

LETTER TO SHAREHOLDERS

December 14, 2009

Dear Fellow
Shareholder:

The Current Municipal Market Environment and Your Fund:

The municipal bond market is experiencing a powerful and dramatic rebound in 2009 after suffering through one of the most difficult periods in the market's long history. Record mutual fund inflows, the ability of issuers to access the capital markets at acceptable interest rate levels and the Build America Bond (BAB) program have been the three primary drivers of the market's impressive turnaround. In regard to fund inflows, for the first 10 months of the year, investors have poured over \$60 billion of money into open-end municipal bond funds, while at the same time individual investors' direct purchases of municipal bonds have been extremely strong. Increasingly, investors are looking to the municipal bond market for principal protection and income exempt from taxes. This massive amount of net inflows so far this year is more than twice the previous annual record and is expected to remain strong through the end of the year, providing issuers with solid demand for new supply. Further, this impressive demand for tax-exempt bonds has helped lower municipal interest rates to levels not seen since the 1960s.

The second major driver of the 2009 rebound has been the re-emergence of the new issuance market. After a relatively slow start to the year in the amount of new issue supply, the past several months have been characterized by strong issuance as municipalities are finding the cost of capital to be very acceptable compared to late 2008 and early 2009 (when municipal interest rates were much higher) and as investors are more willing to own municipal bonds.

The third major driver of this year's double digit returns has been the BAB program. BABs allow issuers an alternative to the tax-exempt market for the financing of infrastructure development. BAB issues are taxable municipal bonds, but the issuer receives a 35% subsidy for the cost of interest from the Federal Government. So, after factoring in the 35% interest cost subsidy to the issuer, the cost of capital for bonds issued to-date has been below what the issuers would have paid in the tax-exempt marketplace. So far, the program has generated over \$50 billion of new supply. The general effect of this program has been an overall improvement in the price of most high quality municipal bonds, since this issuance would previously have come to the market as tax-exempt debt.

Ongoing concerns surrounding the fiscal conditions facing all municipalities still cast a cloud of caution and trepidation over the municipal bond market. As we move through the balance of 2009 and into 2010, investors will be closely monitoring the financial health of municipal issuers as they struggle with lower revenues due to declines in sales tax and income tax receipts. According to a recent report by the Nelson A. Rockefeller Institute of Government at the State University of New York, U.S. states' tax collections declined for the fourth consecutive quarter as the recession continues to impact employment and consumer spending. The decline in tax revenues for the three months ending September 30, 2009 was 10.7% when compared to the same period last year.

The Rockefeller Institute's report goes on to predict that state budget deficits will exceed \$350 billion in the next two years. While many indicators suggest that the U.S. economy has begun to show signs of improvement, the outlook for municipal finance remains very cautious, since municipal credit generally lags the economy by several quarters after a recession ends. The prospect for continued declines in revenue, especially if economic conditions worsen or fail to improve in the near term, will force municipalities to make difficult budget cuts while looking for ways to increase revenue. As a result of this difficult fiscal environment, the municipal market is experiencing an increase in the number of defaults and credit impairments as some issuers struggle to generate the revenue necessary to meet obligations including debt service.

The DTF Fund owns one issue (Mashantucket Western Pequot Tribe Special Revenue Bond) that is experiencing heightened credit pressure. While that bond has not defaulted on its obligations to bondholders, the market has become concerned about its ability to service debt going forward and is trading the bonds without accrued interest. We will continue to monitor this issue, and all issues in the Fund, as we move through this difficult credit environment.

Clearly, the past eighteen months have been unprecedented for all asset classes, including leveraged closed-end municipal bond funds. In an effort to minimize the effects of the volatility and continued uncertainty in the municipal bond market, we have continued to emphasize higher quality bonds in a well diversified portfolio. In spite of the significant downgrades to the ratings of all major monoline bond insurers, the average quality rating of the Fund’s holdings is AA-, with approximately two-thirds of its holdings rated AA or higher. The Fund is well diversified among many sectors, with water and sewer and electric utility issues representing the Fund’s largest exposures. Additionally, the Fund is well diversified geographically, with exposure to 25 states in the United States plus Washington D.C. and Puerto Rico. 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 as a result of future Federal Government actions and market forces. The widening of risk premiums during the past year has provided the Fund with increased opportunities to further diversify its holdings and improve its yield. In addition, since the change in investment policy in 2007, we have increased the Fund’s exposure to non-utility tax-exempt municipal bonds as we continue to look for opportunities in all sectors of the investment-grade municipal bond market in an ongoing effort to further diversify the Fund’s holdings and maximize earnings.

As a result of widespread liquidity concerns affecting the credit markets, the short-term auction and remarketed preferred stock markets have been ineffective at matching buyers with sellers since February of 2008. As the DTF Fund employs leverage through the use of Remarketed Preferred (RP) shares, our preferred shareholders have also been impacted by the lack of RP market liquidity. However, the challenges that have affected the remarketing process for our preferred stock since February 2008 are related to general concerns about credit quality and liquidity within the global credit markets and not to any problems with the creditworthiness of the Fund or its preferred stock. Though it is likely that remarketing failures will continue for some period, the Fund cannot determine at what point a resolution to the liquidity crisis will occur. The Fund intends to continue to meet its obligations to preferred shareholders by paying them the dividends to which they are entitled.

As we move forward into 2010, we anticipate continued economic challenges as the Federal Government continues its efforts to stabilize the U.S. economy and restore economic growth. Some factors that could influence the municipal bond market as we move forward include: the possibility of further actions by the Federal Government, the ongoing health of the U.S. economy and its labor markets, the performance of equity markets, and potential changes to current tax laws.

Fund Performance:

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

	Annualized Total Return (10/31/09) ¹			
	One Year	Three Years	Five Years	Ten Years
DTF Fund (NAV) ²	18.5%	3.4%	3.4%	6.1%
DTF Fund (Share Price) ³	31.6	2.6	2.3	5.5
Lipper Peer Group Average Return (NAV) ⁴	26.0	0.9	3.3	6.0
Barclays Capital Municipal Bond Index ⁵	13.6	4.2	4.2	5.7

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 10/31/2009 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 10/31/2009 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 (index was formerly maintained by Lehman Brothers).

As of October 31, 2009, the fund was paying a 66 cent annualized dividend and the closing share price on the NYSE was \$14.10. This dividend translated into a tax equivalent yield of 7.20% for an individual in the 35% federal tax bracket. This tax equivalent yield was more than 3.50% higher than the yield then available on a 10-year taxable U.S. Treasury bond.

On December 14, 2009, the Board of Directors increased the common dividend for the second time in the past year. The monthly dividend was increased from \$0.055 to \$0.06 per common share beginning January 2010. The increase in the dividend was the result of the Fund achieving higher earnings due to the lower interest rate environment reducing the amount of dividends payable on its remarketed preferred stock and due to purchases of higher income-producing bonds over the past several quarters.

Additionally, the Fund's common shareholders will receive a special distribution of 4.5873 cents per share payable December 28, 2009. 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 price below par. Please consult your financial advisor for the tax treatment of this distribution.

We appreciate your interest in DTF Tax-Free Income Inc. 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 10/31/2009

Principal Amount (000)	Description (a)	Value (Note 1)
LONG-TERM INVESTMENTS—143.9%		
Arizona—1.6%		
\$2,000	Arizona St. Trans Brd. Hwy. Rev., 5.00%, 7/1/30, Ser. B	\$ 2,106,220
California—22.2%		
2,000	Bay Area Toll Auth. Rev., 5.125%, 4/1/39, Ser. F-1	2,054,820
500	California St. Gen. Oblig., 5.50%, 3/1/26	515,120
1,000	California St. Gen. Oblig., 6.00%, 4/1/38	1,059,700
2,000	California Statewide Communities Dev. Auth. Rev., 5.75%, 7/1/47, F.G.I.C.	2,062,160
2,000	Fresno Swr. Rev., 6.25%, 9/1/14, Ser. A-1, A.M.B.A.C.	2,205,520
3,000	Golden State Tobacco Securitization Corp. Rev., 5.75%, 6/1/47, Ser. A-1	2,205,690
2,000	Los Angeles Wastewtr. Sys. Rev., 5.00%, 6/1/26, Ser. A, NATL-RE	2,032,700
1,000	Los Angeles Dept. Wtr. & Pwr. Rev., 5.25%, 7/1/21, Ser. A-A-1, F.S.A.	1,049,860
1,000	Los Angeles Dept. Wtr. & Pwr. Rev., 5.375%, 7/1/21, Ser. A-A-2, NATL-RE	1,055,880
430(b)	Pomona Sngl. Fam. Mtge. Rev., 7.375%, 8/1/10, Ser. B, Escrowed to maturity	443,167
2,500(b)	Riverside Cnty. Sngl. Fam. Rev., 7.80%, 5/1/21, Ser. A, Escrowed to maturity	3,469,175
7,840(b)	San Bernardino Cnty. Residential Mtge. Rev., 9.60%, 9/1/15, Escrowed to maturity	10,917,827
1,040	Saratoga Unified Sch. Dist., Gen. Oblig., Zero Coupon, 9/1/20, Ser. A, F.G.I.C./NATL-RE	608,171
		<u>29,679,790</u>
Connecticut—2.5%		
1,000	Connecticut St. Dev. Auth. Rev., 5.25%, 5/1/31	1,017,560
1,000	Connecticut St. Health & Edl. Facs. Auth. Rev., 5.00%, 7/1/25, Ser. C, Radian	877,980
2,500(c)	Mashantucket Western Pequot Tribe Spl. Rev., 144A, 5.75%, 9/1/18, Ser. B	1,411,025
		<u>3,306,565</u>

Principal Amount (000)	Description (a)	Value (Note 1)
District of Columbia—1.9%		
\$1,500	District of Columbia Wtr. & Swr. Auth. Rev., 5.00%, 10/1/33, F.G.I.C./NATL-RE	\$ 1,500,465
1,000	Metropolitan Washington DC Airport, 5.00%, 10/1/18, Ser. A, F.S.A./A.M.B.A.C.	1,040,400
		<u>2,540,865</u>
Florida—8.3%		
1,500	Broward Cnty. Port Fac. Rev., 6.00%, 9/1/23, Ser. A	1,617,720
1,190	Escambia Cnty. Hlth. Fac. Auth. Rev., 5.125%, 10/1/19	1,139,508
2,210	Florida Mun. Ln. Council Rev., 5.375%, 8/1/20, Ser. B, NATL-RE	2,266,642
2,000	Florida St. Bd. of Ed. Gen. Oblig., 5.00%, 6/1/21, Ser. A	2,182,000
70(b)	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G Prerefunded 11/15/16 @ \$100	80,736
1,930	Highlands Cnty. Hlth. Fac. Auth. Rev., 5.125%, 11/15/32, Ser. G	1,853,090
2,000	Orlando and Orange Cnty. Expwy. Auth. Rev., 5.00%, 7/1/35, Ser. B, B.H.A.C./A.M.B.A.C.	2,016,520
		<u>11,156,216</u>
Georgia—10.9%		
2,385	Atlanta Wtr. & Wastewtr. Rev., Ser. A, 5.00%, 11/1/29, F.G.I.C./NATL-RE	2,300,261
715	Atlanta Wtr. & Wastewtr. Rev., Ser. A, 5.00%, 11/1/38, F.G.I.C./NATL-RE	649,084
2,000	Fulton Cnty. Sch. Dist., Gen. Oblig., 5.375%, 1/1/16	2,304,540
145(b)	Georgia Mun. Elec. Auth. Pwr. Rev., Ser. Y, 6.40%, 1/1/13, Escrowed to maturity	159,386
2,440	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13, A.M.B.A.C.	2,665,358
30(b)	Georgia Mun. Elec. Auth. Pwr. Rev., 6.40%, 1/1/13 Prerefunded 1/1/11 @ \$100	32,036
5,500	Georgia Mun. Elec. Auth. Pwr. Rev., 6.50%, 1/1/20, Ser. X, A.M.B.A.C.	6,425,100
		<u>14,535,765</u>
Idaho—0.2%		
155	Idaho Hsg. Agcy., Sngl. Fam. Mtge. Sr., Rev., 6.65%, 7/1/14, Ser. B	159,760
133	Idaho Hsg. Agcy., Sngl. Fam. Mtge. Sr., Rev., 6.60%, 7/1/27, Ser. B	133,815
		<u>293,575</u>

See Notes to Financial Statements.

Principal Amount (000)	Description (a)	Value (Note 1)
Illinois—7.8%		
\$1,000	Chicago Bd. of Ed. Gen. Oblig., 5.50%, 12/1/30, Ser. A, A.M.B.A.C.	\$ 1,089,350
2,745	Chicago Gen. Oblig., 6.25%, 1/1/11, A.M.B.A.C.	2,825,401
500	Chicago Multi-Family Hsg. Rev., 4.90%, 3/20/44, F.H.A.	473,770
1,000	Chicago Park Dist., Gen. Oblig., 5.00%, 1/1/27, Ser. A, A.M.B.A.C.	1,028,840
1,000(b)	Illinois Fin. Auth. Education Rev., 5.375%, 9/1/32, Ser. C, Prerefunded 9/1/17 @ \$100	1,188,530
2,000	Illinois St. Gen. Oblig., 5.50%, 1/1/29	2,243,920
1,500	Illinois St. Toll Hwy. Auth. Rev., 5.50%, 1/1/33, Ser. B	1,603,605
		<u>10,453,416</u>
Indiana—6.6%		
1,000	Indiana Fin. Auth. Hospital Rev., 5.875%, 5/1/29, Ser. A	1,019,560
5,000	Indiana Mun. Pwr. Agcy., Pwr. Supply Sys. Rev., 6.00%, 1/1/13, Ser. B, NATL-RE	5,549,250
2,100(b)	Indianapolis Local Pub. Impvt. Bond Bank Rev., 5.25%, 7/1/33, Ser. A, Prerefunded 7/1/12 @ \$100	2,331,546
		<u>8,900,356</u>
Kentucky—1.4%		
1,930	Louisville & Jefferson Cnty. Met. Swr. Dist., Swr. & Drain Sys. Rev., 5.00%, 5/15/30, Ser. A, F.G.I.C./NATL-RE	1,934,343
Massachusetts—9.5%		
2,000	Boston Wtr. & Swr. Comm. Rev., 5.00%, 11/1/28, Ser. D, F.G.I.C./NATL-RE	2,003,100
3,000	Massachusetts Bay Trans. Auth. Rev., 5.50%, 7/1/29, Ser. B, NATL-RE	3,531,750
1,500	Massachusetts St. Dev. Finance Agency, Solid Waste Disp. Rev., 5.00%, 2/1/36	1,304,595
1,000	Massachusetts St. Gen. Oblig., 5.50%, 8/1/30, Ser. A, A.M.B.A.C.	1,169,640
2,355	Massachusetts St. Tpk. Auth., Metro. Highway Sys. Rev., 5.125%, 1/1/23, Ser. B, NATL-RE	2,355,824
2,500	4.75%, 1/1/34, Ser. A, A.M.B.A.C.	2,307,275
		<u>12,672,184</u>

Principal Amount (000)	Description (a)	Value (Note 1)
Michigan—3.1%		
\$2,000(b)	Detroit Wtr. Supply Sys. Rev., Ser. A, 5.50%, 7/1/24, Prerefunded 7/1/11 @ \$100	\$ 2,153,820
2,000	5.00%, 7/1/30, F.G.I.C./NATL-RE	1,966,959
		<u>4,120,779</u>
Nebraska—3.7%		
1,875(b)	Omaha Pub. Pwr. Dist., Elec. Rev., Ser. B, 6.15%, 2/1/12, Escrowed to maturity . . .	1,993,819
2,500(b)	6.20%, 2/1/17, Escrowed to maturity . . .	2,944,575
		<u>4,938,394</u>
Nevada—2.6%		
1,400	Las Vegas Valley Wtr. Dist., Gen. Oblig., 5.00%, 6/1/25, Ser. B, NATL-RE	1,424,752
2,000	Nevada St. Gen. Oblig., 5.00%, 12/1/24, Ser. F, F.S.A.	2,083,920
		<u>3,508,672</u>
New Jersey—4.7%		
1,025	New Jersey Econ. Dev. Auth. Rev., 4.95%, 3/1/47	845,246
2,000	New Jersey St. Gen. Oblig., 5.25%, 7/1/17, Ser. H	2,305,440
1,000	New Jersey St. Tpk. Auth. Rev., 5.00%, 1/1/36, Ser. H	994,150
2,000	New Jersey Trans. Trust Fund Auth. Rev., 5.25%, 12/15/22, Ser. A	2,202,260
		<u>6,347,096</u>
New York—8.6%		
1,000	Albany Industrial Dev. Agy. Rev., 5.00%, 4/1/32, Ser. A	791,450
800	Long Island Pwr. Auth. Elec. Sys. Rev., 5.00%, 12/1/35, Ser. B	807,560
1,000	Metro. Trans. Auth. Rev., 5.25%, 11/15/31, Ser. A, F.G.I.C./NATL-RE	1,011,730
5,000	New York City Mun. Wtr. Fin. Auth., Wtr. & Swr. Sys. Rev., 5.00%, 6/15/29, Ser. B, F.S.A.	5,021,100
1,500	New York St. Dorm. Auth. Rev., Sch. Dist. Rev. Bond Financing Program, 7.25%, 10/1/28, Ser. C	1,812,510
2,000	New York St. Dorm. Auth. Rev., State Personal Inc. Tax Rev., 5.00%, 3/15/30, Ser. F	2,056,780
		<u>11,501,130</u>
Ohio—5.9%		
3,000	Buckeye Tobacco Settlement Financing Auth. Rev., 6.50%, 6/1/47, Ser. A-2	2,416,740

See Notes to Financial Statements.

Principal Amount (000)	Description (a)	Value (Note 1)
\$ 750	Deerfield Twp. Tax Increment Rev., 5.00%, 12/1/25	\$ 731,355
1,000	Hamilton Elec. Sys. Rev., 4.60%, 10/15/20, Ser. A, F.S.A.	1,049,340
750	Ohio St. Air Quality Dev. Auth. Rev., 5.70%, 2/1/14, Ser. A	805,335
2,445	Ohio St. Wtr. Dev. Auth. Rev., 5.50%, 6/1/20, Ser. B, F.S.A.	2,893,658
		<u>7,896,428</u>
Pennsylvania—3.1%		
2,000	Delaware Cnty. Auth. Rev., 5.00%, 6/1/21, Ser. A, Radian	2,005,700
1,000	East Stroudsburg Area Sch. Dist., Gen. Oblig., 7.75%, 9/1/27, Ser. A, F.G.I.C./NATL-RE	1,211,800
1,000	Pennsylvania Economic Dev. Fin. Auth. Res. Recov. Rev., 4.625%, 12/1/18, Ser. F, A.M.B.A.C.	876,240
		<u>4,093,740</u>
Puerto Rico—0.7%		
1,000	Puerto Rico Elec. Pwr. Auth. Rev., 5.00%, 7/1/25, Ser. PP, F.G.I.C./NATL-RE	1,001,580
South Carolina—1.3%		
1,500(b)	Spartanburg Waterworks Rev., 5.25%, 6/1/28, Prerefunded 6/1/14 @ \$100	1,718,040
Tennessee—1.8%		
1,500	Tennessee Energy Acquisition Corp. Rev., Ser. A, 5.25%, 9/1/20	1,473,165
1,000	5.25%, 9/1/21	971,610
		<u>2,444,775</u>
Texas—21.3%		
1,000	Alliance Airport Auth. Inc. Rev., 4.85%, 4/1/21	950,580
2,500	Bexar Met. Wtr. Dist. Waterworks Sys. Rev., 5.00%, 5/1/25, NATL-RE	2,505,525
4,000	Coastal Wtr. Auth. Contract Rev., 5.00%, 12/15/25, F.S.A.	4,002,320
1,000	Dallas Area Rapid Transit Rev., 5.25%, 12/1/48	1,035,610
2,000	Dallas Gen. Oblig., 4.50%, 2/15/23	2,029,300
1,555	El Paso Wtr. & Swr. Rev., 5.50%, 3/1/12, Ser. A, F.S.A.	1,708,556
1,000	Everman Indep. Sch. Dist. Gen. Oblig., 5.00%, 2/15/36, P.S.F.	1,033,820
1,650	Harris Cnty. Gen. Oblig., 7.00%, 8/15/10, Ser. A	1,734,282

Principal Amount (000)	Description (a)	Value (Note 1)
\$1,500(b)	Houston Wtr. & Swr. Sys. Rev., 5.25%, 12/1/23, Ser. B, Prerefunded 12/1/10 @ \$100	\$ 1,574,760
3,500(b)	5.00%, 12/1/28, Ser. A, Prerefunded 12/1/09 @ \$100	3,513,580
1,000	Klein Indep. Sch. Dist. Gen. Oblig., 5.00%, 8/1/38, Ser. A, P.S.F.	1,036,510
2,000	Lower Colorado River Auth. Rev., 5.00%, 5/15/31, F.S.A.	2,010,840
2,000	McLennan Cnty. Pub. Fac. Corp. Proj. Rev., 6.625%, 6/1/35	2,177,980
1,975	Pharr-San Juan-Alamo Indep. Sch. Dist. Gen. Oblig., 5.50%, 2/1/33, P.S.F.	2,109,774
1,000	Spring Branch Indep. Sch. Dist. Gen. Oblig., 5.25%, 2/1/38, P.S.F.	1,047,790
		<u>28,471,227</u>
Virginia—4.4%		
2,000	Virginia College Bldg. Auth. Rev., 5.00%, 2/1/23, Ser. E-1	2,280,920
1,500	Virginia St. Hsg. Dev. Auth. Rev., 4.55%, 1/1/24	1,445,235
2,050	Virginia St. Pub. Bldg. Auth. Rev., 5.00%, 8/1/29, Ser. B	2,196,965
		<u>5,923,120</u>
Washington—2.3%		
500	Energy Northwest Wind Proj. Rev., 4.75%, 7/1/21, NATL-RE	509,505
2,500	King Cnty. Swr. Rev., 5.00%, 1/1/31, F.G.I.C./NATL-RE	2,528,500
		<u>3,038,005</u>
West Virginia—1.0%		
1,500	Monongalia Cnty. Building Commission Hospital Rev., 5.00%, 7/1/30, Ser. A	1,406,190
Wisconsin—3.2%		
2,000	Wisconsin St. Gen. Rev., 6.00%, 5/1/33, Ser. A	2,205,500
2,000	Wisconsin St. Health & Edl. Facs. Auth. Rev., 6.50%, 4/15/33	2,043,240
		<u>4,248,740</u>
Wyoming—3.3%		
4,000	Wyoming St. Farm Loan Brd. Cap. Facs. Rev., 5.75%, 10/1/20	4,463,640
	Total long-term investments (cost \$183,437,826)	<u>192,700,851</u>

See Notes to Financial Statements.

Shares	Description (a)	Value (Note 1)
	SHORT-TERM INVESTMENT—3.1%	
	State Street Institutional Tax-Free Money	
4,232,065	Market Fund (cost \$4,232,065)	\$ 4,232,065
	Total Investments—147.0%	
	(cost \$187,669,891)	196,932,916
	Other assets in excess of	
	liabilities—1.5%	2,022,885
	Liquidation Value of Remarketed	
	Preferred Stock—(48.5%)	(65,000,000)
	Net Assets Applicable to Common	
	Stock—100.0%	<u>\$133,955,801</u>
	Net asset value per share of common stock	
	(\$133,955,801/8,507,456)	<u>\$ 15.75</u>

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

- A.M.B.A.C.—Ambac Assurance Corporation.
- B.H.A.C.—Berkshire Hathaway Assurance Corporation.
- F.G.I.C.—Financial Guaranty Insurance Company.
- F.H.A.—Federal Housing Authority.
- F.S.A.—Financial Security Assurance Inc.
- NATL-RE—National Public Finance Guarantee Corp. (formerly MBIA).
- P.S.F.—Texas Permanent School Fund.
- Radian—Radian Asset Assurance Inc.

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

(c) Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A to qualified institutional buyers. At October 31, 2009, these securities amounted to a value of \$1,411,025 or 1.1% of net assets applicable to common stock.

Notes

The Fund implemented the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820) (formerly known as FASB 157) effective November 1, 2008. In accordance with ASC 820, fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and

(2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are 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, 2009:

Valuations	Level 1	Level 2	Level 3
Description			
Assets:			
Municipal Bonds	\$—	\$192,700,851	\$—
Money Market Fund	—	4,232,065	—
Total	<u>\$—</u>	<u>\$196,932,916</u>	<u>\$—</u>

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

As of October 31, 2009

Rating *	%
AAA	19.0
AA	37.8
A	30.3
BBB	10.5
BB	1.7
B	0.0
CCC	0.7
	<u>100.0</u>

* Prerefunded bonds that are rated AAA by Standard & Poor's Ratings Services 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 Ratings Services 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, 2009

<u>State</u>	<u>%</u>
California	22.2
Texas	21.3
Georgia	10.9
Massachusetts	9.5
New York	8.6
Florida	8.3
Illinois	7.8
Indiana	6.6
Ohio	5.9
New Jersey	4.7
Virginia	4.4
Nebraska	3.7
Wyoming	3.3
Wisconsin	3.2
Michigan	3.1
Pennsylvania	3.1
Nevada	2.6
Connecticut	2.5
Washington	2.3
District of Columbia	1.9
Tennessee	1.8
Arizona	1.6
Kentucky	1.4
South Carolina	1.3
West Virginia	1.0
Puerto Rico	0.7
Idaho	0.2
Short-Term Investment	3.1
	<u>147.0</u>
Other assets in excess of liabilities	1.5
Liquidation value of remarketed preferred stock	(48.5)
	<u><u>100.0%</u></u>

See Notes to Financial Statements.

DTF TAX-FREE INCOME INC.
Statement of Assets and Liabilities
October 31, 2009

Assets

Investments, at value (cost \$187,669,891)	\$196,932,916
Interest receivable	3,210,176
Other assets	<u>9,400</u>
Total assets	<u>200,152,492</u>

Liabilities

Payable for securities purchased	990,000
Investment advisory fee payable (Note 2)	85,023
Administrative fee payable (Note 2)	17,226
Dividends payable to preferred shareholders	333
Accrued expenses	<u>104,109</u>
Total liabilities	<u>1,196,691</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 \$133,955,801

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	4,315,751
Accumulated net realized loss on investment transactions	(148,492)
Net unrealized appreciation on investments	<u>9,263,025</u>
Net Assets Applicable to Common Stock	<u>\$133,955,801</u>
Net assets applicable to common stock (\$133,955,801/8,507,456 shares of common stock issued and outstanding)	<u>\$ 15.75</u>

DTF TAX-FREE INCOME INC.
Statement of Operations
For the Year Ended October 31, 2009

Investment Income

Interest income	<u>\$10,005,901</u>
Expenses	
Investment advisory fees (Note 2)	963,380
Administrative fees (Note 2)	191,514
Directors' fees and expenses	161,635
Remarketing fees	172,344
Professional fees	42,700
Custodian fees and expenses	49,607
Reports to shareholders	39,674
Transfer agent fees and expenses	24,672
Registration fees	23,750
Other	<u>12,913</u>
Total expenses	<u>1,682,189</u>
Net investment income	<u>8,323,712</u>

Realized and Unrealized Gain/(Loss) on Investments

Net realized gain on investment transactions	188,204
Net change in unrealized appreciation on investments	<u>12,450,452</u>
Net realized and unrealized gain on investments	<u>12,638,656</u>

Dividends and Distributions on Remarketed Preferred Stock From:

Net investment income	<u>(318,939)</u>
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Net Increase in Net Assets Resulting from Operations \$20,643,429

See Notes to Financial Statements.

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

	<u>For the Year Ended October 31, 2009</u>	<u>For the Year Ended October 31, 2008</u>
Operations		
Net investment income	\$ 8,323,712	\$ 8,280,185
Net realized gain/loss on investment transactions	188,204	(270,561)
Net change in unrealized appreciation/depreciation on investments	12,450,452	(17,204,110)
Dividends and distributions on remarketed preferred stock from net investment income	<u>(318,939)</u>	<u>(2,041,779)</u>
Net increase/(decrease) in net assets resulting from operations	<u>20,643,429</u>	<u>(11,236,265)</u>
Dividends and distributions on common stock from net investment income	<u>(5,444,772)</u>	<u>(5,104,474)</u>
Total dividends and distributions on common stock	<u>(5,444,772)</u>	<u>(5,104,474)</u>
Total increase/(decrease) in net assets	15,198,657	(16,340,739)

**Net Assets Applicable to
Common Stock**

Beginning of year	<u>118,757,144</u>	<u>135,097,883</u>
End of year(a)	<u>\$133,955,801</u>	<u>\$118,757,144</u>

(a) includes undistributed net investment income of	<u>\$ 4,315,751</u>	<u>\$ 1,791,784</u>
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See Notes to Financial Statements.

DTF TAX-FREE INCOME INC.

Financial Highlights

	For the Year Ended October 31,				
	2009	2008	2007	2006	2005
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of year	\$ 13.96	\$ 15.88	\$ 16.37	\$ 16.32	\$ 17.14
Net investment income ⁽¹⁾	0.98	0.97	0.95	0.95	0.94
Net realized and unrealized gain/(loss) on investment transactions	1.49	(2.05)	(0.49)	0.14	(0.63)
Dividends and distributions on remarketed preferred stock from:					
Net investment income	(0.04)	(0.24)	(0.29)	(0.26)	(0.16)
Net realized gains	—	—	—	—	(0.01)
Net increase/(decrease) from investment operations	2.43	(1.32)	0.17	0.83	0.14
Dividends and distributions on common stock from:					
Net investment income	(0.64)	(0.60)	(0.66)	(0.78)	(0.85)
Net realized gains	—	—	—	—	(0.11)
Total dividends and distributions on common stock	(0.64)	(0.60)	(0.66)	(0.78)	(0.96)
Net asset value, end of year	\$ 15.75	\$ 13.96	\$ 15.88	\$ 16.37	\$ 16.32
Per share market value, end of year	\$ 14.10	\$ 11.25	\$ 13.97	\$ 15.01	\$ 14.74
TOTAL INVESTMENT RETURN ON COMMON STOCK⁽²⁾	31.62%	(15.78)%	(2.69)%	7.30%	(3.25)%
RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON STOCK:⁽³⁾					
Operating expenses	1.32%	1.35%	1.42%	1.43%	1.40%
Net investment income	6.52%	6.28%	5.95%	5.88%	5.58%
SUPPLEMENTAL DATA					
Portfolio turnover rate	26%	5%	13%	7%	11%
Net assets applicable to common stock, end of year (000)	\$133,956	\$118,757	\$135,098	\$139,296	\$138,837
Asset coverage per share of preferred stock, end of the year	\$153,043	\$141,352	\$153,921	\$157,151	\$156,798
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 had no operations until November 20, 1991 when it sold 8,000 shares of common stock for \$112,400 to Duff & Phelps Corporation. Investment operations commenced on November 29, 1991.

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

financial statements.

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

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.

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, 2009 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.

Recent Accounting Pronouncement: In March 2008, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification™ (ASC), *Derivatives and Hedging* (ASC 815) (formerly known as FAS 161). ASC 815 is intended to improve financial reporting for derivative instruments and hedging activities and enable investors to understand how and why an entity uses derivatives, how derivative instruments and hedging activity are accounted for, and how derivative instruments and hedging activity affect an entity's results of operations and financial position. The Fund adopted ASC 815 effective May 1, 2009.

The adoption of ASC 815 had no impact the financial statement amounts as the Fund did not hold derivative instruments during the year ended October 31, 2009.

In June 2009, the FASB established ASC as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity

with GAAP. The ASC supercedes existing non-grandfathered, non-SEC accounting and reporting standards. The ASC did not change GAAP but rather organized it into a hierarchy where all guidance within the ASC carries an equal level of authority. The ASC became effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Fund appropriately updated relevant GAAP references to reflect the new ASC.

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, 2009, \$36,034 has been reclassified between undistributed net investment income and accumulated net realized loss 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”), (formerly Phoenix Investment Partners, Ltd.) and an Administration Agreement with Princeton Administrators, LLC (“Princeton”).

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 Princeton is computed weekly and payable monthly at an annual rate of 0.15% 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).

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 Agree-

ment, Princeton 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, 2009 aggregated \$48,600,216 and \$48,963,751, respectively.

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

Tax Basis of Investments	Appreciation	Depreciation	Net Unrealized Appreciation
\$187,401,326	\$12,288,150	\$2,756,560	\$9,531,590

Note 4. Distributions to Shareholders

The tax character of distributions paid during the fiscal years ended October 31, 2009 and 2008 was as follows:

	10/31/2009	10/31/2008
<i>Distributions paid from:</i>		
Tax-exempt income	\$5,749,151	\$7,146,253
Ordinary income	14,560	—
Capital gains	—	—
Total distributions	<u>\$5,763,711</u>	<u>\$7,146,253</u>

As of October 31, 2009, the components of accumulated earnings on a tax basis were as follows:

Undistributed tax-exempt income—net	\$ 3,656,403
Undistributed ordinary income—net	390,783
Undistributed long-term capital gains—net	—
Total undistributed earnings	4,047,186
Capital loss carryforward	(148,492)*
Unrealized gains/(losses)—net	9,531,590**
Total accumulated earnings	<u>\$13,430,284</u>

* On October 31, 2009 the Fund had a net capital loss carryforward of \$148,492, which expires in 2016. The Fund utilized \$224,238 of prior year net capital loss carryforward to offset current fiscal year recognized capital gains.

** 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 5. Capital

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

For the years ended October 31, 2009 and October 31, 2008, 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. Dividend rates ranged from 0.176% to 1.685% during the year ended October 31, 2009.

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 will vote together with holders of common stock as a single class. However, holders of RP are also entitled 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.

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 which ranged from 0.165% to 4.005%, between February 14, 2008 and the date of this report. 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.

Note 7. Subsequent Events Subsequent to October 31, 2009, dividends declared and paid on preferred stock totaled \$10,413 through December 14, 2009. On November 2, 2009, the Board of Directors of the Fund declared a dividend of \$0.055 per share of common stock payable on November 30, 2009, to common shareholders of record on November 16, 2009. On November 5, 2009, the Board of Directors approved a dividend of \$0.055 per share of common stock to be declared on December 1, 2009 payable on December 31, 2009 to common shareholders of record on December 15, 2009. On December 11, 2009, the Board of Directors declared a special dividend of \$0.045873 per share of common stock to be payable on December 28, 2009 to common shareholders of record on December 21, 2009. On December 14, 2009 the Board of Directors approved a dividend of \$0.06 per share of common stock payable on January 29, 2010, to common shareholders of record on January 15, 2010, and a dividend of \$0.06 per share of common stock payable on February 26, 2010, to common shareholders of record on February 16, 2010.

Management has adopted FASB ASC 855, *Subsequent Events* (formerly known as FASB 165) effective October 31, 2009. Management has evaluated the impact of any subsequent events through December 28, 2009, the date the financial statements were effectively issued. Management has determined that other than the events described in the previous paragraph, there are no material events or transactions that would affect the Fund's financial statements or require disclosure in the Fund's financial statements through this date.

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, 2009, 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 also 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, 2009, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. 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, 2009, 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 28, 2009

IMPORTANT TAX INFORMATION (Unaudited)

The following summarizes the taxable per share distributions paid by DTF Tax Free Income Inc. during the taxable year ended October 31, 2009:

	<u>Payable Date</u>	<u>Ordinary Income</u>
Preferred Shareholders	09/18/2009	\$2.92
	09/25/2009	\$2.92
	10/02/2009	\$3.09
	10/09/2009	\$2.27

All of the other net investment income distributions paid by the Trust qualify 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 7, 2009. 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 four directors to serve until the Annual Meeting in the year indicated below or until their successors are duly elected and qualified:		
Francis E. Jeffries (2010)	7,218,681	461,429
Eileen A. Moran (2012)	7,432,743	247,367
David J. Vitale (2012)	7,208,924	471,186
Nancy Lampton (2012)*	1,154	0

* 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: Philip R. McLoughlin, Geraldine M. McNamara, Nathan I. Partain, Christian H. Poindexter, and Carl F. Pollard.

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 has been amended to permit Plan participants periodically to 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. This amendment to the Plan was approved by the Board on May 27, 1998 and was effective September 1, 1998. Thereafter, purchases made pursuant to 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, 2008: (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 (202) 551-8090. The Fund's Form N-Q is also available, without charge, upon request, by calling toll free (800) 243-4361 ext. 4941.

ANNUAL CERTIFICATIONS (Unaudited)

In June 2009, the Fund submitted a CEO annual certification to the New York Stock Exchange (“NYSE”) in which the Fund’s principal executive officer certified that he was not aware, as of the date of the certification, of any violation by the Fund of the NYSE’s Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund’s principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund’s disclosure controls and procedures and internal control over financial reporting.

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: 68	Director	Term expires 2012; Director since 2009	Attorney, Wyatt Tarrant & Combs LLP since 1966 (Chairman, Executive Committee 2000-2004, Managing Partner 1988-2000)	3	
Connie K. Duckworth c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 55	Director	Term expires 2011; Director since 2009	Founder, Chairman and President, Arzu, Inc. (nonprofit corporation created to assist Afghan women through sale of homemade rugs) since August 2003; Member, Eight Wings Enterprises LLC (investor in early-stage businesses) 2002-2004; Advisory Director, Goldman Sachs & Company, December 2000-December 2001 (Managing Director, December 1996-December 2000, Partner 1990-1996, Chief Operating Officer of Firmwide Diversity Committee 1990-1995)	3	Director, Smurfit-Stone Container Corporation (packaging manufacturer) and Frank Russell Company (investment services companies); Trustee, Northwestern Mutual Life Insurance Company; Director and Past Chairman, NorthShore University HealthSystem; Member, Board of Overseers, Wharton School of the University of Pennsylvania; Trustee, Global Heritage Fund (archaeological conservation organization)
Robert J. Genetski c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 67	Director	Term expires 2010; 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.

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
Francis E. Jeffries c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 79	Director and Chairman Emeritus of the Board	Term expires 2010; Director since 1991	Chairman Emeritus of the Board of the Fund, DNP Select Income Fund Inc. ("DNP") and Duff & Phelps Utility and Corporate Bond Trust Inc. ("DUC") since May 2009 (Chairman of the Board of DTF September 1991-May 2009, of DUC November 1992-May 2009 and of DNP May 2005-May 2009; President of DTF and DUC, January 2000-February 2004; Vice Chairman of the Board of DNP, April 2004-May 2005); Chairman of the Board of Phoenix Investment Partners, Ltd. ("PXP"), November 1995-May 1997; Chairman and Chief Executive Officer, Duff & Phelps Corporation, June 1993-November 1995 (President and Chief Executive Officer, January 1992-June 1993); Chairman of the Board of the Adviser, 1988-1993	3	
Nancy Lampton ⁽¹⁾ c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 67	Director and Vice Chairman of the Board	Term expires 2012; Director since 2005	Vice Chairman of the Board of DNP since February 2006, DTF since May 2007 and 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); Advisory Board Member, Thorium Power, Inc. (designer of non-proliferative fuel for nuclear energy needs)
Philip R McLoughlin c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 63	Director	Term expires 2010; Director since 1996	Managing Director, Seacap Partners LLC (strategic advisory firm) since February 2009; Partner, CrossPond Partners, LLC (investment management consultant) since 2006; Consultant to 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)
Geraldine M. McNamara c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 58	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	
Eileen A. Moran c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 55	Director	Term expires 2012; Director since 1996	President and Chief Executive Officer, PSEG Resources L.L.C. (investment company) since 1990	3	

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
Christian H. Poindexter c/o Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age 71	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: 71	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: 63	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; Private investor since December 2008; 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), 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)

Interested Director

Nathan I. Partain, CFA ⁽²⁾ Duff & Phelps Investment Management Co. 200 South Wacker Drive, Suite 500 Chicago, IL 60606 Age: 53	Director, President and Chief Executive Officer	Term expires 2010; Director since 2007	President and Chief Executive Officer of the Fund and DUC since 2004; President and Chief Executive Officer of DNP since February 2001 (Executive Vice President, April 1998-February 2001; Senior Vice President, January 1997-April 1998); President and Chief Investment Officer of the Adviser since April 2005 (Executive Vice President 1997-2005); 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)
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⁽¹⁾ Elected to their respective position on the board 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 set forth on page 22 of this report. 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: 59	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: 44	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: 46	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: 50	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: 55	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

Directors

David J. Vitale, *Chairman*
Francis E. Jeffries, CFA, *Chairman Emeritus*
Nancy Lampton, *Vice Chairman*
Stewart E. Conner
Connie K. Duckworth
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

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Administrator

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Custodian

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Transfer Agent

American Stock Transfer & Trust Company
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Independent Registered Public Accounting Firm

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233 South 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.

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DTF Tax-Free Income Inc.

Annual Report October 31, 2009

