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

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Tuesday, March 19, 2002

- [1] Welcome & Editorial: Too Simple - Too Easy
- [2] Questions and Answers: And, Too Good to Be True.
- [3] News Briefs & Comments: The Mighty Propaganda Machine
- [4] Conference Call Reminders: **“Question & Answer “Call - for New Folks**
Wednesday NIGHTS - 9 pm EASTERN
1-620-584-8202, Pin 2974#
“*6” (Star 6) MUTES and UN-MUTES your line
ALSO
Corporation Sole (specific) Conference Call
Friday MORNINGS - 10:00 AM EASTERN
Same Number and Pin as Above
PLUS
A CLIENT’S ONLY CALL
Call Your Representative for Number and Time
- [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 100% effective 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.

-----NOTICE-----

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[\[1\] Welcome & Editorial](#)

Dear Friends,

This is the time of year often referred to as "Tax Season". It's obvious why it's known as tax season. I think, however, I'll give it a new name: "Propaganda Season".

Not only does the media seem to run more tax-related stories, particularly the ones that evidence people being in trouble, but the IRS and State Taxing agencies make sure that folks "get the word" about the futility of trying to escape the income tax man. More about this in the "news and comments" section.

I know it's difficult for people who are new to this newsletter and to its subject matter to comprehend how it might even be possible that [THE COMPANY] could be achieving successful results by actually being 100% in harmony with the Code and Regulations of the Internal Revenue Service and the Laws of the United States. How is it possible for [THE COMPANY] to take every client, without exception, from a place where they are liable for (and in most cases paying) federal and State income taxes, to a place where they are NOT liable for (and not paying) ANY federal or State Income taxes? How can that be the case AND, at the same time, be 100% in harmony with the LAW? If you ask most professionals who deal in tax matters how it could be, they don't seem to have the answer? In fact, to the contrary, they most often say "it can't be done". How can BOTH be right?

The answer is as simple as what is revealed in the following questions:

How can one person owing (and not paying) \$30,000 be taken to court by a credit card company, and another person owing \$30,000 (and not paying) NOT be taken to court by the same company?

Because being taken to court by a credit card company is a FUNCTION of having signed the contract for the credit card. One person signed the contract - the other person didn't. One person has the credit card company's credit card; the other does not.

I could have just as easily asked why a military tribunal would put one person on trial and not another? And the answer would have been just as obvious: the person put on trial was in the military and subject to military rules, and the other person was not in the military, hence not subject to the same rules and not liable for any penalty for not obeying the rules.

The WHOLE distinction as to how BOTH the typical professional (attorney or CPA) AND [THE COMPANY] can be 100% within the law has to do with the issue of a CONTRACT, and whether a particular person is IN the contract, or not. The typical tax attorney and CPA are dealing with clients still IN the CONTRACT, while [THE COMPANY] is taking people who are in the contract, and getting them OUT OF THE CONTRACT, and then dealing with the IRS on behalf of their clients from a position of the client being OUTSIDE the contract. BOTH ways are effective; BOTH ways work. The only difference - and it is a really BIG difference - is that a person OUTSIDE the contract is generally not liable for ANY income taxes, either State or federal.

Since either getting IN the contract or OUT of the contract are both a matter of law and legal procedure, you can begin to realize that someone who knows the lawful procedure for effectively getting OUT of the contract might have something to say worth listening to - given that most folks don't particularly like the terms of the IRS contract - wouldn't you agree?

And that's what this newsletter - and the conference call to which I refer you, on Wednesday nights - is all about.

Before we continue with this edition, I want to announce that I will not be sending out an edition next week; I will be out of town for several days.

With that in mind, enjoy what you read. I'll be back two weeks from today.

Your friend,
Paul Leinthall
661-822-7889, 9am-8pm, Mon-Fri., PACIFIC time
email: littlehammer@primemail.com

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[2] Questions and Answers
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[Quite often, clients receive something similar to what you're about to read, from either the IRS or their State Taxing agency. I received something similar to this from my State taxing agency a couple months ago.

Also, because more and more people are doing more and more crazy things - most of them ceasing to file tax returns, which [THE COMPANY] does not stop doing for their clients - the taxing agencies are increasingly pumping up their propaganda machines. The interesting thing is that the propaganda from the various agencies pretty much sounds alike. Here is one example]:

Hi XXXX,

Here's the key paragraphs of the letter you received from the IRS. I've made bold the key words that give them away:

There are people who **encourage others to deliberately violate** our nation's tax laws. It would be unfortunate if you were to **rely on their opinions**. These persons **take legal statements out of context and claim that they are not subject to tax laws**. Many offer advice that is false and misleading, hoping to encourage others to join them. Generally, **their advice isn't free**. **Taxpayers who purchase this kind of information** often wind up paying more in taxes, interest, and penalties than they would have paid simply by filing correct tax returns. Some may subject themselves to criminal penalties, including fines and possible imprisonment.

Federal courts have consistently ruled against the arguments you have made. Therefore, **we will not respond to future correspondence** concerning these issues.

Now, let me tell you why this letter from the IRS could not have had you in mind, or ANY client of [THE COMPANY] in mind. This becomes clear as you take the phrases I've made bold in what they wrote and then notice the facts pertaining to what [THE COMPANY] does for each client:

- [THE COMPANY] does NOT encourage anyone to violate the nation's tax laws, deliberately or otherwise.
- Certainly we may give you opinions, but we don't ask you to rely on our opinions; rather we perform a SERVICE, part of which is holding the IRS's face to the mirror of their own law. We didn't write the law; Congress did. We say, "We obey the law, and we expect you to obey the law, too." Therefore, we ask you to rely on the law and our service in accord with that law.
- While it may be possible for anyone to take legal statements out of context, we never claim we, or our clients, are not subject to the tax laws. We say that the laws only make certain people liable, in certain situations; and if it happens to be the case that someone is not in the position for being liable, as defined by law, that is not to say that some people are not liable. When their propaganda talks about taking legal statements out of context, I think that's a good example of the "pot calling the kettle black".
- All our advice is free. Our SERVICE, of course, is not.
- No client purchases information from us; we don't sell or market our information. And no one pays for a subscription to my newsletter.
- When they say that "federal courts have consistently ruled against the arguments you have made," the truth is that no court, at any time, has actually ruled on the points of law upon which [THE COMPANY] bases their success. On the contrary, every court has interestingly evaded the responsibility for so ruling and ended up ruling on something else. This could, no doubt, be due to the attorney's in the case (on both sides) not understanding the points of law upon which [THE COMPANY] is successful in the administrative arena.
- The last statement, that they will not respond to further correspondence, obviously isn't true, according to [THE COMPANY] records. In fact, it's highly unlikely that a letter like this won't be followed by more like it. Sometimes they send out the same letter again - perhaps for a different year - but the same letter nonetheless.

So, if none of this applies to you, to whom was this letter actually written? It may have had your name and address on the outside envelope, and it may even have contained a salutation in your name; but I think it's pretty clear that it was actually written with someone else in mind.

You've no doubt heard the phrase, "pissing in the wind". This piece of their propaganda is a good example; and, of course, the "wind" is their own law.

Sincerely,
Paul Leinthall

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Here is my situation on my taxes. This year I will owe \$XXXX.XX to the Feds and last year I owed \$XX,XXX.XX, which I haven't paid yet because of being laid off of work. My wife is working and we are just getting by. I worked for XXX for 18.5 years and quit in 1XXX for medical reasons. Trying to get back in the work force the last year and a half and having a few problems, being [age] XX. Got into retirement money is why the tax amounts that I owe. My question is: Would the amount for the 1st year of your services be \$3850.00 for my wife and I? How long does it take to have it take effect and do I need to worry about paying last years and this years Federal taxes? I read all the info you sent on everything and am a little, shall we say, overloaded with data presently. This all seems too good to be true, and I have been burned before by falling for such a deal as this. Thanks for all the info and timely response. Sincerely, XXXXXXXX

Hi XXXXXXXX,

It's not unusual to have a reaction that "it sounds too good to be true". We hear that a lot. However, it is true - and only you can decide whether, or not, it is "too good" for you or too good to have an advantage.

As long as you have no current levies, seizures, notices of sale, etc., the first year's fee for both you AND your wife would be \$3100. (One fee, not two)

You would NOT have to pay this year's NOR last year's income taxes, but you do have a "legal" requirement to file on time. If you become a client, we do all that for you. The most work you will have to do comes in completing the application.

Sincerely,

Paul Leinthall

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Good Morning Paul;

Thanks for the reply concerning [THE COMPANY] as well as the e-mails containing the information on Corporation Sole.

In response to your questions, yes I have received a copy of the tax year 2000 filing that was done on my behalf, and, yes, I did receive a copy of the "Request for Determination Of Status" filing...You are saying that I will probably not get a response from the IRS about my "Determination of Status".

However, if you are saying that I am tax-free as of right now based on these two filings already completed, then when can I expect the IRS to acknowledge that status and send my refund for tax year 2000?? How about refunds for the prior 10 years???? Until I see a refund, I am not convinced that I am truly tax-free in the eyes of the IRS.

If you feel I need to speak to [THE FOUNDER], then I guess we can set that up. I am not unhappy with the services of ATC, just have questions that I have not seen addressed in any of the documents or information from [THE COMPANY].

Thanks, XXXXXXXX

There is a reason we repeat so often that "We do not guarantee refunds". If your knowing that you ARE tax free is dependent on getting a refund from the IRS which neither THEY guarantee, nor which [THE COMPANY] can guarantee, your certainty does not have any solid footing; in fact, as you infer, it is non-existent until such a time as you actually see a refund.

The IRS is not set up to work "backwards"; that is, they never were designed to have the money-flow going in any direction other than IN to them. In addition, their whole thrust is to "collect" money from those whom they PRESUME are taxpayers. While their own presumptions are not in harmony with the law as it actually is, they believe they have evidence "every year" from supposedly impartial witnesses, who testify that they (the impartial witnesses) have paid people "taxable" income. Who are these witnesses? Any employer or income provider who sends in a W-2 or 1099 (or equivalent) to the IRS. The LAW requires a W-2 or 1099 be sent to the IRS ONLY WHEN the person being paid is a "resident alien" (green card non-State Citizen) or is a "non-resident alien foreigner". The employers and banks and other 1099 providers in our country have been bamboozled (in contradiction to the law) into believing the law requires something of them which the law does not require in fact. But it serves the IRS to have employers and income providers continue to supply this supposed "evidence" that basically says you are, in fact, liable for taxes on the income they've provided you.

So, [THE COMPANY's] job, EACH YEAR (and this is the real reason for the annual filing each year), is to rebut this supposed evidence, at the administrative level. It's a continual issue of dealing with "the barking dog". The dog can't really bite (except for the fear instilled in the people at whom he's barking), but he barks, nonetheless.

The real confidence comes in knowing the law. Have you actually READ all the documentation that was filed on your behalf? That, in itself, is a really good education as to what it actually occurring.

Sincerely,

Paul Leinthall

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Hi XXXXX,

Kindly Pardon my delay in getting back to you. I'll intersperse my answers.

Hi Paul, Your latest newsletter arrived last Tuesday and it answered a few questions concerning Corporation Sole, but there are many day to day questions that are not answered.

If there were an instruction book that would show how day to day operations are handled, it would clear up alot of questions.

That's why we have the weekly Friday Morning Conference call. Also, the answers to specific questions you haven't asked on the conference call is part of what occurs when you actually go through our process of creating a corporation sole.

I have no idea how to open a bank acc't for Corporation Sole or who would write the checks. How are employees of the Corporation handled, how is real estate purchased or a car. This could go on and on.

The same way you would do any of those things for yourself. It's just that with a corporation sole, YOU are the "officer" who does those things in the name of the corporation sole.

Corporation Sole can really simplify a persons life but at this time I am such a novice that I'll need alot of help to understand let alone impliment the Corporation.

Again, that's why we have the Friday Morning Calls, and why we create the corporation sole based on your application and the ensuing personal interviews.

So if there is a set of instructions available that would help me understand all that Corporation Sole can accomplish, I would appreciate it if you could let me have a copy.

If you'll provide me the set of instructions for your own life, you'll see you already have the set of instruction for a corporation sole. It's very much like your identical Twin, but in the eyes of the law, it's a separate person, although the "titular head" (YOU - the titled head) controls everything, with fewer government restrictions than you have as an "individual".

The corporation sole can do virtually anything YOU can do, although, because of the fewer restrictions and laws prohibiting it and controlling it, the corporation sole has a lot more freedom and flexibility. It used to be that way for us as individuals, too, certainly when our country was founded, but now, it's easier for corporation sole to fulfill that role. Since you're the one in charge however, it's quite "equivalent" to being you, without actually being "you," in the eyes of the law.

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I don't know if I've ever included a "testimony" in this newsletter. But since the March 12, 2002 edition was my attempt at a direct response to a phone conversation I had with one of my client's from whom I received this response after sending out the newsletter last week, I thought I'd include it here.

Paul,

I appreciate this issue [March 12, 2002] of your newsletter.

It is THE BEST you've put out yet.

It is:

- To the point,
- Clearly explains the concepts and what you guys do for us (who pay you).
- Develops the presentation from where the audience is, to where they will be if they go with [THE COMPANY],
- Develops expectations or what future expectations should be.

In summary, It develops a clear picture for "client expectations from [the company] should you hire us" in a clear, concise, to the point manner....and is not long winded stuff.

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[3] News Briefs & Comments
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Last year I reported that the IRS was going after credit card companies' records of their offshore clients. For some time, it looked like the companies were not going to cave-in to the invasion of privacy. But, here we go for another round.

With the recent changes in the money-laundering laws under the "Patriot Bill", which any honest congressman will tell you the congress voted to pass without even being able to read and understand what they were passing, all in the name and fervor of a supposedly declared "war" on terrorism, declared by a president who has no authority to declare war (apparently unbeknownst to the majority of the American Public) - with all that, it's looking more and more like corporation sole is one of the more viable options in this regard.

March 11, 2002

IRS Targets Records of Credit Card Companies

Los Angeles Times Headlines

By RYAN J. DONMOYER, BLOOMBERG NEWS

WASHINGTON -- The Internal Revenue Service's recent success in gaining access to the accounts of tax evaders who use American Express and MasterCard to spend money banked in offshore accounts may lead to requests for similar information from other credit card companies, tax experts said.

The tax agency is finishing court-ordered negotiations with American Express Co. and MasterCard International Inc. to learn identifying information such as passport and driver's license numbers of customers with accounts in the Bahamas, Cayman Islands, and Antigua and Barbuda.

Once those negotiations are finished, the IRS could go after accounts held by other credit card companies, such as Visa International Inc. and Citigroup's Diners Club International, said former IRS officials. "It would be reasonable to conclude that the IRS is not only focusing on just two credit card companies," said Margaret Milner Richardson, an IRS commissioner during the Clinton administration who practices tax law at Ernst & Young. The IRS didn't say why it went after only American Express and MasterCard in the first place.

IRS spokesman Frank Keith would not say what action the agency would take next. "The IRS will continue to be working to identify taxpayers who evade taxes through the use of offshore trusts," he said.

Notice the emphasis on offshore TRUSTS.

Americans who use offshore accounts at banks such as Suisse Security Bank & Trust in Nassau, the Bahamas, and Barrington Bank in St. John's, Antigua, cost the U.S. Treasury \$70 billion to \$300 billion in lost revenue annually, witnesses told the Senate Finance Committee last year.

The IRS wants access to credit cards linked to those accounts to track big-ticket purchases by Americans, hoping to detect unreported income and find Americans who aren't filing tax returns.

Keep in mind that [THE COMPANY] FILES every year for every client.

The IRS considers all income by U.S. citizens to be taxable, and assets in foreign banks must be declared on tax returns. Offshore accounts are widely advertised as a way to shelter income in countries with tough bank secrecy laws.

Of course they "consider" all income to be taxable. That's not what the law actually says, of course; but they'd like you to believe it does.

Then, of course, there's the "U.S. citizens" in that sentence; and in that respect, once you understand that the word "U.S. citizen" in the tax code doesn't really mean a Citizen of one of the 50 States, but refers specifically to a person living within federal jurisdiction or working for the federal government or an elected politician - and that for THAT CLASS of individual, all income IS taxable. But, again, they're not making that distinction, either, are they?

"The use of offshore bank accounts and offshore entities to facilitate tax evasion is a massive problem for the United States," said an affidavit filed in a U.S. District Court case that forced American Express and MasterCard to turn over customer account information to the IRS. The affidavit was submitted by Jack Blum, a former Senate investigator and expert on money laundering who's now a partner in the Washington law firm of Lobel, Novins & Lamont.

The IRS says thousands of Americans use credit and debit cards to spend their money in offshore bank accounts without leaving a paper trail in the U.S.

The government in October 2000 convinced a judge in Miami that American Express and MasterCard must provide documents for transactions in 1998-1999 because the companies process all offshore card transactions in the U.S.

Since the judge's ruling, the tax collection agency has been negotiating with both companies on the release of the records. At issue is how American Express and MasterCard can honor privacy they guarantee their customers while complying with a judge's order.

So, after all that, it still sounds like they credit card companies haven't actually turned over the records yet. If that's the case, good for them!

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IRS gets credit card data

American Express to provide names of those who pay through off-shore banks.

March 8, 2002: 7:49 a.m. ET

NEW YORK (CNN/Money) - The Justice Dept. and the Internal Revenue Service are nearing an agreement with American Express to turn over the names of its credit card customers who pay bills through offshore tax havens, a newspaper reported Friday.

The IRS, which declined to comment, is attempting to identify people who are cheating on their taxes by paying bills through offshore accounts in places such as the Bahamas and the Cayman Islands, the Wall Street Journal reported.

U.S. District Judge Adalberto Jordan granted an IRS request for the documents held by American Express (AXP: Research, Estimates) and MasterCard in October 2000.

According to the report, tax-avoidance drains \$70 billion from federal revenue each year.

In this scenario, a taxpayer hires a lawyer to set up a phony corporation offshore, then deposits unreported income into the account. By buying items with a credit card and paying the bill through the offshore account, the money is not traceable.

Taxpayers are required to report the money placed in offshore accounts, and the interest gained.

Obtaining the records would allow IRS investigators to compare customers' purchases with taxes. Penalties could include back taxes and criminal charges, the Journal said.

MasterCard International spokeswoman Sharon Gamsin said her company also is negotiating with the IRS to release records, the report said.

Negotiating??

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This same piece of news came from two sources, the one here and another from CNN. Unfortunately I could not access the CNN version in a way which enabled me to put it in the newsletter in any way other than a separate attached "pdf" file. Apparently CNN quickly removes their web links after the story breaks. This version, from The Washington Times will serve the purpose, although it's a little longer.

Justice slams tax-refund scheme

By Jerry Seper
THE WASHINGTON TIMES

The Justice Department yesterday filed suit to stop a Florida man from promoting a tax-refund scheme that was used to under-report tens of millions of dollars in income for nearly 200 clients in 32 states, including actor Wesley Snipes.

The civil suit, filed in the U.S. District Court in Tampa, charges that all the bogus refund claims prepared by Douglas P. Rosile Sr. were based on an erroneous assertion that only income from foreign sources is subject to U.S. income tax.

The "foreign source" argument is quite popular in the "tax protester" community. It is championed by no less than Thurston Bell and is, from my perspective, one of the chinks in Mr. Bell's armor, while a lot of his other work is pretty dead on. THIS is one place you don't want to be "dead OFF", however, because this is one of the arguments that never wins in court.

Folks sometimes confuse the "foreign source" argument with the "Section 861" argument, because they both talk about income "source". Mr. Bell does a pretty good job with the Section 861 argument, but somehow in his logic, he arrives at the idea that ONLY foreign source income is subject to income tax, while Section 861, in fact, addresses primarily "federal" source income in this country. While "federal" may indeed be "foreign" for most people living in the States, it nevertheless remains, that if any State Citizen has "federal source" income in this country, he will most likely be liable for income taxes on that income, and that includes any client of [THE COMPANY] who might have that income from that "source".

As readers of this newsletter over the last month know, [THE COMPANY] also says that "Foreign Source" income is taxable, but they don't say that "ONLY foreign source income is taxable." What they say (and what the Internal Revenue Code says) is that foreign source income is taxable ONLY WHEN it is brought into the country. So it's the INCOMING money from the foreign SOURCE that constitutes "foreign source income". The "taxable event" (as it's termed) occurs WHEN it comes into the country, in similar fashion that custom's duties (or taxes) apply when you're traveling in another country and you bring your purchases from one country into another.

You can see from the last paragraph how one simple word ("ONLY") USED differently, gives a whole different meaning to what is occurring? It is simply NOT true that ONLY foreign source income is income taxable under our current tax laws.

[THE COMPANY] also understands that because "foreign source" income is covered under two separate sections of the Internal Revenue Code than the "Section 861" sources, it is NOT exempt under the normal Revocation of Election process and the Status Determination process; and that's why we have corporation sole, because corporation sole is not under the jurisdiction of the Internal Revenue Code in any respect, including "foreign source income".

According to the complaint, the "foreign sources" argument Mr. Rosile used is based on a misreading of the Internal Revenue Code and that a federal appellate court recently upheld a \$25,000 penalty against a taxpayer who made the same argument before the U.S. Tax Court.

"The argument that only foreign sources of income are subject to income tax has been rejected out of hand by every judge who has examined it," said Assistant Attorney General Eileen J. O'Connor, who heads the Justice Department's tax division. "Taxpayers who participate in this and other patently frivolous schemes risk substantial civil and criminal penalties.

"The Justice Department is committed to stopping abusive promoters who seek to bilk the U.S. Treasury," she said.

The largest Rosile-prepared bogus refund claim that the IRS detected was an amended income-tax return prepared for Mr. Snipes, whose address was listed on the amended return as "C/O Starr & Co., New York, N.Y."

Mr. Snipes' amended return, signed by Mr. Rosile as the preparer and dated April 14, 2001, requested a \$7,360,755 refund of 1997 income taxes paid, based on reducing Mr. Snipes' adjusted gross income to zero.

The complaint said that attached to the Snipes return was a document stating "amounts previously reported not from a taxable source," based on the foreign-source claim used by Mr. Rosile.

The IRS detected Mr. Snipes' claim as bogus and did not pay it. According to the complaint, Mr. Rosile promoted a tax-refund scheme based on an "absurd misinterpretation" of the tax laws. It said he and other advocates of the foreign-source argument claimed that U.S. citizens and residents were not subject to federal income tax on their wages and other income earned or derived within the United States.

The complaint called Mr. Rosile's position "frivolous" and said if he was not stopped, "his continuing actions may result in his clients incurring frivolous return penalties and other possible civil and criminal sanctions."

Justice Department spokeswoman Gina Talamona said the government complaint charges that Mr. Rosile's bogus claims, had the Internal Revenue Service not detected them, would have resulted in a loss of more than \$36 million to the U.S. Treasury.

She said the government has asked the court to order Mr. Rosile to turn over his clients' identities and all related records.



Just as I was about to wrap up my writing for this edition, along came this article, via one of [THE COMPANY's] other representatives, from the New York Times and this newsletter's "favorite" news reporter. It's another version of what you just read, with a few more details.

U.S. Sues Accountant for Allegedly Filing Bogus Refund Claims

By DAVID CAY JOHNSTON

The government sued a former accountant yesterday who it says helped more than 200 wealthy Americans try to cheat the Treasury out of more than \$36 million using the argument that Americans who work for American companies are not required to pay income taxes.

Among the clients was Wesley Snipes, the movie star who once played a Treasury agent. He sought a refund of \$7.3 million, all of the income taxes he paid in 1997, by filing an amended tax return claiming he had no income that year. The lawsuit indicated that Mr. Snipes also claimed he had little or no income in 1998, 1999 and 2000 and that he sought refunds those years as well.

The former accountant, Douglas P. Rosile Sr., contended in letters attached to the tax returns of Mr. Snipes and others that most Americans are not required to pay income taxes unless they work for foreign- owned companies. That argument, known as the 861 position after a section of the tax code, has been used in recent years by a growing number of Americans who argue that the tax system is a hoax.

The Justice Department sought an injunction against Mr. Rosile to stop making fraudulent claims and to produce the names of his clients and their tax records. It said it had identified 188 of his customers, in 32 states, and that it suspected there were more.

The lawsuit cited two other examples of bogus refund claims, one of them \$30,000 sought by a Florida couple.

Clients paid Mr. Rosile \$100 for each amended return he filed for them and were supposed to give 20 percent of their refunds to American Rights Litigators, a Web site that claims that income taxes are voluntary. It is run by Eddie Kahn of Mount Plymouth, Fla.

The use of injunctions, Internal Revenue Service officials said yesterday, is part of a new strategy to thwart the spread of tax fraud before the much longer process of bringing criminal cases can be completed.

The Senate Finance Committee criticized the I.R.S. last year for not moving swiftly enough to stop tax frauds after reports in The New York Times that named people who boast of not paying taxes. Some of these people, business owners, contended they had been in business for two decades without paying taxes and that they had never been contacted by federal or state tax authorities. They cited this as proof of their claim that the income tax system is a hoax.

Yes, we dealt with Mr. Johnston's articles last year, as well. I believe at that time we made the distinction between simply stopping filing returns using the excuse that the 1040 tax return was never required in the first place (which, although true, is not a ground for avoiding filing), and what [THE COMPANY] does for each client, which is to complete the revocation of election process, which takes responsibility for our voluntary election to have started filing, while, at the same time, it looks at the true "source" of income to see if it is, in fact, income from a taxable source. If it's taxable income, the client pays the tax. If it's not taxable income, there is no tax. It's just "co- incidental" that most clients have no income from taxable sources. However, because it's the law, if there is no taxable income, there is no income tax.

Obviously the taxing agencies don't want people to know this. So it perfectly serves their purposes to trot out these examples every year. Actually, the confusion well serves their purposes in keeping people in the dark, while it keeps them afraid - even afraid to think for themselves, in many cases.

I.R.S. officials yesterday, for the first time, confirmed that several criminal investigations are under way involving people who have cited the 861 position. The Justice Department called that position frivolous and said it involved "an absurd misinterpretation" of the tax code.

Eileen J. O'Connor, the assistant attorney general in charge of the Justice Department's tax division, noted that every judge who had heard the 861 claim rejected it and that an appeals court had recently upheld a \$25,000 fine for a taxpayer for just raising the issue in court.

Ms. O'Connor also said those who filed bogus refund claims could be prosecuted.

"Taxpayers who participate in this and other patently frivolous schemes risk substantial civil and criminal penalties," she said, adding that her department "is committed to stopping abusive promoters who seek to bilk the U.S. Treasury."

Mr. Snipes's spokesman, Alan Neirob, said he was unable to reach Mr. Snipes yesterday. Mr. Snipes's business lawyer and agent did not return calls. Mr. Kahn did not respond to requests for an interview.

Attempts to reach Mr. Rosile were not successful, but he told The Associated Press, "I hate the I.R.S."

Income tax returns are signed under penalty of perjury and must be signed either by the taxpayer or by his authorized representative, Justice Department officials said.

Mr. Snipes lives in Isleworth, an exclusive community near Orlando, Fla., whose residents include Tiger Woods and Shaquille O'Neal. But on his tax return he gave his address as Starr & Company, a Park Avenue tax law firm operated by Ron Starr.

Mr. Starr said yesterday that he no longer represented Mr. Snipes and that he would have advised any client that the 861 position was baseless. Mr. Neirob said he had no idea why Mr. Snipes would have Mr. Rosile prepare amended tax returns.

Mr. Snipes, 39, filed his \$7.3 million refund claim on April 14, 2001. The size of the refund indicates that his 1997 income was at least \$18.3 million and probably much more.

Mr. Snipes filed the refund claim just weeks after Chase Manhattan Bank sued in Florida Circuit Court to foreclose on his home in Isleworth because he had not made five consecutive monthly payments. Mr. Snipes brought the payments up to date in March 2001 and the case was closed.

In 1995 the Securities and Exchange Commission issued a lifetime ban on Mr. Rosile representing companies regulated by the commission because he repeatedly prepared misleading financial statements.

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[4] Call Reminder
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The **TAX EXEMPT Conference Call**, for “new” folks, takes place **EVERY Wednesday NIGHT at 9 PM EASTERN** time. The number is: **620-584-8202, pin 2974#**.

The **CORPORATION SOLE (specific) Conference Call**, is on **Friday MORNINGS**, at **10 AM EASTERN** time. The number is the same as above

Also, there is a **CLIENT’S ONLY Conference Call** available (obviously) for Clients Only. If you're already a client, and you would like to be on that call, **CALL YOUR REPRESENTATIVE for the phone number and time,]**

I want to mention something to new readers and to folks who have never been on the [THE COMPANY] Conference Calls. The calls are NOT what you may be expecting from a typical “conference call” these days. A lot of people are used to big sales-hype conference calls, with a lot of “Rah-Rah-Rah”. The conference calls are NOT “sales” calls. No one is trying to get you to enroll in something, or asking or suggesting that you try to get your friends to enroll. These are ALL TEACHING calls. They consist almost entirely of questions and answers, after a brief introduction. They’re a great place to hear other folks ask all sorts of questions and get any questions of your own answered, and they provide you the opportunity to get a pretty well-rounded understanding of what this is all about in 60 to 90 minutes. I think you’ll find they’re one of the best \$3 to \$5 values you can find today. (The telephone long distance charges for most people).

Pressing “*6” (Star 6) 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 “*6” again to go off mute. If you’re having a hard time hearing, with various noises in the background from other folk’s lines, such as: conversations, kids-playing, dishes clanging, and phones & faxes ringing, then be assured, everyone else can hear the ambient sounds from your environment. It simply makes it much more difficult to hear whoever is speaking at the moment. Thanks for your consideration in this regard.

May I suggest, if possible, that when you call, you use a regular “connected-to-the-wall telephone”, rather than a cellular phone (particularly when driving), or even a cordless phone. Also, please, not a speaker phone, either, unless it has a “mute” button, because speaker phones amplify the ambient sounds in your environment. And PARTICULARLY NOT an Internet phone, a true “killer” of conference call Quality.

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

Phone: 661-822-7889, Mon. - Fri. 9 AM to 5, PM (Pacific)

Email: littlehammer@primemail.com

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.

Also, this allows anyone, including other representatives of [THE COMPANY], who find this information valuable, and who want to share it with others, to substitute their name and contact information for mine, and not have to worry about potential clients of the company going over their heads and bypassing them. Since [THE COMPANY] sponsored conference call follows this same philosophy of client protection for their representatives, the information in this newsletter can, then, be more widely disseminated for the value and education of others.

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