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

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Tuesday, May 07, 2002

[1] Welcome

[2] Questions and Answers: The Statutes AND Their Regulations

[3] 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

[54] 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

Howdy Folks,

Not an extremely long newsletter this week and, because of a time crunch, no time for an editorial; but I think you'll find the questions interesting - and I hope the answers, too. I added and edited quite a bit from my original dialogues.

Happy Reading!

Your Friend

Paul Leinthall

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[2] Questions and Answers

Hi XXXXXX

Let me do my usual interspersing:

Since you're "complaining" that you have fewer questions, I'll throw some to you ... :-))

1. Why is a business required to file federal tax forms, even if such business has no dealings with the federal government and does all of its business within the bounds of one state (no interstate commerce)?

It depends on the business structure, but most businesses are "creatures of the State", and over the years, just as with individuals, a lot of what may not actually be required by law has come to be "required" by practice. Sole proprietors and other self-employed people have it easiest in this regard, because what the IRS has come to expect is a "Schedule C" attached to their individual Form 1040. In fact, from clients in this category, the "Schedule C" (or its equivalent information) is what [THE COMPANY] needs each year, in addition to their 1099's or applicable W-2's or K-1's. Other forms of business, of course, usually require their own separate filings and forms.

2. The constitution says that Congress has "exclusive legislation over such District ...". I have seen that some have interpreted this to mean that Congress can do anything it pleases on that territory. They imply that Congress can even do things on federal land that would be unconstitutional elsewhere (i.e. in the 50 States). Is this, in fact, correct?

Personally, I read this phrase as meaning not that Congress can do anything it pleases on federal territory, but that Congress and Congress alone may pass laws governing federal territory.

Which view is correct?

In principle, I think your interpretation is correct; in practice, however, I see less of a distinction. It often appears that the government can pretty much do whatever they like, and the public often acquiesces. I don't think there's any question that the government does a lot of things that are not only unconstitutional, but which are outside the bounds of the true law.

Most of their real "power" in people's lives comes via the general ignorance of most employers and people to whom we give charge of our money, such as banks, credit unions, brokerage houses, etc. In other words, when "push comes to shove", the IRS will almost always first try to find your assets, and then convince the holder of those assets (banks, employers, etc.) to take the money from your pay or from your accounts and hand it over to them. Over the course of the last 50+ years, they don't do have to do much convincing. Only rarely does the IRS execute the law in a manner supported by the requirements of the law. If they acted in full harmony with the law and an individual's due process rights, they would first have to go to court and prove their case (thus giving you the opportunity to confront the supposed witnesses against you), and then, upon winning the case, only then would they have the lawfully required court order legally authorizing a third party, such as an employer or a bank, to turn over portions of your money to them.

Unfortunately, these days, many employers and bank officials, not knowing or understanding the law (and often employing attorneys who seem to be equally ignorant), believe that anything that the IRS propagates must be the law simply because it's the IRS. Perhaps the question more people should ask the IRS is: "Who made you god?". In other words, "Show me your lawful authority for your actions!"

Most folks don't even think of asking that type of question (including many attorneys) because they believe that it's the Statutes alone which give the IRS taxing authority. They are often ignorant of the fact of the importance of the implementing regulations, which are found in a separate set of books called "The Code of Federal Regulations", and which are actually what provide the ability to determine TO WHOM a particular statute applies and under what circumstances it applies. The IRS is adept at quoting statutes, while almost never giving any evidence of implementing regulations. The reason they don't provide the regulations is that there seldom are any implementing regulations (hence, no power of law) giving them authority for what they do. They accomplish most of their really nasty deeds via pure bluff and intimidation; and their ability to do THAT comes via most folks' ignorance of the law.

The Statutes AND the Regulations have to operate together before either is any good. The Statutes are written as the general broad laws enacted by Congress. Within the Statutes, the Secretary of the Treasury is authorized to prescribe and distribute regulations, which are the elucidation of the Statutes and are actually necessary for the enforcement of the statutes to which they apply. Civil and criminal penalties are connected ONLY WITH the violation of the regulations.

Pertaining specifically to the Internal Revenue Code, the Secretary of the Treasury OR HIS DELEGATE (currently, IRS Commissioner, Charles Rossotti) have the lawful requirement to prepare AND distribute all the rules and regulations needful for the enforcement of the Internal Revenue Statutes. The law states that when any person is made liable BY THE REGULATIONS for a PARTICULAR TAX, the Secretary (or his delegate) must inform THAT PERSON, BY A NOTICE SERVED UPON HIM, specifically which books, records and papers he must keep, so that the person can know

what specific information to put on which particular FORMS (also specifically required by the regulations). But FIRST, a person has to know BY REGULATION, exactly what is the particular tax for which he is liable, so he can know exactly what information he might be required to provide. [See IRC §'s 6001, 6011(a), and 7805(a)(c)]

Instead, what the IRS generally does is to tell you they have the authority by STATUTE AND REGULATIONS - but they NEVER (or certainly, rarely) evidence any authority from the Code of Federal Regulations. If you wonder why, it's because, on one hand, the regulations, which the IRS implies exist, generally don't exist, and, on the other hand, the law-ignorant reader simply infers from what is said that the regulations do exist! (When, in reality, they don't).

(That's one way of getting something out of nothing!)

Now, lest you think my elevator no longer goes to the top, let me do something I rarely do when I write: I'll give you a couple of cites from the United States Supreme Court. (I'll continue, as I have been, providing my emphasis via capitalization).

"The result is that neither the statute nor the regulations are complete without the other, and ONLY TOGETHER DO THEY HAVE ANY FORCE. In effect, therefore, the construction of one necessarily involves the construction of the other." [*United States v. Mersky* at 429 - 361 US 431, 4L ed 2s 423, 80 S Ct. 459]

"Because it has a bearing on our treatment of some of the issues raised by the parties, we think it important to note that the (Internal Revenue) Act's civil and criminal penalties attach ONLY UPON VIOLATION OF REGULATIONS PROMULGATED by the Secretary. If the Secretary were to do nothing, the Act itself would impose NO PENALTIES ON ANYONE." [*U.S. Supreme Court Reports* 39 L Ed 2d 829]

When was the last time (or even the first time) you ever received a copy of the implementing regulations from the IRS, by a notice served upon you? In fact (and I know this from personal experience), even if you ask them, they will NOT be forthcoming; and they're under the obligation of law not only to prescribe them, but to "prepare AND DISTRIBUTE ALL...REGULATIONS...pertaining to the assessment and collection of internal revenue". [IRC § 7805(a)(c)]

When the IRS sends out it's famous "NOTICE 609 - the Privacy Act Notice" (their supposed authority to require information from you), they say,

"Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a) AND THEIR REGULATIONS. They say that you must file a return or statement with us FOR ANY TAX YOU ARE LIABLE FOR. Your response is mandatory under these sections." [Capitalization mine]

But they conveniently leave out any citation from sections of the Code of Federal Regulations, which is where one MIGHT FIND (if they existed) the implementing regulations which would actually give them the authority they say they have and which might make a Private State Citizen, living in one for the 50 States of the united States of America, liable for an income tax.

As a demonstration that the Government itself knows what I'm talking about here, and as further evidence for what I'm saying, consider this from the Supreme Court:

"The GOVERNMENT contends that the District Court erred in holding these provisions of Title II to be unconstitutional on their face, without considering the actual IMPLEMENTATION OF THE STATUTE BY THE Treasury REGULATIONS. THE GOVERNMENT urges that since ONLY THOSE WHO VIOLATE THESE REGULATIONS may incur civil or criminal penalties, it is the ACTUAL REGULATIONS issued by the Secretary of the Treasury, and NOT the broad authorizing language of THE STATUTE, which are to be tested against the standards of the Fourth Amendment, and that WHEN SO TESTED they are valid." [U.S. Supreme Court Reports 39L Ed 2d (ibid at 830)]

The IRS's own Title 26, Section 6011 (labeled "General Requirement of return, statement, or list") starts out with these words in Paragraph (a):

General Rule. - WHEN REQUIRED by REGULATIONS PRESCRIBED BY THE SECRETARY...

Do you remember the fast food commercial several years ago, with the elderly lady shouting across the counter, "Where's the Beef?". The IRS is strangely lacking in its ability to evidence their implementing regulations, and that same question applies to them: "Where's the regulations?" (Pardon the singular verb with the plural noun).

[THE COMPANY], in its annual statement for each client, continues to evidence to the IRS their own law (Statutes AND Regulations) which specify exactly TO WHOM the income tax applies. And guess what? (You probably already know the answer). Most Americans do not fit in any category to which the income tax applies! Therefore, in the "Declaration of Material Facts", which accompanies each annual statement, we declare that the client has none of the types of income which the statutes AND the regulations make clear are taxable. For anyone who might have the types of income that are taxable, there might, of course, be some liability for paying taxes on that income - but virtually none of [THE COMPANY's] clients have "taxable income".

Does a sovereign State Citizen give up any rights by crossing the boundary into Washington, D.C., as a tourist for a day, to visit the Smithsonian Institution? (no work for pay in D.C., just tourism)

Not really, since the "test" is residency in most cases. However, by going into a certain jurisdiction (even going from one sovereign State to another), one is agreeing to abide by applicable laws in each particular jurisdiction, so it might appear that certain rights allowed in one jurisdiction may be restricted in another. In this regard, comparing (for example) individuals with Corporation sole or some other entity structures, the "structure's" rules are more clear cut, given the fact that the structure is generally governed by the laws of the State in which it was created, should someone move against the structure for a perceived infringement of law. The "individual," on the other hand, would have a more difficult time claiming the freedom his resident State laws might grant him, when confronted by the law's force and effect for a violation of a law existing in the State he is just visiting. A good example of this would be the laws pertaining to the use of radar detectors. The best radar detectors are outlawed in States like California and Virginia, but are not against the law in other States. I have a friend who had to pay the price for driving with a radar detector that was okay in his home State but outlawed in Virginia, who, in addition to paying a fine, had his radar detector confiscated.

Sincerely, Paul Leinthall

Paul,

Just finished reading this newsletter [April 16] last night. You state in the letter and I quote "but until there is a clear and evident change in a client's IMF, which specifically states that the client does not have to file tax returns, the company will continue filing each year for that client."

Does that mean once the IMF file is changed for someone he no longer has to have the Company file a statement for him. Therefore, no more \$450 per year for doing that?

And is that different than the file stating one is income tax exempt? In other words being income tax exempt is not the same as saying a client doesn't have to file? I believe I already know the answer.

XXXXX

Hi XXXXX,

The critical issue is that the IRS adds-to (changes) each person's IMF each year, and they have a tendency (habit) of wanting to keep a person classified incorrectly (as a taxpayer) rather than the way most people actually ARE under the law (non-taxpayers); hence, the IMF for most people shows them as having "taxable income" each year - which is one of the things [THE COMPANY] rebuts each year in the annual filing. The IRS gets this "taxable income" information from all the W-2's and 1099's that are presented to them each year from a person's income providers.

The truth is, that if income providers actually knew the law, they would NOT be withholding money on most W-2 employed people, but they would also NOT be sending W-2's and 1099's to the government each year on those people - since the law does not authorize to withhold money and submit income reporting forms on any American Citizen, who lives in any of the 50 States, and whose income is not from "revenue taxable sources". The law authorizes employers to serve as "withholding agents" only pertaining to people who are truly liable for paying taxes on their income, such as "resident alien" (non-Citizens living and working in American on a "green card" status), federal employees, federal citizens, or people having income connected directly to a business or trade headquartered or chartered in federal jurisdiction.

Since the "evidence" of these W-2's, 1099, and K-1's, etc. contradicts the idea that a person has NO taxable income), it becomes an on-going battle to insist and ensure not only that the IRS change a person's IMF for a single year, but that they don't change it back to showing a person as a taxpayer the following year. Therefore, UNTIL there is rock-solid evidence in the IMF that the IRS is not continuing to put this contrary evidence into a client's IMF each year, [THE COMPANY] continues to file each year to keep the record straight.

Of course, there's always the possibility that a person, who was not a taxpayer one year, might indeed be a taxpayer in a different year (for example, if that person had "federally connected" income in that different year), in which case a "tax return" would be necessary for that year anyway.

When you put all that together, you can begin to understand why [THE COMPANY] has to file each year for each client; in other words, with the IRS's yearly presumption that every person has taxable income comes [THE COMPANY's] yearly necessity to rebut that presumption. That's the way [THE COMPANY] keeps people out of trouble.

Obviously, if the point in time comes where a client's IMF shows evidence of having been changed permanently, THEN [THE COMPANY] could begin thinking about not filing. And then, perhaps, there would be no more need for the on-going annual fee.

In the meanwhile, I think that \$450 annual fee is a small price to pay to have someone else - [THE COMPANY], who knows what they're doing - take care of my filing responsibility and keep me clean before the law, while, at the same time, I go about living my life free from having to pay State or federal income taxes. What do you think?

Sincerely,
Paul Leinthall

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Hi XXXX,

I'll intersperse my replies:

Dear Paul,

I have been reading your weekly newsletters. I am considering a corp sole but have a few questions.

1. To what extent does the company support it? If it was to be challenged by taxing authorities two years after it's in place, what role does the company take in defending the corp sole and the client. (I am already a client)

You receive full guidance and support in the use of the corporation sole. The laws, as they stand today, make it extremely difficult for anyone to even challenge a properly created corporation sole, that is, one that is created and utilized in harmony with the law. To this date, NO Corporation Sole client of [THE FOUNDER] has ever had even a legal challenge; consequently, we've never had to "defend". Part of this may be that we encourage each person for whom we create a corporation sole to specify "binding arbitration" as the first line of defense in the event someone wants to bring suit against it, but a large part is due to the fact of creating a corporation sole around each client's specific needs and desires, and not just sending you a one or two page "boiler-plate" document with no support or guidance.

Regarding the IRS, they have absolutely NO jurisdiction over a corporation sole, so they have no ability to pursue or attack it.

3. Can you transfer real estate ownership into it and what would be the tax ramifications if any?

Yes, you can transfer real and personal property into it, and how that is done depends on how you're using your corporation sole and what it's purpose is. Basically, a

corporation sole can do ANYTHING you can do as a person, and in some cases it can do it more easily because there may be fewer restricting regulations with which it has to deal. Any "church" can generally avoid property taxes, but that calls into play more than just the law in regard to the IRS and income taxes; that has more to do with county assessors and their own understanding (or lack thereof) regarding the law pertaining to property taxes, in their particular jurisdiction.

4. 'm currently very active in music ministry. I am considering to launch a publishing house of many of my musical compositions to be used by other ministries and churches. Is it possible to use the structure of the corp sole to do that?-- operate the business of music publishing directly or as a shareholder of a separate corp or LLC?

Yes. With corporation sole, you virtually are limited ONLY by the power of your imagination. [THE COMPANY's] staff is particularly adept in showing you how to implement the actual steps or techniques for any potential move that may not be immediately visible to "logic".

5. Are there any property tax advantages, for example, if I use my primary residence as my primary office for the work of my ministry. (As a church organization, can property taxes be abated?)

See my answer to #3, above. The key to whether a particular corporation sole can legally avoid property taxes is not so much a matter of the law pertaining to corporation soles, but to the actual USE of the property involved. If the property has an obvious "church" use, then most tax assessors have an easier time recognizing the validity of it's non-property-tax status.

6. To what extent can the corp sole run as a "business?" If it is a profit center, that is, if the ministry I am in has commercial aspects to it, can it operate as a church without a taxing issue?

The Corporation sole IS itself a corporation sole, which can engage in virtually any activity that you, as a person, can engage in, including running businesses. The actual business, however, might be distinct from the corporation sole, depending on circumstances, just as you are distinct from any business you may run. Take the Roman Catholic Church, for example. They own some of the world's most profitable wineries - all run "for profit" via a "non-profit" corporation sole. Again, the specific details are something you will uncover in your lengthy discussions with the technical staff, should you choose to pursue creating a corporation sole.

I'm not sure from your question whether your question pertains only to property taxes, or whether you're also bringing in the issue of income taxes. Pertaining to income taxes, the corporation sole has no such requirement, nor does it have any requirement to file or report income. However, a business owned (or run) by the corporation sole may still have some tax requirements.

The corporation sole, on it's own, apart from any business it owns or runs, can be engaged in any religious, education or eleemosynary (charitable, philanthropic) purpose and activity, without income tax consequences; in other words, even though it may have commercial aspects to it (marketing services, distributing those services, etc.), it will not have income taxing requirements. The distinction is that the corporation sole

is not structured or created with it's primary purpose being a commercial, money-making enterprise (although it may literally have millions of dollars flowing in/out). It is created around, and it's purpose for existing, is the expression of it's creating purpose, which is either religious, educational or eleemosynary, or any combination of those three purposes.

The primary aspect (but not the only aspect) of creating a corporation sole is the written-expressed PURPOSE for it's creation. That purpose is something you commit to writing when you're completing your application.

7. I currently have several Subchapter S Corps. To what extent does the company interact and assist the client if a taxing authoirty decides to audit one of my Sub S businesses?

[THE COMPANY] can handle any tax reporting and filing requirements for any entity that might have any dealings with the IRS or any State taxing agency. If you hire [THE COMPANY] to represent your Sub S, then [THE COMPANY] will get involved in that, too. It's a separate fee, and, depending on the specific Sub S circumstances, can range from \$400-\$1500.

Thanks for your assistance in this regard.

Sincerely,

XXXX XXXX

I trust that helped.

Sincerely,
Paul Leinthall

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[3] 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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[4] [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.

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.

About the copyright notice: The copyright notice covers all the contents herein, except quotations, if any. I value my (and the reader's) freedom, integrity and responsibility, and I desire to maintain an environment where I (and the reader) can utilize and distribute this written material. From the point of view of copyright law, if I don't first copyright this material, someone else could; and then, by law, they could disallow me (and the reader) from using or distributing it. Given that fact, copyright is the best avenue I know to continue allowing freedom for all of us regarding this matter.

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