



**Department of the Treasury
Internal Revenue Service
1973 North Rulon White Blvd.
Ogden, UT 84404**

Taxpayer Identification Number:

Form: 1040 Tax Year(s): 1997 & 1998

Person to Contact: Ms. Madsen

Date: September 1, 2004

**RALPH
SIMPSONVILLE SC**

**Contact Identification Number:
0469663804
Contact Telephone Number:
1-866-899-9083 Ext: 8175**

**Contact Hours: 4:30 p.m – 6:30 p.m Mountain Time
Monday thru Friday**

Dear Mr. [REDACTED]

Our previous letter, 1862 could not be delivered to the address of record as it appears you may have a new address.

To help us update our records, please complete the following concerning your current address. If you filed a joint return, both you and your spouse should sign in the space provided.

Current Address			Previous Address		
_____	_____	_____	_____	_____	_____
number	street	apt.	number	street	apt.
_____	_____	_____	_____	_____	_____
city	state	zip code	city state	zip code	

_____	_____
your signature	date
_____	_____
spouse's signature	date

Return one copy of this letter in the enclosed envelope. Failure to notify the Internal Revenue Service of a new address could result in future correspondence from this office being sent to an incorrect address.

A Notice of Deficiency will be issued within 15 days from the date of this letter. This notice allows 90 days for you to agree with the tax increase, to provide additional information for consideration, or to file a petition with the United States Tax Court for reconsideration of your tax.

If we do not hear from you within this time, we will proceed with the information available, which could result in a tax increase.

If you have any questions, please contact the person whose name, telephone number and contact hours are shown above. If you write, please include your telephone number, the hours you can be reached and a copy of this letter.

Thank you for your cooperation.

Sincerely,

Ms. Madsen

Tax Technician,
Exam SC Support

Enclosures:

- Examination Report (2)
- Copy of this letter
- Notice 609
- Form SS-8
- Form 2504
- Form 886_
- Copy of Notice of Deficiency
- Envelope

Form 4549	Department of the Treasury - Internal Revenue Service Income Tax Examination Changes	Page 1 of 2	
Name and Address of Taxpayer RALPH [REDACTED] [REDACTED] SIMPSONVILLE SC [REDACTED]	SS or EI Number [REDACTED]	Return Form No: 1040	
	Person with whom examination changes were discussed.	Name and Title:	
1. Adjustments to Income	Period End 12/31/1997	Period End	Period End
a. Capital Gain or Loss	21,586.00		
b. Standard Deduction	(3,450.00)		
c. Exemptions	(2,650.00)		
d. Wages,	45,245.00		
e. Dividends/Charles Schwab and Company Incorporated	38.00		
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
o.			
p.			
2. Total Adjustments	60,769.00		
3. Taxable Income Per Return or as Previously Adjusted	0.00		
4. Corrected Taxable Income	60,769.00		
Tax Method	TAX TABLE		
Filing Status	Married Separate		
5. Tax	14,668.00		
6. Additional Taxes / Alternative Minimum Tax			
7. Corrected Tax Liability	14,668.00		
8. Less			
a. Credits			
b.			
c.			
d.			
9. Balance (Line 7 less total of lines 8a through 8d)	14,668.00		
10. Plus			
a. Other			
b. Taxes			
c.			
d.			
11. Total Corrected Tax Liability (line 9 plus line 10a - 10d)	14,668.00		
12. Total Tax Shown on Return or as Previously Adjusted	0.00		
13. Adjustments to:			
a. Special Fuels Credit			
b.			
c.			
14. Deficiency-Increase in Tax or (Overassessment Decrease in Tax) (Line 11 less 12 adjusted by 13)	14,668.00		
15. Adjustments to Prepayment Credits	2,281.00		
16. Balance Due or (Overpayment) (Line 14 adjusted by Line 15) (Excluding interest and penalties)	12,387.00		

The Internal Revenue Service has agreements with State tax agencies under which information about Federal tax, including increases or decreases, is exchanged with the States. If this change affects the amount of your State income tax, you should file the State form.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income and do not pay the required tax. The IRS may order backup withholding at 31 percent after four notices have been issued to you over a 120-day period and the tax has been assessed and remains unpaid.

Form 4549		Department of the Treasury - Internal Revenue Service		Page 2 of 2	
Income Tax Examination Changes					
Name and Address of Taxpayer RALPH [REDACTED]		SS or EI Number [REDACTED]		Return Form No: 1040	
17. Penalties		Period End 12/31/1997	Period End	Period End	
a. Delq-IRC 6651(a) (1)		3,096.75			
b. Estimated Tax-IRC 6654		649.15			
c.					
d.					
e.					
f.					
g.					
h.					
i.					
j.					
k.					
l.					
m.					
n.					
18. Total Penalties		3,745.90			
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on underpayment will accrue until paid or assessed					
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on underpayment will accrue until paid or assessed					
Underpayment attributable Tax Motivated Transactions TMT interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c)		0.00			
19. Summary of Taxes, Penalties and Interest:					
a. Balance due or Overpayment Taxes - Line 16, Page 1		12,387.00			
b. Penalties (Line 18, Page 2)-computed to 07/18/2004		3,745.90			
c. Interest (IRC§ 6601)-computed to 08/14/2004		8,418.71			
d. TMT Interest - computed 08/14/2004 on TMT underpayment		0.00			
e. Amount due or refund (sum of lines a, b, c and d)		24,551.61			

Other information:

Contact Hours
Monday-Friday, 4:30-6:30 Mountain Time

Examiner's Signature:	Employee ID:	Office:	Date:
Mrs. Madsen	0469663804		07/18/2004

Consent to Assessment and Collection - I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in the United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus additional interest as provided by law. It is understood that this report is subject to acceptance by the Area Director, Area Manager or Director of Field Operations

PLEASE NOTE: If a joint return was filed, BOTH taxpayers must sign	Signature of Taxpayer	Date	Signature of Taxpayer	Date
	By:		Title	Date

Name of Taxpayer: Ralph [REDACTED]

Identification Number: [REDACTED]

HOW TO PAY YOUR TAXES

If you agree with our examination, pay now by sending a check or money order and your signed agreement. The enclosed report does not reflect any balance currently due on your account.

Why it is to your advantage to pay now:

- Decreases future interest charges
- Prevents further assessment of failure to pay penalty
- Reduces payment of nondeductible interest
- Eliminates further contact with us

If you agree with our examination and cannot pay now:

- 1) Can you pay the full amount within 120 days? Yes No
 - if yes, send in the signed agreement now and submit the balance due when you receive a bill.
 - If no, you may be eligible for a payment plan.
- 2) If you would like us to consider an installment agreement, submit your written request or check the box below and return this flyer with your signed agreement.

I would like to pay \$_____ per month.

(We encourage you to make your payments as large as possible to limit penalty and interest charges.)

I would like my payment to be due on the _____ of the month.

(Please indicate a date between the 1st and 28th of the month.)

You will be charged a \$43 fee if your request is approved. DO NOT include the fee with this flyer. We will send you a bill for the fee when we approve your request.

Please provide a telephone number where we can contact you regarding your request.

Home: () _____

Work: () _____

**ALSO, if you agree with our examination, PLEASE SIGN PAGE 2 OF THE REPORT(Form 4549)
And return pages 1 and 2 to us.**

*** Interest and penalties will continue to accrue until your balance is paid in full.**

Name Of Taxpayer: RALPH [REDACTED]
 Identification Number: [REDACTED]

07/18/2004
 5.20.00

Total

1997 TAX YEAR INTEREST COMPUTATION

Interest computed to	08/14/2004
Total Tax Deficiency	\$12,387.00
Plus Penalties*	
- Overvaluation	\$.00
- Substantial Understatement	\$.00
- Failure to File	\$3,096.75
- Negligence	\$.00
- Civil Fraud	\$.00
- Accuracy Penalties	\$.00
Total Penalties	\$3,096.75
Tax Deficiency and Penalties Subject to Interest	\$15,483.75

Type	Effective Dates	Days	Rate	Interest
Compound	04/15/1998--12/31/1998	260	8%	\$907.89
Compound	01/01/1999--03/31/1999	90	7%	\$285.35
Compound	04/01/1999--12/31/1999	275	8%	\$1,035.98
Compound	01/01/2000--03/31/2000	91	8%	\$355.81
Compound	04/01/2000--12/31/2000	275	9%	\$1,263.96
Compound	01/01/2001--03/31/2001	90	9%	\$433.77
Compound	04/01/2001--06/30/2001	91	8%	\$398.16
Compound	07/01/2001--12/31/2001	184	7%	\$724.20
Compound	01/01/2002--12/31/2002	365	6%	\$1,291.59
Compound	01/01/2003--09/30/2003	273	5%	\$845.13
Compound	10/01/2003--12/31/2003	92	4%	\$233.31
Compound	01/01/2004--03/31/2004	91	4%	\$232.46
Compound	04/01/2004--06/30/2004	91	5%	\$293.84
Compound	07/01/2004--08/14/2004	45	4%	\$117.26

Total Interest	\$8,418.71
Total Underpayment	\$12,387.00
Total Penalties	\$3,745.90
Total Amount Due	\$24,551.61

Additional interest will be charged at the current rate compounded daily. Interest is charged from the original due date of the return to a date 30 days after an agreement to the additional tax is signed, or to the date of payment, if earlier. Negligence and fraud penalties, if applicable, will also continue to be charged. Generally, if notice and demand is made for payment of any amount, and that amount is paid within 21 days after the date of the notice and demand, interest on the amount paid will not be charged after the date of the notice and demand. Since additional tax is due, you may want to pay it now and limit the interest and penalty charges.

* Interest on penalties became effective 7/19/1984 (1/1/1989 for negligence and fraud) and is computed from the due date of the return unless a valid extension was filed.

Name of Taxpayer: RALPH [REDACTED]
 Identification Number: [REDACTED]

07/18/2004
 Total 5.20.00

1997 - SCHEDULE D - CAPITAL GAINS AND LOSSES

1. Short-term capital gain or loss	21,586.00
2. Short-term capital loss carryover	0.00
3. Net Short-term Gain or Loss (Add line 1 and 2)	21,586.00
4. Long-term capital gain or loss	0.00
5. Long-term capital gain or loss carryover	0.00
6. Net long-term Gain or Loss (Add line 4 and 5)	0.00
7. Sum of lines 3 and 6 - Net Capital Gain or Loss	21,586.00
8. Capital loss limitation	0.00
9. Capital Gain or Loss - As Corrected	21,586.00
10. Capital Gain or Loss - Per Return	0.00
11. Line 9 less line 10 - Adjustment to Income	21,586.00

CORRECTED CARRYOVER

12. Short-term Carryover to Subsequent Year	0.00
13. Long-term Carryover to Subsequent Year	0.00

COMPUTATION OF ALTERNATE TAX

14. Taxable Income	60,769.00
15. Smaller of line 6 or line 7	0.00
16. Form 4952, line 4e	0.00
17. Subtract line 16 from line 15	0.00
18. Combine line 3 and Total 28% Rate Gain (not less than 0)	0.00
19. Smaller of line 18 and Total 28% Rate Gain	0.00
20. Unrecaptured Section 1250 Gain	0.00
21. Add line 19 and 20	0.00
22. Subtract line 21 from line 17 (not less than 0)	0.00
23. Subtract line 22 from line 14 (not less than 0)	0.00
24. Smaller of line 14 or 20,600.00	0.00
25. Smaller of line 23 or line 24	0.00
26. Subtract line 17 from line 14 (not less than 0)	0.00
27. Larger of line 25 or line 26	0.00
28. Tax on amount on line 27	0.00
29. Amount from line 24	0.00
30. Amount from line 23	0.00
31. Subtract line 30 from line 29 (not less than 0)	0.00
32. Multiply line 31 by 10%	0.00
33. Smaller of line 14 or line 22	0.00
34. Amount from line 31	0.00
35. Subtract line 34 from line 33 (not less than 0)	0.00
36. Multiply line 35 by 20%	0.00
37. Smaller of line 17 or line 20	0.00
38. Add lines 17 and 27	0.00
39. Amount from line 14	60,769.00
40. Subtract line 39 from line 38	0.00
41. Subtract line 40 from line 37	0.00
42. Multiply line 41 by 25%	0.00
43. Amount from line 14	60,769.00
44. Add lines 27, 31, 35, and 41	0.00
45. Subtract line 44 from line 43	0.00
46. Multiply line 45 by 28%	0.00
47. Add lines 28, 32, 36, 42, and 46 - Alternative Tax	0.00

Name of Taxpayer: RALPH [REDACTED]
 Identification Number: [REDACTED]

Total

07/18/2004
 5.20.00

1997 - EXPLANATION OF THE ESTIMATED TAX PENALTY

Since you did not pay sufficient estimated tax, addition to the tax is charged as shown below, in accordance with Section 6654(a) of the Internal Revenue Code.

1. Total corrected tax liability, Form 4549, line 11 (Tax Per Return, if a return was filed)							14,668.00
2. Withholding taxes							2,281.00
3. Line 1 less line 2 (if less than \$500, estimated penalty does not apply)							12,387.00
4. 90% of line 1							13,201.20
5. Prior year tax liability (110% of tax if AGI was more than \$150,000. or if MFS more than \$75,000.)							0.00
6. The smaller of line 4 or 5 (as adjusted)							13,201.20
7. Payment Due Date	Apr 15, 1997	Jun 15, 1997	Sep 15, 1997	Jan 15, 1998			
8. Payment Required	3,300.30	3,300.30	3,300.30	3,300.30			
9. Payments & Credits	570.25	570.25	570.25	570.25			
10. Overpayment from Line 16		0.00	0.00	0.00			
11. Total of Lines 9 & 10		570.25	570.25	570.25			
12. Previous Qtr Underpayment			2,730.05	5,460.10			8,190.15
13. 11 minus 12		570.25	0.00	0.00			0.00
14. Remaining Underpayment			2,159.80	4,889.85			
15. Underpayment		2,730.05	3,300.30	3,300.30			3,300.30
16. Overpayment		0.00	0.00	0.00			0.00

CALCULATION OF QUARTERLY PENALTIES ATTACHED

17. Penalty	160.08	246.03	171.16	71.88
18. Previously Assessed Penalty				0.00
19. Estimated Tax Penalty				649.15

Name of Taxpayer:	RALPH [REDACTED]	07/18/2004
Identification Number:	[REDACTED]	Total 5.20.00

EXPLANATION OF THE DELINQUENCY PENALTY

Since your income tax return was not filed within the time limit prescribed by law and/or the tax was not paid, and you have not shown that such failure was due to reasonable cause, an addition to the tax is charged as shown below, in accordance with Section 6651(a)(1) and/or Section 6651(a)(2) of the Internal Revenue Code.

1997 - DELINQUENCY PENALTY

1. Delinquency penalty abated		0.00
2. Date return due	04/15/1998	
3. Date return filed	07/18/2004	
4. Failure to File penalty rate	0.250	
5. Failure to Pay penalty rate	0.000	
6. Total corrected tax, Form 4549, line 11		14,668.00
7. Payments on or prior to due date of return		2,281.00
8. Line 6 less line 7		12,387.00
9. Failure to File Penalty - line 8 multiplied by line 4		3,096.75
10. Minimum penalty if over 60 days delinquent		100.00
11. Failure to File Penalty - Greater of line 9 or line 10		3,096.75
12. Previously assessed Failure to File Penalty		0.00
13. Net Failure to File Penalty - line 11 less line 12		3,096.75
14. Failure to Pay Penalty - line 8 multiplied by line 5		0.00
15. Previously assessed Failure to Pay Penalty		0.00
16. Net Failure to Pay Penalty - line 14 less line 15	*	0.00
17. Total Delinquency Penalty - Sum of line 13 and 16		3,096.75

- * If an amount appears as the Failure to Pay Penalty, the amount only reflects the addition to tax under Internal Revenue Code section 6651(a)(2) through the date of this notice. The addition to tax will continue to accrue from the due date of the return at a rate of 0.5 percent each month, or fraction thereof, of nonpayment, not exceeding 25 percent.

Name of Taxpayer: RALPH [REDACTED] 07/18/2004
 Identification Number: [REDACTED] Total 5.20.00

1997 - FORM 6251 - CONTINUATION, USING MAXIMUM CAPITAL GAINS RATES
 COMPUTATION OF LINE 10 WHEN SCHEDULE D IS COMPLETED

1. Amount from Form 6251 Report, line 9	44,369.00
2. Amount from Schedule D Report, line 22 (refigured for AMT)	0.00
3. Amount from Schedule D Report, line 20 (refigured for AMT)	0.00
4. Add line 2 and 3	0.00
5. Amount from Schedule D Report, line 17 (refigured for AMT)	0.00
6. Smaller of line 4 or line 5	0.00
7. Subtract line 6 from line 1	44,369.00
8. If line 7 is \$175,000 or less (\$87,500 if MFS) multiply line 7 by 26%. Otherwise, multiply line 7 by 28% and subtract \$3,500 (\$1,750 if MFS) from result	11,536.00
9. Amount from Schedule D Report, line 31	0.00
10. Smallest of line 1, 2, or line 9	0.00
11. Multiply line 10 by 10%	0.00
12. Smaller of line 1 or line 2	0.00
13. Amount from line 10	0.00
14. Subtract line 13 from line 12 (not less than 0)	0.00
15. Multiply line 14 by 20%	0.00
16. Amount from line 1	44,369.00
17. Add lines 7, 10, and 14	44,369.00
18. Subtract line 17 from line 16	0.00
19. Multiply line 18 by 25%	0.00
20. Add lines 8, 11, 15, and 19	11,536.00
21. If line 1 is \$175,000 or less (\$87,500 if MFS) multiply line 1 by 26%. Otherwise, multiply line 1 by 28% and subtract \$3,500 (\$1,750 if MFS) from result	11,536.00
22. Smaller of line 20 or 21, enter here and on line 10 of Form 6251 Report	11,536.00

Form 886-A (Rev. January 1994)886-A	EXPLANATION OF ITEMS	Schedule number or exhibit
Name of Taxpayer RALPH [REDACTED]	Taxpayer Identification Number [REDACTED]	Year/Period Ended 1997

Filing Status

Tax Period	Per Return	Per Exam	Adjustment
1997	\$0.00	\$0.00	\$0.00

Since you failed to file your tax return(s) for the tax year(s) shown in this report, we have filed for you as authorized by Internal Revenue Code section 6020(b). The income, filing status, deductions, and credits shown in this report are based on information available to us.

It is determined that for the tax year(s) shown in this report, you failed to file a tax return as required by law. Further, since you did not elect to file a joint return with your spouse, it is determined that your filing status is married filing separate. Your income, deductions and/or withholding credit have been calculated, accordingly.

Exemptions-Self

Tax Period	Per Return	Per Exam	Adjustment
1997	0	1	-1

We have allowed you a deduction for your personal exemption.

Federal Withholding/GENERAL NUTRITION PRODUCTS IN

Tax Period	Per Return	Per Exam	Adjustment
1997	\$0.00	\$2,281.00	\$2,281.00

Your withholding credit(s) was/were adjusted to reflect amount(s) shown on your Form(s) W-2 or Form(s) 1099.

Wages,

Tax Period	Per Return	Per Exam	Adjustment
1997	\$0.00	\$45,245.00	\$45,245.00

We have adjusted your gross wages to agree with the amounts shown on Form(s) W-2.

CHARLES SCHWAB AND COMPANY INC STOCKS & BONDS

Tax Period	Per Return	Per Exam	Adjustment
1997	\$0.00	\$21,586.00	\$21,586.00

We have adjusted your net gain (or loss) from the sale or exchange of assets, as shown in the accompanying computation.

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