

TO CAROLYN LAYTON - duplicate copy

TAXES

This report concerns the shipment of supplies to Tish which is coming via Ujara in crates #107, 108 and 109, labeled Ben Barrett, Kathy Barrett and Ronnie Berryman/ and some separate items which are being shipped with this report because they need to be taken care of soon and the supplies being sent over will take awhile to sort through.

1. 1977 income tax returns to be filed for people over there: Enclosed with this report are W-2's which have arrived in the mail for people who are over there. These are the only ones which have come in; as more come in we will send them over. Attached also is a list of all W-2's which have come in; Betty has assigned each person a number and if you have any messages or questions concerning these people, you can refer on the radio to this report and their individual #.

N8

In crate #109 is the bulk of the 1976 income tax returns sent for reference; there may be some carryover in crate #108. These are all we could find in the files here. As more turn up, we will send them over. However, the state of the files is such that individual tax return files are stuck in everywhere, in no order, and it may take time to recover them. In the meantime, it appears that most people file short forms anyway so there should be no problem as long as you have a W-2. I will specify individual problems I know about later on in this report.

right now will be sent out

2. Sending over supplies to Tish: Because of the incredible bulk of material involved, this will take some time. We have removed the cabinets from the building to a place of more confidentiality; we need the keys for these cabinets so we can lock them. SEND THEM BACK: Betty tells me Tish took them with her when it was thought they would be shipped. Shipping costs are so large, and the records are the kind which should be carefully watched all the way there to insure their arrival, that we are considering packing them in duffel bags and sending out from time to time. If we do this, we need to know if (1) you want the needs slips; (2) you want the boxes of cancelled checks; (3) you want the 4 drawers worth of Apostolic receipts of money orders, filed for each member. We sent the equivalent of one file drawer of Apostolic over in the Ujara shipment, but we had to stuff those receipts in manila envelopes simply because of the weight.

Not so selfish

We tried to send recap sheets mostly and a minimum of receipts; however, in going back I found many recaps that will need still to be sent, 1976 records. This is going to be a gradual thing, I'm afraid, mainly because of the restrictions on weight. The airline has cut back the weight limit to 97 lbs for the standard charge, a crate weighs 20 lbs alone, so we are going to do as many duffel bags as possible.

don't send papers in duffel bags
they will be lost
if you want to send them
to Tish with the
shipment
I'll handle it
I'll handle it
I'll handle it

note: automatic delay for filing on application for permit return when possible and out of station
BSC(Ha)

3. Individual tax problems:

a. Ben Bowers: Hopefully this will be resolved by the time it gets to you, but here's what I've been trying to say on the radio: Ben and Christine Tally were married, divorced in 1977. During the marriage, there was a trust fund set up consisting of her estate. Interest accrued on that trust fund, and every month or so statements would come in from the bank telling about the account, and interest accumulated. No one here seems to know what ever happened with that account, whether it was closed down or what, and if that happened in 1977. Ben is going to file the long form and itemize his deductions, including interest on savings. Does this trust account still figure in the itemizations for 1977? How would we or he go about finding out the interest accumulated in 1977, if any? Where would we look on this end? I have the estate file for Christine, but the latest receipts from the bank are dated 12/76.

Ben also wants receipts from us for his rent, food, medical expenses and church donations. The donations are simple; I can do the standard donation letter I have been doing, based on 10% estimation. However, since our records were stolen in May, 1977, and that is just about the time he left, how are we to supply receipts for such itemizations without being inconsistent? Can we just make estimations and give the same reason as we do in the church donation letter?

b. Alfreda Sarno - wants to do long form and itemize deductions, and wants same as Ben, receipts from us re rent, food, church donations. The general problem is: what do we do with communal people who work and want to file long form to itemize deductions? I do not believe there are many, if any besides her and Ben, at least none have come to us yet. But Alfreda is becoming very difficult to deal with on this issue, and says she'll go to H&R Block. I am going to tell her to see H&R Block and find out what they need for itemizations, then come back and tell us specifically. But I anticipate it will be much like Ben's case, and would like some kind of guidance on how to deal with such cases.

c. We are returning to you the problems which we first listed on law office report #7, 12/22/77, plus some additions, as these people are all over there and should be dealt with over there. The additions are Leon Perry, a bill for \$135 from IRS, which Harold originally asked Fish about and no response has been sent in from here; a notice to Walter Cartzell, which does not appear to be a charge but an informational notice about a previous return he filed which required some corrections; a charge to Annette Jones of \$686 for incorrect 1975 return. The rest are those we already wrote you about: Robert & Vernetta Christian; Shirley Ann Edwards (Newell); Alvaray Satterwhite; Mary Shavers; Cleve & Helen Swinney; Al & Mary Tschetter. These may be easier to deal with after you have located their individual income tax files which are coming to you via Ujara.

YES
Wife
BPA
Christine
NO way!
Should
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be
500%
of
the
estate
value

AS K Christ

not deductible items
K26

worked out
not deductible
no
deduction
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- (a) let me know ① name ② earnings total
- ③ total 230% w.t. ④ total state in. tax withheld
- & total CBJ paid - will do returns & send back to her pronto! original figures by it over rule
- (b) let it be - 34 respond to 57.

B5e(14b)

*get all from June
of records here
done*

4. Discussions with Marshall Bentzman re audit of P.T. He is presently researching issue of right of feds to search records of churches; Martha is writing this up in more detail, my general impression is that the feds have the burden of proof and must justify their reasons for examining church records; that they can only examine in order to determine that the church is indeed a church and functioning as such; and the magic *key is the suspicion that the church may be practicing in unrelated business income.* This is not new to us, but I agree with his approach in saying that we would defend all the way; we should not acquiesce but instead demand that they prove their intentions first. This is all for the purpose of dragging the thing on. Tonight I xeroxed pieces of the IRS Code, which may have already been reviewed by Ed and Sarah; also attached is a copy of the Scientology case which found that the summons issued by the IRS to examine records was insufficient; that the Scientologists case raised sufficient doubt about the IRS's intent and harassment. IRS Code section (605) deals with restrictions on examination of church records by IRS; USA v. Church of Scientology case is attached. As Bentzman explained, looking at the Code this way is only piecemeal and to get a real picture of the whole thing requires a lot of background research. You can tell Ed and Sarah that I tried to "sheparadize" the Scientology case but could find nothing; that does not mean that there was nothing, there may well have been recent decisions but we were in a rush at Eric's and I didn't have time to get into it. We should ask Bentzman; he did hint that he will be writing up some opinion letters on this whole area of unrelated business income which will include the Scientology case.

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Key is*

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5. Audit of the Ranch: attached is a copy of the letter received by the ranch. Bonnie tells us they have been given an extension til June '78 to produce information and records. She is now combing through all the old records we have been able to find and will be preparing recap sheets, etc. and compare to those already in existence. One of the problems that has come up was that Harold's and Tish's figures didn't jive for the 1977 income and disbursements; also, Bonnie can't understand why Tish's figures of income seem to be based on more patients than there were in actuality. *of trans income*

6. David Smith: The reason he gave us which he would not elaborate on on the radio which he says will keep him here 18 months is that he never filed his income taxes for 1972 through the present. However, we don't really believe that is the real reason, as he was looking for excuses after we (me and Sandy) explained that people can file their taxes in Guyana, there's no problem with that. He obviously wanted an out to remain here. He said that Tim Stoen had advised him in the past not to file his taxes because of his receipt over the years of increments on the property and estate to which he is an heir in Colorado along with 5 other relatives. After we put aside the tax reason, he said he wanted to get a job. We asked why he didn't want to see his children; he said they weren't his children, he'd given to the temple, and anyway at least 2 of them he doubted were his anyway. Looking in the tax files, I came across the application he apparently filed for extension of time to file IRS return in 1976, and his letter to

BSe (He)

his sister asking her for income amounts he received for 1972 through 1976 on the property. Also enclosed is W-2 for 1976.

I dont know what will be the outcome of this situation; the night after he spoke on the radio, he testified, but said nothing specific, just said Jim was the doctor of all doctors, and that was it. My impression was that he was making a public display of "loyalty" so the people would think he was okay, but I would suspect this guy form the get go, of possibly being involved with Stoen in some way.

He knew of the press attack before it came down. Told me he got it from his son who visited us maybe 2 weeks before for a few hours. Also that was very resistant to see the

See Law Office Report #13, item #11 re Edwards house - would you please return via mail the Authorization I sent over to be signed by the Edwards. We have a potential buyer of the lot, and this thing is tied up with the insurance investigation. We need permission of the owners and the mortgage holders before the property can be demolished and sold. Attached is another Authorization in case the first one got misplaced.

****pleasant 73's****

Corporate demand for Apostolic but James & Leonard have E

Sorry, there's more:

B. Letter from Kay Henderson re donations - see attached. This has already been discussed on the radio with Mildred. This is for your information and additional instructions, should there be any.

1978 Church Exemption, due by March 31 for Mendocino County P.T. building - please have Ed review this and advise how to fill it out; is there any difference now that no church services are being held there? ALSO: in January, we sent over, not in a law office report but in reports sent over by Martha, the 1978 Church Exemption form for San Francisco county. The touchy thing about this one is that it asks specific questions re how many people living in the building. When we sent it over, we figured most people would be out of here and the building would be pretty vacant; but that is not the case and as apostolic apartments are closing down, people are moving into the church more. A rough count would say maybe 30 are living here now. How do we fill this out? It is also due March 31.

*pp
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*see last year
People in church*

1) Received the crates okay.. Not necessarily so on the "short forms" --some will be filing long forms --wait for items being mailed out of here next week. (I would not mention tax returns are being mailed now..it will alert USA to watch our mail more carefully than usual..)

2) ~~Need~~ ^{put} the items in the crates from the files. Send the manila folders from them in a separate crate; take the folders and put each batch in a separate ~~folder~~ white, opaque plastic bag and tape it shut.. The opaque bags can be gotten from Safeway. IS WORTH THE COST!!!

Repeat: Folder by folder. Take the material out of a folder and place it in an opaque plastic bag...seal it with heavy duty tape. This will decrease the weight and will remove the defining captions from the material..the crates will hold more material this way... SEND THE FOLDERS "AFTER" THE CRATES HAVE ARRIVED HERE WITH THE MATERIAL IN IT.. I HAVE REASON FOR SAYING THIS..FOR DOING IT THIS WAY...

(1) --no -- burn them well!

(2) --Yes --but send those in luggage that is carried topside..Seal in individual envelopes address to TISH LEROY ONLY VIA BUFORD OR KATSARIS...

(3) --Fine the way you did the others. Yes, send them. Put them in the manila envelopes. This can be sent in a duffle bag if entire contents is placed in a large, heavy duty clear plastic bag, so it is airtight from water which could happen in hold of our boat coming up the river. --it leaks a little.

NOTE: ALL ACCOUNTING PAPERS, WORKSHEETS, ETC--otherthan receipts, should be shipped in crates only and placed in the heavy duty plastic bags inside of that. GET THE P. T. AND APOSTOLIC ITEMS OVER HERE IMMEDIATELY...ALL SHOULD COME OVER SOON AS POSSIBLE. BY USING NO MANILA FOLDERS, AND ~~put~~ EACH INDIVIDUAL FOLDER IN A ~~BLACK~~ PLASTIC BAG..and sealed with the strong brown tape. or masking tape.

(I cannot stress enough to send me the records of the work I did with Sandy!)
--all of it! she will recognize it.

3) acct closed. Not a tax issue any more. It has been handled. Was not his income to start with.

Church contribution receipt only..nothing more! Rents and food are not deductible. Records were stolen in May 76 as I recall..tl

Tell ~~XXXXX~~Alfreda to send me (radio) referring to this report, item 3b..for name., the EARNINGS, FICA TAX, WITHHOLDING TAX, STATE INCOME TAX WITHHELD, STATE CBI WITHHELD --on receipt of this, I will do the returns and you can give it back to them either short or long form, by the #of item on the return.

c-I am responding individually to this batch; it came in today. Tell them we are doing the returns here. Don't pay anything unless specifically directed to.. Will itemize any payments and why..

4) If there is any of the problem mentioned in lines 7 and 8 of this paragraph, would only mean a tax assessment; not illegal for churches to do--the catholic church has more of this than any church on planet.. Is not the issue! Political is the issue. Gene and I agree on this.

5) Will bring you a detailed memo on this..NEEDS VERY CAREFUL, AND SPECIAL INSTRUCTIONS.

6) Failure to file his taxes--as listed here--would me all the MORE REASON THAT HE SHOULD WANT TO LEAVE THE COUNTRY...No problem filing from here..people file from any place on the globe..the U.S.govt has made this VERY SIMPLE and even extends the time... TO MY KNOWLEDGE he never got the 76 information.
Better to get him out of there and down here if possible.

Bae(14)

7-Edwards form

8) I agree with Ed on this.. the letter after May 1976 refers to all contributions received prior to this date. We had the church records stolen. We do recall that she was a good contributor --and regularly, our treasurer seems to recall.. However for contributions under \$100 we asked them to get receipts..if they needed it.. or to save their canceled checks.

For the amounts she gave by check, her old bank statements would list the 150.00 items clearly, and the photocopy system of bank could retrieve them from their micro film system. WE HAVE NO WAY OF VERIFYING ANYTHING ELSE.. And, she can't amend prior returns without IRS permission --and they are not likely to give her "permission" to amend without damage to us in some way...I WOULD HOLD THE LINE CAN STATE WE KNOW SHE CONTRIBUTED, THE TREASURER REMEMBERS, BUT HAVE NO AMOUNT.. As to the personal items..those records were stolen also, that recorded it..If she asked for no receipt, we would not have given one.

9) I agree with Ed. tl

IN RE ITEM #6 --TELL THEM TO ~~PHOTOCOPY~~ PHOTOCOPY ALL TAX RECORDS THEY REFER TO.. I PRESUME SHE MEANS ~~XXXXX~~ 76 INCOME SINCE ~~XX~~ 77 returns not yet done., Also, I did not do any income figures--Harold and Ellen were handling this; I was doing Apostolic from Feb 77 on thru August 15... I did none of the 76 returns...unless I did something after Aug 15-77... not likely! Send down photocopies and I will sift it out..THAT IS TOO TOUGHY FOR HER TO DEAL WITH WITHOUT HISTORY OF PREVIOUS AUDIT EXPERIENCE...SEND ME THE PAPERS IN DAD'S NEXT CASE COMING DOWN. URGENT TO DO THIS. TOO MUCH \$\$\$ INVOLVED.

Biford: Dad mentioned "quick Sale" --~~she~~ should get that place sold and get Claire out of there. Let me then deal with the augitors by mail--would be much better! I will probably put in for another extention just to delay the matter, using excuse Richard is not there, and his former accountant is working on getting it all together, and he will return to settle it (L I E.. ~~but she is the one who should~~ but will tell them this later so they will not tie up anything or stop her from leaving)