2,001,820
		4,580,695
	Nebraska—4.8%	
	Omaha Gen. Oblig.,	
2,000	5.25%, 4/1/27	2,445,580
	Omaha Pub. Pwr. Dist., Elec. Rev., Ser. B,	
1,270(b)	6.15%, 2/1/12 Escrowed to maturity	1,321,880
2,500(b)	6.20%, 2/1/17 Escrowed to maturity	2,930,275
		6,697,735
	Nevada—4.2%	
	Clark Cnty. Gen. Oblig.,	
2,165	5.00%, 11/1/22, AMBAC	2,316,463
	Las Vegas Valley Wtr. Dist., Gen. Oblig.,	
1,400	5.00%, 6/1/25, Ser. B, NRE	1,465,058
	Nevada St. Gen. Oblig.,	
2,000	5.00%, 12/1/24, Ser. F, AGM	2,157,700
		5,939,221
	New Jersey—4.8%	
	New Jersey Econ. Dev. Auth. Rev.,	
1,025	4.95%, 3/1/47	983,436
	New Jersey St. Gen. Oblig.,	
2,000	5.25%, 7/1/17, Ser. H	2,380,660
	New Jersey St. Tpk. Auth. Rev.,	
1,000	5.00%, 1/1/36, Ser. H	1,059,770
	New Jersey Trans. Trust Fund Auth. Rev.,	
2,000	5.25%, 12/15/22, Ser. A	2,259,460
		6,683,326
	New York—4.8%	
	Albany Industrial Dev. Agy. Rev.,	
1,000	5.00%, 4/1/32, Ser. A	911,680
	Long Island Pwr. Auth. Elec. Sys. Rev.,	
800	5.00%, 12/1/35, Ser. B	825,120
	Metro. Trans. Auth. Rev.,	
1,000	5.25%, 11/15/31, Ser. A, FGIC / NRE	1,052,360

See Notes to Financial Statements.

Principal Amount (000)	Description (a)	Value
	New York St. Dorm. Auth. Rev., Sch. Dist. Rev. Bond Financing Program Rev.,	
$1,500	7.25%, 10/1/28, Ser. C	$1,821,330
	New York St. Dorm. Auth. State Personal Inc. Tax Rev.,	
2,000	5.00%, 3/15/30, Ser. F	2,123,220
		6,733,710
	Ohio—4.1%	
	Deerfield Twp. Tax Increment Rev.,	
750	5.00%, 12/1/25	766,125
	Hamilton Elec. Sys. Rev.	
1,000	4.60%, 10/15/20, Ser. A, AGM	1,081,720
	Ohio St. Air Quality Dev. Auth. Rev.,	
750	5.70%, 2/1/14, Ser. A	828,517
	Ohio St. Wtr. Dev. Auth. Rev.,	
2,445	5.50%, 6/1/20, Ser. B, AGM	3,022,925
		5,699,287
	Pennsylvania—5.6%	
	Delaware Cnty. Auth. Rev.,	
2,000(b)	5.00%, 6/1/21, Ser. A, Prerefunded 6/1/15 @ $100	2,302,260
	East Stroudsburg Area Sch. Dist., Gen. Oblig.	
1,000	7.75%, 9/1/27, Ser. A, FGIC / NRE	1,239,930
	Pennsylvania Economic Dev. Fin. Auth. Res. Recov. Rev.,	
1,000	4.625%, 12/1/18, Ser. F, AMBAC	952,850
	Pennsylvania St. Higher Ed. Facs. Auth. Rev.,	
2,000	5.00%, 6/15/28, Ser. AL	2,195,300
	Pennsylvania St. Tpk. Comm. Oil Franchise Tax Rev.,	
1,020	5.00%, 12/1/23, Ser. A-2, AGT	1,137,616
		7,827,956
	Puerto Rico—0.7%	
	Puerto Rico Elec. Pwr. Auth. Rev.,	
1,000	5.00%, 7/1/25, Ser. PP, FGIC / NRE	1,024,510
	Rhode Island—1.5%	
	Rhode Island Health & Edl. Bldg. Corp. Higher Ed. Facs. Rev.,	
2,000	5.00%, 9/01/37	2,109,960
	South Carolina—1.2%	
	Spartanburg Waterworks Rev.,	
1,500(b)	5.25%, 6/1/28 Prerefunded 6/1/14 @ $100	1,723,605
	Tennessee—1.9%	
	Tennessee Energy Acquisition Corp. Rev., Ser. A,	
1,500	5.25%, 9/1/20	1,587,330
1,000	5.25%, 9/1/21	1,050,570
		2,637,900

Principal Amount (000)	Description (a)	Value
	Texas—16.7%	
	Alliance Airport Auth. Inc. Rev.,	
$1,000	4.85%, 4/1/21	$ 1,010,790
	Bexar Met. Wtr. Dist. Waterworks Sys. Rev.,	
2,500	5.00%, 5/1/25, NRE	2,501,825
	Coastal Wtr. Auth. Contract Rev.,	
4,000	5.00%, 12/15/25, AGM	4,005,240
	Dallas Area Rapid Transit Rev.,	
1,000	5.25%, 12/1/48	1,060,920
	Dallas Gen. Oblig.	
2,000	4.50%, 2/15/23	2,027,920
	El Paso Wtr. & Swr. Rev.,	
1,555	5.50%, 3/1/12, Ser. A, AGM	1,657,739
	Everman Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 2/15/36, PSF	1,066,270
	Houston Wtr. & Swr. Sys. Rev.,	
1,500(b)	5.25%, 12/1/23, Ser. B Prerefunded 12/1/10 @ $100	1,506,570
	Klein Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.00%, 8/1/38, Ser. A, PSF	1,066,740
	Lower Colorado River Auth. Rev.,	
2,000	5.00%, 5/15/31, AGM	2,008,580
	McLennan Cnty. Pub. Fac. Corp. Proj. Rev.,	
2,000	6.625%, 6/1/35	2,193,540
	Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig.,	
1,975	5.50%, 2/1/33, PSF	2,154,508
	Spring Branch Indep. Sch. Dist. Gen. Oblig.,	
1,000	5.25%, 2/1/38, PSF	1,074,300
		23,334,942
	Utah—1.5%	
	Utah Trans. Auth. Sales Tax Rev., Ser A.,	
1,000	5.00%, 6/15/32, AGM	1,075,340
1,000	5.00%, 6/15/36, AGM	1,066,490
		2,141,830
	Virginia—4.4%	
	Virginia College Bldg. Auth. Rev.,	
2,000	5.00%, 2/1/23, Ser. E-1	2,359,620
	Virginia St. Hsg. Dev. Auth. Rev.,	
1,500	4.55%, 1/1/24	1,510,110
	Virginia St. Pub. Bldg. Auth. Rev.,	
2,050	5.00%, 8/1/29, Ser. B	2,271,913
		6,141,643
	Washington—2.2%	
	Energy Northwest Wind Proj. Rev.,	
500	4.75%, 7/1/21, NRE	526,805
	King Cnty. Swr. Rev.,	
2,500	5.00%, 1/1/31, FGIC / NRE	2,544,500
		3,071,305

See Notes to Financial Statements.

Principal Amount (000)	Description (a)	Value
	West Virginia—1.0%	
	Monongalia Cnty. Building Commission Hospital Rev.	
$1,500	5.00%, 7/1/30, Ser. A	$ 1,461,405
	Wisconsin—3.1%	
	Wisconsin St. Gen. Rev.,	
2,000	6.00%, 5/1/33, Ser. A	2,279,800
	Wisconsin St. Health & Edl. Facs. Auth. Rev.,	
2,000	6.50%, 4/15/33	2,060,680
		4,340,480
	Wyoming—3.3%	
	Wyoming St. Farm Loan Brd. Cap. Facs. Rev.,	
4,000	5.75%, 10/1/20	4,631,560
	Total long-term investments (cost $188,704,009)	201,594,736
Shares		
	SHORT-TERM INVESTMENT—0.4%	
	State Street Institutional Tax-Free Money	
607	Market Fund (cost $607,152)	607,152
	Total Investments—144.3% (cost $189,311,161)	202,201,888
	Other assets in excess of liabilities—2.1%	2,897,793
	Liquidation value of remarketed preferred stock—(46.4%)	(65,000,000)
	Net Assets Applicable to Common Stock—100.0%	$140,099,681
	Net asset value per share of common stock ($140,099,681 / 8,507,456)	$ 16.47

(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 October 31, 2010, these securities amounted to a value of $1,178,375 or 0.84% of net assets applicable to common stock.

(d) A portion of this security's March 1, 2010 interest payment and all of the September 1, 2010 interest payment to bondholders was made from a debt service reserve fund maintained by a trustee.

Notes

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

Level 1—quoted prices in active markets for identical securities
Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)
Level 3—significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in these securities. The following is a summary of the inputs used to value each of the Fund's investments as of October 31, 2010:

Valuations	Level 1	Level 2
Description		
Assets:		
Money Market Fund	$607,152	$ —
Municipal Bonds	—	201,594,736
Total	$607,152	$201,594,736

Summary of Ratings as a Percentage of Long-Term Investments
(Unaudited)

As of October 31, 2010

Rating *	%
AAA	20.4
AA	46.7
A	23.4
BBB	6.6
BB	1.8
NR	1.1
	100.0

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

See Notes to Financial Statements.

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

As of October 31, 2010

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

DTF TAX-FREE INCOME INC.

Statement of Assets and Liabilities October 31, 2010

Assets	
Investments, at value (cost $189,311,161)	$202,201,888
Interest receivable	3,084,668
Other assets	6,772
Total assets	205,293,328
Liabilities	
Investment advisory fee payable (Note 2)	87,001
Administrative fee payable (Note 2)	16,620
Dividends payable to preferred shareholders	392
Accrued expenses	89,634
Total liabilities	193,647
Remarketed preferred stock ($.01 par value; 1,300 shares issued and outstanding, liquidation preference $50,000 per share) (Note 6)	65,000,000
Net Assets Applicable to Common Stock	$140,099,681
Capital	
Common stock, $.01 par value; 599,998,700 shares authorized, 8,507,456 issued and outstanding (Note 5)	$ 85,075
Additional paid-in capital	120,440,442
Undistributed net investment income	5,771,331
Accumulated net realized gain on investment transactions	912,106
Net unrealized appreciation on investments	12,890,727
Net Assets Applicable to Common Stock	$140,099,681
Net assets applicable to common stock ($140,099,681 / 8,507,456 shares of common stock issued and outstanding)	$ 16.47

See Notes to Financial Statements.

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

Investment Income

Interest income	$ 9,820,564
Expenses	
Investment advisory fees (Note 2)	1,010,720
Administrative fees (Note 2)	203,354
Directors' fees and expenses	124,819
Remarketing fees	98,853
Professional fees	102,862
Custodian fees and expenses	52,389
Reports to shareholders	27,010
Transfer agent fees and expenses	27,794
Registration fees	23,750
Other	38,198
Total expenses	1,709,749
Net investment income	8,110,815

Realized and Unrealized Gain on Investments

Net realized gain on investment transactions	1,059,984
Net change in unrealized appreciation on investments	3,627,702
Net realized and unrealized gain on investments	4,687,686

Dividends and Distributions on Remarketed Preferred Stock From:

Net investment income	(138,990)

Net Increase in Net Assets Resulting from Operations

Net Increase in Net Assets Resulting from Operations	$12,659,511

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

	For the Year Ended October 31, 2010	For the Year Ended October 31, 2009
Operations		
Net investment income	$ 8,110,815	$ 8,323,712
Net realized gain on investment transactions	1,059,984	188,204
Net change in unrealized appreciation on investments	3,627,702	12,450,452
Dividends and distributions on remarketed preferred stock from net investment income	(138,990)	(318,939)
Net increase in net assets resulting from operations	12,659,511	20,643,429
Dividends and distributions on common stock from net investment income	(6,515,631)	(5,444,772)
Total dividends and distributions on common stock	(6,515,631)	(5,444,772)
Total increase in net assets	6,143,880	15,198,657
Net Assets Applicable to Common Stock		
Beginning of year	133,955,801	118,757,144
End of year(a)	$140,099,681	$133,955,801

(a) includes undistributed net investment income of ... $ 5,771,331 | $ 4,315,751

See Notes to Financial Statements.

DTF TAX-FREE INCOME INC.
Financial Highlights

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

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

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

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

See Notes to Financial Statements.

DTF TAX-FREE INCOME INC.

Notes to Financial Statements

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Note 2. Agreements

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

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

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

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

Note 3. Portfolio Securities

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

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

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

Note 4. Distributions to Shareholders

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

	10/31/2010	10/31/2009
Distributions paid from:		
Tax-exempt income	$6,263,825	$5,749,151
Ordinary income	390,796	14,560
Total distributions	$6,654,621	$5,763,711

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

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

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

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

Note 5. Capital

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

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

Note 6. Remarketed Preferred Stock

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

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

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

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

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

Note 7. Subsequent Events

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

Note 8. Indemnifications

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

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 portfolio of investments, as of October 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

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

Ernst & Young LLP

Chicago, Illinois
December 15, 2010

IMPORTANT TAX INFORMATION (Unaudited)

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

REPORT ON ANNUAL MEETING OF SHAREHOLDERS (Unaudited)

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

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

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

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

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

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

PROXY VOTING POLICY AND PROCEDURES (Unaudited)

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

AVAILABILITY OF QUARTERLY SCHEDULE OF INVESTMENTS (Unaudited)

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

PRIVACY PRINCIPLES OF THE FUND (Unaudited)

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

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

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

DIRECTORS OF THE FUND (Unaudited)

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

Independent Directors

Name, Address and Age	Positions Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by the Director
Stewart E. Conner c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 69	Director	Term expires 2012; Director since 2009	Attorney, Wyatt Tarrant & Combs LLP since 1966 (Chairman, Executive Committee 2000-2004, Managing Partner 1988-2000)	3	
Robert J. Genetski c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 67	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	3	Director, Midwest Banc Holdings, Inc.
Nancy Lampton[1] c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 68	Director and Vice Chairman of the Board	Term expires 2012; Director since 2005	Vice Chairman of the Board of the Fund since May 2007, DNP Select Income Fund Inc. ("DNP") since February 2006 and Duff & Phelps Utility and Corporate Bond Trust Inc. ("DUC") since May 2007; Chairman and Chief Executive Officer, Hardscuffle Inc. (insurance holding company) since January 2000; Chairman and Chief Executive Officer, American Life and Accident Insurance Company of Kentucky since 1971	3	Director, Constellation Energy Group, Inc. (public utility holding company); Strategic Advisory Council Member, Lightbridge Corporation (provider of nuclear energy consulting services and developer of proprietary nuclear fuel designs); Advisory Board Member, CanAlaska Uranium Ltd.
Philip R. McLoughlin c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 64	Director	Term expires 2013; Director since 1996	Managing Director, Seacap Partners LLC (strategic advisory firm) since February 2009; Partner, CrossPond Partners, LLC (investment management consultant) 2006-2008; 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	49	Director, 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 c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 59	Director	Term expires 2011; Director since 2003	Private investor since July 2006; Managing Director, U.S. Trust Company of New York 1982-July 2006	49	

Name, Address and Age	Positions Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by the Director
Eileen A. Moran c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 56	Director	Term expires 2012; Director since 1996	President and Chief Executive Officer, PSEG Resources L.L.C. (investment company) since 1990	3	
Christian H. Poindexter c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age 72	Director	Terms expires 2011; Director since 2008	Retired Executive Committee Chairman, Constellation Energy Group, Inc. (public utility holding company) since March 2003 (Executive Committee Chairman, July 2002-March 2003; Chairman of the Board, April 1999-July 2002; Chief Executive Officer, April 1999-October 2001; President, April 1999-October 2000) Chairman, Baltimore Gas and Electric Company, January 1993-July 2002 (Chief Executive Officer January 1993-July 2000; President, March 1998-October 2000; Director, 1988-2003)	3	Director, The Baltimore Life Insurance Company
Carl F. Pollard[(1)] c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 72	Director	Term expires 2011; Director since 2006	Owner, Hermitage Farm L.L.C. (thoroughbred breeding) since January 1995; Chairman, Columbia Healthcare Corporation 1993-1994; Chairman and Chief Executive Officer, Galen Health Care, Inc. March-August 1993; President and Chief Operating Officer, Humana Inc. 1991-1993 (previously Senior Executive Vice President, Executive Vice President and Chief Financial Officer)	3	Chairman of the Board and Director, Churchill Downs Incorporated
David J. Vitale c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 64	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; Executive Chairman, Urban Partnership Bank since August 2010; Private investor December 2008-August 2010; Senior Advisor to the CEO, Chicago Public Schools April 2007-December 2008; Chief Administrative Officer, Chicago Public Schools April 2003-April 2007; Private investor November 2002-April 2003; President and Chief Executive Officer, Board of Trade of the City of Chicago, Inc. March 2001-November 2002; Private 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)	3	Director, UAL Corporation (airline holding company), Urban Partnership Bank, Alion Science and Technology Corporation, ISO New England Inc. (not for profit independent system operator of New England's electricity supply), Ariel Capital Management, LLC and Wheels, Inc. (automobile fleet management)

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

(1) Elected by the preferred stockholders, voting as a separate class.
(2) Mr. Partain is an Interested Director because he is an officer and employee of the Adviser.

MANAGEMENT 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.

Name, Address and Age	Position(s) Held with Fund and Length of Time Served	Principal Occupation(s) During Past 5 Years
T. Brooks Beittel, CFA Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 60	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 Virtus Investment Advisers, Inc. 100 Pearl Street Hartford, CT 06103 Age: 45	Chief Investment Officer since 2004; Vice President since 1997	Senior Vice President of the Adviser since 2004 (Vice President 1997-2004); Senior Managing Director, Fixed Income, Virtus Investment Advisers, Inc. (f/k/a Phoenix Investment Counsel, Inc.) since 2006 (Managing Director, Fixed Income 1997-2006; Director, Fixed Income Research 1996-1997; Investment Analyst, 1992-1996)
Lisa H. Leonard Virtus Investment Advisers, Inc. 100 Pearl Street Hartford, CT 06103 Age: 47	Vice President since 2006	Vice President of the Adviser since 2006; Portfolio Manager, Virtus Investment Advisers, Inc. (f/k/a Phoenix Investment Counsel, Inc.) since 1998 (Director, Investment Operations 1994-1998, Fixed Income Trader 1987-1993)
Alan M. Meder, CFA, CPA Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 51	Treasurer since 2000; Principal Financial and Accounting Officer and Assistant Secretary since 2002	Senior Vice President of the Adviser since 1994
Joyce B. Riegel Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 56	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

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Directors
David J. Vitale, *Chairman*
Nancy Lampton, *Vice Chairman*
Stewart E. Conner
Robert J. Genetski
Philip R. McLoughlin
Geraldine M. McNamara
Eileen A. Moran
Nathan I. Partain, CFA
Christian H. Poindexter
Carl F. Pollard

Officers
Nathan I. Partain, CFA, *President & Chief Executive Officer*
T. Brooks Beittel, CFA, *Secretary*
Timothy M. Heaney, CFA, *Chief Investment Officer*
Lisa H. Leonard, *Vice President*
Alan M. Meder, CFA, CPA, *Treasurer & Assistant Secretary*
Joyce B. Riegel, *Chief Compliance Officer*

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Chicago, IL 60606

Legal Counsel
Mayer Brown LLP
71 South Wacker Drive
Chicago, IL 60606

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

DTF Tax-Free Income Inc.

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