

IRS Fraud Time-Barred Assessments

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MR. SCHIFF: Yes.

MR. SCHULZ: MR. Turner, would you remain MR. Turner?

MR. TURNER: Yes.

MR. SCHULZ: Ms. Osborn, would you raise your right hand? Do you swear to tell the truth, the whole truth and nothing but the truth, so help you, God?

MS. OSBORN: Yes, I do.

MR. SCHULZ: Would you give your name please, where you live and your professional background and what it is you're doing now professionally?

MS. OSBORN: Yes. My name is Victoria Osborn and I live in Colorado Springs, Colorado. I am a forensic accountant; my background comes in the area of accounting. I am a graduate from the University of Colorado. I have a concentration in both accounting and finance and I have been working in the business sector for most of my career, and became interested in what was going on within the Internal Revenue Service during the 1997 and 1998 Senate Finance Committee hearings. After listening to much of the testimony, I began studying it and when the Restructuring and Reform Act was passed in 1998, I realized that that was probably the first time in our history that we were given the opportunity to access the operational manuals and any number of required documents that we needed in order to audit the IRS accounting, and that also appeared to be the element that was missing in every taxpayer who described what had happened to him. I kept asking myself -- Who's auditing the IRS accounting? That's how I got into this and began auditing the actual transactions for individual taxpayers and that's how I discovered what was going on.

1 **MR. SCHULZ:** Can the people in the back of the room hear?

2 **MR. HANSEN:** Could you put the microphone closer?

3 **MR. SCHULZ:** With this line of inquiry, we will prove willful and intentional manual
4 manipulation of taxpayers' individual master files for the purpose of creating time-barred
5 assessments; creating and providing fraudulent certificates of official records to the court to support
6 illegal assessments, manipulation master files to short pay taxpayers legal interest owed by the
7 government; collecting social security from taxpayers via levy in direct violation of the law; willful
8 and intentional creation of fraudulent penalty and interest against taxpayers and willful and
9 intentional violation of taxpayers' rights to due process. Is it true the IRS is placing levies on
10 taxpayers' federal social security benefits in direct violation of the law?

11 **MS. OSBORN:** Yes. I have found that the IRS is placing levies on taxpayers' old age social
12 security benefits and this is a direct violation of Title 42, Section 407. And I did find that when I
13 would confront the IRS about this violation, they would immediately stop levying the social
14 security benefits, but we are currently working on getting that money which they had levied
15 returned to the taxpayer.

16 **MR. HANSEN:** Thank you.

17 **MR. SCHULZ:** Is it true the IRS is exceeding the 15 percent lawful restriction on
18 collection of continuing levies?

19 **MS. OSBORN:** Yes. The IRS illegally exceeds the 15 percent restriction when they levy,
20 create a continuous levy. This is, an example of that would be if you receive retirement from a
21 different retirement fund other than your social security; say you worked for a state and you receive
22 state retirement, teachers retirement, they will put a levy on that that's continuous and the law
23 restricts them to 15 percent of that. I have found them taking up to a hundred percent; in fact, I

1 have had clients where they have levied both social security and state retirement, giving that
2 individual a check for one penny to live on. These are all in direct violation of the law.

3 **MR. SCHULZ:** What section of the law is that?

4 **MS. OSBORN:** You find that section under IRC 5331. And if you'll scan down to the
5 section that is headed with, in parens with a small "h", it's titled "Continuing Levy on Certain
6 Payments." And it will describe briefly for you in general what that is.

7 **MR. SCHULZ:** Is it true the IRS is making illegal time-barred assessments and concealing
8 those assessments by placing fraudulent information on taxpayer master files?

9 **MS. OSBORN:** Yes. This is quite shocking. The IRS in signing a summery record of
10 assessment, that's the first step in the process of making a valid assessment. An assessment
11 pursuant to 26 CFR, 301.6203-1, by which IRS records and demands payment of tax obligations is
12 a several step process: They have to create a summary record of assessment; they have to maintain
13 supporting documents; they have to notify the liable parties; and upon request by a targeted
14 taxpayer, they have to produce the pertinent information to the liable party. And TPI has evidence
15 as far back as 1974 that the IRS has been making illegal time-barred assessments and concealing
16 that activity in the master file. The way that they do that is an IRS agent willfully and intentionally
17 places a hole code in the module on the taxpayers' master file records preventing the computer from
18 controlling the accounting according to its programming. The computers is programmed to comply
19 with the tax laws. So the integrity of that system must be violated by the IRS agent in order to
20 override that programming. The agent then extends forward in time the assessment statute
21 expiration date, that allows the computer to make the time-barred assessment. It violates the
22 integrity of the system; it makes the computer think that it is not out of statute when they put a false
23 assessment statute expiration date in there. And then this allows the computer to accept the

1 fraudulent assessment and make it appear as though it falls within the legal limits of the statute.
2 The agent has performed willful and intentional acts in order to make this happen. They cannot
3 dispute, they have to understand how the system works to violate its integrity. They must make
4 several transactions in order to accomplish this. The only evidence that reveals this activity is a
5 nonsanitized version of the taxpayers' master files. The codes and the computer manuals and the
6 IRS operation manuals have only been made available to the public since the 1998 IRS
7 Restructuring and Reform Act that was passed by Congress after the testimony of all of the victims
8 that had been abused by the IRS. In sympathy for all of that and just curiosity, I began gathering all
9 of these manuals and procedures and putting together this information; and with the help of my
10 husband who is a computer engineer, we had been able to provide the evidence that conclusively
11 proves on an individual taxpayer's circumstances exactly what has happened.

12 **MR. SCHULZ:** Is it fair to say that what you're saying is that the computer program, the
13 computer is programmed to follow the law?

14 **MS. OSBORN:** Yes.

15 **MR. SCHULZ:** And it can either go on automatic pilot or you can flip a switch and take
16 off automatic pilot, open it up?

17 **MS. OSBORN:** Yes.

18 **MR. SCHULZ:** Insert some data there, putting in false dates, and then from then on, it can't
19 go on -- does it then go on automatic pilot again or do they --

20 **MS. OSBORN:** Not usually.

21 **MR. SCHULZ:** From then on it's manual controlled?

22 **MS. OSBORN:** Usually once it's tampered with, all transactions subsequent to a manual
23 transaction being entered, such as interest, penalty, those types of calculations then become

1 manual. And it's, in most circumstances that module then will be manually operated. It's rare if it
2 will go back into automatic mode, but the average individual can't detect this. Even the average
3 professional CAP can't detect this. It takes thousands and I literally mean thousands of documents
4 that I have read and compiled from the computer and all of the procedures internally and
5 understanding how everything interacts and integrates together in the computer system to know
6 what happens to a transaction and what the end result is.

7 **MR. SCHULZ:** Ms. Osborn, you identified yourself as a forensic accountant; what exactly
8 is that?

9 **MS. OSBORN:** Well, it takes accounting transactions, most often dead accounting
10 transactions or very old ones, transactions that happened years ago; and I look behind those
11 transactions to find out what has happened and all of them together give you a picture and piece
12 together the story. It's like solving a murder case. It's like solving any other crime. It all depends on
13 the data that is in your master file. We have had to learn to rely totally on that because often times
14 when you request a source document, even though they are required by law to maintain those, they
15 do only have to maintain them a certain number of years, then they can be scheduled for
16 destruction. You can find out exactly what happened in your master file and if there has been
17 tampering with your transactions, and we have found in every client who has suspected or claimed
18 to be innocent, and have found the evidence to prove that the IRS has created.

19 **MR. HANSEN:** Ms. Osborn, I have a question relative to the imposition of taxes. Up to
20 this point, we built up to the point where we have identified the income tax as a voluntary tax and
21 that nobody's liable. We also established that the IRS has no authority to assess penalties. So the
22 question is, for the cases where IRS does assess, for instance, frivolous return penalties against
23 individual, I don't want to call them taxpayers because it implies they are liable. But if they institute

1 the penalties against an American citizen for nonpayment of taxes, has there been evidence or have
2 you discovered evidence of fraud in the imposition of those penalties?

3 **MS. OSBORN:** Well, to be honest with you, the nature of my work deals primarily with
4 taxpayers who have considered themselves patriotic and have filed their returns and have paid their
5 income tax, but have come upon problems with the IRS. And so by the nature of my work,
6 obviously I am dealing with taxpayers who have filed, taxpayers who have paid and who have been
7 audited with subsequent deficiencies determined against them. But taxpayers who have taken and
8 utilized what Congress has passed as tax avoidance, legal tax avoidance, issues like allowances,
9 deductions and exceptions which they feel that they are entitled to, they usually get into a dispute
10 with the IRS over what is allowable in those areas. The battle goes on. They generally get involved
11 in entering into agreements for the sole purpose of terminating the accrual of penalties and interest
12 that leads to other problems.

13 **MR. HANSEN:** Have you seen evidence that the IRS has concealed or not allowed
14 taxpayers to request the unsanitized versions of their IMF, a person who used their Freedom of
15 Information Act to obtain their IMF get a version of that document that would allow him to see the
16 fraud you are talking about?

17 **MS. OSBORN:** You won't get that version unless you ask specifically for it by code. And
18 you will get a nonsanitized version, that is the standard version and that particular document omits
19 critical data, even for someone like myself who can look at a highly coded, very encrypted master
20 file and can scan through it and identify things fairly rapidly; but the average person can't do that.
21 Even then, they will omit the data that is required and we do have to continuously go back to get
22 the master file and point out you have deleted data from this master file; it is required by law and
23 we want a copy that has all of the data on it.

1 **MR. SCHULZ:** MR. Turner,

2 **MR. BANISTER:** MR. Turner, I guess. Was there ever a time when IRS agents would
3 receive a percentage of the amount of money that they were getting, covering through their day-to-
4 day administrative procedures? Was there ever a time when they were receiving part of the or some
5 percentage of what it is that they were getting from the taxpayer?

6 **MR. TURNER:** Not to my knowledge. The only thing that I can think of that would be
7 close to that in my personal experience was employees who met certain criteria as provided by
8 management could qualify for performance bonuses. In other words, they would be deemed, a
9 certain employee in a group of revenue officers would be deemed as having done a superior job
10 compared to the rest of the revenue officers in that group and he could get a slight increase for that
11 year for his efforts.

12 **MR. SCHULZ:** Before we continue, Ms. Osborn; what is the, could you speculate, why
13 would these individuals, these American citizens working for the government, why would they
14 hack into their computer program and falsify the records to allow them to assess? Why not just say
15 -- Well, okay we missed the date, move on to the next one?

16 **MS. OSBORN:** Well, internally, and this is in the manual, and it's quite stiff. The motive
17 for a revenue officer to falsify an assessment that has been missed, to back date it and make it
18 appear as though it's legal, is that internally when there is an assessment statute that is missed, they
19 go through some very strict punishment and there are consequences. They do pin down and name a
20 particular individual through the line of process responsible for the lost assessment, and that can
21 ultimately result in their losing their job. They usually do have some very severe punishment for
22 that particular act.

23 **MR. TURNER:** Just for a little clarification, not really to address any of the substance of

1 Ms. Osborn, but having been an insider, you know, revenue officers are collection officers. They
2 don't have anything to do with assessments. So probably Ms. Osborn is referring to a revenue agent
3 or somebody, not even necessarily a revenue agent actually, but somebody in the examination
4 division who is responsible for things procedurally that have to do with deficiencies, additions to
5 tax and things like that. In my experience, the revenue officer -- there are other statutes besides the
6 assessment statute, and so, since the assessment statute never concerned me as a revenue officer,
7 the collection statute very much did. When she talked about penalties that the agent could be
8 subjected to, for a revenue officer to miss a collection statute meant basically at the very minimum
9 a three-day unpaid vacation and some reprimand in the way of a bad remark in your employee file.
10 But that's the bare minimum. But what she's referring to is the statute that is blown for the legal
11 time frame to assess a tax. Revenue officers aren't involved in that but examination is. And I was
12 never personally aware of anybody interceding -- and by the way, revenue officers and revenue
13 agents, to my knowledge, but I was a revenue officer, they don't have -- every IRS employee is
14 given a certain profile, and in that -- for their use on the computer on IDRS. The profile varies from
15 employee to employee, depending on their function and the things that are incumbent upon them in
16 their job, and the manager decides and determines what is placed in that person's profile for a
17 computer access. So, as a revenue officer, I never had a way with my profile to access the computer
18 in such a way that she's suggesting. I would have never had in my capacity the ability to make any
19 illegal or otherwise adjustments to an assessment, but there may be somebody else that could have.

20 **MS. OSBORN:** I can answer that. It may not happen directly from the revenue officer or
21 examiner or appeal officer or the person who actually makes that decision, but the data entry people
22 are the ones who actually enter it into the computer, who have the access to the computer; however,
23 that data entry person does it from a document that is written up by an officer. It is written up by a

1 revenue officer or an examiner or an auditor or an appeal officer and it is signed by that individual
2 and it is signed by that individual's supervisor. And on that document they override the assessment
3 statute expiration date and they can put in the date that they want that assessment date to read in the
4 master file.

5 **MR. HANSEN:** One more quick question here. In your opinion, Ms. Osborn, is it possible
6 that one of the reasons that IRS computer systems have not been redesigned is that to reprogram
7 the computers the IRS would need to develop new software specifications based on the details of
8 the law, they do not want to examine publicly or have examined by commercial software experts?

9 **MS. OSBORNE:** I am not sure that I understand your question, unless you're making
10 reference to the IRS believing that the system is old and antiquated and can't accommodate the
11 current system?

12 **MR. SCHULZ:** Let's think about that, Ms. Osborne. We are going to take a 10-minute
13 break. I have something to attend to. We will be back in just 10 minutes. Thank you very much.
14 After a short recess, the following took place:)

15 **MR. HANSEN:** Let's continue on with this question, Ms. Osborn. The IRS computer
16 systems tend to be, my understanding is and MR. Turner might be able to confirm this, that the IRS
17 computer systems have been around for quite some time; they haven't been modified; they're old
18 and antiquated, and as a matter of fact, the IRS is in the process of trying to upgrade those. But we
19 wanted to find out whether or not one possible motivation behind why they have neglected or
20 refused to update them in a more timely fashion would be possibly because, for instance, yesterday
21 we talked about the concept of plausible deniability where the IRS can claim that they didn't
22 understand or know the law or how to apply it. And as you may know, when organizations attempt
23 to upgrade their computer systems and replicate or automate or make more efficient their processes,

1 then the whole group usually gets involved together to engineer a refined process and at that point,
2 they all have to focus on the law as the starting point for how they would upgrade the system and
3 make it better. And at that point, they would, if they all sat down and looked at the law, they find
4 out -- My gosh, what is going on here? We have been violating the law the whole time. Because
5 they have to crack the code books to find out all the statutory trips and everything else. And at that
6 point they would lose the ability to claim what we identified yesterday as plausible deniability
7 where they could say -- Well, gosh, I just didn't know. Like we can't do as taxpayers.

8 **MS. OSBORN:** That's not so. That's been a question my husband and I have had in the
9 forefront of our minds through every step of this process. We have examined what their possible
10 explanation could be and whether or not it makes sense; that the computer system is outdated to the
11 point that they just simply are making mistakes that they just aren't aware they are doing, and that's
12 simply not the case. This computer system, yes, it's old, but it has been updated. There's a lot of
13 updated information, a lot of new systems that have been put on line with the master file system
14 over the years. I deal with that when we get into master files that go back into the '70s, those are the
15 older master files on the older systems. The newer systems are much different, they have a lot more
16 information. But the things that we are finding that are astounding that can't be anything except
17 willful and intentional is where an agent has to know how the system functions in order to get the
18 result that they are wanting. The system is programmed to not allow an assessment to be made to
19 an individual master file if it is time-barred. It cannot do it. They have to change that status of that
20 module in order to get that assessment to go into that taxpayer's record. Now that takes several
21 steps, probably because it's not so easy. There are, various transactions that have to occur and in a
22 lot of the master files I examine, I find where they have made an attempt, it failed and they had to
23 do a couple of extra transactions in order to get that fraudulent assessment to make it into that

1 master file. So it's real obvious, it's undisputable when they make a time-barred assessment and
2 they backdate it in order to conceal the fact that it's time-bared. It is intentional, it cannot be
3 anything but intentional.

4 **MR. SCHULZ:** What is the time within which an assessment has to be made?

5 **MS. OSBORN:** Now, that's a question that depends on every individual circumstance. The
6 statutes are, there are many, many statutes that apply to the time-barred assessments. You have to
7 first deal with when the tax return is filed. Then you have issues of the three-year statute or the six-
8 year statute. And there is an unlimited or an open statute for fraud or failure to file. However, then,
9 once a taxpayer has been audited and examined, there are other levels of statutes of limitations that
10 go into play in these master files. If you enter into a closing agreement, normally a Form 870, or a
11 closing agreement that is done on a Form 906; some of you may have done that over your, the
12 years that you had been filing. These items then, they will terminate one statute and begin the
13 running of another statute, and that's why this information in the master file is so critical and why it
14 takes such intense examination and understanding of the laws to apply them to an individual case to
15 know whether or not the IRS accounting has been followed according to the law.

16 **MR. SCHULZ:** Ms. Osborn, what's your advice for people who receive assessments from
17 the IRS, where the IRS has made an assessment. Is one of the first things they should do, and how
18 would they go about doing that, to check to see if it's a time-bared assessment?

19 **MS. OSBORN:** Well, we have looked for other people who have examined master files to
20 the level that we have, and we haven't found professionals that have taken it to this level, that's why
21 we were trying so hard to get this information out there. My recommendation is, try to contact us,
22 get your master file; contact your CPA, anybody that can help you look at that master file and those
23 transactions and determine whether they have been followed according to the law. Your master file

1 will tell you everything that has gone on with the IRS. And it will reveal the evidence that you need
2 to defend yourself. An example, a lot of taxpayers believe that they can't defeat the fact that once
3 an assessment is already made, they've got this presumptive correctness issue. The IRS may have
4 taken you to court to reduce that assessment to a judgment so they can pursue you the rest of your
5 life. Well, you still have a right to go back and if they have committed fraud in making that
6 assessment, you have an option; we have under Title 28, which is the tort title, under Section 1346
7 you may file a suit against the Service for unlawful assessments, and that has a six-year statute of
8 limitations that does not begin to run until the right of action is known.

9 **MR. SCHULZ:** Thank you, Ms. Osborn. Your advice is people should get their IMFs, their
10 individual master files.

11 **MS. OSBORN:** Yes.

12 **MR. SCHULZ:** Is the average person able to read and comprehend what their individual
13 master file -- it comes in the mail. You FOIL for it, you get it, you want it for the year 2000, 2001,
14 and it arrives in the mail. Is the average person able to read it?

15 **MS. OSBORN:** No.

16 **MR. SCHULZ:** Why?

17 **MS. OSBORN:** I'm afraid not. It's highly encrypted, highly coded; it has literally hundreds
18 of codes and numbers.

19 **MR. SCHULZ:** So, is there not a code book that the citizen then can --

20 **MS. OSBORN:** There is not a code book that is simplified to the point that you could --
21 you can decode it to a point that you know that transaction code number 150 is where they have
22 recorded my tax return. And that transaction code 806 is where they record the taxes paid on my
23 W-2.

1 **MR. SCHULZ:** Does the code book remain the same for a long period of time or does the
2 code book change from year to year? Do you have to know what code book to request?

3 **MS. OSBORN:** No. I don't find that the actual codes in decoding a master file, for
4 example, knowing what each transaction means; that does not change from year to year. I have
5 found a few changes but very minor, insignificant. The problem that the average person has is
6 understanding what's behind those codes; understanding that that computer is going to do
7 something with each transaction and what are the possibilities. One transaction may have many,
8 many meanings and it depends on if there are other transactions made prior to it, after to it, right
9 before it. There are so many transactions that are entered into your master file that cause something
10 to happen.

11 **MS. OSBORN:** How familiar is your average accountant and CPA with all of this?

12 **MS. OSBORN:** They are not. That is the part that is --

13 **MR. SCHULZ:** So, the individual citizen can't understand it, can't work their way through
14 it; the accountant, certified or otherwise, can't get through it?

15 **MS. OSBORN:** Can't.

16 **MR. SCHULZ:** What then?

17 **MS. OSBORN:** You call us. You call us.

18 **MR. BANISTER:** Unfortunately, in my experience the problem is that even if you could
19 get a CPA to learn about the master file, even if you could explain how there may be fraud that
20 exists or manipulations of it, the sad fact, at least in my experience, that most CPAs are just as
21 afraid of the IRS as their clients. And so --

22 **MS. OSBORN:** That's is true.

23 **MR. BANISTER:** Once you get all those thresholds -- for example, I used to use the

1 individual master file, or IMF, as a special agent, but only very infrequently and I would observe
2 the monitor, I didn't do any entries whatsoever. I didn't even have a password to enter the system. I
3 only used it for my particular little compartmental part of my job. And now that I have been out of
4 the IRS, I see the magnitude of just the manuals that I am sure are even bigger than the amount of
5 books that are on Chris' desk.

6 **MS. OSBORN:** A hundred times bigger. The manuals that I have, that I use to analyze one
7 individual's master files is probably a hundred times more than what is sitting on that desk. It's
8 phenomenal.

9 **MR. BANISTER:** It's huge. As Victoria has been able to show you with her testimony and
10 what I have learned over the last six months and John knows a great deal more than I do because he
11 did more with the master files when he was in his job. The more you learn, the more you discover
12 that there's yet another avenue that the Internal Revenue Service uses to cheat people.

13 **MR. SCHULZ:** But how wide spread might this cheating be?

14 **MS. OSBORN:** Oh, I think it's systemic and at every service center.

15 **MR. SCHULZ:** It sounds like it's pretty easy to cover up. I mean who's going to find their
16 way through these documents, the master files themselves and the code books that go along with
17 them and who is going to find their way through there? So, fraud -- it sounds like it would be pretty
18 easy to get away with if you're in the Service. And if that's that easy, it's tempting. If it's that
19 tempting, it must be widespread.

20 **MS. OSBORN:** Well, personally I haven't touched a master file I haven't found hanky
21 panky in it.

22 **MR. SCHULZ:** How many have you touched?

23 **MS. OSBORN:** Hundreds.

1 **MR. SCHULZ:** Is that right?

2 **MS. OSBORN:** Yes. Hundreds. It's phenomenal what we have found. And what's even
3 more frightening is none of this really could have been discovered before our Congress gave us the
4 1998 Restructuring and Reform Act. We have now found that the evidence and the problems is in
5 the accounting of the IRS and now we need our Congress to go back and do more work because
6 this information then has gotten to our judicial system. I don't know how many taxpayers are out
7 there with judgments against them for life on the presumption of correctness of an assessment. And
8 that assessment is based upon a fraudulent assessment date and the evidence submitted to the court
9 on the infamous or certificate of official record is extracted off of the master file. Attorneys and
10 CPAs who represent taxpayers who receive those statutory 30-day notices which have the
11 assessment date on it, that assessment date is false if the master file assessment date is false
12 because it picks up the field in the master file where they enter the false assessment date. So then
13 every piece of correspondence, documentation, statutory or otherwise, is false. Every Internal
14 Revenue agent, officer or whoever looks at a taxpayer's master file to say what your assessment
15 statute expiration date is, may be picking up false information. You can't get to the truth without
16 the master file.

17 **MR. BANISTER:** What I noticed is that this master file in the transcripts offer an
18 incredible level of plausible deniability because every agent I have ever encountered, after leaving
19 the IRS and on behalf a client, they continually point to the transcript as if it is the gospel and there
20 is no more questions need be asked; yet that transcript of 4340 is taken from the individual master
21 file, which if you have the time and the manuals and the knowledge, you could extract all of the
22 fraud and manipulations that are in there, but it is such a gargantuan project that --

23 **MR. SCHULZ:** So, somewhere in the Service is an individual hacking the code and putting

1 in false information, and then that false information is in there from assessments on through the
2 process, so all of these other agents down the line, all of the other -- and DOJ personnel, they are
3 all being duped by the person who has --

4 **MS. OSBORN:** Yes, the entire judicial system.

5 **MR. SCHULZ:** -- who has hacked the code.

6 **MS. OSBORN:** It's not hacking the code.

7 **MR. SCHULZ:** Not -- hacking the computer, he broke in and falsified the information.

8 **MS. OSBORN:** Well, actually the false information often times appears on the source
9 document, the form. You know the form that an agent may fill out to request a quick or a prompt
10 assessment? That's usually filled out in handwriting. Are you familiar with it? Okay. It comes with
11 a lot of really good information. In the remarks section they'll admit that they know the assessment
12 is supposed to be made by a certain date. You look at the master file, that puppy is backdated, and
13 there is no disputing that. You get that information, you look at that -- how could anybody with any
14 common sense look at that and not believe it's intentional?

15 **MR. SCHULZ:** I understand. Let's go on. Question 231d, MR. Bodine. Admit that the IRS
16 is submitting fraudulent certificates of official records to the courts to substantiate lawful
17 assessments. Is that correct? Ms. Osborne for the question.

18 **MS. OSBORN:** Yes. If a transaction date field has been falsified by an agent making an
19 illegal time-barred assessment, then any certificate of official record, which is the Form 4340 that

20 **MR. BANISTER:** was speaking of, that's also false. But the person extracting the
21 information may not know that the date, the 23c date or assessment date which must be on that
22 document in order for the court to grant presumptive correctness on the assessment is most likely
23 false if it is a backdated assessment.

1 **MR. HANSEN:** Have you ever encountered any evidence to suggest that all of the
2 complexity that exists in the IRS computer systems and trying how to understand how these IMFs
3 work, that the introduction of that complexity was deliberate as a way to better conceal the truth
4 about what's going on?

5 **MS. OSBORN:** You mean from the initial creation of the system? I haven't found that that
6 was the case because the field that has the ability to be overridden, which is where the assessment
7 date goes, there are other logical explanations why that field needs to be a field that can be
8 overridden because there are other issues such as the recording of payments and advance payments
9 and things like that that use the same field. So, it really comes down to the people working it, they
10 have forever in place a system of checks and balances that are done routinely to check to see if this
11 is going on. But I do believe that the purpose of the sanitized version of the master file is to omit
12 information that would have caused somebody to suspect this a long time ago. There are other
13 things besides the cycle post date that are omitted on a sanitized version, such as transactions that
14 are used to, sometimes a 290 transaction or a 300 transaction that will have a zero dollar amount.
15 Any time your master files has a transaction on it with a zero dollar amount should sent up red
16 flags just all over the place because something is definitely being done and imparted into that file
17 causing it do so something and it's not just an accidental mistake that it has a zero dollar transaction
18 there. Other transactions that do not show on a sanitized version are the criminal investigation.
19 When a criminal investigation is opened on somebody, that won't print on a sanitized version. It
20 will print on the nonsanitized version and you can see the date that that investigation was opened,
21 also the date that it's closed. And we have clients who were pursued under a criminal investigation
22 only because there was no other open statute to go after that taxpayer. And once they did the
23 criminal investigation and put them through all of this, they secured a closing agreement saying

1 yeah, I guess I owe this money and I'll have to pay it just to get them to stop the intimidation, but
2 what the taxpayer didn't know is that the criminal investigation had already been closed before they
3 entered into an agreement to pay an assessment that they never owed in the first place. That
4 information will be revealed on a nonsanitized version and if it wasn't disclosed to a taxpayer, then
5 that was intentional coercion into getting that taxpayer to agree to pay taxes they didn't owe.

6 **MR. SCHULZ:** Ms. Osborn, is it true that the IRS illegally transfers taxpayer payments
7 from their master file to an account called excess collections for the purpose of creating fraudulent
8 penalty and interest charges against the taxpayer?

9 **MS. OSBORN:** Yes. This happens. We have found quite a nice looking little scheme that is
10 done for businesses that have payroll taxes and have to make their regular payroll deposits. And
11 what happens is the IRS agent will transfer a taxpayer's deposit from his account on his module
12 into an account called excess collections. Excess collections is where the IRS dumps all the money
13 that is on a taxpayer's account that is time-barred from being refundable to the taxpayer. So if you
14 don't -- if you overpay something and you don't request it back within a certain period of time, they
15 have to remove that from your account and they put it into a bucket called excess collections. The
16 module is then underpaid once they take the deposit off; it causes the module to then go into a short
17 pay status and begin accumulating penalties and interest. Most business owners will get a notice in
18 the mail that says you got a penalty of \$183, you know, because you were late making a deposit.
19 Very few businesses will take the time to figure out what really caused it and they might pay that
20 \$183 because it's not practical to go into the research of why. We have found businesses that this
21 has been done to over and over and over again and have begun an avalanche until the company
22 really did get to a point where it couldn't make its payroll deposits. And this has happened just for
23 the pure and simple reason of creating penalties and interest on an ongoing basis. Once this has

1 begun, the IRS tells a taxpayer that he must pay all of the principal, the penalties and the interest to
2 get their accounting fixed. They almost never fix the accounting that the taxpayer knows is wrong,
3 and in reality the IRS never goes back and corrects the accounting; they never abate and they never
4 refund the penalties and the interest. And the IRS's position ends being that if the taxpayer believes
5 they have been wronged, they can take them to court and that is unfortunate.

6 **MR. SCHULZ:** Ms. Osborn, would you run by -- just run that by us again. I didn't quite
7 understand how it works. Give us a typical company, his quarterly payments, whatever it is, just
8 run that again.

9 **MS. OSBORN:** If you take a company who makes a, who does a weekly payroll and so
10 he'll have a weekly payroll deposit at his bank. And there is a module set up for every quarter, first
11 quarter, second quarter, fourth quarter and in each quarter you will have a deposit or a transaction
12 that is going to occur every week. Then, if they remove a tax deposit from a quarter and it goes
13 either to another quarter or it's put in an excess collection account, it causes that module to think it's
14 under paid. When you file your 941 quarterly return, they then compare that data to the data that is
15 in that master file, which will then cause the master file system to believe that you owe a penalty.
16 Once that begins, then they can scam off the money that they have put in the excess collection
17 account to pay off the penalties and the interest and send you bills saying that you owe some
18 additional money, penalties and interest and that is how that scheme begins to avalanche. Once it
19 starts, it continues until you find it and stop it.

20 **MR. BANISTER:** That sounds like a check kiting scheme that I would have investigated
21 as a special agent. Ponzi type churning until it keeps growing, the bookkeeper finally gets caught.

22 **MS. OSBORN:** The same type of thing. Now we find that scheme happens at the collection
23 division level.

1 **MR. SCHULZ:** All for the purpose of creating fraudulent penalty and interest charges
2 against the taxpayer?

3 **MS. OSBORN:** Yes, yes. In fact, we found five businesses in the same collection division
4 and the same collection officer.

5 **MR. SCHULZ:** Is it true that IRS collection division agents put accounting hold codes on
6 taxpayers' accounting modules which forces all entry of data to be inputted manually by the agents
7 and prevents the computer from performing the taxpayers' accounting according to its
8 programming; is that what this is all about?

9 **MS. OSBORN:** Yes, and we have discussed that off and on. There is many, many various
10 codes that they do; but the purpose of the manipulation is intended to prevent the computer from
11 performing according to the law and the first step in the process is to put a hold code on a
12 taxpayer's module and that prevents the computer from operating according to its programming.
13 And after hold codes are there, then the agent can manipulate the file and the transactions are then,
14 including re -- the transactions performed in favor of the taxpayer then are manipulated such as
15 refunds owed, interest owed to taxpayers on refunds and reports to the courts are manipulated. By
16 manipulating the taxpayers' module, the IRS can issue time-barred notices of deficiencies, time-
17 barred assessments; they can short pay taxpayers' interest; they can create fraudulent penalties and
18 interest against taxpayers and prevent a taxpayer from receiving a refund that they are otherwise
19 entitled to.

20 **MR. SCHULZ:** Is it true that the IRS, in other words, is short paying taxpayers' lawful
21 interest owed to them by placing wrongful dates and codes on taxpayers' master files?

22 **MS. OSBORN:** Yes. The IRS has several schemes where they short pay interest to
23 taxpayers. The IRS attaches a fraudulent date to a properly coded advanced payment of tax in order

1 to reduce the lawful interest owed to the taxpayer. The IRS will attach a fraudulent date and a
2 fraudulent transaction code to cause a master file account to identify the payment improperly and to
3 prevent the payment of interest. The IRS will fraudulently back date the transaction date of the
4 refund to make it appear as though the refund is paid earlier than it actually is. This prevents the
5 payment of interest owed to the taxpayer. The IRS used fraudulent dates when processing credit
6 elections of overpayments supplied as estimated payments to the next tax period to prevent the
7 payment of interest. We find this in virtually every master file that we look at.

8 **MR. SCHULZ:** So, they are cheating on the front end by time-barred assessments which is
9 allowing them to extort, issue false, fraudulent assessments and extort money from taxpayers in one
10 way, then on the back end where taxpayers are actually owed interest --

11 **MS. OSBORN:** Yes.

12 **MR. SCHULZ:** -- they are cheating there as well by falsifying the dates so that they end up
13 paying the taxpayer less of what the taxpayer is due?

14 **MS. OSBORN:** That's right. That's right. See, the computer is programmed to comply with
15 the law and the law is very explicit on what payments and when interest is paid to a taxpayer based
16 upon the type of the payment. If they call it something that it's not, then they know the computer is
17 going to identify it in a different way, and it's not going to calculate the interest you're rightfully
18 owed on that.

19 **MR. SCHULZ:** Did you have anything else, MR. Turner or

20 **MR. BANISTER:** or Ms. Osborn?

21 **MS. OSBORN:** No.

22 **MR. BANISTER:** Just, I am sure I can speak for MR. Turner, you know, these are the
23 kinds of things I discovered after I resigned. I mean prior to my resignation, there was enough there

1 to make my stomach turn. And what I have discovered since leaving, has just -- it's been
2 unimaginable the extent to which this is going on and yet I am sure that the average agent that is
3 still there, that I believe they believe they are doing the right thing, that they are collecting taxes
4 and which need to be done, but there's this plausible deniability; there's this willful blindness,
5 there's this apathy and there's this, really I think it's just heartlessness. It's people who don't care. If
6 it was their house or their bank account that was being affected, I have a feeling there would be an
7 uproar, but when it's someone that they don't know, then there doesn't appear to be any care.

8 **MR. SCHULZ:** It's one thing, during the last two days we've been addressing the legality
9 of the income tax constitutionality and the statutory authority of the IRS to force employers to
10 withhold the income tax in the paychecks of their employees and to force most people to file a
11 return in the first place or to pay the tax; but this is an entirely different matter. This doesn't go to
12 the questions of the legal authority of the income tax, the fundamental legal authority of the income
13 tax. This goes to day-to-day crime, crime, fraud by agents that has nothing -- apart from all the
14 questions whether or not there is any legal authority for the income tax to begin with, but this goes
15 to day-to-day fraud.

16 **MR. BANISTER:** This is a symptom, this is evidence of everything that was presented
17 yesterday and this morning. This is evidence of the square peg of the income tax being forced into
18 the round hole of the Constitution. It just doesn't fit.

19 **MR. SCHULZ:** It also helps explain why the Internal Revenue Service and the Department
20 of Justice have refused to appear here and to answer these questions; where they have refused to
21 appear before the people and answer the people's' petition for redress of grievances.

22 **MR. BANISTER:** If I was still working at the IRS, I probably wouldn't have showed up.

23 **MS. OSBORN:** Yes. You know, ironically there is a parallel here. I do want to mention

1 that in each case Richard and I have addressed, every error that we find in the master files through
2 the administrative remedies, and then I continue to obtain copies of the master files to see what
3 they are doing. They do correct the erroneous dates that they have put in there related to the interest
4 and all of these issues that I have discussed, but they will not refund to the taxpayer that interest
5 that they owed them, but they will go in and change the dates. And there's also a very, very startling
6 similarity to what's going on here and what has happened with EnRon. The IRS is messing around
7 with the accounting transactions to make these transactions do what they want them to do. And it's
8 wrong.

9 **MR. SCHULZ:** Is there not an IRS oversight committee in Congress?

10 **MS. OSBORN:** Yes, there is and I have sent, Richard and I produced a video where we
11 discussed this and we did give an exhibit presentation at the end of this video and we did send that
12 to Congress. We have sent those videos in the mail to all of the members of the oversight
13 committee on the Senate and the House, but we learned just before coming to Washington that they
14 were destroyed in the radiation that the mail has to go through, so we came with a video for every
15 one of them which we intend to hand deliver tomorrow before we go back.

16 **MR. SCHULZ:** What about Attorney General Ashcroft and Treasury Secretary O'Neil?

17 **MS. OSBORN:** Yes.

18 **MR. SCHULZ:** Have you contacted them at all?

19 **MS. OSBORN:** Yes. In fact, I sent a video and a letter along with attached correspondence
20 from various supervisors in the IRS demonstrating that their practice is to violate the interest laws
21 for all these taxpayers, and I sent that to Commissioner Rossotti and asked him to please
22 investigate this and I have tried to call his office and I have not been able to get a response from
23 him at all. I have also contacted Attorney General Ashcroft and I have not gotten -- I have gotten a

1 little bit of a response. I can't say that he didn't respond, but it was not from him, it was from
2 somebody lower on the totem pole. I have sent all of this information to the Inspector General for
3 Tax Administration. I have asked them to investigate this. I have given very specific claims on
4 specific taxpayers asking for equitable relief, for taxpayers who clearly have a fraud issue where
5 they have been violated like this. And our hope is to get the attention of Congress and to get their
6 help to create a remedy based upon the evidence that we have been able to find from the laws that
7 they passed in 1998 and to grant a means of relief for the taxpayers that we can demonstrate have
8 these serious issues.

9 **MR. SCHULZ:** Have you been able to determine the names of the agents who entered the
10 false dates? **S. OSBORN:** We have in many of the cases that we deal with. We currently have three
11 cases in district court. By the way, we have submitted to the Supreme Court, we wrote three writs.
12 We assisted three taxpayers to write a writ of certiorari, but unfortunately they weren't heard, but
13 we haven't given up on those cases. We are working with attorneys; Alvin Brown is working with
14 us right now on a lot of the evidence that we have. We hope to be working with Donald McPherson
15 in Phoenix. We have sent him our video and asked for his assistance. So we are trying to get in
16 touch with people that can get into the judicial system and hopefully get these things changed. We
17 know there is no case law yet but there shouldn't have to be case law.

18 **MR. SCHULZ:** Well, it's a crime.

19 **MS. OSBORN:** Is the point, and these things should be remedied at the very least by
20 Commissioner Rossotti. You should be able to present this type of evidence to the commissioner
21 and get immediately relief.

22 **MR. SCHULZ:** Ms. Osborn, you mentioned that you have the names of the agents who
23 falsified dates?

1 **MS. OSBORN:** Yes, we do.

2 **MR. SCHULZ:** You were able to get that through discovery apparently in the three cases
3 that you mentioned?

4 **MS. OSBORN:** Yes.

5 **MR. SCHULZ:** What about all of the other IMFs that you have reviewed and have
6 determined the dates were falsified, are you able to determine from those documents, documents
7 available to you through the Freedom of Information Act? Are you able to determine from them the
8 names of the agents who falsified the data?

9 **MS. OSBORN:** Pretty much. I would say every case that we have, there is somebody who
10 is personally responsible for directly violating the law.

11 **MR. SCHULZ:** You have the evidence that they violated the law?

12 **MS. OSBORN:** Yes.

13 **MR. SCHULZ:** I think that list should be assembled, prepared and I don't think we should
14 settle for anything less than their termination of employment?

15 **MS. OSBORN:** Yes, I agree. I agree.

16

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