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littlehammer's
Weekly Tax Exempt Newsletter
with
Questions and Answers
and
Conference Call Reminder

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Tuesday, August 14, 2001

- [1] Welcome: Comparing Results & Can I Hide?
- [2] Questions and Answers: How Compare to Others (Results/Price)?
- [3] News Briefs & Comments: Nowhere to Hide
- [4] Conference Call Reminder: **Wed, August 15th, 9pm EST, 1-305-503-1874, Pin 940**
- [5] Contact Information, Legal Notice & Notice of Copyright explanation.

In this section (below), I explain why I use the bracketed phrases [THE COMPANY] and [THE FOUNDER] to refer to the founder and his company, who achieve the money-back-guaranteed results of having the IRS change their internal records to reflect the fact that each client is exempt from income taxes on any income, regardless of amount or source, unless the source of the income is the federal government itself or a trade or business under the sovereign jurisdiction of the government. [THE COMPANY] accomplishes this fully (and only) in accord with the Internal Revenue Code, and thus, none of their clients ever experience adverse IRS confrontation or court proceedings. (I also explain how to “unsubscribe” to this newsletter in this section).

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[1] Welcome

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Dear Friends,

I want to thank the folks who write with their questions. My answering them provides me a way to not only answer their questions, but also a way to be able to provide a forum for all the readers of my newsletter to benefit.

Sometimes, people ask similar questions; sometimes, my answers to those similar questions vary, reflecting the different nuances in the way the questions are asked. That, too, provides for further insight as to how this all works.

In the case of one questioner this week, it provides me the opportunity to address something I've NEVER addressed before: the responsibility of each client to fulfill his/her responsibility in providing information, on a timely basis, information which [THE COMPANY] needs before they can proceed with the required filings to the IRS on

the client's behalf. I want to thank this client for letting my communication to him illustrate the important point. I guess I was taking for granted a subject that I assumed everyone else was taking for granted, as well. I'm glad for the opportunity to see that is not the case.

Another person asks a question that begs an answer as to how what [THE COMPANY] does compares, in terms of results, to other companies who provide their information or services for less money than [THE COMPANY]. Without being specific in direct or specific comparison, I provide some general concepts - including two quite specific questions anyone can ask any company (or their representatives) - that may help readers in coming to their own conclusions about what course of action best matches their own desires.

Enjoy!

Your friend,

Paul Leinthall
661-822-7889, Noon-8pm Mon-Fri EASTERN time
email: littlehammer@primemail.com

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[2] Questions and Answers
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To: Kxx
From: Paul Leinthall <littlehammer@primemail.com>
Subject: Re: Your questions

Hi Kxx,

You wrote:

I have not filed a return in the past 5 years. I am single, self employed, and spend all that I earn. I have heard that the 'privacy act' has made income tax voluntary according to such places as 'Institute for Global Prosperity' and the 'JoY Foundation' and 'Take Back America' They cost less than \$2500. Is the result the same?

KH

If you've read the information I sent you - and you might want to do that if you haven't - you probably noticed that I had not filed for 23 years prior to becoming a client of [THE COMPANY]. At the present time, in my relationship with the IRS, and as a result of [THE COMPANY's] services, I am "current" with my tax-filing requirements, without having incurred any tax liability for all those years I did not file.

The privacy act has nothing to do with whether income tax is voluntary, or not; it only has to do with the fact that government agencies must keep accurate records AND that the information in those records must be available under the "privacy act" - or more specifically, via the Freedom of Information Act.

While it's true that there is no law that originally required you to "join" the voluntary income tax system, the idea that it continues to be voluntary, once you have elected to join, is no more true than if you voluntarily elected to join the military. Once you sign your name on the bottom of ANY contract, the contract you sign has inherent terms and obligations which you have agreed to keep, as indicated by your signature. In the case of signing a contract to join the military, if you then change your mind and decide to not show up for duty (which, in the IRS contract, is analogous to not filing a tax return), they chase you and lock you up for going "AWOL".

Regarding the IRS and the income tax system, you entered into a contract with them by signing your name on the bottom of your FIRST "1040 Form U. S. Individual Tax Return", and NOT by having a social security card or having registered to vote, at least, as one of the groups you mentioned suggests.

While some of the groups you mention are aware of the power of contracts, a distinction I make, which comes from the point of view held by [THE COMPANY], is that if you are being advised that you can simply "drop out" of a contract, without any consequences, or more specifically, without the agreement of the other party to the contract (in this case the government and the IRS), you are being "ill advised".

There are two pretty good "proofs" of whether someone's suggestion or marketing information is actually and truly effective: the first "proof" is whether, as a result of that company's process, the IRS actually declares you to be a non-taxpayer, and changes their records on you. And that should be able to be verified either directly or indirectly from the IRS themselves. The second "proof" is, that if the IRS agrees that you are a non-taxpayer, then you would, most likely, be due a "credit" for taxes on your income which were incorrectly collected in your case?

IN TERMS OF RESULTS: there are two things you can ask any company or group who is willing to sell you information, or who promises to have someone write a letter (or some such) for you in the event you get into some kind of trouble. For that matter, you can ask these question of ANYBODY who purports to have knowledge of income tax laws, or who markets information, books, courses, manuals or gives seminars, or anyone who provides any kind of "income tax services", including CPA's and tax attorneys. Here's the two questions you can ask, and see what answers are that you hear coming back:

- Do I receive verified proof from the IRS, either directly, via some kind of communication on IRS Letterhead, or indirectly, through the Freedom of Information Act, by obtaining a copy of the records they maintain on me, so I can verify that they have, in fact, changed the way they view me, from taxpayer to non taxpayer?
- Do I receive a refund, or credit, for the taxes I've paid for all the years the law allows; and, if so, have any of your clients ever been refused a refund?

The most critical of those two questions, in ferreting out results, is, of course, the first one. The second question simply reflects "icing on the cake" (as long as you have the "cake" of a positive answer to the first question).

Minus a positive answer to the first question - and hopefully the second, as well - what results would you actually be paying for and about what results do you inquire?

I can't speak for the results of any other company or group, especially ones regarding whom I've had no firsthand experience. I know there's a lot of material available, in a great range of prices. So, when you're "comparison shopping", wanting the best value for your dollar, it makes perfect sense to ask the types of questions you're asking.

Here's some other distinctions I've noticed among all the purveyors and providers of tax information or tax services, including CPA's and tax attorneys:

THE OVERALL DISTINCTION is between those, on the one hand, who believe a person has no choice other than to "pay his fair share" and obey all the rules that "everybody" knows the IRS wants people to play, and, on the other hand, those who believe there is something not exactly correct about the the current tax system. In this hand, you can lump everyone in the "tax protester" movement, the "tax honesty movement", the folks who believe in regaining one's sovereignty under law - including, if you want, [THE COMPANY] I talk about and any group or company that markets any kind of information or provides services which run contrary to the "ordinary" thinking of the folks on the first hand.

When you start comparing the differing elements and philosophies in the OVERALL DISTINCTION (in the above paragraph), then I see three or four other, vital distinctions:

THE FIRST DISTINCTION: Are they selling information only (or primarily), where all (or most) of the responsibility for your success or failure depends pretty much on yourself and your own actions - not only on your doing most everything yourself, as detailed in their information, but in doing it correctly? Or, are they providing a service, where they do ALL the work for you? There are very few groups or companies in the second category. In fact, to my knowledge, the only company in the second group is [THE COMPANY] about which I speak (where the company does ALL the work).

THE SECOND DISTINCTION - and perhaps the most important of these four: Are they advising you to obey the WHOLE of the Law, including all the rules and regulations and proper procedures under the law? Or, are they telling you their "interpretation" of the law, and perhaps even telling you they've been successful in court, but not providing you the specific case-law legal cites, so you look up the cases and the court rulings to see if they jive with what you're being told? There are numerous examples of the leaders of some groups claiming success in the courts, and if that's the case, they would easily provide the case cite, don't you think? (Don't let them kid you into thinking that their success was put under wraps - or a "gag" order - so no one can check it out. That's not the way the court system works. Sometimes, the details of some agreements may be sealed, but the court's ruling is a matter of public record. I know a couple of cases, that, while the information provider claims success, the actual court ruling proves otherwise; in some cases, there's no record of a case being heard. Even if there really could have been some kind of gag order, the order would have meant that the person couldn't be talking about it in the first place; so anyone who's claiming success, in a case that can't be found, while claiming the results are sealed, might ought to be trying to sell you a bridge, instead).

I'll suggest two key areas for your inquiry here, one in their recommended procedures, and the other in their general "attitude": First, because there is no law requiring most American Citizen's to start filing tax returns, are they then suggesting that when you use their processes that you either don't have to file an annual tax return/statement, or you can file zero returns? Second, is their attitude one of belligerence and defiance

against either the government in general, or the IRS in particular? If either of those ingredients are present, from my perspective, you're asking for trouble. And these elements become aggravated if they are encouraging you to enroll your friends in the same procedures and attitudes.

THE THIRD DISTINCTION: Are they using a totally ADMINISTRATIVE process to deal with the IRS, or are they taking a stand in the Law in preparation for the possible eventuality of being confronted by the IRS in the JUDICIAL ARENA and possibly having to defend oneself in court? The reason I bring up this distinction is, that the IRS says that EVERY ISSUE can be resolved administratively. I'll go even further to say, that if a person ends up in court, even though claiming to have followed administrative procedures, then he did NOT, in reality, actually or correctly follow the administrative procedures.

The way to ferret out the answer to this question, as you peruse the material or spoken words of the group or company under consideration, is to ask yourself: "If I follow what they suggest, do I have a fairly secure feeling in my gut that this will keep me OUT of the courts, or am I, after all is said and done, having to prepare myself for that day, which I hope never comes, where I may have to defend myself in court? In other words, do I have the feeling that, in some way, or other, I'm going to have to keep looking over my shoulder?"

THE FOURTH DISTINCTION is: Are they willing to give you back your money if you absolutely follow what they suggest and it is, for any reason, not successful in your case? While this distinction is certainly not the most crucial (because you're obviously wanting a successful result, not a failure), the answer does tell you something, does it not? And the question itself, is probably more important when the price-tag is higher, and perhaps even more so, if the company or group is doing ALL (or most) of the work for you; in other words, where you're primarily paying for SERVICES in distinction to INFORMATION or EDUCATION.

The actual answer to the question in this fourth distinction is much easier when the actual "results" are defined; and that's why I suggested the TWO questions to ask under "IN TERMS OF RESULTS" (above).

I would suggest to anyone, inquiring in this area, to do whatever research and "checking out" of claims and promises and information presented - regardless of who is presenting it, including I or [THE COMPANY] I represent - until he comes to a clear, good, gut-feeling about which company or group or information seems to most be in harmony with his own desires. While actual prices vary, it won't matter what the price is, if the information takes a person down a path that she knew before she started, was not "right" for her, although there probably would be the tendency to "cry over wasted money". On the other hand, if the company's services or information provide the results which are most in harmony with her desires, then, ultimately, the price won't matter in that direction, either, although, admittedly, she might not be in a position to immediately "afford" it.

There's probably something to be said for the saying that suggests, "You get what you pay for."

I hope that helps in your consideration and deliberation.

Sincerely,

Paul Leinthall

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To: Bxxx Lxxxxxxx
From: Paul Leinthall <littlehammer@primemail.com>
Subject: Re: THANK YOU PAUL

You wrote (in part):

all the info is a lot to absorb...i will be letting you handle our tax status asap. we want to be EXEMPT.

Question

With so many multi millionaires out there why does not every one do this?

Dear Bxxx,

I agree that the info is a lot to absorb. I believe that's because the truth is so simple that it takes a bit of crawling through the complexity and the maze of confusion about what the law is and always has been. It's really is quite simple when you come right down to it...

...As to the question about why does not everyone do this, there are several answers: First, most people have not even heard about it. Even when they first hear about it, a lot of folks quickly write it off for a variety of reasons. Either they think they already know it can't work because it may sound similar to something they've heard, and they don't understand the simple and powerful distinction about the adhesion contract being the key to IRS authority in their lives, which almost nobody else talks about (or even knows about), and they've seen or heard stories about other people getting into trouble; or they think because it sounds too good to be true it must be, in fact, too good to be true.

Second, when they ask the advice of their friends and tax professionals, who themselves, know even less about what [THE COMPANY] does, and who, themselves, have been conditioned to believe something else, they're additionally fortified in their initial belief that it's too good to be true.

Third, if they try to get validation for the revocation process from the IRS or the media, they certainly can't find any validation in those directions. In fact, quite the opposite. Every year, particularly during "tax season", we witness a new parade of media attention and information that reinforces the idea that you'd better not mess with the IRS in the commonly understood way of doing things.

Regarding millionaires, or wealthy people in general - from the get-go, they tend to be more cautious and they're more used to taking the advise of professionals who, themselves, have only (mostly) been schooled in "the way it has been for over 60 years". They are not schooled in the actual truth of the law in regard to income taxes, even though that law has not changed, in regard to what [THE COMPANY] deals with, from the beginning of the Internal Revenue Code. They don't understand that the IRS' power in the lives of most individuals comes via contract and contract law. If they do understand it, they're not much talking about it, because if they're in the income tax

game, with their own income being derived from playing that game and from the fact that most other people play it too, they have a lot to "lose" if everyone did what [THE COMPANY] and their clients do. So, for some, there's a profit motive in not allowing full knowledge and access to the "whole truth" (assuming they actually know it in the first place). Also, wealthy people are, realistically, higher "targets" for the IRS, and consequently, many of them have become more cautious about anything that even comes close to rocking the boat, so-to-speak. When it comes to representing really wealthy clients before the IRS, [THE COMPANY] sometimes has to "work harder" in the sense that the IRS doesn't want to "let go" quite as easily, simply because there's more for them to lose in the case of the higher-profile, higher income person. [THE COMPANY's] work is no less effective, of course, but it sometimes requires a bit more "attention" in those cases.

Sincerely,
Paul Leinthall

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To: "Paul Leinthall" <littlehammer@primemail.com>
Subject: First contract to make us U.S. citizens in Fed. Jurisdiction?
Date: Wed, 11 Apr 2001 13:58:52 -0700

Dear Paul,

I received your newsletter and the materials regarding [THE COMPANY] and I had to wonder, was the 1040 form the first contract that entered American Citizens into a Federal Contract?

In thinking back to my first job at age 14, I believe the very first contract I signed "under penalty of perjury" no less, was the W-4 Form.

Would that not be the actual (First) contract that moved me from American Citizen into U.S. citizen of the Federal Zone?

It seems I would sign that contract first before filing a 1040 form? On the W-4, by signing it, am I not electing to be treated as a U.S. Individual liable for the tax? Isn't this actually the very first contract that brings all of us into the system?

Please reply.

Dr. Kxxxx Cxxxxxxx

Although the W-4 is an IRS "form" it is actually (by law) ONLY an agreement between the employee and his employer. HOWEVER, the IRS considers it to be evidence or indication of the employee's consideration and intention to enter the contract. It is the 1040 Form which is the actual "contract" stating that the signer is a "U.S. Individual".

The other reason that the W-4 itself, just by virtue of being an IRS form signed under penalty of perjury, can not be the actual "adverse" contract, is that a person who knows his true status could have signed his FIRST W-4 as "exempt" (and everyone after that, in the same manner), and there would then be no "1040 Form U. S. Individual Tax Return" (contract) having to be filed to get money back.

However, given the conditioned society in which we live today, most people do not sign "exempt" on their first W-4. Their employer withholds their money, and then they virtually have no choice but to sign a 1040 to get some of their money back. So, the IRS has THREE things they use as evidence that a person is a "taxpayer": First, they have the indication in consideration of the contract (the W-4); Second, they have the "testimony" of the employer, via the actual "withholding", which, in essence is the employer being a witness against the employee, saying, in essence, that the employee is receiving "taxable income"; Third, in order to get back some of his money, the employee signs a 1040 tax return (contract).

Regarding the employer "witnessing against his own employee" via the withholding of the employee's money, since there is no forum provided in the justice system for the employee to "examine" his employer (as a witness against him) regarding his "testimony," the employee is denied due process of law. (The "TaxGate.com" web site talks about this, as does Thurston Bell at "nite.org") - but to even begin to address that issue, requires venturing into the judicial arena and the court system; and, as I've said numerous times before, that's a tough row to hoe and one that is almost impossible to "hoe in a strait line".

That's why, to keep it simple and clean for children/dependants of clients who have NEVER signed and filed a 1040, [THE COMPANY] allows them to become clients for the \$450 annual fee, and [THE COMPANY] will make sure there's no "misunderstanding" on the part of the IRS of the fact that they are "non taxpayers".

Sincerely,
Paul

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[Part of this next dialogue is similar to the last questioner, but I answered with different words]:

To: Dxxxx Sxxxxxxxxx
From: Paul Leinthall <TaxExempt@primemail.com>

Hi Dxxxx,

Let me intersperse my answers among your questions:

[Thanks for the material. I have several questions. How do you keep your children out of this system to begin with?](#)

IF they NEVER complete a W-4 for an employer that says anything other than "Exempt"; if they NEVER generate (via employer or bank or brokerage firm, etc.) ANY W-2's showing taxes withheld or taxable money paid, and, of course, if the NEVER file a 1040 Tax Return, then they MAY escape the IRS getting on their trail. However, the IRS has all sorts of ways of assuming a person is a "taxpayer", the most concrete of which is, of course, a signature on a 1040 "U.S. Individual" Tax Return; but even a signed W-4 is often interpreted by them as an "intention to become a taxpayer," particularly if it is signed as other than "EXEMPT". Even then, they sometimes claim a person cannot complete a W-4 in that manner and "instruct" the employer to not honor it, although they have no legal ground to do so, and the employer is under no legal requirement to honor their instructions in that case. However, many employers are "afraid", and obey

the instructions, and "voila!" the person is hooked into the system, with money being withheld, and then either has to file a regular tax return to get back his "stolen" money, or going through the revocation process, whereby the IRS recognizes that person as not being within their jurisdiction. A young person who's never filed his first tax return can become a client for just the annual filing fee, which most clients pay beginning in their third year (currently \$450 per year; and once a person is a client, the fees NEVER increase).

If a person has no problems with the irs after getting back his status as tax exempt then why would he need to continue as a client of the company?????

Two reasons:

First, the Internal Revenue Code does not allow for not filing, once one has elected into the system. Very similar to voluntarily electing to join the military; once out, you can never remove the "veteran" status. So, the company prepares a filing each year for each client. (See my answer to your next question).

Second, As the law and regulations pertaining to income taxes keep changing, the research the company does on a weekly basis makes sure that they "keep abreast" of any changes and make any necessary adjustments in the procedures and filings. For example, last year, the IRS changed the location where the type of filings the company submits are accepted. We know lots of folks who "sell information" whose information instantly became "out of date" in terms of it's validity and effectiveness, even if those folks knew how to achieve the same (or similar) results as does the company. So, folks who had simply purchased information and were trying to do it on their own, were then "out of date" and "failing", even if they had been succeeding prior to that. For clients of the company, this does not happen, because the company is always researching new codes and IRS rulings, as well as court rulings, and always making adjustments to the dynamic process and annual filings, as those changes are deemed necessary to continue being 100% successful.

Is a person required to file a 1040NR after the revocation of election process????

The law requires a continual filing of a "return or statement". We no longer file "returns" (including anything in the 1040 series). We file an annual statement and declaration of material facts, each year, for each client, which is designed in such a way as to be 100% in harmony with the ever-evolving IR Code, thus constantly keeping the client out of trouble.

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From: Jx Bxxxx
To: "Paul Leinthall" <littlehammer@primemail.com>
Subject: Taxes
Date: Tue, 7 Aug 2001 08:00:36 -0700

Hi Paul,

We just received a package from [THE COMPANY] yesterday which we are mailing back today.

According to them, as I understand it, the tax forms that they were using were coming back as "frivolous returns" by the IRS. which makes me just a little concerned. Am I being concerned for no reason or are things changing so much that the IRS is finding a way to get to [THE COMPANY] too. I have read your news letters but I don't remember you talking about "frivolous returns" being sent back to [THE COMPANY]. I realize the IRS is under scrutiny. Are they changing things so much that [THE COMPANY] will no longer be effective.

Your thoughts would be greatly appreciated on this if you have time. Thanks for listening, :-)

Jx Bxxxx

Part of the reason [THE COMPANY] no longer files any of the "returns" in the 1040 series, including the 1040NR, is that the "statement and declaration" would often get "separated" from the "return" (how could the IRS make such a mistake?), and then, the agent handling the "return" would consider it "frivolous", because it showed no "taxable income". Without the statement and declaration explaining "why", the agent had no way of judging otherwise. When that would occur, some clients began getting letters from the IRS saying they had filed "frivolous" returns. [THE COMPANY], of course, handled it, in each case; but it was an aggravation they didn't need. Then, in harmony with the newer process of the "determination letter request", it became simpler and more efficient to eliminate the 1040NR filing altogether.

There is nothing about which to be concerned.

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This next short dialogue (not all the dialogue is included) reveals something I want to bring out to EVERYONE, particularly current clients of [THE COMPANY]:

From: Paul Leinthall <littlehammer@primemail.com>
Subject: Re: Quick Question

Hi Cxxxx,

I'll answer your questions, one by one: [In this case, and for the purposes, of this newsletter, I will include only one question here. As background, this person has been a client for almost seven months].

Hi Paul.

First, will the company automatically send in another request for extension on August 15, as I have still not gotten them my 2000 tax information?

Why, might I ask, have you not fulfilled your responsibility to get the required information to [THE COMPANY]? There is no "monitor" mechanism in [THE COMPANY's] operation for them to have a constant "tending" to the file of each client, in some sort of attempt to bear the client's part of the responsibility for getting the information to [THE COMPANY], information which they need in order to proceed in his case. Once they have communicated to a client that something is needed, [THE

COMPANY] doesn't "automatically" try to track whether the client is actually handling his/her responsibility; the file simply "sits and waits" until the proper information arrives.

If you read last Tuesday's edition of the newsletter (August 7, 2001), you will have seen my mention of a client who received his "second pack" from [THE COMPANY], which required his signature and notarization in several places, before being sent back, who took a whole YEAR to send it back. That DELAYED [THE COMPANY's] working on his case for that long. What might have been accomplished in two or three months, took a whole year longer.

When a client completes the application, there are explicit instructions as to what is necessary to be attached to the application. Beyond that, when ever the company needs additional information from you - for example, as is the case each year around "tax time" - they will send you a letter requesting that you send in your "income" information (W-2's, 1099's, K-1's, etc, along with any statements of "foreign earned" income brought back into the country). They will not, however, baby sit any client's folder to see if the client is fulfilling that request. They just "assume" that the client knows [THE COMPANY] can't proceed without the information, and the client's file will be "triggered" once again, upon receipt of the information they requested.

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[3] News Briefs & Comments
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I mentioned in last week's edition of the newsletter how the IRS is "scrambling" in a life or death struggle to maintain their existence. I'd forgotten I'd saved this article from the Washington Post over a month ago. It speaks to my statement last week. I may throw in a comment, or two, as we go along:

From: register@washingtonpost.com
Date: Mon, 9 Jul 2001 12:56:31 -0400 (EDT)
To: littlehammer@primemail.com

[Nowhere for Tax Cheats to Hide](#)

By Albert B. Crenshaw

Nearly four years after the Senate Finance Committee painted the Internal Revenue Service as an American gestapo, the agency is beset with so many tax protesters, scofflaws and con artists that it is going to considerable pains to remind everybody that it really "will" come after you if you don't pay what you owe.

How true that is is hard to gauge, but it is a departure from the agency's public relations emphasis of the past several years.

In the months and years following the hearings, the agency made many changes in its operations and its pronouncements -- all designed to present a nice-guy image. Property seizures were cut back, rules changed, training increased. It even changed its mission statement to emphasize "service," "integrity" and "fairness."

[Audit rates reached historic lows.](#)

After that, some taxpayers -- perhaps not surprisingly -- have been more aggressive in their efforts to take a personal tax cut. The Internet is teeming with sites that purport to offer ways to avoid paying tax. Many of those sites claim to have found "hidden" provisions of law that exempt ordinary Americans from income tax if they take a few simple steps.

Although it may sound like the above paragraph might apply to us, [THE COMPANY], of course, does NOT maintain a web site. Also, [THE COMPANY] does not claim that what they do is "hidden"; in fact, what they do has ALWAYS existed in the IR Code. Obviously, any person who is unaware of what the law provides, might THINK the truth is "hidden".

There are no such provisions, and most of the purveyors know it, but they are happy to prey on the credulous -- or those who know the truth but are willing to try, hoping that overburdened IRS won't catch them.

Then, too, one who is not aware, and remains locked into his beliefs to the contrary, could say, as did this writer, "There are no such provisions..."

The IRS isn't sure how bad things are, since Congress killed its program of random, highly detailed "taxpayer compliance" audits it once used to keep up with trends in taxpayer evasions and errors. But the agency clearly is worried, and is doing its best to convey the impression -- and, honest taxpayers should hope, the reality -- that its enforcement system is alive and well.

Worried people sometimes do strange things.

Whenever the agency has a legal victory -- such as a criminal indictment or a tax-shelter ruling in its favor -- it makes a point of it, saying, in effect, "Hey, it really could happen to you."

Last week, Commissioner Charles O. Rossotti called attention to penalties handed out by the U.S. Tax Court against taxpayers who use the court to try to delay the inevitable once the IRS has nailed them.

"The courts are for resolving unclear issues of law, not a forum for repeating arguments that the courts have already rejected," Rossotti said in a statement put out by the IRS press office. "Taxpayers intending to use the court as a soapbox should consider the potential cost."

Yes, both the financial cost and the almost inevitable "loss" of the case itself. That's why [THE COMPANY] continues to deal with the IRS only in the administrative arena, where the IRS claims ALL ISSUES can be resolved; that's where [THE COMPANY] has done so with no loss to any client.

The court can whack such folks with penalties up to \$25,000, and the judges are becoming increasingly fed up with frivolous arguments that they hear and reject over and over.

Our point, exactly.

For example, the IRS noted that last month the Tax Court penalized two California residents in separate cases for trying to avoid taxes through the use of trusts.

Just the word "trust" is a red-flag to the IRS. If you believe in trusts, and there is certainly a valid use for them, I'd suggest you be sure the IRS has FIRST determined that you are a "non-taxpayer". Then you won't have to - and the IRS won't think you're trying to - "avoid" taxes. You don't have to try to avoid what you're not liable for in the first place.

On June 21, the court penalized Charles and Francesca Sigersest of El Macero \$15,000 after concluding that their case was "a waste of limited judicial and administrative resources that could have been devoted to resolving bona fide claims of other taxpayers."

On June 7, the court found that Andy Hromiko of Roseville, not his trust, was the true earner of income. It noted that he had made "shopworn arguments characteristic of the tax-protester rhetoric that has been universally rejected by this and other courts," and fined him \$12,500.

Some taxpayers' efforts are mind-boggling.

Last year, the IRS said, one Darlow Madge, who was already in a federal prison camp in Duluth, Minn., for tax evasion, went to court contending that he wasn't a taxpayer; that his income from selling hospital supplies wasn't taxable and that only foreign income is taxable. On Dec. 7, the Tax Court hit him with the maximum \$25,000 fine after having warned him that continuing with his frivolous arguments would likely result in a penalty, according to the IRS.

Much better to have the IRS, themselves, declare that you are NOT a taxpayer, than it is for you to try to tell them, don't you think? That's what the IRS will be determining for each client of [THE COMPANY], because, after the client has gone through the revocation process, a letter of request to make such a determination is sent to IRS Commissioner, Charles Rossotti.

The IRS is also having some success in imposing penalties and getting them sustained in court.

Last week, the court gave the back of its hand to a Texas dentist who was contesting a \$40,000 tax deficiency and an \$8,000 penalty. The dentist, the court said under the heading "inherently improbable claims," contended "that every expenditure he made during 1996 was business related."

"Operating under his untenable premise, [the dentist] deducted payments to his children, ages 11 and 13," which turned out to just match his child support obligations, "as dental lab contract services expenses. He deducted the cost of his apartment and 100 percent of his automobile expenses," plus "payments for laundry, sunglasses, a bicycle, 'erotic' Playboy tapes, children's videos and tax protest materials."

Oh, the games people play.

Based on this and other evidence, the court concluded that the IRS's "accuracy-related penalty is fully justified."

While few of us enjoy paying taxes, the average American should applaud the IRS's efforts and the Tax Court's backing of them.

Why?

Yeah - that's what I want to know.

Because the average American -- who works for wages, earns interest and dividends, and deducts mortgage interest -- has little chance of getting away with anything for very long. Those income sources and deductions are reported to the IRS, and the agency matches the reports with tax returns.

Would you also say that a person who is obeying the law, in every respect in regard to income taxes, is "getting away with anything"? Of course, if you're not aware that a person can, at the same time, be BOTH fulfilling the law AND not be being liable for income taxes, then I can understand your not being able to say anything different from what you said.

The agency's geriatric computers make this system less than perfect, but it's working on fixing that.

Tax rates are based on what Congress and the president think is needed to run the country...

Not true, although, perhaps, they'd like us to continue believing it's true. You're certainly helping to further their cause...

...If everyone pays what they owe, rates can be lower and still provide the desired revenue. But if some people don't pay, rates must be higher, and Joe Six-Pack, whose income and deductions are document-matched, will pay the full amount, while protesters and cheaters will go their merry ways unless the revenuers catch them.

I wonder what people will be saying once a bunch of people start waving their "non-taxpayer" determinations around?

Oh, pardon me. I slipped for a moment. Even THAT could be interpreted as "slapping the bear in the face" or "throwing sand in the eyes of the IRS." But the temptation will be so great...won't it?

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[4] Call Reminder
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The TAX EXEMPT Conference Call, takes place Wednesday night, August 15, 2001, (and every Wednesday) at 9 PM EASTERN time. The number is: 305-503-1874, pin code 940 (No # required).

I want to mention something to new readers and to folks who have never been on THIS conference call. This call is NOT what you may be expecting when I talk about a

“conference call”. A lot of people today are used to big sales-hype conference calls, with a lot of “Rah-Rah-Rah”. This conference call is NOT a “sales” call. No one is trying to get you to enroll in something, or asking or suggesting that you try to get your friends to enroll. This is a TEACHING call. It consists almost entirely of questions and answers. It’s a great place to hear other folks ask all sorts of questions, and get any questions of your own answered, and it provides you the opportunity to get a pretty well-rounded understanding of what this is all about in 45 to 90 minutes. I think you’ll find it’s one of the best \$3 to \$5 values you can find today. (The telephone long distance charges for most people).

May I ask, that when you call, you use a regular “connected-to-the-wall telephone”, not an internet phone, a cellular phone, or even a cordless phone. Also, please, not a speaker phone, either, because often speaker phones seem to disrupt the quality of the call. Pressing the number 5 on your phone will mute your end of the line, so everyone can hear better; then, when you want to ask a question, you can press the number 4 to go off mute. If you can hear the noises, conversations, kids-playing, dishes clanging, and phones & faxes ringing where you are, we can hear it, too, and it makes it much more difficult to hear whoever is speaking at the moment. Thanks for your consideration.

If you like what you hear on the call, and you want to talk further to someone (including the call presenter) or ask more “personal” questions, remember how you heard about the call. No contact numbers are given out on the call, not because anyone is trying to hide anything, but because various representatives of [THE COMPANY] bring folks to the call. The call itself is not a “sales” forum and doesn’t get involved in the sales “hierarchy”.

See you on the call. Tell your friends about it, too.

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[5] Contact Information
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Paul Leinthall
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You may notice that I refer to [THE COMPANY] or to the founder of the company [THE FOUNDER] in various places throughout the Newsletter. I choose those expressions, instead of providing the actual names of the company or it's founder, for a couple of reasons...reasons which you'll also find reflected in my explanation of the copyright notice (below). I want to insulate [THE COMPANY] and [THE FOUNDER] from undue and unwarranted attention (especially negative attention or reaction), whether from a casual reader or from any taxing agency or authority, their attorneys, or representatives. Therefore, it is my desire that the reader be absolutely clear who is responsible for what appears in this newsletter. This newsletter is NOT sponsored directly by [THE COMPANY] or [THE FOUNDER], and while I believe I am being representative of [THE COMPANY's] and [THE FOUNDER's] philosophy, goals, ideals and the truth in law and in fact on which [THE COMPANY] stands to perform its valuable service for its clients (of which I am one), and while I may quote [THE FOUNDER], or someone else, I always seek to maintain each person's privacy, unless their words are already in the public (published) domain; thus I will take the heat for any negative attention, response or reaction.

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