Prepared Statement by Larry Ray Hall

February 14, 2011

In re Grand Jury Proceedings – Federal Grand Jury 09-02 - District of Colorado

My name is Larry Ray Hall. I am domiciled at that Legal Address filed @ Reception # 2001000004659, Adams County Recorder, Colorado. A copy of the certified recording of my Legal Address has been made available as **Exhibit V.** I am a non-resident of the State of Colorado and of the United States, but live on the land of the Republic of Colorado.

The founding fathers defined a resident as:

> "Residents, are distinguished from citizens, are aliens who are permitted to take a permanent abode in the country. Being bound to the society by reason of their dwelling in it, they are subject to its laws so long as they remain there, and being protected by, they must defend it, although they do not enjoy all the rights as citizens. They have only certain privileges which law, or custom, gives them. Permanent residents are those who have been given the right of perpetual residence. They are sort of citizen of less privileged character, and are subject to the society without enjoying its advantages.
>
> Their children succeed to their status; for the right of perpetual residence given them by the State passes to their children." [*The law of nations*. Vattel, Book 1, Chapter 19, Section 213, P. 87.]

First, please be advised that, I am appearing here today specially and not generally. I wish to extend my thanks to the Grand Jury for inviting me here today to present the truth of these matters, as only I can know the truth of my soul.

I am appearing voluntarily and I welcome the opportunity to answer your questions. I would like to know if I will be free to testify on my own behalf and that I can be assured that before this hearing is over I will be able to make my own statement uninterrupted by the prosecutor, as has already been agreed? A copy of my acknowledgment which contains the terms of agreement for my attendance here today has been provided as **Exhibit II.**

For the protection of the Grand Jury and all other parties to this proceeding, before you commence your questioning of myself, you need to know that the terms by which I was forced to agree to this appearance were at once made in violation of my rights to due process, and secured under threat, duress and coercion by officers of the US government, who were not in a position of authority to make such demands.

I am well aware of the gravity of the proposed charges that have been alleged against me, and understand fully that without my being present to provide testimony and written evidence to the truth of the matter and of my innocence, there is little chance that justice will be done. I am also well aware that the prosecutor will take all necessary measures to secure an indictment against me, thus I can rely on no other for my defense.

You need to know that in June of 2010, I mailed by USPS Certified Mail two copies of a letter of notice, dated June 20, 2010, to the Grand Jury Foreman – one copy in care of Gregory C. Langham, Clerk of the United States District Court for the District of Colorado and another copy in care of David Gaouette, U.S. Attorney with the U.S. Department of Justice. That letter of notice provided as **Exhibit III,** included 1) a full explanation of who I am and my legal status, 2) a sworn Affidavit as to my legal status, 3) a notice of recognized rules as to how grand juries are to be conducted, and how evidence is to be handled – specifically that the prosecutor may not hold the grand jury records, including transcripts, logs, and evidence, 4) what the duties, requirements and limitations of the prosecuting attorney are, 5) a detailed list of those matters which the Grand Jury and Prosecutor were required to investigate prior to this proceeding, 6) a list of questions which were required to be answered by the prosecutor prior to this hearing, and 7) to provide to the Grand Jury and myself all records and evidence in government files, in any agency of the government, both federal and state, for inspection and review (none of which has been provided).

Failure of the prosecutor to provide evidence that could lead to dismissal of the case or a not guilty verdict could be construed as an attempt to obstruct justice by the prosecutor, and possibly the grand jury. Production of such evidence is required by the Fourth, Fifth, Sixth, and Fourteenth Amendments to the Constitution, and the doctrine proclaimed in Brady v. Maryland, 373 U.S. 83.

That letter required the Clerk of the Court and the US Attorney to present it to the Grand Jury Foreman. It also requested that the Grand Jury Foreman return to me a copy of each of the letters with a blue wet-ink signature, as proof of receipt by the Foreman.

I received no acknowledgement that the Foreman received the letter.

Did the Grand Jury Foreman receive a copy of that letter from the Clerk of the Court? Did the Foreman receive a copy of the letter from the U.S. Attorney?

You need to know that I am here in my capacity as a federal witness, investigating certain crimes by the United States Department of Justice, United States Treasury Department and Internal Revenue Service, among others. My Verified Criminal Complaint of felonies, made pursuant to 18 USC 4 Misprision of felony, has been served on the United States Congress, and a copy of the Complaint has been provided as **Exhibit IV.**

> Title 18 § 4. Misprision of felony
> Whoever, having knowledge of the actual commission of a felony cognizable by a court of the United States, conceals and does not as soon as possible make known the same to some judge or other person in civil or military authority under the United States, shall be fined under this title or imprisoned not more than three years, or both.

You need to know that I was only given 3 court days to prepare for this hearing. During the past 10 calendar days, my oldest daughter's house burned to the ground, and my youngest daughter's

husband passed away. In face of the grief and burdens placed on me and my time by those untimely events, I asked Charlotte Seaton, who I was told to be the Grand Jury Coordinator to arrange for this hearing to be postponed until after the funeral, which is scheduled for tomorrow. When she got back to me on Thursday afternoon, Greg Flynn, the CID agent who investigated this case was on the phone with her, and he told me that this hearing could not be postponed. Why is he making decisions for the Grand Jury?

Considering that the Grand Jury is supposed to operate completely independent of the three branches of government, as explained in Attachment C to the notice letter, I would first like to know why the Grand Jury Coordinator is connected with the US Justice Department, a part of the executive branch of government, and why those who are attempting to prosecute me are not independent of this Grand Jury?

Second, I would like to know why Greg Flynn, an agent of the US Treasury, is managing the affairs of and making decisions for this independent Grand Jury?

Doubtless the prosecutor has already provided this Grand Jury with a written statement of proposed charges and evidence that they say supports those proposed charges, leaving solely to the Grand Jury the job of investigating the proposed charges and questioning me.
I would like to know how I can expect to be treated fairly and justly in these proceedings if the prosecutor and various factions of the US Government are involved directly with the business of the Grand Jury and if they are allowed to take part in or even be present at these proceedings, which means that the prosecutor is both bringing the proposed charges and either leading the Grand Jury or performing the duties of the Grand Jury by questioning me?

I would like to know why the prosecutor appears to be hiding evidence from the Grand Jury by not responding to my notice letter, as required by law?

I would like to know why the prosecutor is in such a hurry to secure an indictment before the evidence has been presented and reviewed by this Grand Jury?

In light of all of these circumstances which have already contributed to my due process rights being seriously violated, I ask this jury to postpone this hearing until a later date, after prosecution has complied with all requirements and this Grand Jury has had time to complete a thorough investigation of all evidence.

I have with me evidence which will absolutely beyond a doubt prove my innocence of the proposed charges, which I can leave with you today for your review. You will discover that the proposed charges being brought against me are for alleged crimes that require the element of intent. Only I know my intent, and I can and have stated that I had no intent to commit any crime, including, but not limited to those crimes specifically alleged. You will discover that these proposed charges arose only in the minds of my accusers in a vacuum of evidence, and in their rush to assign guilt where none exists.

In introduction, you need to know who I am, as a person. I was brought up to always do what is right and never harm another person, no matter the personal consequences to myself. I have always followed, as closely as is humanly possible, that mantra for how to live rightly.

I am now 61 years old, and I can honestly say that I have never committed a crime, I have never intended to commit a crime, and I see no reason this late in life to change that policy which has served me so well. I can also say unequivocally that I am absolutely and completely innocent of the crimes alleged against me.

It is utterly beyond my ability to imagine why anyone would intend to commit the crimes for which I am being charged by the prosecutor. Yes, I do know that there are those in our society who, for whatever reason (mental incapacity, improper upbringing, loss of moral compass, etc.) make decisions to commit crimes. It is just that I personally do not have the mental or moral incapacity to understand such things.

I find it very frightening that a prosecutor, acting without any evidence, and having no knowledge of my intentions would bring such charges against me, thereby threatening my very life, and the future of my family. Further, I find it appalling that our public servants would fabricate blatant lies, as they certainly have in this case, to mislead this Grand Jury for the purpose of securing an indictment, when their sworn duty is to uphold the law and assure justice. How can this happen in America?

According to that letter dated February 7, 2011 from Kenneth M. Harmon, Assistant United States Attorney to Larry Ray Hall, provided as **Exhibit VI**, Prosecution is alleging that I have conspired to defraud the United States and has proposed charges that I (Larry Ray Hall):

1. Obtained payments on false, fictitious and fraudulent claims, in violation of Title 18, United States Code, Section 286;
2. Made false, fictitious and fraudulent claims upon or against the United States, in violation of Title 18, United States Code, Section 287; and
3. Engaged in monetary transactions in property derived from specified unlawful activity, in violation of Title 18, United States Code, Section 1957.

In relation to those charges, they state that I:

A. Was involved in filing income taxes for myself and others;
B. Sought tax refunds based on the purported withholding of taxes on income purportedly realized from Original Issue Discount ("OID") instruments, as purportedly reflected in forms 1099-OID submitted to the Internal Revenue Service; and further indicates that
C. The subject matter of the investigation, as it pertains to you (i.e., Larry Ray Hall), includes matters that are the subject of an indictment pending against People 1 and People 2 in the District of Colorado under Case No. expurgated.

Note: In the following discussion of these matters, I will refer to each of the above stated Issues by the number assigned above (i.e., Issue 1., 2., or 3. or Issue A., B. , or C.)

As best as I can tell this whole misunderstanding centers around the issue of filing Original Issue Discount (OID) with the IRS. Without that issue present, there is really nothing else to discuss.

Over the past few years, many people around the country became aware of the OID issue. You can read about it in the tax code at 26 USC 1271-1275 and 6049, and in various IRS publications such as Publication 1212-Guide to Original Issue Discount (OID) Instruments, Instructions for Forms 1099-INT and 1099-OID, Publication 550-Investment Income and Expense (Including Capital Gains and Losses)- Chapters 1. and 4., etc. You can also read about OID at 33A Am Jur 2nd.

OID certainly is not anything that is new. People have claimed it and the IRS has paid it out for years. So, why all the sudden resistance from the IRS? Is it possible that with so many learning about OID, that the IRS simply does not want them to know? Or, is the IRS trying to protect certain interests?

Since OID is at the heart of this controversy, here is a simple explanation of original issue discount which involves an issuance of credit. The Original Issue Discount is an actual discount from the face value of a security instrument. Since 1933 there has been no lawful money in this country. Whereas, we have operated in the past under the belief that our money was backed by something, in fact, the financial system of this country has been based on the full faith and credit of the American people. Since money was reduced or converted to a fiat currency, the only value is what we perceive it to have and what we give for it.

Banks give loans and credit based on our signature at which point the bank then monetizes the instruments that we have signed. One does not get a loan based on the value of an object because the value of the object is not what is used in our present monetary system. It is based on our own labor and abilities. When the bank issues what they claim as a credit to us, they are actually only monetizing the signed instrument and generating a computer or ledger entry at some represented value of units after we sign a document that says the units are based on us and our labor. If this were not true then anyone would be able to go and buy a car or a house and have the object be the collateral and there would be no need for credit checks or any personal information to be reviewed. That is not what happens. Research is conducted into each of us personally and then the credit is extended based on our signature. This issued credit is based on a document (such as a promissory note) that is an issuance from us. By signing the documents/instruments presented to us we authorize a negotiable instrument and a bank takes that instrument and ledgers it onto their books. They use that ledgering to authorize further fractionalization of ledgered assets per "Modern Money Mechanics – A Workbook on Bank Reserves and Deposit Expansion" which is published by the Federal Reserve Bank of Chicago and was first written in 1961. Those asset instruments are then batched and sold on the open

market as explained in the "Comptroller of the Currency Securitization Handbook", under Real Estate Investment Trusts, or Collateralized Debt Obligations and other such systems. These items are now securities and the banks have just been paid for these items by either selling them or offering them in groups and submitting them for bonding and income producing products.

A business cannot take out a loan on assets it does not have because the banks will not allow a business credit without assets to back it up. Banks cannot loan out their own money and or their investors money unless they make a public offering for a specific purpose and people invest in the bank for that purpose. When a bank receives a document with a signature, they are starting with a clean even balance sheet, assets = liabilities. How would they ledger the loan if they cannot pay out something that is not theirs? They have to increase assets at the same time as liabilities and so in doing this what can they use as an asset to create the liability that they take when they agree to the loan, other than your signature?

Banks do not report this payment back to the people who submit the instruments and are not notifying the individuals that the funds that they have received have settled the debt that the bank claims to be owed. This income is not reported and the creator of the security is not told that their creation has been used to make income for the bank or the other agencies that used the security. This is one of the main reasons for the bank scandals and all the foreclosure issues that are facing this country now.

When the security was converted and then submitted into the marketplace, there was a discount from the face value of the instrument, and this amount is 100 % of the value of the original security. The security had no value prior to the signature when it was originated and so the gain was made when the bank offered the security into the marketplace. This created the issue of the Original Issue Discount as the security was sold for a premium price while the original issue was submitted without value. This price difference and the gain from the sale was a profit or income to the original issuer of the debt instrument or security instrument.

The Banks were authorized and had a duty at this point to inform the issuer of the security of this gain but were negligent in their reporting and fiduciary duty to inform. This then created a requirement that a tax be paid on the gain but no documents were submitted by any of the parties to report this gain. The creator of the instrument was not aware of the gain and the bank did not file the details because they were not the true beneficiary of the gain on the instrument as it, the instrument, belongs to the original issuer, the only person who's signature is on the document. The tax became due but not reportable as no one reported the income. When any individual finds out that a taxable event has occurred, per title 26 of the US Code they are required to report such incident and that is what I feel is and was the appropriate thing to do. I issued the tax reporting forms to have the banks submit the proper taxes and return the original issue gain back to the true creditor or issuer (me) of the security instrument.

Title 26 § 6049. Returns regarding payments of interest
(d)(6) Treatment of original issue discount
(A) In general
Original issue discount on any obligation shall be reported—

IRS Publication 1212 – Guide to Original Issue Discount (OID) Instruments
Page6: "The issuer of the debt instrument … should give you a copy of Form 1099-OID…"

33A Am Jur 2d¶ 60114. Reporting original issue discount (OID) – Form 1099-OID. OID of $10 or more on any obligation must be reported as an interest payment (¶ 60101) at the time it's includible in the holder's gross income (¶ 12400 et seq.). (26 USC 6049(d)(6)(A)(i))

A Form 1099-OID must be made for each person who is a holder of record of the obligation if the OID included in the holder's gross income is at least $10.

As you can see, there is a requirement to report the OID, and banks have not been reporting it and have not been paying the tax on it. Maybe that is who the IRS is trying to protect! I know from calling banks and asking for their tax identification numbers that they were unhappy that I was planning on sending them a 1099-OID. No surprise, after they have gotten away without paying for it, for so many years.

Understanding that, now that I knew about the OID issue, I was required to report it, and I, like many others, put in hundreds of hours of study and research to learn as much as I could about OID. Many accountants, CPAs and Enrolled Agents also studied the OID statutes and came to the same conclusion as I did. Are all of these people criminals because they "may" have misunderstood the tax code on this topic, despite all of their efforts to do so? Were all of these people conspiring to defraud the US Government? Is that a logical conclusion that anyone could reach? What is going on here?

When I filed my personal tax returns, which included the filing of 1099-OID forms, I did so convinced that what I was doing was correct and perfectly legal, not to mention required by the Tax Code. Is it possible that I did not properly fill out all of the forms, or that maybe another form was required for which I was unaware? Sure it was. With hundreds of thousands of tax laws, regulations, court cases, etc. filing row after row of bookshelves, and thousands of tax forms to select from, even the most experienced tax experts routinely admit that they are often stumped as to what to do.

Making a mistake on a tax form (if indeed I did make a mistake) is not a criminal act! Being charged criminally for not being able to figure out the most complicated set of laws in the world, however is a criminal act!

You will notice from a copy of a page of 1099-OIDs (copy provided as **Exhibit VII**) that were submitted with my 2006 Amended Tax Return, that the "Payer" is identified as the name of the bank to whom I (as the source) issued credit, and from whom the amount of the credit, as shown

in Block 1, must be returned. Nowhere do you find any statement by me that the IRS owed me the OID amount. So, for the prosecutor to allege that I made false, fictitious and fraudulent claims upon or against the United States, as alleged in Issue 2. can in no way be characterized as anything other than a bold face lie.

The IRS knows that it did not personally owe me the amount of the OID, and they know that I did not expect them to dig into the pocket of the US Treasury and pay me such amount – my 1099-OID clearly states so. So, why have they concocted this ridiculous story and proposed criminal charges?

So, if the IRS were to pay me out of US Treasury funds (as they seem to be alleging that they so did in the case of People 2), how is it that the independent decision, made solely by the IRS to do something which I did not request, and for which they had no obligation to do, has been translated into proposed criminal charges against me?

How am I responsible for the mistakes or deliberate mis-actions taken by the IRS behind the curtain, where I have no idea what they are actually doing? The IRS says that when they paid People 2 for his tax filling that included the OID, that it was a mistake on their part – the payment just got out by mistake! And there we see a part of the problem (assuming we can even believe that a mistake was made). A person submits their tax return, receives a refund, and then is charged criminally for the mistakes of the IRS. Doesn't seem like an appropriate manner in which to cover up a mistake!

Since when does someone file a tax return, receive a refund, and then is required to call the IRS and ask if they really meant to issue the refund? Has anyone on the Grand Jury called the IRS after receiving a refund to ask if the IRS really meant it?

How is the tax filer supposed to know that the IRS did not do the proper thing - go to the bank to collect the funds owed to the issuer of the credit, but instead, paid the tax filer out of US Treasury funds? For that matter, how do I know that the IRS didn't actually collect the funds from the bank and are hiding that fact, while charging me with something that they know is not true? Since it is clear that they are lying in making the charges, what is to keep them from lying about what they actually did, in order to cover up their other lies?

If the IRS does not understand its own codes and regulations, how am I supposed to be held liable for their mistakes? Neither I nor anyone else I know of held a gun to the head of the IRS and demanded a refund of the OID. And no one demanded that the IRS dip into the pocket of the US Treasury to pay such amounts. If the IRS truly believes that filing for the OID is not correct under their rules, then all they have to do is send back a response letter telling the person that their filing was made incorrectly, explain the problem and relate what needs to be done to correct it. I would be glad to make the changes in an instant.

Again, how is a crime to make a mistake on a tax form? And how did I give anyone the right to judge my intent?

It is clear that Issue 2. is no longer valid, and has been entirely dispensed with.

As to Issue 1., the record shows that I did not receive any payments from the filing of my 1099-OIDs, so that proposed charge is no longer valid, and has been entirely dispensed with.

As to Issue A., I have never in my life prepared income taxes for anyone other than my immediate family. Of course, I did file income taxes for myself. Is there a law that requires that I hire someone to prepare my income taxes? I was not involved in filing income taxes for People 2. So Issue A. is no longer valid, and has been entirely dispensed with.

Issue B. is a neutral statement. Since I had the obligation under the tax code to file the 1099-OID, and since I did so based on my best available information from studying the OID issue, the fact that I sought tax refunds based on that obligation, using their codes and forms cannot be considered the element of a crime. Thus, Issue B. evaporates, and has been entirely dispensed with.

Since I did not intend to defraud the United States, did not obtain payments on false, fictitious and fraudulent claims, did not make false, fictitious claims upon or against the United States, and was not involved in filing income taxes for others, Issue 3. becomes a moot issue, as there were no monetary transactions in property derived from specified unlawful activity, there being no specified unlawful activity.

The IRS will point to the fact that funds received by People 2 were used to purchase a property, and allege that that is the specified unlawful activity. On the date that the property was purchased, however, I had not been notified by the IRS that they considered the OID filing to be a frivolous filing, so any use of funds which belonged to People 2 could in no way be considered improper. To my knowledge, those funds belonged to People 2 and no one else. Both People 2 and myself have the absolute right to contract. Remember, you file a tax return, the IRS pays you a tax return, you can only consider that they have acted properly. You are not responsible for the mistakes of the IRS. The IRS needs to “man-up” and admit to their mistakes, rather than charging innocent people in an apparent attempt to cover up those mistakes.

The IRS has absolutely no evidence that I committed any of the proposed crimes or that I had the intent to commit the same.

Note that the code sections in Title 18 that the prosecutor has proposed that I be charged with, are general and have no meaning unless there is a code section in Title 26 that both applies to me and that I have violated. Where is the Title 26 section that I am supposed to have violated? Really, this is the first question that should be asked!

Now that all of the proposed charges have been sufficiently dispensed with, let's look at what the IRS has been doing to try to escape being held accountable for their mistakes or possibly their intentional mis-deeds.

Here is an outline of how the IRS has indiscriminately dealt with those who have filed 1099-OIDs, as required by the IRS codes:

1. After filing a tax return that includes OID, some filers receive a letter stating that the filing was frivolous. Some never receive that letter! This initial frivolous filing letter 3176C cites Frivolous Positions Notice 2007-30, contained in Bulletin No. 2007-14 (copy provided as **Exhibit VII**), and claims that the Secretary has already declared that the "position" being taken is a frivolous position. First of all, I did not take any position – I just followed the tax code to the best of my ability and understanding using IRS forms. The IRS never explains what the position is that I supposedly took! When you go to Bulletin No. 2007-14, you will find that the issue of the OID being considered by the Secretary as a "frivolous position" is not to be found.

2. Additionally, the 3176C frivolous filing letter cites 26 USC 6702(c), which does not list any frivolous filing positions, but just says: "The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection." Unfortunately, the Secretary has not prescribed filing the OID (as required by the tax codes) as a frivolous, for the obvious reason that it is not a frivolous position.

3. There being no information provided by the IRS as to what the problem is, and the references they give to a frivolous position having turned out to be an obvious lie, the only thing one can do is to write to the IRS and ask for an explanation. So, you write to the IRS asking what the problem is and what you need to do to correct it.

4. Before I continue with this process, lets first look at the IRS Mission:

   The IRS Mission:

   "Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all." http://www.irs.gov/pub/irs-irbs/irb07-14.pdf Page 4.

   "The purpose of the IRS is to collect the proper amount of tax revenues at the least cost to the public, and in a manner that warrants the highest degree of public confidence in our integrity, efficiency and fairness. To achieve that purpose, we will encourage and achieve the highest possible degree of voluntary compliance in accordance with the tax laws and regulations...". -Internal Revenue Manual, Chapter 1100, section 1111.1

5. Once you request an explanation from the IRS (and no matter how many times you ask) you get no answer to your question. The IRS response is to tell you that if you do not change your filing, you will be charged a frivolous filing penalty.

6. By the time you figure out that there is nothing you can do or say that will solicit an answer to your question – What is wrong with my tax filing? – the IRS has usually (as they did in my case) assessed a frivolous filing penalty of $5,000 for each year that the OID was filed, and if you filed jointly, each spouse is assessed $5,000 for each year. Notice that the IRS does not assess everyone the $5,000, but for some people, it not only assesses the $5,000 per year, per spouse, but it also adds $5,000 per year, per spouse every month. There certainly is nothing in the tax code that allows that assessment, so why are they doing it? And, why isn't everyone that filed the same thing treated the same?

7. Then after the IRS has already assessed you the $5,000 frivolous filing penalty, and you continue to ask the IRS for documentation or explanations to support their accusations of a frivolous filing, you may receive about every 40 days a letter that states in part:

   "often extensive research is required" and

   "Due to heavy workload, we have not yet completed our research to resolve your inquiry"

8. Why does the IRS have to do any research and what is it that they have to research after they have already issued a decision and assessed me a $5,000 frivolous penalty? What part of due process allows the IRS to assess a penalty before doing the research to first determine if something improper has been done?

9. I would submit that the only reason the IRS continues to ignore our questions, with the lame excuse that they need more and more time to research, is because they are trying to figure out a way to justify their entirely incorrect decisions to label the filing of the OID as frivolous and to assess a frivolous filing penalty! Since an untold number of people filed the 1099-OIDs, and the answer is the same for all of them, why has it taken the IRS almost 3 years to complete this mystery research on one single topic? Makes no sense, does it?

10. Then the IRS recommends that the Department of "Justice", take steps to get an indictment for criminal activity against some of those who filed the 1099-OIDs, as required by IRS tax codes, and not against others who did the exact same thing. Excuse me, but the law must operate equally for all – right?

11. This might be a good time to review some maxims of law, which are simply common sense statements relative to the antics of the IRS in this matter:

a. All Americans have the right to access the law and to know of its proper application and operation, even tax law.

b. The law must be complied with, all of it – even by the IRS.

c. The law must be applied openly and with indifference.

d. Only Congress writes law. Administrative (IRS) regulations cannot deviate from law because regulations are not written by Congress.

e. IRS publications are not law.

12. And to help put things into perspective, here are a couple of quotes that remind us of what we are dealing with here:

"Fear is the key element for the IRS in achieving its mission. Without fear, the IRS would have a difficult time maintaining our so-called system of voluntary compliance ...". "Given the opportunity, the IRS will take the easy way out and grab whatever it can... the IRS does not really care about you and what your future..... may be". -Santo Presti, former IRS Criminal Investigation Agent and author of "IRS In Action"

"The IRS is an extraordinary example of the end justifying the means. The means of this agency is growth. It is interesting that the revenue officers within the IRS refer to taxpayers as 'inventory'. The IRS embodies the political realities of the selfish human desire to dominate others. Thus the end of this gigantic pretense of officialdom is power, pure and simple. The meek may inherit the earth, but they will never receive a promotion in an agency where efficiency is measured by the number of seizures of taxpayers' property and by the number of citizens and businesses driven into bankruptcy". - George Hansen, Congressman and author of "To Harass Our People"

13. Can IRS or DOJ show the law and explain the operation of that law that provides for the following disparity in treatment for the same type filing? Is the infraction which is not defined on the Secretary's List of Frivolous Positions simply "conjured up in somebody's mind"?

a. One filer has his tax return denied, and no other action taken.

b. Another filer has tax return denied, and deemed frivolous per Secretary's List (nothing on that list), and no other action taken.

c. Another filer has tax return denied, and deemed frivolous per Secretary's List (nothing on that list), and is assessed a $5,000 frivolous filing penalty, per year , per spouse.

d. Another filer has tax return denied, and deemed frivolous per Secretary's List (nothing on that list), and is assessed a $5,000 frivolous filing penalty, per year , per spouse, and $5,000 is added each month, per year, per spouse.

e. Another filer has tax return denied, and deemed frivolous per Secretary's List (nothing on that list), and is assessed a $5,000 frivolous filing penalty, per year , per spouse, and is charged with criminal activity.

f. Another filer has tax return deemed valid, receives refund, and no other action is taken.

g. Another filer has tax return deemed valid, receives refund, and is then charged with criminal activity.

Does the IRS have the authority to indiscriminately treat filers any way they wish?

Does the IRS have any responsibility as Tax Professionals with their super computers to determine that each and every refund check issued is valid and accurate?

Now, go back and read the IRS's Mission Statement. How can a mission statement and the practice be any further apart?

Since the IRS code requires me to file the 1099-OIDs, how can the IRS then come back and tell me that they are a frivolous filing, and that I am being assessed a penalty and criminal charges for following the law? It becomes a matter of you are damned if you do, and damned if you don't!

Take special notice: The IRS, by its unlawful actions, has created an **impossibility.** The law does not allow an impossibility. The law may not, and the IRS cannot require an action that will result in a penalty and criminal charges. They can't have it both ways.

Does any of the above constitute an unlawful act on part of the IRS or its agents?:

Title 26 § 7214. Offenses by officers and employees of the United States
(a) Unlawful acts of revenue officers or agents:

(5) who knowingly makes opportunity for any person to defraud the United States; or

(6) who does or omits to do any act with intent to enable any other person to defraud the United States;

It is clear that the prosecutor is falsifying information, both by commission and by omission. He has knowingly lied in his representations to this Grand Jury (commission) by making statements that he either does not know to be true or does know to be true, and he has not provided all of the evidence to this Grand Jury as required (omission).

I want to know who on this Grand Jury, who in the IRS or US Treasury and who in the Department of "Justice" has been told or has any information about my intent? Who has conducted a brain scan that reveals what I intend or have ever intended to do anything of a criminal intent?

You have seen how the IRS has not dealt in good faith throughout the process of administering the OID situation. Since this whole situation arose, I have had occasion to do further research and find out more about the operations of the IRS.

Here is what I have found:

I. 4 USC § 72, which is positive law, mandates that all offices of government are restricted to "the District of Columbia, and not elsewhere" unless Congress "expressly" extends their granted authority to other geographical areas by United States law.

It is a fact, that the IRS does not have a delegation of authority to operate in the 50 compact states, which means that they have no jurisdiction or authority to operate in Colorado, making anything they have done to create this case out of thin air, void and leaving this Grand Jury with nothing to investigate. Just ask any IRS agent for a copy of their Delegation of Authority to be in Colorado. They will not be able to provide it, because it does not exist! A copy of a "Brief Regarding 4 USC § 72 and The Secretary's Authority in the Several States is provided as **Exhibit IX**.

II. The requirement to file income tax does not apply to the people domiciled in the 50 compact states, like Colorado. The tax code does not name those folks as being liable for the tax. Statutory Definition of citizen of the United States is attached as **Exhibit X.** This issue is explored in depth in Exhibit IV, my Complaint which has been filed with Congress. The IRS has never rebutted the issues presented in Exhibit IV and X, because they cannot do so. After all, facts are facts!

III. 26 USC § 29.22(b)-1 Exemptions; exclusions from gross income.

Certain items of income specified in section 22(b) are exempt from tax and may be excluded from gross income. No other items are exempt from gross income except (a) those items of income which are, under the Constitution, not taxable by the Federal Government;

The reference to the Constitution is to Article 1, Section 9, Clause 5:

> No tax or duty shall be laid on articles exported from any state.

Since export into commerce from one state to another state constitutes Interstate Commerce, and the revenues earned from that export upon its sale would constitute an "income;" that would mean that a tax on the income from interstate commerce, being export, and export, from an accounting

standpoint, being the income side of interstate commerce, a tax on an income derived from any form of Interstate Commerce would be a tax on the export of the product or products represented in commerce, and would be mandatorily prohibited in being taxed under Article I, Section 9, Clause 5.

When the IRS realized that the effect of that section was that Americans were not liable for the income tax, they got busy. You will not find this section in print today, but it was in the code in 1949. It was never officially removed from the code by Congress, for the obvious reason that that would have been a violation of the Constitution. However, between the years 1949 and 1961 the IRS committed massive fraud in order to make the code section disappear. First they just failed to print title 26 for a few years. Then 29.22(b)-1 was moved to 39.22(b)-1 (a section which did not exist prior to1953). Finally, the section just magically disappeared altogether. During those years, the code was printed at the end of the year instead of the beginning. One year wasn't even printed until several years later, and then it was represented that it was printed in the earlier year.

The bottom line is that **26 USC § 29.22(b)-1** still exists, you and I still have access to it, and the IRS has never been able to rebut this issue for obvious reasons.

For a complete discussion of this issue see **Exhibit XI**, The Title 26, 1949 CFR, 29.22(b)-1(a)/Article 1, § 9, Clause 5 Frauds, and watch **Exhibit XII,** for a Power Point Presentation of the topic.

AFFIDAVIT

I, Larry Ray Hall, do hereby confirm and affirm that the statements made herein are true, correct, and complete to the best of my knowledge, not meant to be misleading, admissible as evidence, and are signed under the penalty of perjury.

By:_____ Date: February 14, 2011
Larry Ray Hall
The 2011 posterity of the 1787 we the people of the preamble to the Constitution for the united States of America, a joint Tenant in the sovereignty of both the united States of America and Colorado. Standing upon the land on the county of Adams, Colorado.

STATE OF COLORADO)
) SS.
COUNTY OF ADAMS)

Affirmed to and subscribed before me _____ a Notary Public, this 14th day of February, 2011, by Larry Ray Hall at Brighton Colorado.

_____
Notary Public
My commission Expires: _____