

October 25, 2011

Kevin M. Kelly

539558

Kevin & Gretchen Kelly

February 28, 2010

Re: Kevin & Gretchen Kelly

To Whom It May Concern:

This letter is in response to the recent audit reconsideration denial letter received from the IRS dated 2/25/2010. I disagree with the conclusions reached in the letter as many of the reasons cited are simply inaccurate. The IRS letter is a clear attempt to deny my rights through appeal on this matter and I am therefore appealing the ruling.

The IRS has stated many items in this letter that have nothing to do with the facts of this case. They have disregarded the most important facts which are the IRS agent J. Younan did not follow the IRS guidelines in handling matters of this nature. I submitted explanations to him, per IRS guidelines, regarding all of the line item discrepancies and each one was denied. They have cited that we did not provide Quick Books accounting of deductions; this is false as I provided everything that was asked for. In instances that I could not provide the information requested, a clear explanation derived from the IRS handbook for taxpayers was cited, page number, paragraph and line. The IRS letter states that I was "unable to explain the deductions we took that did not have documents", which is inaccurate because I did provide an explanation of the deductions. They state in the letter that we caused numerous delays, which we did not. I gave J. Younan all of the documents he requested in a timely manner. All of the delays in the processing of this case were due to J. Younan. He would disappear for months at a time and would not return phone calls from me or my representatives. Then he would just appear out the blue one day, demanding information, explaining to me personally that he was "working on an important case and did not have time for my case". I did not authorize my representative, Gerry Breitman, to say we lost our records in a computer crash; our records were lost in a flood. I showed J. Younan pictures of the flood (there were two floods in our garage) and his response was "the flood was convenient for you". I lost 100's of patient files, personal information and business records and Mr. Younan was derelict in his duties to follow the IRS guidelines that he handed to me.

The letter claims the statement J. Younan made to my representative that he "did not like chiropractors" was not true. This is a true statement and J. Younan did say that to my accountant at the time and I was notified immediately. This prejudice was not to be tolerated, therefore, I then immediately contacted J. Younan's supervisor to request a change of auditors and he refused my request, leaving me to handle this matter with a hostile individual.

Re: IRS Audit Reconsideration Denial Letter
Page 2

Mr. Younan entered into heated shouting exchanges with my representative and when it became clear he was not following the IRS guidelines with respect to taxpayer's rights, I had to hire another representative with additional experience in handling these types of IRS auditors. J. Younan came to my offices and after supplying him with numerous documents kept asking for the same information over and over again. I would give him records 2 and 3 times and he would always ask for them again. He said he "could not find the last packet" I gave him or "he never received the packet".

J. Younan refused to acknowledge my business expenses saying that "no one does that much marketing", even after I gave him all of my cancelled checks for these marketing expenses. I provided him with my appointment books, my business records, my bank statements and all information he requested. Any information not provided was noted and the correct IRS guideline for my reasons of not providing that information was noted. J. Younan was disrespectful and unprofessional through the entire process and refused to conduct the audit in a congenial manner. He was combative to me and both of my representatives. He stated to me that "he did not believe my explanations".

J. Younan also refused to acknowledge my meals and entertainment expenses and the final number he allowed was an "arbitrary" number that he threw out to my representative, Harry Slotow. He told Mr. Slotow "I will accept... (whatever that final number was) take it our leave it".

The letter seems to be a personal attack on me and fails to deal with the facts of this case especially when the letter includes a bankruptcy filing in 1998. The letter states the filing included federal and state taxes. Not only does this have nothing to do with the facts of this case, it is inaccurate as those taxes were not disposed of in bankruptcy court. I paid all of the taxes owed, both state and federal. I am not sure why the letter would include such an egregious inaccuracy, especially when it has nothing to do with why I am filing for audit reconsideration.

The letter states I "did not provide accounting records for the income they earned in 2004". I provided J. Younan all records, back statements and computer printouts of the income.

The letter continues its personal attack on me by saying I live in an upscale neighborhood and bought houses etc. My wife bought her condo with money she saved prior to our marriage and has nothing to do with the income for the years in question. The IRS seems intent to bring up issues that are not pertinent to this case. These have nothing to do with the IRS' failure to follow their guidelines when tax payers have issues like the one I have. Yet, the personal attack seems to be important because they mention in the letter how I transferred money and bought homes. The last time I checked, this was America and I am allowed to make money and transfer it at my will.

Re: IRS Audit Reconsideration Denial Letter
Page 3

During these years in question, I paid all of my taxes per the IRS guidelines, i.e., quarterly and all payments were made on time and based on my "estimated" income. I was not aware of any income discrepancies until the audit was initiated. Clearly, this is an inaccurate assumption on the IRS part that I was doing something wrong by transferring money to my own accounts. The income discrepancy was explained to J. Younan and he failed to acknowledge it. Bank of America had several areas on their bank statements that recorded my income. They had deposits listed as income and for some reason on separate pages they had a column of "other income". I failed to see this and that is why the income was not accurate.

I explained this to J. Younan and he "laughed". Yes, he actually laughed at me when I explained that to him. I then contacted his supervisor a second time and attempted to have him removed from my case citing prejudice and again was denied.

For the record, since that time, Bank of America has changed their bank statements and includes all income in one column now. I complained to them after being auditing and missing that income column and they changed their forms. I believe that to be a very significant issue that was simply overlooked by J. Younan in an effort to bolster the IRS' position.

The IRS states in the letter that "the taxpayers would not have agreed to the report if they did not commit the fraud". We were informed by our representative, Harry Slotow that J. Younan informed him that if we did not sign the forms, "he was going to audit us line by line for 2006 and that would take another year". I was instructed to sign the form and then we would be able to reduce the lien amount in an offer and compromise. I signed the form with a notation that I did not agree with the auditors' assessment. Not knowing the system, we followed that advice, which now I realize is not true. This clearly shows how I was misled and contradicts the IRS's claim in their letter that there is "no evidence provided that show taxpayers were misled or misrepresented".

When I first learned of the audit for 2004, I reviewed my records and immediately contacted my representative to file an amended return. I was informed by him that I could not, which I later learned is not accurate. This is another example of how I was misled and further contradicts the IRS' statements regarding this issue.

The IRS letter also claims Gretchen is responsible for these tax filings. This is untrue as I took care of all the tax filings myself. She is an innocent spouse in this matter and should be afforded that status under the current IRS guidelines.

Respectfully,

Kevin Kelly

A review of applicable law re: Section 6663 Imposition of Fraud Penalty indicates that if the taxpayer's understatement is due to the fact that he has a bone fide misunderstanding of his deductions based upon a computer printout, he is not guilty of fraud. Taxpayer husband was basically missing receipts for items paid in cash. Taxpayer husband was never a tax dodger. Tax evasion was not one of his goals nor the practical intent of his understatement. Taxpayer husband relied upon a tax preparer. Understatement of tax is not fraud if the failure results from ignorance and is not accompanied by intent to defraud. In the instant case, taxpayer husband substantially complied with the requirements of filing tax returns. He became overwhelmed with the data reflecting multiple operating centers for his business. He went into information overload — a condition that should serve to mitigate against the fraud penalty he now faces.

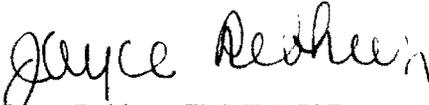
In a similar vein, taxpayer husband and his blameless spouse find themselves(thanks to advice of their inept representative) branded by Internal Revenue Service as professional tax cheats.

In the final analysis, taxpayer husband did not intend to defraud the government, to avoid personal liability for taxes. He had no cognizable bad purpose or motive.

Both taxpayers will be irremediably damaged if this request for penalty Abatement is denied. The disposition of this matter now arguable raises one essential question: can a CPA so wrongfully steer a client(s) down a path of self destruction for any reason whatsoever except his own self interest?

Finally, can an Internal Revenue Service Auditor assess such a penalty without interviewing both taxpayers jointly and separately — i.e. taxpayer husband and taxpayer spouse; is it possible that the Government has this much power to destroy lives and reputations with this heavy handed behavior.

It is respectfully requested that this Penalty be abated.


Joyce Rebhun, JD,MBA,PhD

The Auditor, Internal Revenue Service in RAR dated 10/31/2007 imposed Civil fraud penalty on the adjustments to taxpayer husband's Schedule C business. A review of the administrative file indicates no foundation for this draconian penalty. At best, the absence of full and complete records at the time of the audit should merit a negligence penalty or a penalty pursuant to Section 6662(a) imposed on the amount of understatement.

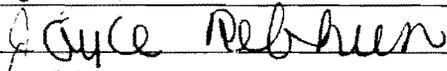
A review of the administrative file indicates that taxpayer spouse had her own job and had no involvement in the chiropractic business whatsoever. To impose such a penalty against her individual account is unfathomable. She should have been separated out.

It is conceded that the taxpayers agreed to the assessment of this penalty based upon the inept advice of a CPA who represented them in this audit. The representative never informed the taxpayers of the penalty - which is basically a penalty usually assessed against drug dealers. The representative never informed taxpayer spouse that she too had rights to challenge this penalty. The representative knew he was not licensed to go forward in this dispute before United States Tax Court; he told this unfortunately couple to sign on the dotted line and he would prepare an Offer in Compromise to take care of this matter (pennies on the dollar and the tax debt would be retired).

The reality is that the taxpayers yesterday, today and tomorrow will be fit the criteria of Offer in Compromise.

I enclose a Memorandum of Law in support of the abatement of this penalty.

Signed, sealed and declared under penalty of perjury in the County of Los Angeles, State of California on October 19, 2008.


Joyce Rebhun, JD, MBA, PHD

MEMORANDUM OF LAW

Taxpayer husband is a chiropractor. He is young in his career. He was trying to get ahead. He opened clinics in five distinct geographical locations in Southern California.

Taxpayer wife had her own job and her own separate career — miles away from a chiropractic business.

Taxpayer husband took his records to his tax preparer to prepare the return. Taxpayer husband relied upon his computer printout to determine what he had spent on ordinary and necessary business expenses for all of the operating centers.

The tax return was prepared and filed in a timely manner for tax years 2004 and 2005.

Next, taxpayers receive a letter from Internal Revenue Service informing them of an audit of the above referenced years. They fully cooperated in this audit; they retained a CPA Representative to handle the audit for them.

The CPA Representative was inept; he told them to agree to the audit adjustments, including penalty(ies); he told that that he would prepare an Offer in Compromise on the forthcoming tax assessment and for pennies on the dollar, the tax bills would go away!!!

The CPA failed to inform them of their right to Appeal; the CPA failed to inform the wife (who had nothing to do with the chiropractor business) that she could challenge the penalty as assessed against her.

The bottom line — the CPA lied to them; the taxpayers are not candidates for Offer in Compromise — they are young professionals with a bright and promising future; their lives have been clouded by only one plight — the erroneous assessment of this penalty against their account.

- 6.3, Developing Penalty Issues
- 6.4, Finalizing Penalty Determinations
- 6.5, Penalty Computations
- 6.6, Report Writing
- 6.7, Workpapers — General Requirements
- 6.8, Other Considerations

6.2 (05/14/99)

Recognizing Noncompliance

- (1) The assessment of penalties should be considered throughout the audit. Indicators of noncompliant behavior are specific for individual penalties and each case is unique, but there are common patterns of noncompliance. The following sections list common badges of negligence and fraud.

6.2.1 (05/14/99)

Negligence

- (1) A component of the accuracy-related penalty involves taxpayer's negligence or disregard of rules or regulations — Per IRC section 6662 (c), "negligence" is defined as any failure to make a reasonable attempt to comply with the provisions of this title, and the term "disregard" includes any careless, reckless or intentional disregard. Some audit indicators for the negligence component of the accuracy-related penalty are listed below.
- (2) History of noncompliance — As part of the Required Filing Checks, examiners determine whether the return was timely filed. CFOL documents will also note penalties, such as most late payment and estimated tax penalties, that are usually assessed as part of return processing. Examiners should review available IRS information when making penalty determinations to establish payment patterns and history of noncompliance. Check the two preceding periods and all open modules. See Chapter 5, Required Filing checks, for additional guidance.
- (3) Similar, prior audit results — Copies of any prior audit reports should be reviewed to establish history of noncompliance.
- (4) Failure to keep adequate books and records — Analysis of the taxpayer's books and records should include consideration of their adequacy and accuracy.
- (5) Inadequate internal controls for processing and reporting business transactions,
- (6) Unreported or understated income, combined with the taxpayer's failure to offer a reasonable explanation,
- (7) Overstated deductions or credits, including claiming clearly improper or exaggerated amounts, unsubstantiated by facts or documentation,
- (8) Using deduction descriptions in such a manner as to conceal the true nature of the deduction,
- (9) Failure to explain items questioned by the Service,
- (10) Actions taken by the taxpayer to ensure that the return preparer did not have all the necessary and appropriate information to prepare a correct and/or timely return,
- (11) Information determined from cooperative state programs and state tax reports which determined negligence for transactions having the same or similar Federal and State tax consequences — The decision to assert negligence, however, is the examiner's and is not to be automatically reflected based on the State's determination.

6.2.2 (05/14/99)

Fraud

- (1) Fraud, as distinguished from negligence, is always intentional. One of the elements of fraud is an intent to evade tax. Some of the indications of fraud are as follows:
 - a. False explanations regarding understated or omitted income;
 - b. Large discrepancies between actual and reported deductions of income;
 - c. Concealment of income sources;
 - d. Numerous errors, all in the taxpayer's favor;
 - e. Fictitious records or other deceptions;

6.1.3

husband's separate liability may be paid from community funds.

W. Parker, CA-5, 76-1 ustr ¶ 9150, 524 F2d 479.

The taxpayer-wife was relieved from liability under the innocent spouse provisions because the husband alone perpetuated the fraud. However, under California law, a husband's separate liability may be satisfied out of community funds.

J.D. Knong, 65 TC 959, Dec. 33,658.

Followed.

V. Sehic, 40 TCM 533, Dec. 37,031(M), TC Memo. 1980-222.

In a community property state, even though a taxpayer's wife was not a party to the fraud, this did not preclude the assessment of the full penalty for fraud against the husband severally.

E.J. Lollis, CA-9, 79-1 ustr ¶ 9379, 595 F2d 1189.

The wife is not chargeable with fraud on her separate return reporting one-half of community income, the amount of which is fraudulently understated by the husband, and there is no evidence that she attempted to conceal any of her own income.

J.L. Boyett, CA-5, 53-1 ustr ¶ 9346, 204 F2d 205.

E.M. Jackson, 12 TCM 778, Dec. 19,796(M).

M. Markovits, 11 TCM 823, Dec. 19,138(M).

M. Berry, 11 TCM 301, Dec. 18,882(M).

DeFranco, 9 TCM 1158, Dec. 18,050(M).

Herberger, 9 TCM 546, Dec. 17,748(M); *aff'd on another issue*, CA-9, 52-1 ustr ¶ 9253, 195 F2d 293.

Karger, 38 BTA 209, Dec. 10,104 (Acq.).

Nicholson, 38 BTA 190, Dec. 10,103 (Acq.).

Franklin, 34 BTA 927, Dec. 9462.

Esperson, 13 BTA 616, Dec. 4376.

United Dressed Beef Co., 23 TC 879, Dec. 20,875 (Acq.).

H. Simmons Est., 26 TC 409, Dec. 21,764 (Acq.).

Drug dealers were liable for additions to tax for fraud because it was shown that they intentionally engaged in a course of conduct designed to conceal, mislead, and otherwise prevent the collection of taxes. However, the wife of one of the dealers, who was required to report as community property a portion of her husband's share of the profits, was not liable for such penalty. Although she knew of her husband's drug activities, there was no indication that she was involved in such activities herself.

R.C. Congelliere, 59 TCM 709, Dec. 46,613(M), TC Memo. 1990-265.

74 Innocent spouse relief denied.—A taxpayer failed to qualify for innocent spouse relief where it was found that she had full access to their joint bank accounts, that she handled family financial transactions (including the preparation of the tax returns), and that she had on several occasions seen her husband cash large

postal money orders. Furthermore, taxpayer not only failed to show that she did not receive a significant benefit as a result of her husband's embezzlement, but also failed to produce any records that regular family income was adequate to meet their standard of living.

C.E. Heywood, 33 TCM 1311, Dec. 32,829(M), TC Memo. 1974-283.

The "innocent spouse" rule does not provide relief from tax liability resulting from an overstated deduction for the cost of goods sold. Application of the "innocent spouse" rule may be invoked only where a tax liability arises by reason of an omission from gross income of an amount which should have been included therein. Since an overstatement of the cost of goods sold is an overstatement of a reduction from gross income, not an omission from gross income, the relief provisions were inapplicable and do not relieve the taxpayer-spouse from her liability for the determined deficiency.

A.B. Resnick, 63 TC 524, Dec. 33,028.

The statute of limitations did not bar assessments against the taxpayers (a husband, his wife, and their closely held corporation) because at least part of their underpayments of taxes was due to fraud, for which penalties were properly imposed. However, the wife did not qualify as an innocent spouse, despite her claim that she was a chronic alcoholic who was unaware of her husband's or the corporation's business dealings; corporate checks of approximately \$60,000 were deposited in her checking account at a particular bank for which she received monthly statements, wrote checks, and made out at least eleven deposit slips of diverted corporate funds totaling more than \$33,000.

A. Astone, 47 TCM 632, Dec. 40,675(M), TC Memo. 1983-747.

Fraud penalty and addition to tax were imposed on wife, who filed a joint return, for unreported income attributable to husband, where evidence indicated that she benefited materially from omitted items.

D.E. Beck Est., 56 TC 297, Dec. 30,776.

The taxpayer could not restrain the collection of a fraud penalty imposed under a prior Tax Court decision. The prior decision was *res judicata* and thus prohibited the taxpayer from pleading the innocent spouse rule since she had consented to the penalty. Further, her injunction was barred where it appeared that the government could ultimately prevail in its claim for the penalty.

S.T. Kravitz, DC, 78-2 ustr ¶ 9705.

A policeman was liable for the addition to tax for fraud on determinations of unreported bribe and kickback income. The court agreed with the IRS that the addition to tax for fraud applied to the policeman, but not to his wife. However, the

policeman's wife was denied innocent spouse relief because she should have realized that their legal sources of income were insufficient to pay for their lifestyle.

F.J. Scraffile, 62 TCM 983, Dec. 47,684(M), TC Memo. 1991-512.

A businessman's wife was not an innocent spouse because she knew or should have known of the understatements of income on their joint returns. However, since the IRS failed to prove that the wife's activities constituted actual, intentional wrongdoing, she was not held liable for additions to tax for fraud.

G.L. Wright, 64 TCM 1482, Dec. 48,678(M), TC Memo. 1992-699.

A wife was not entitled to innocent spouse relief where she benefited from her deceased husband's unreported income. During the periods of understatement of income, the couple maintained a high standard of living, and part of the couple's money was held in the wife's account under her maiden name, thereby temporarily concealing it from the IRS. Because the understatement was more than 900 percent of reported income, an intent to evade taxes could be inferred. As a result, no statute of limitations applied to the tax years at issue.

B. Bushlow, DC N.Y., 93-2 USTC ¶50,556.

A wife did not qualify for innocent spouse relief because it was not inequitable to hold her liable for the deficiencies and fraud penalties. She fully shared in the benefits and the tax savings from omitted income, and the understatements enabled her to maintain a standard of living that included new cars, nursemaids, private schools for her children and shopping sprees.

L.N. Levitt, 70 TCM 851, Dec. 50,917(M), TC Memo. 1995-464.

An individual who was not entitled to innocent spouse relief was liable for the additions to tax for fraud. She was involved in her ex-husband's illegal narcotics trafficking activities which was the likely source of the unreported income, she did not cooperate with IRS agents and the couple engaged in a pattern of consistent underreporting of income for several years.

E.C. Joens, 74 TCM 1149, Dec. 52,347(M), TC Memo. 1997-506.

A tax attorney's claim for innocent spouse relief under provisions of the IRS Restructuring and Reform Act of 1998 (P.L. 105-206) was denied because the ample evidence of his intent to defraud the IRS necessarily proved that he had actual knowledge of the understatements on his joint returns. Further, it was irrelevant that the Tax Court did not expressly rule on the innocent spouse defense with respect to one of the tax years at issue.

R.D. Grossman, Jr., CA-4, 99-2 USTC ¶50,631.

.745 Innocent spouse relief granted.—A wife was not entitled to innocent spouse relief because she received a significant benefit from the grossly erroneous tax returns that she filed jointly with her ex-husband. The wife enjoyed a more affluent lifestyle and received a more lucrative divorce settlement than would have been the case absent the underreporting of income on the joint returns. Thus, although normal support was not considered to be a significant benefit, the underreporting of income resulted in a substantial increase in the wife's net worth.

S. Berman, CA-2 (unpublished opinion), 95-1 USTC ¶50,117.

Additions to tax for fraud were not sustained on the basis that information concerning funds siphoned from two closely-held family corporations was purposefully withheld from the taxpayer by his wife, who appeared to have taken the funds for her sole benefit.

T. Barrett, 57 TCM 458, Dec. 45,709(M), TC Memo. 1989-243.

Since the wife did not join in any income tax return with her husband in 1953, when no return was filed for either of them, she could not be held liable for any deficiencies or additions attributable to her husband's failure to report income. Further, since no evidence was introduced tending to show a fraudulent intent on her part for failing to file a return, the fraud penalty could not be sustained as to her.

P.R. Simms, 27 TCM 1570, Dec. 29,398(M), TC Memo. 1968-298.

The taxpayer was not liable for the fraud penalty because no part of the underpayment of taxes on her joint returns was attributable to fraud on her part. The taxpayer was also relieved from liability for the tax deficiency and penalty because she was unaware of the omitted income and did not benefit therefrom.

S.N. Ratana, 40 TCM 1119, Dec. 37,199(M), TC Memo. 1980-353. Rev'd on another issue, CA-4, 81-2 USTC ¶9691, 662 F2d 220.

Innocent spouse treatment was afforded the wife of an investment consultant because she had no knowledge of her husband's pyramid scheme or his failure to file their joint tax returns.

P.M.C. Berezheim, 63 TCM 2975, Dec. 48,209(M), TC Memo. 1992-272.

A hospital administrator's wife was an innocent spouse with regard to embezzled funds the administrator failed to report and, therefore, was not liable for the tax liabilities and penalties. Additions to tax for fraud were imposed because the taxpayer was a knowledgeable businessman who hid his scheme for five years. However, negligence penalties were not imposed on the wife following the finding of fraud on the part of the husband.

J.W. Johnson, 65 TCM 2760, Dec. 49,056(M), TC Memo. 1993-227.

The wife of a man convicted of criminal tax evasion was not liable for a civil fraud penalty because she was not convicted of a crime and the IRS failed to prove that she was otherwise liable. A stipulation of settled issues signed by the husband and wife, which alluded to a concession of the fraud penalty, was sufficiently ambiguous so that it did not constitute a concession on the penalty issue by the wife.

R.W. Harrison, Jr., 66 TCM 1566, Dec. 49,465(M), TC Memo. 1993-587.

In the following cases, individuals were subject to either criminal or civil fraud penalties; however, their spouses were not liable for civil fraud penalties because the IRS did not prove by clear and convincing evidence that the spouses intended to evade the tax that the individuals believed were owing.

R.S. Adcock, 66 TCM 1103, Dec. 49,352(M), TC Memo. 1993-488.

.75 Joint liability.—A jury found that the fraud penalty could be assessed against both spouses where joint returns were involved and a corporation paid large amounts of their personal expenses.

L. Kibik, DC, 73-1 USTC ¶ 9273.

Commissioner has established by clear and convincing evidence that the husband at the time he signed the returns for the years in issue knew that his wife had income from a lottery operation which was omitted from their reported income and that his signing of the returns knowing of this omitted income was fraudulent.

T. Mentone, 37 TCM 1047, Dec. 35,246(M).

Similarly.

R.N. Stetson, DC, 77-2 USTC ¶ 9663.

A taxpayer-husband who filed a joint tax return with his wife was not an innocent spouse when the income derived from his public relations business was omitted. He was also liable as the surviving spouse and sole beneficiary for the penalty imposed for his wife's fraud.

J.P. Keene, 38 TCM 553, Dec. 35,974(M), TC Memo. 1979-121.

A wife who filed joint federal income tax returns with her husband was liable for a fraud penalty when the Commissioner had properly determined that the income reported by the taxpayers for the tax years in issue had been fraudulently understated and that she had been a party to the fraud through bank deposits she made. The fraud penalty was also imposed on the husband.

B.G. Murphy, 39 TCM 958, Dec. 36,744(M), TC Memo. 1980-25.

The taxpayer, who did not qualify for innocent spouse relief, was liable for additions to tax for

fraud for each of the tax years in question because (1) for two of the tax years, the taxpayer's income from gambling or bingo winnings was omitted despite his receipt of forms from the payors and (2) he was aware of his wife's past propensity for theft and her past failures to report income. Therefore, the court concluded that the taxpayer's failure to review the returns for the reporting of his own income and the circumstances of his wife's history were indicative of the taxpayer's fraudulent intent.

R.L. Dickey, 50 TCM 1041, Dec. 42,377(M), TC Memo. 1985-478.

A husband was liable for the addition to tax for fraud because it was clear that he knew that income derived from illegal drug sales was subject to tax but went unreported due to his implausible claim that he had been granted immunity from police officers and a district attorney from reporting such income. The wife was held liable because she was aware that the income was not reported on their joint return and she took no action to disclose the income to their accountant.

R.C. Schmitz, 55 TCM 658, Dec. 44,720(M), TC Memo. 1988-168.

The evidence indicated that the wife of a certified public accountant who failed to timely file their returns and later filed incorrect returns was liable in addition to her husband for the fraud penalty. She was aware that her husband was earning income and used cash received from fee income checks to pay household expenses. She was aware of her obligation to timely file returns, yet she ignored her obligation. She also assisted in the preparation of the returns which contained substantial omissions of income.

D.C. Fedechko, 60 TCM 272, Dec. 46,756(M), TC Memo. 1990-390.

For the years 1924 and 1925 the joint returns of husband and wife correctly reflected the income of the husband but failed entirely to include the income of the wife, with intent to evade tax.

Carraro, 29 BTA 646, Dec. 8339.

Because taxpayer's wife had no taxable income during the taxable years, she was under no obligation to file a return or join in a return by the taxpayer. Since no returns were filed, and there was no evidence that she was a party to the taxpayer's fraudulent conduct, she was not liable for fraud penalties.

A. Gemma, 46 TC 821, Dec. 28,123 (Acq.).

A spouse was not jointly and severally liable for a deficiency where she neither signed nor tacitly consented to her husband's filing of joint returns. Consent to a joint return could not be inferred from her failure to separately file a tax return, where she had no taxable income. Also, the record did not reflect a continuous pattern of joint filing in prior tax years. In addition, intent

to file a joint return could not be inferred from her signature on Form 872, Consent to Extend the Time to Assess Tax.

J.R. Carrick, 62 TCM 938, Dec. 47,673(M), TC Memo. 1991-502.

.755 Separate returns.—A wife filing separate returns was liable for penalties on unreported income attributable to her husband where the income was deposited in her separate bank accounts for those tax years. Penalties in a later year were not upheld.

D.E. Beck Est., 56 TC 297, Dec. 30,776.

Negligence penalty, but not fraud, is imposed for failure to report profit on sale of stock owned by petitioner, whose only explanation is that by mistake it was reported on a return made by petitioner for his wife.

Joseph, 32 BTA 1192, Dec. 9049.

.76 Spouse not party to fraud.—Although taxpayer, who signed a joint return in blank knowing that her husband would fill it in, was liable for tax deficiencies she was not liable for any fraud penalty because the Commissioner did not sustain his burden of proof as to her.

J. Douglas, 27 TC 306, Dec. 22,030 (Acq.). Aff'd on other grounds, CA-5, 58-2 USTC ¶9563, 256 F2d 4.

A wife who filed belated joint returns with her husband was not liable for fraud penalties where the returns themselves were not fraudulent. The fraud occurred and the penalties attached earlier when the husband, with fraudulent intent, failed to file timely returns.

J.A. Cirillo, CA-3, 63-1 USTC ¶9311, 314 F2d 478.

M. Spanos, CA-4, 63-2 USTC ¶9736, 323 F2d 108.

Notwithstanding the taxpayer's conviction in the criminal trial for failing to file returns, taxpayer's reliance on her husband to keep records and file returns was not enough evidence of fraud to sustain the Commissioner's burden of proof.

Agnes W. Grayson, 13 TCM 552, Dec. 20,402(M), TC Memo. 1954-70.

Similarly.

W. Hendrick, 20 TCM 1586, Dec. 25,120(M), TC Memo. 1961-308.

Since a husband and wife are considered separate and distinct taxpayers, the fact that the husband was estopped from denying that his returns were false and fraudulent did not collaterally estop the wife from litigating this issue.

R. Nell, 43 TCM 1226, Dec. 38,977(M), TC Memo. 1982-228.

Since the relief provisions of P.L. 91-679 applied to years not barred by statute of limitations, the spouse of a taxpayer filing a joint return was not liable for the fraud penalty where there was no evidence that she had any knowledge that income tax returns were fraudulent.

H. Romanelli, CA-7, 72-2 USTC ¶9708, mod'g, 72-2 USTC ¶9627, 466 F2d 872.

A taxpayer-wife was not liable (in addition to her husband) for a penalty for fraud because she did not know that the taxable income reported on their returns for the years in issue did not accurately reflect their income.

L.D. Perry, 37 TCM 1847-44, Dec. 35,515(M), TC Memo. 1978-541. Aff'd by CA-7 in an unpublished opinion, 12-4-79.

The Commissioner failed to bear the burden of proof that the taxpayer-wife had participated in her husband's tax fraud, and thus she was not liable for the fraud penalty. She was jointly and severally liable, however, for all deficiencies, inasmuch as she failed to bear the burden of proof that she was an innocent spouse.

B.K. Diehl, CA-5, 79-1 USTC ¶9146, 586 F2d 1080.

Although there was no showing that the taxpayer's wife was involved in the fraud, the entire penalty could be paid out of community funds because (1) there was no evidence that the government collected the penalty from the wife and (2) the deficiency was jointly paid and both sued for a refund although no refund was due.

T.K. Considine, CA-9, 82-2 USTC ¶9537, 683 F2d 1285.

Although taxpayer-wife was not entitled to relief under the innocent spouse provision because she failed to introduce sufficient evidence, she was relieved of liability for the fraud penalty because no portion of the underpayment on the joint return was attributable to fraudulent conduct on her part.

D.P. Flynn, 42 TCM 1022, Dec. 38,221(M), TC Memo. 1981-491.

An addition to tax for fraud was properly imposed on the taxpayer, who failed to report as income substantial illegal payments he received from a trucking company for dumping their construction materials from a nearby job site on his employer's construction site. However, the taxpayer's wife was not liable for the fraud penalty because it was not established by clear and convincing evidence that she knew about or participated in transfers of the illegal payments.

W.R. Jones, 48 TCM 95, Dec. 41,212(M), TC Memo. 1984-257.

A penalty for fraudulent tax evasion was not assessed against a wife who filed joint returns with her husband, since she lacked fraudulent intent. Her husband withheld financial information from her, tended a mistress and concealed a cash hoard.

B.R. Sheckles, 48 TCM 222, Dec. 41,257(M), TC Memo. 1984-289.

Similarly.

B.M. Porter, 51 TCM 1062, Dec. 43,069(M), TC Memo. 1986-208.

O.E. Lundry, 52 TCM 578, Dec. 43,371(M), TC Memo. 1986-456.

W.F. Alberts, 52 TCM 665, Dec. 43,403(M), TC Memo. 1986-483.

A wife who signed blank Forms 1040 that her husband later completed, omitting most of his income, was not liable for additions to tax for fraud since the IRS could not prove that she knew of the omitted income or had any intent to defraud.

E. Eudell, 55 TCM 1107, Dec. 44,844(M), TC Memo. 1988-265.

Deemed admissions indicated that a lawyer was solely responsible for the preparation of tax returns for his professional corporation, and he personally prepared the returns for himself and his wife. Although the admissions contained indicia of the wife's acquiescence in her husband's activities, the deemed admissions were not sufficient to prove that she was liable for fraud penalties.

L.W. Britt, 56 TCM 56, Dec. 45,038(M), TC Memo. 1988-419.

A divorced taxpayer was not liable for penalties for fraud because an intent to conceal or mislead was not established. His former wife's fraudulent conduct in failing to report funds that she embezzled could not be imputed to him. The husband also did not exhibit fraudulent intent with respect to unreported income he received from several odd jobs.

M.S. Hepler, 60 TCM 735, Dec. 46,868(M), TC Memo. 1990-490.

Where the wife had no intent to evade tax, the penalties against the wife were not sustained by the Commissioner.

L.J. Louw, 14 TCM 547, Dec. 21,055(M), TC Memo. 1955-150.

Similarly.

Lins, CA-4, 56-2 USTC ¶ 9817, 235 F2d 879, Cert. denied, 353 US 935.

Similarly, where the proceedings were dismissed against taxpayer's wife who did not sign verification of the petition. The signature on the document, purportedly hers, was found not to be hers.

P.C. Norwitt, 14 TCM 1232, Dec. 21,356(M), TC Memo. 1955-314.

The taxpayer, an artist and interior window designer, was not liable for fraud penalties relating to his and his wife's failure to report income from embezzlements she made from her employer. The taxpayer was not involved in the financial aspects of his marriage or his business; his wife, a bookkeeper, handled all their financial affairs. There was no record that the taxpayer knew of the embezzlement activities before the day his wife, now a convicted felon, was arrested.

R.F. Turner, 55 TCM 1425, Dec. 44,940(M), TC Memo. 1988-339.

A self-employed manufacturer's representative and his wife who failed to file income tax returns for several years, until after they were notified of a criminal investigation, were liable for additions to tax for late filing, negligence and failure to pay estimated tax. Fraud penalties did not apply to the wife, however, because she had no separate income for the years in issue and had urged her husband to file returns.

P.E. Niedringhaus, 99 TC 202, Dec. 48,411.

A doctor's wife was not entitled to innocent spouse relief because she demonstrated knowledge of unreported cash receipts and the manner in which cash was diverted from the doctor's corporation. However, additions to tax against her for fraud were not sustained because the evidence against her was not clear and convincing.

M.O. Arenstein, 66 TCM 282, Dec. 49,190(M), TC Memo. 1993-339.

An assessment of fraud penalties against a corporation was not inconsistent with the IRS's finding that the wife of the corporation's president and sole shareholder did not commit tax fraud. The Court of Appeals for the Ninth Circuit declined to recognize the "innocent spouse" defense because the husband owned 100% of the stock. Therefore, it was not inequitable to impute fraudulent intent to the corporation, even though, under state (California) community property law, the wife had a 50% interest in her husband's stock. *Asphalt Industries, Inc.*, 67-2 USTC ¶ 9620, 384 F2d 229, distinguished.

Alexander Shokai, Inc., CA-9, 94-2 USTC ¶ 50,460, Cert. denied, 4/17/95.

A husband, but not his wife, was liable for the fraud penalty. The wife was not involved in her husband's business, and she was not responsible for understating income or maintaining the books and records.

R.F. Jenkins, 70 TCM 1423, Dec. 51,022(M), TC Memo. 1995-563.

A wife was not liable for additions to tax for fraud. She did not sign returns for two of the three years at issue, and she was not proven to have knowledge of the unreported income. Her husband conceded his liability for fraud penalties with respect to two tax years, and was found liable for the penalty for the third year. He established a nontaxable employee reimbursement account as part of a scheme to underreport his income.

A.J. Marzullo, 73 TCM 2993, Dec. 52,082(M), TC Memo. 1997-261.

The wife of a man who pled guilty to charges of filing false returns was not liable for fraud penalties because she did not participate in, or know of, her husband's alterations to the summary sheets from which the couple's accountant prepared their returns.

S.L. White, 74 TCM 326, Dec. 52,206(M), TC Memo. 1997-374. Aff'd on other issues, CA-10 (unpublished opinion), 99-1 USTC ¶ 50,542.

Although married taxpayers underreported their income, the wife was not liable for fraud penalties. The IRS did not establish that she knew of the understatement on the joint returns given that she failed to review any of the returns or signed blank returns. Further, there was no evidence that the wife was involved in preparing the returns, other than providing documentation to the couple's accountant. Even though the court was convinced that the wife knew of the husband's illegal gambling and bookmaking activities, it could not conclude that the wife knew that income from those activities was not being reported.

S.J. Zabari, 74 TCM 1002, Dec. 52,316(M), TC Memo. 1997-479.

Partners in a construction business who knew their accountant computed partnership income based on bank deposit records and who admitted that they had not deposited all of their business receipts were subject to the fraud penalty for understating partnership income. However, the penalty was not imposed on the partners' spouses because there was no evidence that they had acted with fraudulent intent. Since the understatement was fraudulent, assessment and collection of the deficiency was not barred by the statute of limitations.

P. Vazzani, 75 TCM 2379, Dec. 52,719(M), TC Memo. 1998-195.

The wife of a taxpayer who was subject to the fraud penalty was not liable for the penalty. The IRS failed to prove that she had acted with the requisite fraudulent intent.

P.T. Jackson, 77 TCM 1919, Dec. 53,354(M), TC Memo. 1999-139.

.77 Statute of limitations, spouse.—The imposition of the penalty for filing fraudulent returns was affirmed against the taxpayer, who qualified for innocent spouse relief, and her hus-

band. The husband's filing the false returns lifted the normal three-year statute of limitations with regard to notices sent to the wife; Code Sec. 6501(c)(1) does not require fraudulent intent on the part of both spouses who file a joint return for the statute of limitations to be lifted.

J. Ballard, CA-8, 84-2 USTC ¶ 9733, 740 F2d 659.

Where fraudulent intent was proven only as to the wife, the husband was not guilty of fraud. However, the statute of limitations did not bar collection of the underpayment (less the fraud penalty) from him since the statute was extended by his wife's fraud.

C. Clewinger, 51 TCM 835, Dec. 42,992(M), TC Memo. 1986-149. Aff'd on another issue, CA-4, 87-2 USTC ¶ 9489.

Fraud penalties imposed on a circuit board manufacturer who skimmed funds from his two corporations were upheld. The statute of limitations did not bar assessment of tax because the underpayment was due to fraud. Even if only one spouse is fraudulent, and a joint tax return is filed, the fraud prevents the running of the statute of limitations for both spouses.

H.P. Savage, 63 TCM 2269, Dec. 48,047(M), TC Memo. 1992-129.

A divorced wife was not liable for fraud penalties with respect to her ex-husband's unreported kickback income. The IRS failed to establish that any portion of their underpayment of tax was due to fraud on her part. The indicia of fraud cited by the IRS were thin and unpersuasive.

B.D. Goings, 73 TCM 2065, Dec. 51,892(M), TC Memo. 1997-87.

The wife of a sophisticated engineer was not liable for the fraud penalty because she did not have the education and experience to know that real estate transactions that led to the imposition of the fraud penalty on her husband were falsely reported.

L. Goldberg, 73 TCM 1988, Dec. 51,878(M), TC Memo. 1997-74. Aff'd, CA-9 (unpublished opinion), 2001-1 USTC ¶ 50,155.

.78 Statute of limitations.—The taxpayer's business records were inaccurate and incomplete and his returns for 1964-1966 contained substantial understatements of income. Therefore, the bar on the assessment and collection of deficiencies for those years was lifted since the returns for those years were false and fraudulent with an intent to evade taxes. Additions to tax for fraud were proper.

H.R. Temple Est., 67 TC 143, Dec. 34,083.

The Court determined that taxpayer's underpayment of tax was due to fraud for the years 1967 through 1970, but not for the years 1965 and 1966. The assessment and collection of deficien-

cies and additions to tax were barred by the statute of limitations for the tax years 1965 and 1966, but the statute of limitations had not run for the years in which the taxpayer's conduct was fraudulent.

G.S. Hall, 35 TCM 1399, Dec. 34,046(M), TC Memo. 1976-311. Aff'd on another issue, CA-5, 79-1 USTC ¶ 9391.

M.F. Lodise, 36 TCM 668, Dec. 34,424(M), TC Memo. 1977-157.

J.N. Adams, 37 TCM 654, Dec. 35,110(M), TC Memo. 1978-152.

D.E. Bartone, DC, 78-1 USTC ¶ 9290.

H.T. King, Jr., CA-2, 79-2 USTC ¶ 9426.

A.C. Dunn, Jr., CA-2, 79-2 USTC ¶ 9481.

The statute of limitations does not apply to fraud cases.

C.M. Mickler, CA-5, 57-1 USTC ¶ 9598, 243 F2d 515.
 L. Fuller, CA-6, 63-1 USTC ¶ 9248, 313 F2d 73.
 E.J. Benes, CA-6, 66-1 USTC ¶ 9205, 355 F2d 929. Cert. denied, 384 US 961.
 J.T. Benn, CA-5, 66-2 USTC ¶ 9684, 366 F2d 778. Cert. denied, 389 US 833.
 W.R. Jackson, CA-6, 67-2 USTC ¶ 9557, 380 F2d 661. Cert. denied, 389 US 1015.
 R.A. O'Connor, CA-2, 69-2 USTC ¶ 9453, 412 F2d 304. Cert. denied, 397 US 921.
 Rhodes v. Edwards, DC, 56-2 USTC ¶ 9643.
 P.R. Davis, DC, 68-2 USTC ¶ 9577.
 M.L. Reichert, 19 TC 1027, Dec. 19,504.
 M.D. Eagle, Jr., 25 TC 169, Dec. 21,312.
 Giant Products, Inc., 38 TC 700, Dec. 25,624.
 D.G. Corbett, 41 TC 96, Dec. 26,372 (Acq.).
 T.H. Riddell, 15 TCM 379, Dec. 21,650(M), TC Memo. 1956-74.
 A. Axler, 15 TCM 262, Dec. 21,619(M), TC Memo. 1956-58.
 B.E. Lewis, 16 TCM 658, Dec. 22,527(M), TC Memo. 1957-158.
 H.L. Kremer, 16 TCM 297, Dec. 22,362(M), TC Memo. 1957-69.
 E. Richardson, 16 TCM 518, Dec. 22,463(M), TC Memo. 1957-122. Aff'd, rev'd and rem'd on other grounds, CA-4, 59-1 USTC ¶ 9292, 264 F2d 400.
 A. Abess, 19 TCM 791, Dec. 24,279(M), TC Memo. 1960-150.
 B. Finestone, 19 TCM 864, Dec. 24,308(M), TC Memo. 1960-164.
 W.V. Newell, 19 TCM 1358, Dec. 24,468(M), TC Memo. 1960-249.
 D.M. Roberson, 20 TCM 1, Dec. 24,599(M), TC Memo. 1961-1.
 D.D. Carlin, 19 TCM 1319, Dec. 24,440(M), TC Memo. 1960-236.
 J.T. Benn, 22 TCM 707, Dec. 26,155(M), TC Memo. 1963-151.
 Penn-Ohio Steel Corp., 23 TCM 719, Dec. 26,783(M), TC Memo. 1964-124.
 P.F. DiZenzo, 23 TCM 677, Dec. 26,779(M), TC Memo. 1964-121; rev'd and rem'd on another issue CA-2, 65-2 USTC ¶ 9518, 348 F2d 122.
 T. Worcester, Inc., 24 TCM 1021, Dec. 27,491(M), TC Memo. 1965-199.
 H. Gross, 25 TCM 639, Dec. 27,982(M), TC Memo. 1966-125.
 A.H. Murray, 25 TCM 1198, Dec. 28,153(M), TC Memo. 1966-231.
 M.E. Hinson, 26 TCM 95, Dec. 28,323(M), TC Memo. 1967-15.
 J.S. List, 26 TCM 683, Dec. 28,538(M), TC Memo. 1967-148.

M.R. Casciani, 26 TCM 997, Dec. 28,634(M), TC Memo. 1967-203.

J. Silverman, 30 TCM 617, Dec. 30,832(M), TC Memo. 1971-143.

S. Turzynski, 31 TCM 617, Dec. 31,436(M), TC Memo. 1972-136. Aff'd, CA-7, in unpublished opinion under CA-7 rules, 8/1/74.

M.P. Hendrix, 31 TCM 105, Dec. 31,241(M), TC Memo. 1972-29.

D.B. Reynolds, 36 TCM 756, Dec. 34,459(M), TC Memo. 1977-181.

I. Chung, 48 TCM 99, Dec. 41,214(M), TC Memo. 1984-259.

R.P. Beasley, 57 TCM 136, Dec. 45,623(M), TC Memo. 1989-173.

C.C. Quantz, 58 TCM 1274, Dec. 46,342(M), TC Memo. 1990-39.

R.R. Anderson, 69 TCM 1609, Dec. 50,410(M), TC Memo. 1995-8.

A.C. Bingham, 75 TCM 1975, Dec. 52,617(M), TC Memo. 1998-102. Aff'd, CA-9 (unpublished opinion), 99-2 USTC ¶ 50,811.

P. Vazzana, 75 TCM 2379, Dec. 52,719(M), TC Memo. 1998-195.

M. Schachter, 76 TCM 113, Dec. 52,794(M), TC Memo. 1998-260. Supplemented by 113 TC 197, Dec. 53,538. Aff'd on another issue, CA-9, 2001-2 USTC ¶ 50,550.

M. Biaggi, 79 TCM 1488, Dec. 53,750(M), TC Memo. 2000-48. Aff'd on another issue, CA-2 (unpublished opinion), 2001-1 USTC ¶ 50,405.

N.M. Romer, 82 TCM 132, Dec. 54,399(M), TC Memo. 2001-168.

W.T. Butler, 84 TCM 681, Dec. 54,972(M), TC Memo. 2002-314.

The mailing of the deficiency notice tolls the statute of limitations. Thus, the IRS may, at trial, assert an addition to tax for the first time even though the limitations period would have run had the notice not been issued.

N. Cahan, 52 TCM 1508, Dec. 43,667(M), TC Memo. 1987-54.

Period for assessing deficiency in tax and fraud penalty was not extended where the Government failed to prove fraud.

J.T. Fairchild, CA-5, 57-1 USTC ¶ 9350, 240 F2d 944.

A.W. Conger, DC, 60-2 USTC ¶ 9670, 188 FSupp 769.

E. Abrams, 21 TCM 882, Dec. 25,564(M), TC Memo. 1962-160.

I. Stromberg Est., 21 TCM 1310, Dec. 25,717(M), TC Memo. 1962-246.

T.W. Banks, CA-8, 63-2 USTC ¶ 9698, 322 F2d 530.

J.H. Maxwell, 23 TCM 1895, Dec. 27,060(M), TC Memo. 1964-307.

L.J. Maloney Est., 30 TCM 71, Dec. 30,624(M), TC Memo. 1971-16.

E.V. Brown, 36 TCM 581, Dec. 34,398(M), TC Memo. 1977-138.

H.M. Wheeler Est., 37 TCM 51, Dec. 34,917(M), TC Memo. 1978-15.

H.L. Brazil, 45 TCM 795, Dec. 39,921(M), TC Memo. 1983-105.

G.N. Farrow, 50 TCM 1235, Dec. 42,422(M), TC Memo. 1985-518.

The return had not been signed, and therefore did not start the running of the statute of limitations.

M.M. Mandel, 18 TCM 730, Dec. 23,737(M), TC Memo. 1959-168.

An individual's motion for summary judgment was denied because issues of material fact existed regarding whether he fraudulently intended to omit interest income from his return. Although the IRS mailed a notice of deficiency after the three-year statute of limitations had run, its action was not time-barred if a false or fraudulent return was filed. The individual's pattern of omitting interest income and questions regarding his participation in a bank scheme not to report interest income to the IRS, coupled with evidence of the individual's financial sophistication, presented unresolved factual issues that precluded granting summary judgment.

H. Richman, 65 TCM 1808, Dec. 48,836(M), TC Memo. 1993-32.

The government did not establish by clear and convincing evidence that an attorney fraudulently understated his income when he assigned no value to stock of a corporation that operated a topless club that he received from a client as payment for his legal services. Since the government's evidence was no more convincing than that introduced by the taxpayer, the government failed to carry its burden of proof. In the absence of fraud, the government was barred from collecting additional taxes, penalties and interest from the attorney because it issued a deficiency notice to him more than three years after he filed his tax returns for the years at issue.

J.S. Payne, CA-5, 2000-2 USTC ¶ 50,668.

An assessment against a former shareholder of an insolvent company on a transferee liability theory was not barred by the statute of limitations. Because the company was found to have acted fraudulently, the IRS could assess and collect taxes owing at any time. In light of the fact that no statute of limitations barred assessment against the company, no limitations period barred assessment against the shareholder. Further, application of the statute of limitations was determined under federal, and not state, law.

J.D. Morris, 80 TCM 886, Dec. 54,157(M), TC Memo. 2000-381.

Absent a showing of fraud for three of the four tax years at issue, the IRS was barred by the three-year statute of limitations under Code Sec. 6501 from assessing deficiencies and fraud pen-

alties against an individual who conceded that he had underpaid his taxes. The IRS failed to establish by clear and convincing evidence that the taxpayer had fraudulently intended to evade taxes for those years. The record indicated that, although he was negligent and inattentive regarding his recordkeeping and tax filing obligations, the taxpayer had relied on his accountant to accurately prepare his returns. His use of a third party's name on an account that he used to improperly purchase and sell his employer's initial public offerings represented an attempt to circumvent company, rather than tax, rules.

S.C. Carter, 86 TCM 229, Dec. 55,258(M), TC Memo. 2003-235.

An individual was liable for the fraud penalty for his failure to report income in four tax years. The taxpayer stipulated that he omitted such income and was convicted for fraud in connection with his failure to report such income. Moreover, the IRS established the taxpayer's fraudulent intent by his substantial understatements of income for several years, the incomplete or misleading information he provided to his tax return preparer, and his conviction under Code Sec. 7206(1).

K.J. Morse, 86 TCM 673, Dec. 55,366(M), TC Memo. 2003-332.

The statute of limitations did not bar assessment and collection of deficiencies and penalties for tax years with respect to which the taxpayers filed fraudulent returns.

V. Ferguson, 87 TCM 1189, Dec. 55,605(M), TC Memo. 2004-90.

.80 Tax protesters.—Fraud penalties were properly imposed by the Commissioner where an individual filed incomplete tax protest statements that did not constitute returns; eliminated the declarations under penalties of perjury from the documents he filed; repeatedly tried to avoid having federal taxes withheld from his salary; and falsely certified to his employer that he owed no taxes. Such conduct indicated that the individual fraudulently intended to evade taxes that he knew were due and owing.

A.C. Fuhrmann, 43 TCM 1330, Dec. 39,008(M), TC Memo. 1982-255.

The taxpayer, who raised various tax-protestor type arguments, was held liable for the additions to tax for fraud and for failure to pay estimated tax. The taxpayer failed to file tax returns for the years in issue, claimed an excessive number of exemptions on his forms W-4, and failed to maintain or to submit adequate records of his income-producing activities to the IRS.

W.H. Smith, 49 TCM 711, Dec. 41,873(M), TC Memo. 1985-59.

A tax protestor was held liable for fraud penalties because he intentionally filed false W-4 Forms and admitted in court that he was aware

that the law required him to file returns but chose not to file because he disagreed with the law.

J.P. Clark, 62 TCM 917, Dec. 47,667(M), TC Memo. 1991-496.

Similarly,

D.L. Callentine, 63 TCM 1747, Dec. 47,915(M), TC Memo. 1992-14. Aff'd, CA-7 (unpublished opinion 11/17/92).

W.L. Coulter, 63 TCM 2773, Dec. 48,156(M), TC Memo. 1992-224.

The IRS properly used the bank deposits method to determine that the taxpayer had unreported gross income and taxable income from an insurance business, a publishing business and lecturing activities. The taxpayer offered tax protester arguments in defense. Additions for fraud were upheld because the taxpayer consistently and substantially understated his income and failed to maintain or provide adequate records of his income producing activities.

I.A. Schiff, 63 TCM 2572, Dec. 48,108(M), TC Memo. 1992-183.

Additions to tax for fraud and substantial underpayments were imposed on a tax protestor. The protestor claimed reliance on numerous tax protest arguments to avoid paying taxes. He failed to report his income, failed to timely file his tax returns, submitted false Forms W-4, concealed transactions by dealing in cash and instructed his employer not to deal with tax authorities. His claims were deemed frivolous and his actions found to be fraudulent. Accordingly, the additions to tax were imposed.

P. Roth, 64 TCM 872, Dec. 48,529(M), TC Memo. 1992-563.

In the following cases taxpayers who made tax-protestor arguments were subject to fraud penalties.

M.L. Grant, 62 TCM 550, Dec. 47,566(M), TC Memo. 1991-406.

G.F. Dorseh, 63 TCM 74, Dec. 48,333(M), TC Memo. 1992-384.

E.R. McCart, 65 TCM 2115, Dec. 48,909(M), TC Memo. 1993-96.

M.J. Andreas, 66 TCM 1411, Dec. 49,423(M), TC Memo. 1993-551.

J.L. Cochran, 107 TC 18, Dec. 51,490.

J.W. Marsh, 79 TCM 1327, Dec. 53,712(M), TC Memo. 2000-11. Aff'd on another issue, CA-9 (unpublished opinion), 2002-1 USTC ¶50,209.

C.W. Singer, DC Pa., 2001-2 USTC ¶50,611. Aff'd, CA-3 (unpublished opinion), 2002-2 USTC ¶50,519, 43 FedAppx 524.

A taxpayer's petition, containing tax protester arguments, failed to assign error in the IRS's determination; therefore, partial judgment on the pleadings was granted. However, the additions to tax for fraud and failure to file tax returns were not imposed because the IRS did not meet

its burden of proof. The IRS had not yet filed an answer or given the taxpayer an opportunity to reply on those issues, so they had to be decided at trial.

R.J. Caplette, 65 TCM 1876, Dec. 48,852(M), TC Memo. 1993-46.

On remand, the taxpayer was estopped from denying the specific intent requirement for the years for which he had been convicted of criminal tax evasion under Code Sec. 7201. For the other years, fraudulent intent was shown by the following badges of fraud: an understatement of income, a pattern of failure to file returns, implausible or inconsistent explanations of behavior, failure to cooperate with the IRS and the filing of false Forms W-4.

R.J. Caplette, 68 TCM 464, Dec. 50,054(M), TC Memo. 1994-403.

An aerospace engineer and his wife, who was a bookkeeper, were subject to fraud penalties for years during which they failed to pay tax based on their belief that income tax laws were invalid. The penalty applied because they knew that they owed tax for those years but failed to file income tax returns. Further, the improper use of a Form 843 indicated the couple's intent to evade taxes by misleading the IRS into refunding withheld income taxes while they concealed their income. Also, an intent to evade tax was demonstrated by the taxpayers' continued reliance on Forms W-4 that provided for inadequate withholding.

A.L. Pennybaker, 67 TCM 3157, Dec. 49,941(M), TC Memo. 1994-303.

Fraud penalties were properly imposed against a tax protestor who claimed excessive exemptions on Form W-4 and filed no income tax returns for several years. Prior to the tax years at issue, the taxpayer had filed returns and, thus, had demonstrated knowledge of the filing requirements. The fact that the taxpayer only took steps to contact the IRS and indicate that he did not intend to pay taxes after being notified of his delinquency was, in itself, evidence of an intent to defraud. Moreover, returns and other filings submitted by the taxpayer after the IRS initiated proceedings against him consisted of tax-protestor-type arguments that only served to impede and delay the collection of tax. The actions of the taxpayer were not sufficiently open to preclude a finding of fraud.

R.A. Cloutier, 68 TCM 1165, Dec. 50,227(M), TC Memo. 1994-558.

A medical technologist who filed delinquent tax returns and false Forms W-4 was liable for fraud penalties because he intended to evade taxes. The facts that the individual did not file any tax returns until after being criminally indicted, that he filed false Forms W-4 using false social security numbers, and that he offered typical tax protest arguments furnished to him by an association, whose literature instructed persons

The Court found that taxpayer's joint venture arrangements with his relatives were not a sham. *C.H. Bruck*, 22 TC 284, Dec. 20,333 (Acq.).

A couple was not liable for fraud even though they failed to report income, because they sin-

cerely believed that a trust which was established by promoters was a legitimate income shifting device.

E.J. Klaphake, 60 TCM 195, Dec. 46,740(M), TC Memo. 1990-375.

Spouses

.73 Application of penalty.—Code Sec. 6653 (b) provides that the fraud penalty does not apply to a spouse filing a joint return unless some part of the underpayment on the return is due to the fraud of that spouse. This limitation applies to all cases that are not barred by the statute of limitations. Some of the cases reflected below were decided prior to the amendment of former Code Sec. 6653(b) by P.L. 91-679. However, the cases would apply in similar factual situations, even under amended Code Sec. 6653(b).—CCH.

Fraud penalty was not sustained against husband for years in which he and his wife filed separate returns and none of the increase in net worth attributable to his wife's activities could be traced to him. However, fraud penalties were sustained for years in which they filed joint returns.

M. Steinberg Est., CA-2, 66-2 USTC ¶9699, 367 F2d 130. Cert. denied, 386 US 941.

A taxpayer-husband did not understate the family's gross income with intent to defraud when it was not established that he had any knowledge of the family account books, which were kept by his wife, or of the inaccuracy of the records given to the return preparer.

C.D. Floyd, 37 TCM 1517, Dec. 35,409(M), TC Memo. 1978-368.

Motion for summary judgment in an action to foreclose tax liens, resulting from a claimed deficiency for income unreported on a joint return filed by the taxpayer and her late husband, on the proceeds of an insurance policy payable to the taxpayer was denied. Alternatively, it was ordered that a factual basis be established to determine whether the taxpayer could benefit by the provisions of Public Law 91-679.

A.L. Cooper, DC, 71-1 USTC ¶9321.

The finding of slight deficiencies in tax which were admitted and the failure to include in income certain partnership profits attributed to the separate property of the taxpayer's wife do not establish that the taxpayer's returns were either false or fraudulent.

Klise, 10 BTA 1234, Dec. 3670 (Acq.).

The election to make a single return jointly must be exercised by taxpayers at the time the return is filed. Since no returns were filed by taxpayer, the split-income provisions were never

elected by him and he alone could be liable for the deficiencies of tax, additions and fraud penalties.

Mundy, 14 TCM 1067, Dec. 21,263(M), TC Memo. 1955-270.

In a community property state, even though the taxpayer-wife was not a party to the fraud, this did not preclude the assessment of the full penalty for fraud against the taxpayer-husband severally.

E.J. Lollis, CA-9, 79-1 USTC ¶9379, 595 F2d 1189.

Drug dealers were liable for additions to tax for fraud because it was shown that they intentionally engaged in a course of conduct designed to conceal, mislead, and otherwise prevent the collection of taxes. However, the wife of one of the dealers, who was required to report as community property a portion of her husband's share of the profits, was not liable for such penalty. Although she knew of her husband's drug activities, there was no indication that she was involved in such activities herself.

R.G. Congelliere, 59 TCM 709, Dec. 46,613(M), TC Memo. 1990-265.

An itinerant worker was never "away from home," and business expense deductions that he claimed for meals and lodging were denied. The taxpayer and his family lived in motels while he worked at various jobs, and they never maintained a permanent residence. Accordingly, he was never away from home, and the expenses that were incurred for meals and lodging were personal, nondeductible expenses. Also, the taxpayer failed to report part of his income and claimed that he was exempt from withholding. Additions to tax for fraud were imposed because the taxpayer improperly claimed the living expenses, purposely falsified Forms W-4, and understated his income. However, the IRS failed to prove fraud as to his wife; fraud could not be imputed from one spouse to another.

D. Brownburg, 65 TCM 1709, Dec. 48,807(M), TC Memo. 1993-6.

.735 Community funds.—The taxpayer, convicted of tax evasion, was not entitled to a refund of one-half of a fraud penalty imposed on the entire deficiency on a joint tax return and paid with community funds, even though no part of the deficiency was due to fraud by his wife. It was further held that under Texas law a



KEVIN M KELLY D.C.

SPINAL SPECIALIST

15901 HAWTHORNE BLVD., STE # 420

LAWNDALE, CA. 90260

(310) 214-9555

FAX: (310) 214-8242

Date: 3-3-10

To: Joyce Robhun

From: Dr. Kelly

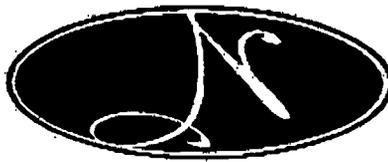
Fax: 310 657-5140

Pages (Including Cover) 6

Note: HERE ARE THE PAGES OF
THE IRS LETTER WE RECEIVED.
PLEASE CONTACT ME AT
310 503-5458 TO ACKNOWLEDGE
RECEIPT OF THIS FAX

Dr Kelly

This facsimile transmission and / or the documents accompanying it may contain confidential information belonging to the sender which is protected by the doctor - client privilege. The information is intended only for the use of the individual or entity named above. If you received this transmission in error, immediately notify us by telephone to arrange for return of the documents.



REAL ESTATE NATE
CONSULTING WITH INTEGRITY AND EXPERIENCE

FACSIMILE TRANSMITTAL SHEET

TO: Joyce FROM: Aimee Butcher
COMPANY: _____ DATE: _____

FAX NUMBER: 310 657 5140 TOTAL NO. OF PAGES, INCLUDING COVER: _____

PHONE NUMBER: _____ SENDER'S FAX NUMBER: _____
661.291.1789

RE: _____ SENDER'S PHONE NUMBER: _____

- URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

Notes / Comments:
Confidential - This is the final agreement that was signed. Can you make sure we reported correctly!
Thanks
Aimee



25124 Springfield Court, Suite 100 - Valencia, CA 91355

Our company does not send junk faxes or unsolicited advertisements. Federal law, however, requires the sender of an advertising fax to notify the recipient of the right to opt out of future unsolicited advertisement faxes. You may send us your opt-out request, along with the fax number to which your request relates, by e-mail at Nate@SecNate.com, by telephone at 661.290.3701 or by fax at 661.291.1789. A failure to comply with an opt-out request within 30 days is unlawful.

Taxpayer Name: Kevin & Gretchen Kelly
TIN: [REDACTED]
Tax Form: 1040
Tax Year (s): 200412 & 200512

Examiner: J. Younan
Date: 02/19/2010

Fraud Penalty

Mr. Breitman then had a conversation with the group manager and made an untrue allegation that the examining Revenue Agent told him that he does not like chiropractors. The Group Manager informed Mr. Breitman that does not sound like a statement the Agent would make, but we will open the 2005 tax year for audit because those records were not lost in a flood which will help us better evaluate the taxpayers' situation with regards to 2004. After numerous delays and appointment cancellations, the taxpayers provided income statements for 2004 & 2005 that showed that income was substantially under reported, and expenses were over reported.

The taxpayers provided two versions of meal and entertainment summary reports for 2004, one at the beginning of the examination showing expenses of \$28,559.38 and the other later in the examination for \$15, 697.65. The taxpayers took out many of the round figure amounts presented on the original meal and entertainment report.

The taxpayers understated taxable income for 2004, 2005, and 2006 by substantial amounts. The taxpayers also refused to provide QuickBooks general ledgers or income statements for the years under audit. Mr. Kelly deals with attorneys and insurance companies and works on a lien basis, which means he may not get paid for months or years after the work is done. So Mr. Kelly had to have a system to keep track of patient visits, what was paid by each patient, and what was owed from each patient. This information he did not provide during the audit.

There were substantial transfers from the business account (.02596) in Mr. Kelly's name to checking and savings accounts with both the taxpayers' names on the accounts (...04479 & ...01239). These transfers between accounts shows that both taxpayers benefited from the money earned by Mr. Kelly's business.

The original audit report, Form 4549, was dated 08/28/2007 and mailed to each taxpayer separately with explanations and the fraud penalty on the report. The taxpayers then hired Harry Sloto, CPA to represent them in the examination. Form 2848 (Power of Attorney) signed by both taxpayers stated that Mr. Sloto was specifically representing them for the fraud penalty.

Mr. and Mrs. Kelly were individually kept informed of the progress of the examination and their rights. At the end of the examination the taxpayers agreed to the audit adjustments and the fraud penalty.

The taxpayers are now requesting an audit reconsideration with regards to the fraud penalty. They are claiming that the penalty was excessive and it should have not been assessed. And the taxpayers would have not agreed if they had competent representation during the examination.

Law: *(Tax Law, Regulations, court cases, and other authorities. If Unagreed, add Argument)*

IRC Section: § 6663

Department of the Treasury — Internal Revenue Service
Amended U.S. Individual Income Tax Return
▶ See separate instructions.

OMB No. 1545-0091

This return is for calendar year ▶ 2004 , or fiscal year ended ▶

Please print or type	Your first name	MI	Last name	Your social security number
	Kevin	M	Kelly	[REDACTED]
	If a joint return, spouse's first name	MI	Last name	Spouse's social security number
	Gretchen	L	Kelly	[REDACTED]
Home address (no. and street) or P.O. box if mail is not delivered to your home			Apt. no.	Phone number
[REDACTED] Home address, see instructions.			State	ZIP code
[REDACTED]			CA	[REDACTED]
				For Paperwork Reduction Act Notice, see instructions.

- A** If the name or address shown above is different from that shown on the original return, check here **X**
- B** Has the original return been changed or audited by the IRS or have you been notified that it will be? **Yes** **No**
- C** Filing status. Be sure to complete this line. **Note.** You cannot change from joint to separate returns after the due date.
- On original return ▶ Single Married filing jointly Married filing separately Head of household Qualifying widow(er)
- On this return ▶ Single Married filing jointly Married filing separately Head of household* Qualifying widow(er)
- * If the qualifying person is a child but not your dependent, see instructions.

Use Part II on page 2 to explain any changes		A Original amount or as previously adjusted (see instructions)	B Net change — amount of increase or (decrease) — explain in Part II	C Correct amount
Income and Deductions (see instructions)				
	1 Adjusted gross income (see instructions).....	1 170,215.	-37,648.	132,567.
	2 Itemized deductions or standard deduction (see instructions).....	2 41,095.	-3,922.	37,173.
	3 Subtract line 2 from line 1.....	3 129,120.	-33,726.	95,394.
	4 Exemptions. If changing, fill in Parts I and II on page 2.....	4 6,200.	0.	6,200.
	5 Taxable income. Subtract line 4 from line 3.....	5 122,920.	-33,726.	89,194.
Tax Liability	6 Tax (see instructions). Method used in column C <u>Tables</u>	6 27,071.	-11,302.	15,769.
	7 Credits (see instructions).....	7 0.	0.	0.
	8 Subtract line 7 from line 6. Enter the result but not less than zero.....	8 27,071.	-11,302.	15,769.
	9 Other taxes (see instructions).....	9 14,737.	-7,366.	7,371.
	10 Total tax. Add lines 8 and 9.....	10 41,808.	-18,668.	23,140.
Payments	11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld. If changing, see instructions.....	11 6,631.	0.	6,631.
	12 Estimated tax payments, including amount applied from prior year's return.....	12 5,441.	0.	5,441.
	13 Earned income credit (EIC).....	13 0.	0.	0.
	14 Additional child tax credit from Form 8812.....	14 0.	0.	0.
	15 Credits from Form 2439, Form 4136, or Form 8885.....	15 0.	0.	0.
	16 Amount paid with request for extension of time to file (see instructions).....	16		
	17 Amount of tax paid with original return plus additional tax paid after it was filed.....	17		
	18 Total payments. Add lines 11 through 17 in column C.....	18		12,072.
Refund or Amount You Owe				
	19 Overpayment, if any, as shown on original return or as previously adjusted by the IRS.....	19	0.	
	20 Subtract line 19 from line 18 (see instructions).....	20		12,072.
	21 Amount you owe. If line 10, column C, is more than line 20, enter the difference and see instructions..	21		11,068.
	22 If line 10, column C, is less than line 20, enter the difference.....	22		
	23 Amount of line 22 you want refunded to you	23		
	24 Amount of line 22 you want applied to your estimated tax	24		

Sign Here Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Joint return? See instrs. Keep a copy for your records.

▶ *Joyce Rebhun* *11/24/08* ▶ *Gretchen L Kelly* *11/24/08*
Your signature Date Spouse's signature. If a joint return, both must sign Date

Paid Preparer's Use Only

Preparer's signature ▶ *Joyce Rebhun* Date 11/24/2008 Check if self-employed

Firm's name (or yours if self-employed), address, and ZIP code ▶ JOYCE REBHUN, INC. EIN [REDACTED]
8500 WILSHIRE BOULEVARD SUITE 519
BEVERLY HILLS CA 90211-3111 Phone no. (310) 657-8553

Part I Exemptions. See Form 1040 or 1040A instructions.		A Original number of exemptions reported or as previously adjusted	B Net change	C Correct number of exemptions															
If you are not changing your exemptions , do not complete this part. If claiming more exemptions , complete lines 25 - 31. If claiming fewer exemptions , complete lines 25 - 30.																			
25	Yourself and spouse	25																	
Caution. If someone can claim you as a dependent, you cannot claim an exemption for yourself.																			
26	Your dependent children who lived with you	26																	
27	Your dependent children who did not live with you due to divorce or separation	27																	
28	Other dependents	28																	
29	Total number of exemptions. Add lines 25 through 28	29																	
30	Multiply the number of exemptions claimed on line 29 by the amount listed below for the tax year you are amending. Enter the result here and on line 4.																		
	<table border="1"> <thead> <tr> <th>Tax year</th> <th>Exemption amount</th> <th>But see the instructions for line 4 if the amount on line 1 is over:</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>\$3,100</td> <td>\$107,025</td> </tr> <tr> <td>2003</td> <td>3,050</td> <td>104,625</td> </tr> <tr> <td>2002</td> <td>3,000</td> <td>103,000</td> </tr> <tr> <td>2001</td> <td>2,900</td> <td>99,725</td> </tr> </tbody> </table>	Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:	2004	\$3,100	\$107,025	2003	3,050	104,625	2002	3,000	103,000	2001	2,900	99,725	30		
Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:																	
2004	\$3,100	\$107,025																	
2003	3,050	104,625																	
2002	3,000	103,000																	
2001	2,900	99,725																	

31 Dependents (children and other) not claimed on original (or adjusted) return:					Number of children on 31 who:
(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) <input type="checkbox"/> if qualifying child for child tax credit	
				<input type="checkbox"/>	• lived with you ▶ <input type="checkbox"/>
				<input type="checkbox"/>	• did not live with you due to divorce or separation (see instructions) ▶ <input type="checkbox"/>
				<input type="checkbox"/>	Dependents on 31 not entered above ▶ <input type="checkbox"/>

Part II Explanation of Changes to Income, Deductions, and Credits
 Enter the line number from page 1 of the form for each item you are changing and give the reason for each change. Attach only the supporting forms and schedules for the items changed. If you do not attach the required information, your Form 1040X may be returned. Be sure to include your name and social security number on any attachments.

If the change relates to a net operating loss carryback or a general business credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the instructions. Also, check here

taxpayers actual expenses in chiropractic business were not taken into account by auditor; taxpayers representative agreed to these adjustments in error and against their interest.

full documentation is attached to refute the RAR adjustment and the fraud penalty.

Part III Presidential Election Campaign Fund. Checking below will not increase your tax or reduce your refund.

If you did not previously want \$3 to go to the fund but now want to, check here

If a joint return and your spouse did not previously want \$3 to go to the fund but now wants to, check here

ITEMS DISCOUNTED or DISREGARDED by AUDITOR
SCHEDULE C
TAX YEAR 2004

1. Advertising expense per return was \$4800. Auditor claimed a discrepancy of \$3733 which is incorrect. The advertising expense included flyers, post cards and mailers that were paid for with cash. The receipts were not available as they were destroyed in a flood in a taxpayer's home. Taxpayer referenced the IRS handbook pertaining to destroyed records:

*“... If you cannot produce a receipt because of reasons beyond your control,
You can prove a deduction by reconstructing your records or expenses.
Reasons beyond your control included fire, flood, and other casualty.”*

The taxpayer has included the flyers, cards and mailers that he had printer (see enclosed sheets for 2005) thus reconstruction his business records to the best of his ability according to guidelines enumerated in IRS Publication 463 (Chapter 5, page 27).

2. The car log book is enclosed. The total mileage was 23 153 rounded off to 24000 miles. The car expenses were listed on the original return @ \$8407.00. Expenses were produced totally \$14 060.
3. The contract labor was listed on the original return @ \$6021. The actually expenditure for contract labor is \$ 6436.
4. The Insurance expenditure was listed @ \$ 4947 on the original tax return; the total insurance paid for taxpayer's business was \$ 6225 and not \$ 1978 as claimed by the Auditor.
5. The repair and maintenance information was listed @ \$8450.00. The Auditor claimed that repair and maintenance expense was \$ 11 236. Taxpayer proved expenses of \$ 3048 from his account. Taxpayer paid the remainder of expenses in cash, including a lot of computer repairs. Taxpayer produced additional expense verification form his computer printout of expenses, thus restructuring his expenses in accordance with IRS Publication 463.
6. The travel expenses on the original return were listed @ \$6800. Taxpayer produced totals from his account @ \$4996. The remainder of those expenses was paid in cash and receipts were not available due to circumstances beyond taxpayer's control.

7. The supplies were listed on the original return @ \$11 203. The Auditor claimed that the taxpayer proved merely supplies expenses @ \$3608. The taxpayer has proof of \$ 4 051 in supplies expenses. The taxpayer confirms that the balance of expense was paid in cash. He cannot produce the receipts because the records were destroyed in a flood.
8. The meals and entertainment expenses claimed on the original return were \$18666. The taxpayer proved \$ 15 697 paid out of his business account and \$ 6382 paid on his credit card. He has enclosed all receipts. The total then would Be \$ 22 079.

...Entertainment includes any activity considered to provide entertainment, amusement or recreation. Examples include entertainment guests at nightclubs, at social athletic and sporting clubs; at theaters; at sporting events; on yachts; or on hunting, fishing vacation and similar trips. (Chapter 5, page 12, IRS, Publication 463 under expense).

All the entertainment expenses meet the directly related test in that:

- (a) the main purpose of the combined business and entertainment was the active conduct of business;
- (b) the taxpayer did engage in business with the person during the entertainment period and taxpayer had a general expectation of getting income and some other specific business benefits at some future time.

These expenses also meet the Associated Test in that the entertainment is:

- (a) associated with the active conduct of a trade or business, and
 - (b) directly before or after a substantial business discussion.
9. Wages were confirmed directly from the Paychex end of year statement. Paycheck not only does the payroll but pays all employees related taxes. The statement of Paychex was included with the original return. Taxpayer has enclosed a copy of the year end statement showing the accuracy of the amount claimed on the original return.
 10. Printing expenses on the original return totaled \$5600. The auditor allowed \$316. taxpayer produced verification of \$2025. The remainder of these expenses was paid with cash and included flyers, mailers, and coupons for spinal screening, lauro – mat marketing and other promotions from his offices. The receipts were destroyed due to circumstances beyond taxpayer’s control. See Chapter 5 of the IRS Publication 463 with regards to destroyed receipts.
 11. The Outside labor expenses were listed @ \$20 880 on the original tax return. The auditor listed a figure of ZERO. The \$20 880 was not outside labor as listed on the original return. It should have been classified as rent. The total is not \$ 53527 but was actually \$73737. Taxpayer is entitled to an adjustment to reflect amounts actually paid for business rent.

12. The additional information requested by the Auditor regarding gifts listed @ \$ 3 508 on the return for 2004. Taxpayer shows verification for \$ 2330; the remainder was paid in cash – those records having been destroyed due to circumstances beyond his control – i.e. the flood.

In Summary, the IRS Handbook states that in providing documentation you must provide “evidence that is the best proof possible under the circumstances”. In instances, where you do not have supporting evidence, the “supporting evidence can be circumstantial, rather than shown proof for the ample expenses for the categories in question

For the year Jan 1 - Dec 31, 2004, or other tax year beginning , 2004, ending , 20

OMB No. 1545-0074

Label (See instructions.)
Your first name MI Last name
Kevin M Kelly
Gretchen L Kelly

Use the IRS label. Otherwise, please print or type.
Your social security number
[Redacted] y number
[Redacted] must enter your social

Presidential Election Campaign (See instructions.)
[Redacted] k [Redacted]

Note: Checking 'Yes' will not change your tax or reduce your refund.
Do you, or your spouse if filing a joint return, want \$3 to go to this fund? ... Yes No Yes No

Filing Status

1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above & full name here . . .
4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here . . .
5 Qualifying widow(er) with dependent child (see instructions)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a.
b Spouse

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see instrs)

d Total number of exemptions claimed 2

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 49,255.
8a Taxable interest. Attach Schedule B if required. 8a 118.
b Tax-exempt interest. Do not include on line 8a. 8b
9a Ordinary dividends. Attach Schedule B if required. 9a
b Qualfd divs (see instrs) 9b
10 Taxable refunds, credits, or offsets of state and local income taxes (see instructions) 10
11 Alimony received 11
12 Business income or (loss). Attach Schedule C or C-EZ. 12 96,316.
13 Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here. 13 350.
14 Other gains or (losses). Attach Form 4797 14
15a IRA distrib see instrs) 15b
16a Pensions : see instrs) 16b
17 Rental rea see instrs) 17 -4,699.
18 Farm incor 18
19 Unemployr 19
20a Social securit see instrs) 20b
21 Other income 21
22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22 141,340.

AMENDED SCHEDULE FOR AUDIT RECONSIDERATION

Adjusted Gross Income

23 Educator expenses (see instructions). 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24
25 IRA deduction (see instructions) 25
26 Student loan interest deduction (see instructions) 26
27 Tuition and fees deduction (see instructions). 27
28 Health savings account deduction. Attach Form 8889 28
29 Moving expenses. Attach Form 3903 29
30 One-half of self-employment tax. Attach Schedule SE. 30 3,686.
31 Self-employed health insurance deduction (see instrs). 31
32 Self-employed SEP, SIMPLE, and qualified plans 32 5,087.
33 Penalty on early withdrawal of savings 33
34a Alimony paid b Recipient's SSN 34a
35 Add lines 23 through 34a 35 8,773.
36 Subtract line 35 from line 22. This is your adjusted gross income 36 132,567.

Tax and Credits

Table with 3 columns: Line number, Description, and Amount. Includes lines 37-56 covering tax and credit calculations.

Standard Deduction for - People who checked any box on line 38a or 38b or who can be claimed as a dependent, see instructions. All others: Single or Married filing separately, \$4,850. Married filing jointly or Qualifying widow(er), \$9,700. Head of household, \$7,150.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 57-62 covering self-employment tax, social security, and other taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 63-70 covering federal income tax withheld, estimated tax payments, and other payments.

AMENDED SCHEDULE FOR AUDIT RECONSIDERATION

Refund

Direct deposit? See instructions and fill in 72b, 72c, and 72d.

Table with 3 columns: Line number, Description, and Amount. Includes lines 71-73 covering refund calculations and routing information.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 74-75 covering amount owed and estimated tax penalty.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. [X] No

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only

Preparer's signature: Joyce Rebhun, JD, MBA, PhD. Date: 11/24/2008. Firm's name: JOYCE REBHUN, INC. Address: 8500 WILSHIRE BOULEVARD SUITE 519 BEVERLY HILLS CA 90211-3111. Phone no. (310) 657-8553.

SCHEDULE A
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ Attach to Form 1040.
▶ See Instructions for Schedule A (Form 1040).

OMB No. 1545-0074

2004
07

Name(s) shown on Form 1040

Kevin M & Gretchen L Kelly

Your social security number

3			
4			
5		3,283.	
6		5,616.	
7			
8			
9	Add lines 5 through 8		
10		26,574.	
11			
12			
13			
14			
15		1,700.	
16			
17			
18	Add lines 15 through 17		1,700.

Casualty and Theft Losses 19 Casualty or theft loss(es). Attach

Job Expenses and Most Other Miscellaneous Deductions 20 Unreimbursed employee expenses for job education, etc. Attach Form required. (See instructions.)

**AMENDED SCHEDULE
FOR AUDIT RECONSIDERATION**

(See instructions.)	21	Tax preparation fees	21	
	22	Other expenses – investment, safe deposit box, etc. List type and amount ▶	22	
	23	Add lines 20 through 22	23	
	24	Enter amount from Form 1040, line 37	24	
	25	Multiply line 24 by 2% (.02)	25	
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	26	

Other Miscellaneous Deductions 27 Other – from list in the instructions. List type and amount ▶

Total Itemized Deductions 28 Is Form 1040, line 37, over \$142,700 (over \$71,350 if MFS)?

No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 39.

Yes. Your deduction may be limited. See instructions for the amount to enter.

▶ 28 37,173.

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2004
09

Department of the Treasury
Internal Revenue Service

▶ Partnerships, joint ventures, etc. must file Form 1065 or 1065-B.
▶ Attach to Form 1040 or 1041. ▶ See Instructions for Schedule C (Form 1040).

Name of proprietor
Kevin M Kelly

A Principal business or profession, including product or service (see instructions)
chripractor services

B Enter code from instructions
▶ **621310**

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ **1325 E. Thousand Oaks Boulevard**
City, town or post office, state, and ZIP code
Thousand Oaks, CA 91362

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you 'materially participate' in the operation of this business during 2004? If 'No,' see instructions for limit on losses. Yes No

H If you started or acquired this business during 2004, check here. ▶

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here. ▶ <input type="checkbox"/>	1	407,621.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	407,621.
4	Cost of goods sold (from line	4	
5	Gross profit. Subtract line 4 from line 3	5	407,621.
6	Other income, including Federal	6	
7	Gross income. Add lines 5 and 6	7	407,621.

**AMENDED SCHEDULE
FOR AUDIT RECONSIDERATION**

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	4,800.	19	Pension and profit-sharing plans	19	
9	Car and truck expenses (see instructions)	9	14,060.	20	Rent or lease (see instructions):		
10	Commissions and fees	10		20a	a Vehicles, machinery, and equipment		
11	Contract labor (see instructions)	11	6,436.	20b	b Other business property	73,737.	
12	Depletion	12		21	Repairs and maintenance	8,450.	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	11,533.	22	Supplies (not included in Part III)	11,203.	
14	Employee benefit programs (other than on line 19)	14		23	Taxes and licenses	3,180.	
15	Insurance (other than health)	15	6,225.	24	Travel, meals, and entertainment:		
16	Interest:			24a	a Travel	6,800.	
16a	a Mortgage (paid to banks, etc)	16a			b Meals and entertainment	37,732.	
16b	b Other	16b			c Enter nondeductible amount included on line 24b (see instrs)	18,866.	
17	Legal & professional services	17	8,328.	24d	d Subtract line 24c from line 24b	18,866.	
18	Office expense	18	2,155.	25	Utilities	3,600.	
26	Wages (less employment credits)	26	21,899.	27	Other expenses (from line 48 on page 2)	110,033.	
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns. ▶	28	311,305.	27			

29	Tentative profit (loss). Subtract line 28 from line 7	29	96,316.
30	Expenses for business use of your home. Attach Form 8829	30	

31	Net profit or (loss). Subtract line 30 from line 29.	31	96,316.
----	---	----	---------

- If a profit, enter on **Form 1040, line 12**, and also on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.
- If a loss, you **must** go to line 32.

32	If you have a loss, check the box that describes your investment in this activity (see instructions).		
32a	<input checked="" type="checkbox"/> All investment is at risk.		
32b	<input type="checkbox"/> Some investment is not at risk.		

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2004

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation.....	35
36	Purchases less cost of items withdrawn for personal use.....	36
37	Cost of labor. Do not include any amounts paid to yourself.....	37
38	Materials and supplies.....	38
39	Other costs.....	39
40	Add lines 35 through 39.....	40
41	Inventory at end of year.....	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4.....	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43	When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____
44	Of the total number of miles you drove your vehicle during 2004, enter the number of miles you used your vehicle for: a Business _____ b Commuting _____ c Other _____
45	Do you (or your spouse) have another vehicle used for business purposes?..... <input type="checkbox"/> Yes <input type="checkbox"/> No
46	Was your vehicle available for personal use during 2004?..... <input type="checkbox"/> Yes <input type="checkbox"/> No
47a	Do you have evidence to support your deduction?..... <input type="checkbox"/> Yes <input type="checkbox"/> No
	b If 'Yes,' is the evidence written?..... <input type="checkbox"/> Yes <input type="checkbox"/> No

AMENDED SCHEDULE FOR AUDIT RECONSIDERATION

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

bank charges	1,500.
uniforms	4,520.
marketing	72,700.
billing	9,091.
postage	3,855.
printing and postage	5,600.
storage	565.
subscriptions	375.
See Line 48 Other Expenses	11,827.
48 Total other expenses. Enter here and on page 1, line 27.....	48 110,033.

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss
(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc)
▶ Attach to Form 1040 or Form 1041.
▶ See instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2004
13

Name(s) shown on return

Kevin M & Gretchen L Kelly

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** Note. If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). Report farm rental income or loss from **Form 4835** on page 2, line 40.

1	List the type and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:	Yes	No
A	[REDACTED]		<ul style="list-style-type: none"> • 14 days, or • 10% of the total days rented at fair rental value? (See instructions.)		X
B	[REDACTED]				
C	[REDACTED]				

Income:		Properties			Totals (Add columns A, B, and C.)	
		A	B	C		
3	Rents received	3	15,540.		3	15,540.
4	Royalties received	4			4	
Expenses:						
5	Advertising	5	500.			
6	Auto and travel (see instructions)	6				
7	Cleaning and maintenance	7				
8	Commissions	8				
9	Insurance	9				
10	Legal and other professional fees	10				
11	Management fees	11				
12	Mortgage interest paid to banks, etc (see instructions)	12	9,119.		12	9,119.
13	Other interest	13				
14	Repairs	14	800.			
15	Supplies	15				
16	Taxes	16	2,570.			
17	Utilities	17	800.			
18	Other (list) ▶ association dues		1,800.			
		18				
19	Add lines 5 through 18	19	15,589.		19	15,589.
20	Depreciation expense or depletion (see instructions)	20	5,999.		20	5,999.
21	Total expenses. Add lines 19 and 20	21	21,588.			
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	22	-6,048.			
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23	-4,699.			
24	Income. Add positive amounts shown on line 22. Do not include any losses.	24				
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here.	25				-4,699.
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 41 on page 2	26				-4,699.

**AMENDED SCHEDULE
FOR AUDIT RECONSIDERATION**

Name of person with self-employment income (as shown on Form 1040)

Kevin M Kelly

Social security number of person with self-employment income

Section B – Long Schedule SE

Part I Self-Employment Tax

Note. If your only income subject to self-employment tax is **church employee income**, skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See instructions.

<p>A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I. <input type="checkbox"/></p>		
1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note. Skip this line if you use the farm optional method (see instructions).	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report. Note. Skip this line if you use the nonfarm optional method (see instructions).	96,316.
3	Combine lines 1 and 2	96,316.
4a	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	88,948.
4b	If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	
4c	Combine lines 4a and 4b. If less than \$400, stop ; you do not owe self-employment tax. Exception. If less than \$400 and you had church employee income , enter -0- and continue.	88,948.
5a	Enter your church employee income from Form W-2. See the instructions for definition of church employee income.	5a
5b	Multiply line 5a by 92.35% (.9235). If less than \$100, enter -0-	0.
6	Net earnings from self-employment. Add lines 4c and 5b.	88,948.
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2004.	87,900.
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement	49,255.
8b	Unreported tips subject to social security tax	
8c	Add lines 8a and 8b	49,255.
9	Subtract line 8c from line 7	38,645.
10	Multiply the smaller of line 8c and line 9 by 6.2%	4,792.
11	Multiply line 6 by 2.9%	2,579.
12	Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 57.	7,371.
13	Deduction for one-half of self-employment tax. Multiply line 12 by 50% (.5). Enter the result here and on Form 1040, line 30.	3,686.

AMENDED SCHEDULE FOR AUDIT RECONSIDERATION

Part II Optional Methods To Figure Net Earnings (see instructions)

Farm Optional Method. You may use this method **only** if (a) your gross farm income(1) was not more than \$2,400 or (b) your net farm profits(2) were less than \$1,733.

14	Maximum income for optional methods	1,600.
15	Enter the smaller of: two-thirds (2/3) of gross farm income(1) (not less than zero) or \$1,600. Also, include this amount on line 4b above.	

Nonfarm Optional Method. You may use this method **only** if (a) your net nonfarm profits(3) were less than \$1,733 and also less than 72.189% of your gross nonfarm income(4) and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years.

Caution. You may use this method no more than five times.

16	Subtract line 15 from line 14	
17	Enter the smaller of: two-thirds (2/3) of gross nonfarm income(4) (not less than zero) or the amount on line 16. Also include this amount on line 4b above.	

(1) From Schedule F, line 11, and Schedule K-1 (Form 1065), box 14, code B.

(2) From Schedule F, line 36, and Schedule K-1 (Form 1065), box 14, code A.

(3) From Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A; and Schedule K-1 (Form 1065-B), box 9.

(4) From Schedule C, line 7; Schedule C-EZ, line 1; Schedule K-1 (Form 1065), box 14, code C; and Schedule K-1 (Form 1065-B), box 9.

Passive Activity Loss Limitations

2004
88

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040 or Form 1041.

Name(s) shown on return Kevin M & Gretchen L Kelly	Identifying number [REDACTED]
--	----------------------------------

Part I 2004 Passive Activity Loss

Caution: See the instructions for Worksheets 1, 2, and 3 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation see Special Allowance for Rental Real Estate Activities in the instructions.)			
1 a Activities with net income (enter the amount from Worksheet 1, column (a)).....	1 a	0.	
1 b Activities with net loss (enter the amount from Worksheet 1, column (b)).....	1 b	-6,048.	
1 c Prior years unallowed losses (enter the amount from Worksheet 1, column (c)).....	1 c		
1 d Combine lines 1a, 1b, and 1c	1 d	-6,048.	
Commercial Revitalization Deductions From Rental Real Estate Activities			
2 a Commercial revitalization deductions from Worksheet 2, column (a)	2 a		
2 b Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)	2 b		
2 c Add lines 2a and 2b	2 c		
All Other Passive Activities			
3 a Activities with net income			
3 b Activities with net loss (en			
3 c Prior years unallowed loss			
3 d Combine lines 3a, 3b, and	3 d		
AMENDED SCHEDULE FOR AUDIT RECONSIDERATION			
4 Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582. Report the losses on the forms and schedules normally used.	4	-6,048.	

- If line 4 is a loss and:
- Line 1d is a loss, go to Part II.
 - Line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, **do not** complete Part II or Part III. Instead, go to line 15.

Part II Special Allowance for Rental Real Estate With Active Participation

Note: Enter all numbers in Part II as positive amounts. See the instructions for an example.

5 Enter the smaller of the loss on line 1d or the loss on line 4.	5	6,048.	
6 Enter \$150,000. If married filing separately, see the instructions.	6	150,000.	
7 Enter modified adjusted gross income, but not less than zero (see instructions).	7	140,602.	
8 Subtract line 7 from line 6	8	9,398.	
9 Multiply line 8 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see instructions.	9	4,699.	
10 Enter the smaller of line 5 or line 9.	10	4,699.	

If line 2c is a loss, go to Part III. Otherwise, go to line 15.

Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: Enter all numbers in Part III as positive amounts. See the example in the instructions for Part II.

11 Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions.	11	[REDACTED]	
12 Enter the loss from line 4	12	[REDACTED]	
13 Reduce line 12 by the amount on line 10	13	[REDACTED]	
14 Enter the smallest of line 2c (treated as a positive amount), line 11, or line 13	14	[REDACTED]	

Part IV Total Losses Allowed

15 Add the income, if any, on lines 1a and 3a and enter the total.	15	0.	
16 Total losses allowed from all passive activities for 2004. Add lines 10, 14, and 15. See the instructions to find out how to report the losses on your tax return.	16	4,699.	

Caution: The worksheets must be filed with your tax return. Keep a copy for your records.

Worksheet 1 – For Form 8582, Lines 1a, 1b, and 1c (See instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	(b) Net loss (line 1b)	(c) Unallowed loss (line 1c)	(d) Gain	(e) Loss
[REDACTED]	0.	6,048.			6,048.
Total. Enter on Form 8582, lines 1a, 1b, and 1c	0.	6,048.			

Worksheet 2 – For Form 8582, Lines 2a and 2b (See instructions.)

Name of activity	(a) Current year deductions (line 2a)	(b) Prior year unallowed deductions (line 2b)	(c) Overall loss
Total. Enter on Form 8582, lines 2a and 2b			

Worksheet 3 – For Form 8582, Lines 3a, 3b, and 3c (See instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 3a)	(b) Net loss (line 3b)	(c) Unallowed loss (line 3c)	(d)	(e) Loss
Total. Enter on Form 8582, lines 3a, 3b, and 3c					

**AMENDED SCHEDULE
FOR AUDIT RECONSIDERATION**

Worksheet 4 – Use this worksheet if an amount is shown on Form 8582, line 10 or 14 (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Special allowance	(d) Subtract column (c) from column (a)
[REDACTED]	[REDACTED]	6,048.	1.00000000	4,699.	1,349.
Total		6,048.	1.00	4,699.	1,349.

Worksheet 5 – Allocation of Unallowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
[REDACTED]	[REDACTED]	1,349.	1.00000000	1,349.
Total		1,349.	1.00	1,349.

Worksheet 6 – Allowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Unallowed loss	(c) Allowed loss
		6,048.	1,349.	4,699.
Total		6,048.	1,349.	4,699.

Worksheet 7 – Activities With Losses Reported on Two or More Different Forms or Schedules (See instructions.)

Name of Activity	Type	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Total				1.00		

**AMENDED SCHEDULE
FOR AUDIT RECONSIDERATION**

Name of Activity	Type	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Form or schedule and line number to be reported on (see instructions) 1 a Net loss plus prior year unallowed loss from form or schedule b Net income from form or schedule c Subtract line 1b from line 1a. If zero or less, enter -0-						
Total				1.00		



Schedule C - chiropractor services

Line 48 Other Expenses

outside labor	0.
cleaning	349.
telephone	7,970.
gifts	3,508.
Total	<u>11,827.</u>

**AMENDED SCHEDULE
FOR AUDIT RECONSIDERATION**



Smart Worksheet for: Schedule A: Itemized Deductions

State and Local Taxes Smart Worksheet

Enter sales tax information below. The greater of sales taxes from line **G** or line **H**, or income taxes from line **K**, will flow to line 5. See Help.

A Income from Form 1040, line 37 132,567.
B Nontaxable income entered elsewhere on return
C **Enter** any additional nontaxable income
D Total available income for sales taxes 132,567.

(a) ST	(b) Lived in State From	(c) Lived in State To	(d) Enter Total Tax Rate	(e) State Tax Rate	(f) Local Tax Rate	(g) State Table Amount	(h) Local Sales Taxes	(i) Prorated or Total Amount
CA	01/01/04	12/31/04		6.1000		1,080.		1,080.

E Total general sales taxes from table 1,080.
F **Enter** additions to table amount (motor vehicle, boat)
G Total sales taxes from table plus additions to table amount 1,080.
H **Enter** actual sales taxes paid (in lieu of table amount)
I Income taxes paid 3,283.
J Less amount refunded in 2004
K Total income taxes paid 3,283.

Smart Worksheet for: Schedule A: Itemized Deductions

Mortgage Interest and Points Smart Worksheet

A Enter a description and box if the mortgage was refinanced. Enter the lender's name. **Do not** check the box if the mortgage was refinanced. **Note:** When the points are paid for a new mortgage, the Other Points Smart Worksheet must be used.

Check the box if the mortgage was refinanced.
 i. Refinanced on

AMENDED SCHEDULE FOR AUDIT RECONSIDERATION

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Countrywide home Loans	2,457.		<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	19,488.		<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	1,423.		<input type="checkbox"/>	<input type="checkbox"/>
Escrow		3,206.	<input type="checkbox"/>	<input type="checkbox"/>

The Auditor, Internal Revenue Service in RAR dated 10/31/2007 imposed Civil fraud penalty on the adjustments to taxpayer husband's Schedule C business. A review of the administrative file indicates no foundation for this draconian penalty. At best, the absence of full and complete records at the time of the audit should merit a negligence penalty or a penalty pursuant to Section 6662(a) imposed on the amount of understatement.

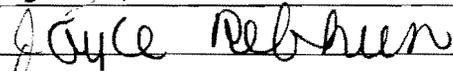
A review of the administrative file indicates that taxpayer spouse had her own job and had no involvement in the chiropractic business whatsoever. To impose such a penalty against her individual account is unfathomable. She should have been separated out.

It is conceded that the taxpayers agreed to the assessment of this penalty based upon the inept advice of a CPA who represented them in this audit. The representative never informed the taxpayers of the penalty - which is basically a penalty usually assessed against drug dealers. The representative never informed taxpayer spouse that she too had rights to challenge this penalty. The representative knew he was not licensed to go forward in this dispute before United States Tax Court; he told this unfortunately couple to sign on the dotted line and he would prepare an Offer in Compromise to take care of this matter (pennies on the dollar and the tax debt would be retired).

The reality is that the taxpayers yesterday, today and tomorrow will be fit the criteria of Offer in Compromise.

I enclose a Memorandum of Law in support of the abatement of this penalty.

Signed, sealed and declared under penalty of perjury in the County of Los Angeles, State of California on October 19, 2008.


Joyce Rebhun, JD, MBA, PHD

MEMORANDUM OF LAW

Taxpayer husband is a chiropractor. He is young in his career. He was trying to get ahead. He opened clinics in five distinct geographical locations in Southern California.

Taxpayer wife had her own job and her own separate career — miles away from a chiropractic business.

Taxpayer husband took his records to his tax preparer to prepare the return. Taxpayer husband relied upon his computer printout to determine what he had spent on ordinary and necessary business expenses for all of the operating centers.

The tax return was prepared and filed in a timely manner for tax years 2004 and 2005.

Next, taxpayers receive a letter from Internal Revenue Service informing them of an audit of the above referenced years. They fully cooperated in this audit; they retained a CPA Representative to handle the audit for them.

The CPA Representative was inept; he told them to agree to the audit adjustments, including penalty(ies); he told that that he would prepare an Offer in Compromise on the forthcoming tax assessment and for pennies on the dollar, the tax bills would go away!!!

The CPA failed to inform them of their right to Appeal; the CPA failed to inform the wife (who had nothing to do with the chiropractor business) that she could challenge the penalty as assessed against her.

The bottom line — the CPA lied to them; the taxpayers are not candidates for Offer in Compromise — they are young professionals with a bright and promising future; their lives have been clouded by only one plight — the erroneous assessment of this penalty against their account.

A review of applicable law re: Section 6663 Imposition of Fraud Penalty indicates that if the taxpayer's understatement is due to the fact that he has a bone fide misunderstanding of his deductions based upon a computer printout, he is not guilty of fraud. Taxpayer husband was basically missing receipts for items paid in cash. Taxpayer husband was never a tax dodger. Tax evasion was not one of his goals nor the practical intent of his understatement. Taxpayer husband relied upon a tax preparer. Understatement of tax is not fraud if the failure results from ignorance and is not accompanied by intent to defraud. In the instant case, taxpayer husband substantially complied with the requirements of filing tax returns. He became overwhelmed with the data reflecting multiple operating centers for his business. He went into information overload — a condition that should serve to mitigate against the fraud penalty he now faces.

In a similar vein, taxpayer husband and his blameless spouse find themselves(thanks to advice of their inept representative) branded by Internal Revenue Service as professional tax cheats.

In the final analysis, taxpayer husband did not intend to defraud the government, to avoid personal liability for taxes. He had no cognizable bad purpose or motive.

Both taxpayers will be irremediably damaged if this request for penalty Abatement is denied. The disposition of this matter now arguable raises one essential question: can a CPA so wrongfully steer a client(s) down a path of self destruction for any reason whatsoever except his own self interest?

Finally, can an Internal Revenue Service Auditor assess such a penalty without interviewing both taxpayers jointly and separately — i.e. taxpayer husband and taxpayer spouse; is it possible that the Government has this much power to destroy lives and reputations with this heavy handed behavior.

It is respectfully requested that this Penalty be abated.


Joyce Rebhun, JD,MBA,PhD

- 6.3, Developing Penalty Issues
- 6.4, Finalizing Penalty Determinations
- 6.5, Penalty Computations
- 6.6, Report Writing
- 6.7, Workpapers — General Requirements
- 6.8, Other Considerations

6.2 (05/14/99)**Recognizing Noncompliance**

- (1) The assessment of penalties should be considered throughout the audit. Indicators of noncompliant behavior are specific for individual penalties and each case is unique, but there are common patterns of noncompliance. The following sections list common badges of negligence and fraud.

6.2.1 (05/14/99)**Negligence**

- (1) A component of the accuracy-related penalty involves taxpayer's negligence or disregard of rules or regulations — Per IRC section 6662 (c), "negligence" is defined as any failure to make a reasonable attempt to comply with the provisions of this title, and the term "disregard" includes any careless, reckless or intentional disregard. Some audit indicators for the negligence component of the accuracy-related penalty are listed below.
- (2) History of noncompliance — As part of the Required Filing Checks, examiners determine whether the return was timely filed. CFOL documents will also note penalties, such as most late payment and estimated tax penalties, that are usually assessed as part of return processing. Examiners should review available IRS information when making penalty determinations to establish payment patterns and history of noncompliance. Check the two preceding periods and all open modules. See Chapter 5, Required Filing checks, for additional guidance.
- (3) Similar, prior audit results — Copies of any prior audit reports should be reviewed to establish history of noncompliance.
- (4) Failure to keep adequate books and records — Analysis of the taxpayer's books and records should include consideration of their adequacy and accuracy.
- (5) Inadequate internal controls for processing and reporting business transactions,
- (6) Unreported or understated income, combined with the taxpayer's failure to offer a reasonable explanation,
- (7) Overstated deductions or credits, including claiming clearly improper or exaggerated amounts, unsubstantiated by facts or documentation,
- (8) Using deduction descriptions in such a manner as to conceal the true nature of the deduction,
- (9) Failure to explain items questioned by the Service,
- (10) Actions taken by the taxpayer to ensure that the return preparer did not have all the necessary and appropriate information to prepare a correct and/or timely return,
- (11) Information determined from cooperative state programs and state tax reports which determined negligence for transactions having the same or similar Federal and State tax consequences — The decision to assert negligence, however, is the examiner's and is not to be automatically reflected based on the State's determination.

6.2.2 (05/14/99)**Fraud**

- (1) Fraud, as distinguished from negligence, is always intentional. One of the elements of fraud is an intent to evade tax. Some of the indications of fraud are as follows:
 - a. False explanations regarding understated or omitted income;
 - b. Large discrepancies between actual and reported deductions of income;
 - c. Concealment of income sources;
 - d. Numerous errors, all in the taxpayer's favor;
 - e. Fictitious records or other deceptions;

6.1.3

husband's separate liability may be paid from community funds.

W. Parker, CA-5, 76-1 USTC ¶ 9150, 524 F2d 479.

The taxpayer-wife was relieved from liability under the innocent spouse provisions because the husband alone perpetuated the fraud. However, under California law, a husband's separate liability may be satisfied out of community funds.

J.D. Kwong, 65 TC 959, Dec. 33,658.

Followed.

V. Selde, 40 TCM 533, Dec. 37,031(M), TC Memo. 1980-222.

In a community property state, even though a taxpayer's wife was not a party to the fraud, this did not preclude the assessment of the full penalty for fraud against the husband severally.

E.J. Lollis, CA-9, 79-1 USTC ¶ 9379, 595 F2d 1189.

The wife is not chargeable with fraud on her separate return reporting one-half of community income, the amount of which is fraudulently understated by the husband, and there is no evidence that she attempted to conceal any of her own income.

J.L. Boyett, CA-5, 53-1 USTC ¶ 9346, 204 F2d 205.

E.M. Jackson, 12 TCM 778, Dec. 19,796(M).

M. Markovits, 11 TCM 823, Dec. 19,138(M).

M. Berry, 11 TCM 301, Dec. 18,882(M).

DeFranco, 9 TCM 1158, Dec. 18,050(M).

Herberger, 9 TCM 546, Dec. 17,748(M); *aff'd on another issue*, CA-9, 52-1 USTC ¶ 9253, 195 F2d 293.

Karger, 38 BTA 209, Dec. 10,104 (Acq.).

Nicholson, 38 BTA 190, Dec. 10,103 (Acq.).

Franklin, 34 BTA 927, Dec. 9462.

Esperson, 13 BTA 616, Dec. 4376.

United Dressed Beef Co., 23 TC 879, Dec. 20,875 (Acq.).

H. Simmons Est., 26 TC 409, Dec. 21,764 (Acq.).

Drug dealers were liable for additions to tax for fraud because it was shown that they intentionally engaged in a course of conduct designed to conceal, mislead, and otherwise prevent the collection of taxes. However, the wife of one of the dealers, who was required to report as community property a portion of her husband's share of the profits, was not liable for such penalty. Although she knew of her husband's drug activities, there was no indication that she was involved in such activities herself.

R.G. Congelliere, 59 TCM 709, Dec. 46,613(M), TC Memo. 1990-265.

74 Innocent spouse relief denied.—A taxpayer failed to qualify for innocent spouse relief where it was found that she had full access to their joint bank accounts, that she handled family financial transactions (including the preparation of the tax returns), and that she had on several occasions seen her husband cash large

postal money orders. Furthermore, taxpayer not only failed to show that she did not receive a significant benefit as a result of her husband's embezzlement, but also failed to produce any records that regular family income was adequate to meet their standard of living.

C.E. Heywood, 33 TCM 1311, Dec. 32,829(M), TC Memo. 1974-283.

The "innocent spouse" rule does not provide relief from tax liability resulting from an overstated deduction for the cost of goods sold. Application of the "innocent spouse" rule may be invoked only where a tax liability arises by reason of an omission from gross income of an amount which should have been included therein. Since an overstatement of the cost of goods sold is an overstatement of a reduction from gross income, not an omission from gross income, the relief provisions were inapplicable and do not relieve the taxpayer-spouse from her liability for the determined deficiency.

A.B. Resnick, 63 TC 524, Dec. 33,028.

The statute of limitations did not bar assessments against the taxpayers (a husband, his wife, and their closely held corporation) because at least part of their underpayments of taxes was due to fraud, for which penalties were properly imposed. However, the wife did not qualify as an innocent spouse, despite her claim that she was a chronic alcoholic who was unaware of her husband's or the corporation's business dealings; corporate checks of approximately \$60,000 were deposited in her checking account at a particular bank for which she received monthly statements, wrote checks, and made out at least eleven deposit slips of diverted corporate funds totaling more than \$33,000.

A. Astone, 47 TCM 632, Dec. 40,675(M), TC Memo. 1983-747.

Fraud penalty and addition to tax were imposed on wife, who filed a joint return, for unreported income attributable to husband, where evidence indicated that she benefited materially from omitted items.

D.E. Beck Est., 56 TC 297, Dec. 30,776.

The taxpayer could not restrain the collection of a fraud penalty imposed under a prior Tax Court decision. The prior decision was *res judicata* and thus prohibited the taxpayer from pleading the innocent spouse rule since she had consented to the penalty. Further, her injunction was barred where it appeared that the government could ultimately prevail in its claim for the penalty.

S.T. Kravitz, DC, 78-2 USTC ¶ 9705.

A policeman was liable for the addition to tax for fraud on determinations of unreported bribe and kickback income. The court agreed with the IRS that the addition to tax for fraud applied to the policeman, but not to his wife. However, the

policeman's wife was denied innocent spouse relief because she should have realized that their legal sources of income were insufficient to pay for their lifestyle.

F.J. Scarafite, 62 TCM 983, Dec. 47,684(M), TC Memo. 1991-512.

A businessman's wife was not an innocent spouse because she knew or should have known of the understatements of income on their joint returns. However, since the IRS failed to prove that the wife's activities constituted actual, intentional wrongdoing, she was not held liable for additions to tax for fraud.

G.L. Wright, 64 TCM 1482, Dec. 48,678(M), TC Memo. 1992-699.

A wife was not entitled to innocent spouse relief where she benefited from her deceased husband's unreported income. During the periods of understatement of income, the couple maintained a high standard of living, and part of the couple's money was held in the wife's account under her maiden name, thereby temporarily concealing it from the IRS. Because the understatement was more than 900 percent of reported income, an intent to evade taxes could be inferred. As a result, no statute of limitations applied to the tax years at issue.

B. Bushlow, DC N.Y., 93-2 USTC ¶ 50,556.

A wife did not qualify for innocent spouse relief because it was not inequitable to hold her liable for the deficiencies and fraud penalties. She fully shared in the benefits and the tax savings from omitted income, and the understatements enabled her to maintain a standard of living that included new cars, nursemaids, private schools for her children and shopping sprees.

L.N. Levitt, 70 TCM 851, Dec. 50,917(M), TC Memo. 1995-464.

An individual who was not entitled to innocent spouse relief was liable for the additions to tax for fraud. She was involved in her ex-husband's illegal narcotics trafficking activities which was the likely source of the unreported income, she did not cooperate with IRS agents and the couple engaged in a pattern of consistent underreporting of income for several years.

E.G. Joens, 74 TCM 1149, Dec. 52,347(M), TC Memo. 1997-506.

A tax attorney's claim for innocent spouse relief under provisions of the IRS Restructuring and Reform Act of 1998 (P.L. 105-206) was denied because the ample evidence of his intent to defraud the IRS necessarily proved that he had actual knowledge of the understatements on his joint returns. Further, it was irrelevant that the Tax Court did not expressly rule on the innocent spouse defense with respect to one of the tax years at issue.

R.D. Grossman, Jr., CA-4, 99-2 USTC ¶ 50,631.

.745 Innocent spouse relief granted.—A wife was not entitled to innocent spouse relief because she received a significant benefit from the grossly erroneous tax returns that she filed jointly with her ex-husband. The wife enjoyed a more affluent lifestyle and received a more lucrative divorce settlement than would have been the case absent the underreporting of income on the joint returns. Thus, although normal support was not considered to be a significant benefit, the underreporting of income resulted in a substantial increase in the wife's net worth.

S. Berman, CA-2 (unpublished opinion), 95-1 USTC ¶ 50,117.

Additions to tax for fraud were not sustained on the basis that information concerning funds siphoned from two closely-held family corporations was purposefully withheld from the taxpayer by his wife, who appeared to have taken the funds for her sole benefit.

T. Barrett, 57 TCM 458, Dec. 45,709(M), TC Memo. 1989-243.

Since the wife did not join in any income tax return with her husband in 1953, when no return was filed for either of them, she could not be held liable for any deficiencies or additions attributable to her husband's failure to report income. Further, since no evidence was introduced tending to show a fraudulent intent on her part for failing to file a return, the fraud penalty could not be sustained as to her.

P.R. Simms, 27 TCM 1570, Dec. 29,398(M), TC Memo. 1968-298.

The taxpayer was not liable for the fraud penalty because no part of the underpayment of taxes on her joint returns was attributable to fraud on her part. The taxpayer was also relieved from liability for the tax deficiency and penalty because she was unaware of the omitted income and did not benefit therefrom.

S.N. Ratana, 40 TCM 1119, Dec. 37,199(M), TC Memo. 1980-353. Rev'd on another issue, CA-4, 81-2 USTC ¶ 9691, 662 F2d 220.

Innocent spouse treatment was afforded the wife of an investment consultant because she had no knowledge of her husband's pyramid scheme or his failure to file their joint tax returns.

P.M.C. Berenbeim, 63 TCM 2975, Dec. 48,209(M), TC Memo. 1992-272.

A hospital administrator's wife was an innocent spouse with regard to embezzled funds the administrator failed to report and, therefore, was not liable for the tax liabilities and penalties. Additions to tax for fraud were imposed because the taxpayer was a knowledgeable businessman who hid his scheme for five years. However, negligence penalties were not imposed on the wife following the finding of fraud on the part of the husband.

J.W. Johnson, 65 TCM 2760, Dec. 49,056(M), TC Memo. 1993-227.

The wife of a man convicted of criminal tax evasion was not liable for a civil fraud penalty because she was not convicted of a crime and the IRS failed to prove that she was otherwise liable. A stipulation of settled issues signed by the husband and wife, which alluded to a concession of the fraud penalty, was sufficiently ambiguous so that it did not constitute a concession on the penalty issue by the wife.

R.W. Harrison, Jr., 66 TCM 1566, Dec. 49,465(M), TC Memo. 1993-587.

In the following cases, individuals were subject to either criminal or civil fraud penalties; however, their spouses were not liable for civil fraud penalties because the IRS did not prove by clear and convincing evidence that the spouses intended to evade the tax that the individuals believed were owing.

R.S. Adcock, 66 TCM 1103, Dec. 49,352(M), TC Memo. 1993-488.

.75 Joint liability.—A jury found that the fraud penalty could be assessed against both spouses where joint returns were involved and a corporation paid large amounts of their personal expenses.

L. Kubik, DC, 73-1 USTC ¶ 9273.

Commissioner has established by clear and convincing evidence that the husband at the time he signed the returns for the years in issue knew that his wife had income from a lottery operation which was omitted from their reported income and that his signing of the returns knowing of this omitted income was fraudulent.

T. Mantone, 37 TCM 1047, Dec. 35,246(M).

Similarly.

R.N. Stetson, DC, 77-2 USTC ¶ 9663.

A taxpayer-husband who filed a joint tax return with his wife was not an innocent spouse when the income derived from his public relations business was omitted. He was also liable as the surviving spouse and sole beneficiary for the penalty imposed for his wife's fraud.

J.P. Keene, 38 TCM 553, Dec. 35,974(M), TC Memo. 1979-121.

A wife who filed joint federal income tax returns with her husband was liable for a fraud penalty when the Commissioner had properly determined that the income reported by the taxpayers for the tax years in issue had been fraudulently understated and that she had been a party to the fraud through bank deposits she made. The fraud penalty was also imposed on the husband.

B.G. Murphy, 39 TCM 958, Dec. 36,744(M), TC Memo. 1980-25.

The taxpayer, who did not qualify for innocent spouse relief, was liable for additions to tax for

fraud for each of the tax years in question because (1) for two of the tax years, the taxpayer's income from gambling or bingo winnings was omitted despite his receipt of forms from the payors and (2) he was aware of his wife's past propensity for theft and her past failures to report income. Therefore, the court concluded that the taxpayer's failure to review the returns for the reporting of his own income and the circumstances of his wife's history were indicative of the taxpayer's fraudulent intent.

R.L. Dickey, 50 TCM 1041, Dec. 42,377(M), TC Memo. 1985-478.

A husband was liable for the addition to tax for fraud because it was clear that he knew that income derived from illegal drug sales was subject to tax but went unreported due to his implausible claim that he had been granted immunity from police officers and a district attorney from reporting such income. The wife was held liable because she was aware that the income was not reported on their joint return and she took no action to disclose the income to their accountant.

R.C. Schmitz, 55 TCM 658, Dec. 44,720(M), TC Memo. 1988-168.

The evidence indicated that the wife of a certified public accountant who failed to timely file their returns and later filed incorrect returns was liable in addition to her husband for the fraud penalty. She was aware that her husband was earning income and used cash received from fee income checks to pay household expenses. She was aware of her obligation to timely file returns, yet she ignored her obligation. She also assisted in the preparation of the returns which contained substantial omissions of income.

D.C. Fedechko, 60 TCM 272, Dec. 46,756(M), TC Memo. 1990-390.

For the years 1924 and 1925 the joint returns of husband and wife correctly reflected the income of the husband but failed entirely to include the income of the wife, with intent to evade tax.

Carroro, 29 BTA 646, Dec. 8339.

Because taxpayer's wife had no taxable income during the taxable years, she was under no obligation to file a return or join in a return by the taxpayer. Since no returns were filed, and there was no evidence that she was a party to the taxpayer's fraudulent conduct, she was not liable for fraud penalties.

A. Gemma, 46 TC 821, Dec. 28,123 (Acq.).

A spouse was not jointly and severally liable for a deficiency where she neither signed nor tacitly consented to her husband's filing of joint returns. Consent to a joint return could not be inferred from her failure to separately file a tax return, where she had no taxable income. Also, the record did not reflect a continuous pattern of joint filing in prior tax years. In addition, intent

to file a joint return could not be inferred from her signature on Form 872, Consent to Extend the Time to Assess Tax.

J.R. Carrick, 62 TCM 938, Dec. 47,673(M), TC Memo. 1991-502.

.755 Separate returns.—A wife filing separate returns was liable for penalties on unreported income attributable to her husband where the income was deposited in her separate bank accounts for those tax years. Penalties in a later year were not upheld.

D.E. Beck Est., 56 TC 297, Dec. 30,776.

Negligence penalty, but not fraud, is imposed for failure to report profit on sale of stock owned by petitioner, whose only explanation is that by mistake it was reported on a return made by petitioner for his wife.

Joseph, 32 BTA 1192, Dec. 9049.

.76 Spouse not party to fraud.—Although taxpayer, who signed a joint return in blank knowing that her husband would fill it in, was liable for tax deficiencies she was not liable for any fraud penalty because the Commissioner did not sustain his burden of proof as to her.

J. Douglas, 27 TC 306, Dec. 22,030 (Acq.). Aff'd on other grounds, CA-5, 58-2 USTC ¶9563, 256 F2d 4.

A wife who filed belated joint returns with her husband was not liable for fraud penalties where the returns themselves were not fraudulent. The fraud occurred and the penalties attached earlier when the husband, with fraudulent intent, failed to file timely returns.

J.A. Cirillo, CA-3, 63-1 USTC ¶9311, 314 F2d 478.

M. Spanos, CA-4, 63-2 USTC ¶9736, 323 F2d 108.

Notwithstanding the taxpayer's conviction in the criminal trial for failing to file returns, taxpayer's reliance on her husband to keep records and file returns was not enough evidence of fraud to sustain the Commissioner's burden of proof.

Agnes W. Grayson, 13 TCM 552, Dec. 20,402(M), TC Memo. 1954-70.

Similarly.

W. Hendrick, 20 TCM 1586, Dec. 25,120(M), TC Memo. 1961-308.

Since a husband and wife are considered separate and distinct taxpayers, the fact that the husband was estopped from denying that his returns were false and fraudulent did not collaterally estop the wife from litigating this issue.

R. Nell, 43 TCM 1226, Dec. 38,977(M), TC Memo. 1982-228.

Since the relief provisions of P.L. 91-679 applied to years not barred by statute of limitations, the spouse of a taxpayer filing a joint return was not liable for the fraud penalty where there was no evidence that she had any knowledge that income tax returns were fraudulent.

H. Romanelli, CA-7, 72-2 USTC ¶9708, mod'g, 72-2 USTC ¶9627, 466 F2d 872.

A taxpayer-wife was not liable (in addition to her husband) for a penalty for fraud because she did not know that the taxable income reported on their returns for the years in issue did not accurately reflect their income.

L.D. Perry, 37 TCM 1847-44, Dec. 35,515(M), TC Memo. 1978-541. Aff'd by CA-7 in an unpublished opinion, 12-4-79.

The Commissioner failed to bear the burden of proof that the taxpayer-wife had participated in her husband's tax fraud, and thus she was not liable for the fraud penalty. She was jointly and severally liable, however, for all deficiencies, inasmuch as she failed to bear the burden of proof that she was an innocent spouse.

B.K. Diehl, CA-5, 79-1 USTC ¶9146, 586 F2d 1080.

Although there was no showing that the taxpayer's wife was involved in the fraud, the entire penalty could be paid out of community funds because (1) there was no evidence that the government collected the penalty from the wife and (2) the deficiency was jointly paid and both sued for a refund although no refund was due.

T.K. Considine, CA-9, 82-2 USTC ¶9537, 683 F2d 1285.

Although taxpayer-wife was not entitled to relief under the innocent spouse provision because she failed to introduce sufficient evidence, she was relieved of liability for the fraud penalty because no portion of the underpayment on the joint return was attributable to fraudulent conduct on her part.

D.P. Flynn, 42 TCM 1022, Dec. 38,221(M), TC Memo. 1981-491.

An addition to tax for fraud was properly imposed on the taxpayer, who failed to report as income substantial illegal payments he received from a trucking company for dumping their construction materials from a nearby job site on his employer's construction site. However, the taxpayer's wife was not liable for the fraud penalty because it was not established by clear and convincing evidence that she knew about or participated in transfers of the illegal payments.

W.R. Jones, 48 TCM 95, Dec. 41,212(M), TC Memo. 1984-257.

A penalty for fraudulent tax evasion was not assessed against a wife who filed joint returns with her husband, since she lacked fraudulent intent. Her husband withheld financial information from her, tended a mistress and concealed a cash hoard.

B.R. Sheckles, 48 TCM 222, Dec. 41,257(M), TC Memo. 1984-289.

Similarly.

B.M. Porter, 51 TCM 1062, Dec. 43,069(M), TC Memo. 1986-208.

O.E. Lundry, 52 TCM 578, Dec. 43,371(M), TC Memo. 1986-456.

W.F. Alberts, 52 TCM 665, Dec. 43,403(M), TC Memo. 1986-483.

A wife who signed blank Forms 1040 that her husband later completed, omitting most of his income, was not liable for additions to tax for fraud since the IRS could not prove that she knew of the omitted income or had any intent to defraud.

E. Etwell, 55 TCM 1107, Dec. 44,844(M), TC Memo. 1988-265.

Deemed admissions indicated that a lawyer was solely responsible for the preparation of tax returns for his professional corporation, and he personally prepared the returns for himself and his wife. Although the admissions contained indicia of the wife's acquiescence in her husband's activities, the deemed admissions were not sufficient to prove that she was liable for fraud penalties.

L.W. Britt, 56 TCM 56, Dec. 45,038(M), TC Memo. 1988-419.

A divorced taxpayer was not liable for penalties for fraud because an intent to conceal or mislead was not established. His former wife's fraudulent conduct in failing to report funds that she embezzled could not be imputed to him. The husband also did not exhibit fraudulent intent with respect to unreported income he received from several odd jobs.

M.S. Hepler, 60 TCM 735, Dec. 46,868(M), TC Memo. 1990-490.

Where the wife had no intent to evade tax, the penalties against the wife were not sustained by the Commissioner.

L.J. Lowe, 14 TCM 547, Dec. 21,055(M), TC Memo. 1955-150.

Similarly.

Lias, CA-4, 56-2 USTC ¶9817, 235 F2d 879. Cert. denied, 353 US 935.

Similarly, where the proceedings were dismissed against taxpayer's wife who did not sign verification of the petition. The signature on the document, purportedly hers, was found not to be hers.

P.C. Norwitt, 14 TCM 1232, Dec. 21,356(M), TC Memo. 1955-314.

The taxpayer, an artist and interior window designer, was not liable for fraud penalties relating to his and his wife's failure to report income from embezzlements she made from her employer. The taxpayer was not involved in the financial aspects of his marriage or his business; his wife, a bookkeeper, handled all their financial affairs. There was no record that the taxpayer knew of the embezzlement activities before the day his wife, now a convicted felon, was arrested.

R.F. Turner, 55 TCM 1425, Dec. 44,940(M), TC Memo. 1988-339.

A self-employed manufacturer's representative and his wife who failed to file income tax returns for several years, until after they were notified of a criminal investigation, were liable for additions to tax for late filing, negligence and failure to pay estimated tax. Fraud penalties did not apply to the wife, however, because she had no separate income for the years in issue and had urged her husband to file returns.

P.E. Niedringhaus, 99 TC 202, Dec. 48,411.

A doctor's wife was not entitled to innocent spouse relief because she demonstrated knowledge of unreported cash receipts and the manner in which cash was diverted from the doctor's corporation. However, additions to tax against her for fraud were not sustained because the evidence against her was not clear and convincing.

M.O. Arenstein, 66 TCM 282, Dec. 49,190(M), TC Memo. 1993-339.

An assessment of fraud penalties against a corporation was not inconsistent with the IRS's finding that the wife of the corporation's president and sole shareholder did not commit tax fraud. The Court of Appeals for the Ninth Circuit declined to recognize the "innocent spouse" defense because the husband owned 100% of the stock. Therefore, it was not inequitable to impute fraudulent intent to the corporation, even though, under state (California) community property law, the wife had a 50% interest in her husband's stock. *Asphalt Industries, Inc.*, 67-2 USTC ¶9620, 384 F2d 229, distinguished.

Alexander Shokai, Inc., CA-9, 94-2 USTC ¶50,460. Cert. denied, 4/17/95.

A husband, but not his wife, was liable for the fraud penalty. The wife was not involved in her husband's business, and she was not responsible for understating income or maintaining the books and records.

R.F. Jenkins, 70 TCM 1423, Dec. 51,022(M), TC Memo. 1995-563.

A wife was not liable for additions to tax for fraud. She did not sign returns for two of the three years at issue, and she was not proven to have knowledge of the unreported income. Her husband conceded his liability for fraud penalties with respect to two tax years, and was found liable for the penalty for the third year. He established a nontaxable employee reimbursement account as part of a scheme to underreport his income.

A.J. Marzullo, 73 TCM 2993, Dec. 52,082(M), TC Memo. 1997-261.

The wife of a man who pled guilty to charges of filing false returns was not liable for fraud penalties because she did not participate in, or know of, her husband's alterations to the summary sheets from which the couple's accountant prepared their returns.

S.L. Wade, 74 TCM 326, Dec. 52,206(M), TC Memo. 1997-374. Aff'd on other issues, CA-10 (unpublished opinion), 99-1 USTC ¶ 50,542.

Although married taxpayers underreported their income, the wife was not liable for fraud penalties. The IRS did not establish that she knew of the understatement on the joint returns given that she failed to review any of the returns or signed blank returns. Further, there was no evidence that the wife was involved in preparing the returns, other than providing documentation to the couple's accountant. Even though the court was convinced that the wife knew of the husband's illegal gambling and bookmaking activities, it could not conclude that the wife knew that income from those activities was not being reported.

S.J. Zabau, 74 TCM 1002, Dec. 52,316(M), TC Memo. 1997-479.

Partners in a construction business who knew their accountant computed partnership income based on bank deposit records and who admitted that they had not deposited all of their business receipts were subject to the fraud penalty for understating partnership income. However, the penalty was not imposed on the partners' spouses because there was no evidence that they had acted with fraudulent intent. Since the understatement was fraudulent, assessment and collection of the deficiency was not barred by the statute of limitations.

P. Vazzana, 75 TCM 2379, Dec. 52,719(M), TC Memo. 1998-195.

The wife of a taxpayer who was subject to the fraud penalty was not liable for the penalty. The IRS failed to prove that she had acted with the requisite fraudulent intent.

P.T. Jackson, 77 TCM 1919, Dec. 53,354(M), TC Memo. 1999-139.

.77 Statute of limitations, spouse.—The imposition of the penalty for filing fraudulent returns was affirmed against the taxpayer, who qualified for innocent spouse relief, and her hus-

band. The husband's filing the false returns lifted the normal three-year statute of limitations with regard to notices sent to the wife; Code Sec. 6501(c)(1) does not require fraudulent intent on the part of both spouses who file a joint return for the statute of limitations to be lifted.

J. Ballard, CA-8, 84-2 USTC ¶ 9733, 740 F2d 659.

Where fraudulent intent was proven only as to the wife, the husband was not guilty of fraud. However, the statute of limitations did not bar collection of the underpayment (less the fraud penalty) from him since the statute was extended by his wife's fraud.

C. Clevenger, 51 TCM 835, Dec. 42,992(M), TC Memo. 1986-149. Aff'd on another issue, CA-4, 87-2 USTC ¶ 9489.

Fraud penalties imposed on a circuit board manufacturer who skimmed funds from his two corporations were upheld. The statute of limitations did not bar assessment of tax because the underpayment was due to fraud. Even if only one spouse is fraudulent, and a joint tax return is filed, the fraud prevents the running of the statute of limitations for both spouses.

H.P. Savage, 63 TCM 2269, Dec. 48,047(M), TC Memo. 1992-129.

A divorced wife was not liable for fraud penalties with respect to her ex-husband's unreported kickback income. The IRS failed to establish that any portion of their underpayment of tax was due to fraud on her part. The indicia of fraud cited by the IRS were thin and unpersuasive.

B.D. Goings, 73 TCM 2065, Dec. 51,892(M), TC Memo. 1997-87.

The wife of a sophisticated engineer was not liable for the fraud penalty because she did not have the education and experience to know that real estate transactions that led to the imposition of the fraud penalty on her husband were falsely reported.

L. Goldberg, 73 TCM 1988, Dec. 51,878(M), TC Memo. 1997-74. Aff'd, CA-9 (unpublished opinion), 2001-1 USTC ¶ 50,155.

.78 Statute of limitations.—The taxpayer's business records were inaccurate and incomplete and his returns for 1964-1966 contained substantial understatements of income. Therefore, the bar on the assessment and collection of deficiencies for those years was lifted since the returns for those years were false and fraudulent with an intent to evade taxes. Additions to tax for fraud were proper.

H.R. Temple Est., 67 TC 143, Dec. 34,083.

The Court determined that taxpayer's underpayment of tax was due to fraud for the years 1967 through 1970, but not for the years 1965 and 1966. The assessment and collection of deficien-

cies and additions to tax were barred by the statute of limitations for the tax years 1965 and 1966, but the statute of limitations had not run for the years in which the taxpayer's conduct was fraudulent.

G.S. Hall, 35 TCM 1399, Dec. 34,046(M), TC Memo. 1976-311. Aff'd on another issue, CA-5, 79-1 USTC ¶ 9391.

M.F. Lodise, 36 TCM 668, Dec. 34,424(M), TC Memo. 1977-157.

J.N. Adams, 37 TCM 654, Dec. 35,110(M), TC Memo. 1978-152.

D.E. Bartone, DC, 78-1 USTC ¶ 9290.

H.T. King, Jr., CA-2, 79-2 USTC ¶ 9426.

A.C. Dunn, Jr., CA-2, 79-2 USTC ¶ 9481.

The statute of limitations does not apply to fraud cases.

C.M. Mickler, CA-5, 57-1 USTC ¶ 9598, 243 F2d 515.

L. Fuller, CA-6, 63-1 USTC ¶ 9248, 313 F2d 73.

E.J. Bonos, CA-6, 66-1 USTC ¶ 9205, 355 F2d 929. Cert. denied, 384 US 961.

J.T. Benn, CA-5, 66-2 USTC ¶ 9684, 366 F2d 778. Cert. denied, 389 US 833.

W.R. Jackson, CA-6, 67-2 USTC ¶ 9557, 380 F2d 661. Cert. denied, 389 US 1015.

R.A. O'Connor, CA-2, 69-2 USTC ¶ 9453, 412 F2d 304. Cert. denied, 397 US 921.

Rhodes v. Edwards, DC, 56-2 USTC ¶ 9643.

P.R. Davis, DC, 68-2 USTC ¶ 9577.

M.L. Reichert, 19 TC 1027, Dec. 19,504.

M.D. Eagle, Jr., 25 TC 169, Dec. 21,312.

Gum Products, Inc., 38 TC 700, Dec. 25,624.

D.G. Corbett, 41 TC 96, Dec. 26,372 (Acq.).

T.H. Riddell, 15 TCM 379, Dec. 21,650(M), TC Memo. 1956-74.

A. Axler, 15 TCM 262, Dec. 21,619(M), TC Memo. 1956-58.

B.E. Lewis, 16 TCM 658, Dec. 22,527(M), TC Memo. 1957-158.

H.L. Kremer, 16 TCM 297, Dec. 22,362(M), TC Memo. 1957-69.

E. Richardson, 16 TCM 518, Dec. 22,463(M), TC Memo. 1957-122. Aff'd, rev'd and rem'd on other grounds, CA-4, 59-1 USTC ¶ 9292, 264 F2d 400.

A. Abess, 19 TCM 791, Dec. 24,279(M), TC Memo. 1960-150.

B. Finestone, 19 TCM 864, Dec. 24,308(M), TC Memo. 1960-164.

W.V. Newell, 19 TCM 1358, Dec. 24,468(M), TC Memo. 1960-249.

D.M. Roberson, 20 TCM 1, Dec. 24,599(M), TC Memo. 1961-1.

D.D. Carlin, 19 TCM 1319, Dec. 24,440(M), TC Memo. 1960-236.

J.T. Benn, 22 TCM 707, Dec. 26,155(M), TC Memo. 1963-151.

Penn-Ohio Steel Corp., 23 TCM 719, Dec. 26,783(M), TC Memo. 1964-124.

P.F. DiZenzo, 23 TCM 677, Dec. 26,779(M), TC Memo. 1964-121; rev'd and rem'd on another issue CA-2, 65-2 USTC ¶ 9518, 348 F2d 122.

T. Worcester, Inc., 24 TCM 1021, Dec. 27,491(M), TC Memo. 1965-199.

H. Gross, 25 TCM 639, Dec. 27,982(M), TC Memo. 1966-125.

A.H. Murray, 25 TCM 1198, Dec. 28,153(M), TC Memo. 1966-231.

M.E. Hinson, 26 TCM 95, Dec. 28,323(M), TC Memo. 1967-15.

J.S. List, 26 TCM 683, Dec. 28,538(M), TC Memo. 1967-148.

M.R. Casciani, 26 TCM 997, Dec. 28,634(M), TC Memo. 1967-203.

J. Silverman, 30 TCM 617, Dec. 30,832(M), TC Memo. 1971-143.

S. Turzynski, 31 TCM 617, Dec. 31,436(M), TC Memo. 1972-136. Aff'd, CA-7, in unpublished opinion under CA-7 rules, 8/1/74.

M.P. Hendrix, 31 TCM 105, Dec. 31,241(M), TC Memo. 1972-29.

D.B. Reynolds, 36 TCM 756, Dec. 34,459(M), TC Memo. 1977-181.

I. Chang, 48 TCM 99, Dec. 41,214(M), TC Memo. 1984-259.

R.P. Beasley, 57 TCM 136, Dec. 45,623(M), TC Memo. 1989-173.

C.C. Quantz, 58 TCM 1274, Dec. 46,342(M), TC Memo. 1990-39.

R.R. Anderson, 69 TCM 1609, Dec. 50,410(M), TC Memo. 1995-8.

A.C. Bingham, 75 TCM 1975, Dec. 52,617(M), TC Memo. 1998-102. Aff'd, CA-9 (unpublished opinion), 99-2 USTC ¶ 50,811.

P. Vazzana, 75 TCM 2379, Dec. 52,719(M), TC Memo. 1998-195.

M. Schachter, 76 TCM 113, Dec. 52,794(M), TC Memo. 1998-260. Supplemented by 113 TC 197, Dec. 53,538. Aff'd on another issue, CA-9, 2001-2 USTC ¶ 50,550.

M. Biaggi, 79 TCM 1488, Dec. 53,750(M), TC Memo. 2000-48. Aff'd on another issue, CA-2 (unpublished opinion), 2001-1 USTC ¶ 50,405.

N.M. Romer, 82 TCM 132, Dec. 54,399(M), TC Memo. 2001-168.

W.T. Butler, 84 TCM 681, Dec. 54,972(M), TC Memo. 2002-314.

The mailing of the deficiency notice tolls the statute of limitations. Thus, the IRS may, at trial, assert an addition to tax for the first time even though the limitations period would have run had the notice not been issued.

N. Cahan, 52 TCM 1508, Dec. 43,667(M), TC Memo. 1987-54.

Period for assessing deficiency in tax and fraud penalty was not extended where the Government failed to prove fraud.

J.T. Fairchild, CA-5, 57-1 USTC ¶ 9350, 240 F2d 944.

A.W. Conger, DC, 60-2 USTC ¶ 9670, 188 FSupp 769.

E. Abrams, 21 TCM 882, Dec. 25,564(M), TC Memo. 1962-160.

I. Stromberg Est., 21 TCM 1310, Dec. 25,717(M), TC Memo. 1962-246.

T.W. Banks, CA-8, 63-2 USTC ¶ 9698, 322 F2d 530.

J.H. Maxwell, 23 TCM 1895, Dec. 27,060(M), TC Memo. 1964-307.

L.J. Maloney Est., 30 TCM 71, Dec. 30,624(M), TC Memo. 1971-16.

E.V. Brown, 36 TCM 581, Dec. 34,398(M), TC Memo. 1977-138.

H.M. Wheeler Est., 37 TCM 51, Dec. 34,917(M), TC Memo. 1978-15.

H.L. Brazile, 45 TCM 795, Dec. 39,921(M), TC Memo. 1983-105.

G.N. Farrow, 50 TCM 1235, Dec. 42,422(M), TC Memo. 1985-518.

The return had not been signed, and therefore did not start the running of the statute of limitations.

M.M. Mandel, 18 TCM 730, Dec. 23,737(M), TC Memo. 1959-168.

An individual's motion for summary judgment was denied because issues of material fact existed regarding whether he fraudulently intended to omit interest income from his return. Although the IRS mailed a notice of deficiency after the three-year statute of limitations had run, its action was not time-barred if a false or fraudulent return was filed. The individual's pattern of omitting interest income and questions regarding his participation in a bank scheme not to report interest income to the IRS, coupled with evidence of the individual's financial sophistication, presented unresolved factual issues that precluded granting summary judgment.

H. Richman, 65 TCM 1808, Dec. 48,836(M), TC Memo. 1993-32.

The government did not establish by clear and convincing evidence that an attorney fraudulently understated his income when he assigned no value to stock of a corporation that operated a topless club that he received from a client as payment for his legal services. Since the government's evidence was no more convincing than that introduced by the taxpayer, the government failed to carry its burden of proof. In the absence of fraud, the government was barred from collecting additional taxes, penalties and interest from the attorney because it issued a deficiency notice to him more than three years after he filed his tax returns for the years at issue.

J.S. Payne, CA-5, 2000-2 USTC ¶50,668.

An assessment against a former shareholder of an insolvent company on a transferee liability theory was not barred by the statute of limitations. Because the company was found to have acted fraudulently, the IRS could assess and collect taxes owing at any time. In light of the fact that no statute of limitations barred assessment against the company, no limitations period barred assessment against the shareholder. Further, application of the statute of limitations was determined under federal, and not state, law.

J.D. Morris, 80 TCM 886, Dec. 54,157(M), TC Memo. 2000-381.

Absent a showing of fraud for three of the four tax years at issue, the IRS was barred by the three-year statute of limitations under Code Sec. 6501 from assessing deficiencies and fraud pen-

alties against an individual who conceded that he had underpaid his taxes. The IRS failed to establish by clear and convincing evidence that the taxpayer had fraudulently intended to evade taxes for those years. The record indicated that, although he was negligent and inattentive regarding his recordkeeping and tax filing obligations, the taxpayer had relied on his accountant to accurately prepare his returns. His use of a third party's name on an account that he used to improperly purchase and sell his employer's initial public offerings represented an attempt to circumvent company, rather than tax, rules.

S.C. Carter, 86 TCM 229, Dec. 55,258(M), TC Memo. 2003-235.

An individual was liable for the fraud penalty for his failure to report income in four tax years. The taxpayer stipulated that he omitted such income and was convicted for fraud in connection with his failure to report such income. Moreover, the IRS established the taxpayer's fraudulent intent by his substantial understatements of income for several years, the incomplete or misleading information he provided to his tax return preparer, and his conviction under Code Sec. 7206(1).

K.J. Morse, 86 TCM 673, Dec. 55,366(M), TC Memo. 2003-332.

The statute of limitations did not bar assessment and collection of deficiencies and penalties for tax years with respect to which the taxpayers filed fraudulent returns.

V. Ferguson, 87 TCM 1189, Dec. 55,605(M), TC Memo. 2004-90.

.80 Tax protesters.—Fraud penalties were properly imposed by the Commissioner where an individual filed incomplete tax protest statements that did not constitute returns; eliminated the declarations under penalties of perjury from the documents he filed; repeatedly tried to avoid having federal taxes withheld from his salary; and falsely certified to his employer that he owed no taxes. Such conduct indicated that the individual fraudulently intended to evade taxes that he knew were due and owing.

A.C. Fuhrmann, 43 TCM 1330, Dec. 39,008(M), TC Memo. 1982-255.

The taxpayer, who raised various tax-protestor type arguments, was held liable for the additions to tax for fraud and for failure to pay estimated tax. The taxpayer failed to file tax returns for the years in issue, claimed an excessive number of exemptions on his forms W-4, and failed to maintain or to submit adequate records of his income-producing activities to the IRS.

W.H. Smith, 49 TCM 711, Dec. 41,873(M), TC Memo. 1985-59.

A tax protestor was held liable for fraud penalties because he intentionally filed false W-4 Forms and admitted in court that he was aware

that the law required him to file returns but chose not to file because he disagreed with the law.

J.P. Clark, 62 TCM 917, Dec. 47,667(M), TC Memo. 1991-496.

Similarly.

D.L. Galleutine, 63 TCM 1747, Dec. 47,915(M), TC Memo. 1992-14. Aff'd, CA-7 (unpublished opinion 11/17/92).

W.L. Coulter, 63 TCM 2773, Dec. 48,156(M), TC Memo. 1992-224.

The IRS properly used the bank deposits method to determine that the taxpayer had unreported gross income and taxable income from an insurance business, a publishing business and lecturing activities. The taxpayer offered tax protester arguments in defense. Additions for fraud were upheld because the taxpayer consistently and substantially understated his income and failed to maintain or provide adequate records of his income producing activities.

I.A. Schiff, 63 TCM 2572, Dec. 48,108(M), TC Memo. 1992-183.

Additions to tax for fraud and substantial underpayments were imposed on a tax protestor. The protestor claimed reliance on numerous tax protest arguments to avoid paying taxes. He failed to report his income, failed to timely file his tax returns, submitted false Forms W-4, concealed transactions by dealing in cash and instructed his employer not to deal with tax authorities. His claims were deemed frivolous and his actions found to be fraudulent. Accordingly, the additions to tax were imposed.

P. Roth, 64 TCM 872, Dec. 48,529(M), TC Memo. 1992-563.

In the following cases taxpayers who made tax-protestor arguments were subject to fraud penalties.

M.L. Grant, 62 TCM 550, Dec. 47,566(M), TC Memo. 1991-406.

G.F. Dorsch, 63 TCM 74, Dec. 48,333(M), TC Memo. 1992-384.

E.R. McCart, 65 TCM 2115, Dec. 48,909(M), TC Memo. 1993-96.

M.J. Andreas, 66 TCM 1411, Dec. 49,423(M), TC Memo. 1993-551.

J.L. Cochrane, 107 TC 18, Dec. 51,490.

J.W. Marsh, 79 TCM 1327, Dec. 53,712(M), TC Memo. 2000-11. Aff'd on another issue, CA-9 (unpublished opinion), 2002-1 USTC ¶ 50,209.

C.W. Singer, DC Pa., 2001-2 USTC ¶ 50,611. Aff'd, CA-3 (unpublished opinion), 2002-2 USTC ¶ 50,519, 43 FedAppx 524.

A taxpayer's petition, containing tax protester arguments, failed to assign error in the IRS's determination; therefore, partial judgment on the pleadings was granted. However, the additions to tax for fraud and failure to file tax returns were not imposed because the IRS did not meet

its burden of proof. The IRS had not yet filed an answer or given the taxpayer an opportunity to reply on those issues, so they had to be decided at trial.

R.J. Caplette, 65 TCM 1876, Dec. 48,852(M), TC Memo. 1993-46.

On remand, the taxpayer was estopped from denying the specific intent requirement for the years for which he had been convicted of criminal tax evasion under Code Sec. 7201. For the other years, fraudulent intent was shown by the following badges of fraud: an understatement of income, a pattern of failure to file returns, implausible or inconsistent explanations of behavior, failure to cooperate with the IRS and the filing of false Forms W-4.

R.J. Caplette, 68 TCM 464, Dec. 50,054(M), TC Memo. 1994-403.

An aerospace engineer and his wife, who was a bookkeeper, were subject to fraud penalties for years during which they failed to pay tax based on their belief that income tax laws were invalid. The penalty applied because they knew that they owed tax for those years but failed to file income tax returns. Further, the improper use of a Form 843 indicated the couple's intent to evade taxes by misleading the IRS into refunding withheld income taxes while they concealed their income. Also, an intent to evade tax was demonstrated by the taxpayers' continued reliance on Forms W-4 that provided for inadequate withholding.

A.L. Pennybaker, 67 TCM 3157, Dec. 49,941(M), TC Memo. 1994-303.

Fraud penalties were properly imposed against a tax protestor who claimed excessive exemptions on Form W-4 and filed no income tax returns for several years. Prior to the tax years at issue, the taxpayer had filed returns and, thus, had demonstrated knowledge of the filing requirements. The fact that the taxpayer only took steps to contact the IRS and indicate that he did not intend to pay taxes after being notified of his delinquency was, in itself, evidence of an intent to defraud. Moreover, returns and other filings submitted by the taxpayer after the IRS initiated proceedings against him consisted of tax-protestor-type arguments that only served to impede and delay the collection of tax. The actions of the taxpayer were not sufficiently open to preclude a finding of fraud.

R.A. Cloutier, 68 TCM 1165, Dec. 50,227(M), TC Memo. 1994-558.

A medical technologist who filed delinquent tax returns and false Forms W-4 was liable for fraud penalties because he intended to evade taxes. The facts that the individual did not file any tax returns until after being criminally indicted, that he filed false Forms W-4 using false social security numbers, and that he offered typical tax protest arguments furnished to him by an association, whose literature instructed persons

The Court found that taxpayer's joint venture arrangements with his relatives were not a sham. *C.H. Brock*, 22 TC 284, Dec. 20,333 (Acq.).

A couple was not liable for fraud even though they failed to report income, because they sin-

cerely believed that a trust which was established by promoters was a legitimate income shifting device.

E.J. Klapchak, 60 TCM 195, Dec. 46,740(M), TC Memo. 1990-375.

Spouses

.73 Application of penalty.—Code Sec. 6653 (b) provides that the fraud penalty does not apply to a spouse filing a joint return unless some part of the underpayment on the return is due to the fraud of that spouse. This limitation applies to all cases that are not barred by the statute of limitations. Some of the cases reflected below were decided prior to the amendment of former Code Sec. 6653(b) by P.L. 91-679. However, the cases would apply in similar factual situations, even under amended Code Sec. 6653(b).—CCH.

Fraud penalty was not sustained against husband for years in which he and his wife filed separate returns and none of the increase in net worth attributable to his wife's activities could be traced to him. However, fraud penalties were sustained for years in which they filed joint returns.

M. Steinberg Est., CA-2, 66-2 USTC ¶9699, 367 F2d 130. Cert. denied, 386 US 941.

A taxpayer-husband did not understate the family's gross income with intent to defraud when it was not established that he had any knowledge of the family account books, which were kept by his wife, or of the inaccuracy of the records given to the return preparer.

C.D. Floyd, 37 TCM 1517, Dec. 35,409(M), TC Memo. 1978-368.

Motion for summary judgment in an action to foreclose tax liens, resulting from a claimed deficiency for income unreported on a joint return filed by the taxpayer and her late husband, on the proceeds of an insurance policy payable to the taxpayer was denied. Alternatively, it was ordered that a factual basis be established to determine whether the taxpayer could benefit by the provisions of Public Law 91-679.

A.L. Cooper, DC, 71-1 USTC ¶9321.

The finding of slight deficiencies in tax which were admitted and the failure to include in income certain partnership profits attributed to the separate property of the taxpayer's wife do not establish that the taxpayer's returns were either false or fraudulent.

Klise, 10 BTA 1234, Dec. 3670 (Acq.).

The election to make a single return jointly must be exercised by taxpayers at the time the return is filed. Since no returns were filed by taxpayer, the split-income provisions were never

exercised by him and he alone could be liable for the deficiencies of tax, additions and fraud penalties.

Mundy, 14 TCM 1067, Dec. 21,263(M), TC Memo. 1955-270.

In a community property state, even though the taxpayer-wife was not a party to the fraud, this did not preclude the assessment of the full penalty for fraud against the taxpayer-husband severally.

E.J. Lollis, CA-9, 79-1 USTC ¶9379, 595 F2d 1189.

Drug dealers were liable for additions to tax for fraud because it was shown that they intentionally engaged in a course of conduct designed to conceal, mislead, and otherwise prevent the collection of taxes. However, the wife of one of the dealers, who was required to report as community property a portion of her husband's share of the profits, was not liable for such penalty. Although she knew of her husband's drug activities, there was no indication that she was involved in such activities herself.

R.C. Congelliere, 59 TCM 709, Dec. 46,613(M), TC Memo. 1990-265.

An itinerant worker was never "away from home," and business expense deductions that he claimed for meals and lodging were denied. The taxpayer and his family lived in motels while he worked at various jobs, and they never maintained a permanent residence. Accordingly, he was never away from home, and the expenses that were incurred for meals and lodging were personal, nondeductible expenses. Also, the taxpayer failed to report part of his income and claimed that he was exempt from withholding. Additions to tax for fraud were imposed because the taxpayer improperly claimed the living expenses, purposely falsified Forms W-4, and understated his income. However, the IRS failed to prove fraud as to his wife; fraud could not be imputed from one spouse to another.

D. Brownburg, 65 TCM 1709, Dec. 48,807(M), TC Memo. 1993-6.

.735 Community funds.—The taxpayer, convicted of tax evasion, was not entitled to a refund of one-half of a fraud penalty imposed on the entire deficiency on a joint tax return and paid with community funds, even though no part of the deficiency was due to fraud by his wife. It was further held that under Texas law a

Name and Address of Taxpayer KEVIN M & GRETCHEN L KELLY [REDACTED]	Taxpayer Identification Number [REDACTED]	Return Form No.: 1040
Person with whom changes were discussed. [REDACTED]		Name and Title: [REDACTED]

	Period End 12/31/2004	Period End 12/31/2005	Period End
1. Adjustments to Income			
a. Sch C1 - Repairs and Maintenance	5,402.00	9,245.00	
b. Sch C1 - Rent	(20,480.00)	(17,600.00)	
c. Sch C1 - Gross Receipts or Sales	86,621.00	40,000.00	
d. Sch C1 - Travel	3,892.00	4,800.00	
e. Sch C1 - Supplies	7,595.00		
f. Sch C1 - Insurance (Other Than Health)	2,969.00	5,942.00	
g. Sch C1 - Meals, and Entertainment	11,017.00	13,620.00	
h. Sch C1 - Car and Truck Expenses	3,281.00	3,186.00	
i. Sch C1 - Advertising	3,360.00	2,560.00	
j. Other Expense (Outside Labor)	20,880.00		
k. Sch C1 - Other Expenses (Printing)	3,575.00	793.00	
l. SE AGI Adjustment	(6,298.00)	(4,846.00)	
m. Itemized Deductions	1,106.00	5,910.00	
n. Sch C1 - Other Expenses (Postage)		3,264.00	
o. Sch C1 - Other Expenses (Billing)		11,358.00	
p. Sch C1 - Other Expenses		23,308.00	
2. Total Adjustments	122,920.00	101,540.00	
3. Taxable Income Per Return or as Previously Adjusted	9,790.00	6,656.00	
4. Corrected Taxable Income	132,710.00	108,196.00	
Tax Method	SCHEDULE D	TAX RATE	
Filing Status	Joint	Joint	
5. Tax	27,071.00	20,379.00	
6. Additional Taxes / Alternative Minimum Tax			
7. Corrected Tax Liability	27,071.00	20,379.00	
8. Less Credits			
a. Education Credit	0.00	0.00	
b.			
c.			
d.			
9. Balance (Line 7 less Lines 8a through 8d)	27,071.00	20,379.00	
10. Plus Other Taxes			
a. Self Employment Tax	14,737.00	14,823.00	
b.			
c.			
d.			
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)	41,808.00	35,202.00	
12. Total Tax Shown on Return or as Previously Adjusted	2,142.00	5,131.00	
13. Adjustments to:			
a.			
b.			
c.			
14. Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a plus 13b)	39,666.00	30,071.00	
15. Adjustments to Prepayment Credits - Increase (Decrease)			
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)	39,666.00	30,071.00	

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 amend your state return by filing the necessary forms.

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

Form **4549**
(Rev. March 2005)

Department of the Treasury-Internal Revenue Service
Income Tax Examination Changes

Page 2 of 2

Name of Taxpayer
KEVIN M & GRETCHEN L KELLY

Taxpayer Identification Number
[REDACTED]

Return Form No.:
1040

17. Penalties/ Code Sections	Period End 12/31/2004	Period End 12/31/2005	Period End
a. Fraud-IRC 6663	29,749.50	22,052.25	
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	29,749.50	22,052.25	
Underreporter attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underreporter attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underreporter attributable to Tax Motivated Transactions (TMT). The interest will accrue and be assessed at 120% of the underpayment rate in accordance with IRC §6621(c)	0.00	0.00	
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	39,666.00	30,071.00	
b. Penalties (Line 18) - computed to 10/31/2007	29,749.50	22,052.25	
c. Interest (IRC § 6601) - computed to 11/30/2007	14,818.39	7,123.25	
d. TMT Interest - computed to 11/30/2007 (on TMT underpayment)	0.00	0.00	
e. Amount due or (refund) - (sum of Lines a, b, c and d)	84,233.89	59,246.50	

Other Information:

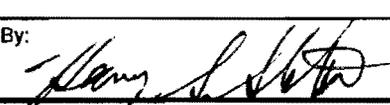
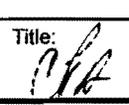
For tax period(s) 200412, the tax liability shown in this report may be subject to IRC section 6404(g). Interest on the amount due will not be charged during the suspension period applicable to your tax liability. When your tax bill is issued, it will reflect the reduced amount of interest based on IRC section 6404(g), if such suspension period has resulted.

This Report Supersedes the Report Issued 10/31/2007

Examiner's Signature: Joseph Younan	Employee ID: [REDACTED]	Office:	Date: 10/31/2007
--	----------------------------	---------	---------------------

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, Specialty Tax Program Chief, 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: 10/31/07

Name of Taxpayer: KEVIN M & GRETCHEN L KELLY
Identification Number: [REDACTED]

10/31/2007
Total 8.20.00

HOW TO PAY YOUR TAXES

If you agree with our examination, pay now by sending a check or money order payable to U.S. Department of the Treasury 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 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. Checks should be made payable to U.S. Department of the Treasury.
 - 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 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 applicable penalties will continue to accrue until your balance is paid in full.

* All checks or money orders for payment should be made payable to U.S. Department of the Treasury.

Name Of Taxpayer: KEVIN M & GRETCHEN L KELLY
Identification Number: [REDACTED]

Total 10/31/2007
8.20.00

2004 - SCHEDULE A - ITEMIZED DEDUCTIONS

	PER RETURN	PER EXAM	ADJUSTMENT
1. Medical, dental and insurance premiums	0.00	0.00	0.00
2. 7.50% of Adjusted Gross Income	4,332.00	13,469.00	
3. Net Medical and Dental Expense	0.00	0.00	0.00
4. Taxes	8,899.00	8,899.00	0.00
5. Home Interest Expense	31,177.00	31,177.00	0.00
6. Investment Interest	0.00	0.00	0.00
7. Other Interest Expense	0.00	0.00	0.00
8. Total Interest Expense	31,177.00	31,177.00	0.00
9. Contributions	1,700.00	1,700.00	0.00
10. Casualty and theft Losses	0.00	0.00	0.00
11. Miscellaneous deductions subject to AGI limit	0.00	0.00	0.00
12. 2.00% of Adjusted Gross Income	1,155.00	3,592.00	
13. Excess Miscellaneous deductions	0.00	0.00	0.00
14. Other Miscellaneous deductions	0.00	0.00	0.00
15. Total itemized deductions (Sum of Lines 3, 4, 8, 9,10,13, and 14 less any applicable limitation)	41,776.00	40,670.00	1,106.00

ITEMIZED DEDUCTIONS WORKSHEET - PER EXAM

A. Total of lines 3, 4, 8, 9, 10, 13, and 14	41,776.00
B. Total of lines 3, 6, 10, (plus any gambling losses included on line 14)	0.00
C. Line A less Line B	41,776.00
D. Multiply the amount on line C by 80%	33,421.00
E. Adjusted Gross Income from Form 1040	179,580.00
F. Itemized Deduction Limitation	142,700.00
G. Line E less Line F	36,880.00
H. Multiply the amount on Line G by 3%	1,106.00
I. Enter the smaller of Line D or Line H	1,106.00
J. Total Itemized Deductions (entered on line 15 above)	40,670.00

Name Of Taxpayer: KEVIN M & GRETCHEN L KELLY
 Identification Number: [REDACTED]

Total 10/31/2007
 8,20.00

2005 - SCHEDULE A - ITEMIZED DEDUCTIONS

	PER RETURN	PER EXAM	ADJUSTMENT
1. Medical, dental and insurance premiums	10,746.00	10,746.00	0.00
2. 7.50% of Adjusted Gross Income	5,544.00	12,716.00	
3. Net Medical and Dental Expense	5,202.00	0.00	5,202.00
4. Taxes	6,984.00	6,984.00	0.00
5. Home Interest Expense	47,675.00	47,675.00	0.00
6. Investment Interest	0.00	0.00	0.00
7. Other Interest Expense	0.00	0.00	0.00
8. Total Interest Expense	47,675.00	47,675.00	0.00
9. Contributions	1,000.00	1,000.00	0.00
9a. Elected Qualified Contributions	0.00	0.00	0.00
10. Casualty and theft Losses	0.00	0.00	0.00
11. Miscellaneous deductions subject to AGI limit	0.00	0.00	0.00
12. 2.00% of Adjusted Gross Income	1,478.00	3,391.00	
13. Excess Miscellaneous deductions	0.00	0.00	0.00
14. Other Miscellaneous deductions	0.00	0.00	0.00
15. Total itemized deductions (Sum of Lines 3, 4, 8, 9,10,13, and 14 less any applicable limitation)	60,861.00	54,951.00	5,910.00

ITEMIZED DEDUCTIONS WORKSHEET - PER EXAM

A. Total of lines 3, 4, 8, 9, 10, 13, and 14	55,659.00
B. Total of lines 3, 6, 9a,10, (plus any gambling losses included on line 14)	0.00
C. Line A less Line B	55,659.00
D. Multiply the amount on line C by 80%	44,527.00
E. Adjusted Gross Income from Form 1040	169,547.00
F. Itemized Deduction Limitation	145,950.00
G. Line E less Line F	23,597.00
H. Multiply the amount on Line G by 3%	708.00
I. Enter the smaller of Line D or Line H	708.00
J. Total Itemized Deductions (entered on line 15 above)	54,951.00

Total

Taxpayer: KEVIN M & GRETCHEN L KELLY
TIN: [REDACTED]

Page of:
Tax Period(s): 200412

Civil Fraud Penalties under IRC 6663(a)

Civil Fraud Penalty - Internal Revenue Code Section 6663(a)

It has been determined that the underpayment of tax shown on line 6 below is attributable to fraud.
Therefore, an addition to the tax is imposed as provided by Section 6663(a) of the Internal Revenue Code.

1. Total Underpayment	39,666.00
2. Less: Underpayment attributable to non-penalty issues	0.00
3. Less: Underpayment attributable to Section 6662A penalty issues	0.00
4. Less: Underpayment attributable to Section 6662(a) penalty issues	0.00
5. Less: Underpayment attributable to Section 6662(h) penalty issues	0.00
6. Underpayment to which Section 6663(a) applies (Line 1 less the sum of lines 2, 3, 4, and 5)	39,666.00
7. Applicable penalty rate	75.00%
8. Section 6663(a) civil fraud penalty (Line 6 times line 7)	29,749.50
9. Less: Previously assessed/previously agreed Section 6663(a) civil fraud penalty	0.00
10. Total Section 6663(a) civil fraud penalty (Line 8 less line 9)	29,749.50

Name Of Taxpayer: KEVIN M & GRETCHEN L KELLY
Identification Number: [REDACTED]

10/31/2007
8.20.00

Total

CIVIL FRAUD PENALTY (CONTINUED)

ADJUSTMENTS TO WHICH CIVIL FRAUD PENALTY APPLIES:

Sch C1 - Repairs and Maintenance	5,402.00
Sch C1 - Rent	(20,480.00)
Sch C1 - Gross Receipts or Sales	86,621.00
Sch C1 - Travel	3,892.00
Sch C1 - Supplies	7,595.00
Sch C1 - Insurance (Other Than Health)	2,969.00
Sch C1 - Meals, and Entertainment	11,017.00
Sch C1 - Car and Truck Expenses	3,281.00
Sch C1 - Advertising	3,360.00
Other Expense (Outside Labor)	20,880.00
Sch C1 - Other Expenses (Printing)	3,575.00

TAX MOTIVATED ADJUSTMENTS TO WHICH CIVIL FRAUD PENALTY APPLIES:

Total

Taxpayer: KEVIN M & GRETCHEN L KELLY
TIN: [REDACTED]

Page of:
Tax Period(s): 200512

Civil Fraud Penalties under IRC 6663(a)

Civil Fraud Penalty - Internal Revenue Code Section 6663(a)

It has been determined that the underpayment of tax shown on line 6 below is attributable to fraud.
Therefore, an addition to the tax is imposed as provided by Section 6663(a) of the Internal Revenue Code.

1. Total Underpayment	30,071.00
2. Less: Underpayment attributable to non-penalty issues	668.00
3. Less: Underpayment attributable to Section 6662A penalty issues	0.00
4. Less: Underpayment attributable to Section 6662(a) penalty issues	0.00
5. Less: Underpayment attributable to Section 6662(h) penalty issues	0.00
6. Underpayment to which Section 6663(a) applies (Line 1 less the sum of lines 2, 3, 4, and 5)	29,403.00
7. Applicable penalty rate	75.00%
8. Section 6663(a) civil fraud penalty (Line 6 times line 7)	22,052.25
9. Less: Previously assessed/previously agreed Section 6663(a) civil fraud penalty	0.00
10. Total Section 6663(a) civil fraud penalty (Line 8 less line 9)	22,052.25

Name Of Taxpayer: KEVIN M & GRETCHEN L KELLY
Identification Number: [REDACTED]

10/31/2007

Total

8.20.00

CIVIL FRAUD PENALTY (CONTINUED)

ADJUSTMENTS TO WHICH CIVIL FRAUD PENALTY APPLIES:

Sch C1 - Repairs and Maintenance	9,245.00
Sch C1 - Other Expenses (Postage)	3,264.00
Sch C1 - Other Expenses (Billing)	11,358.00
Sch C1 - Rent	(17,600.00)
Sch C1 - Gross Receipts or Sales	40,000.00
Sch C1 - Travel	4,800.00
Sch C1 - Insurance (Other Than Health)	5,942.00
Sch C1 - Meals, and Entertainment	13,620.00
Sch C1 - Car and Truck Expenses	3,186.00
Sch C1 - Advertising	2,560.00
Sch C1 - Other Expenses	23,308.00
Sch C1 - Other Expenses (Printing)	793.00

TAX MOTIVATED ADJUSTMENTS TO WHICH CIVIL FRAUD PENALTY APPLIES:

Name of Taxpayer: KEVIN M & GRETCHEN L KELLY

10/31/2007

Identification Number: [REDACTED]

Total

8.20.00

2004 - SCHEDULE SE - COMPUTATION OF SELF-EMPLOYMENT TAX

Primary

KEVIN M KELLY [REDACTED]

1. Self-employment income	143,274.00
2. Multiply line 1 by 92.35%	132,313.54
3. Farm Optional Method Income	0.00
4. Non Farm Optional Method Income	0.00
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	132,313.54
6. Maximum earnings subject to social security	87,900.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	0.00
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	87,900.00
11. Multiply the smaller of line 5 or 10 by 12.40%	10,899.60
12. Multiply line 5 by 2.90%	3,837.09
13. Self-Employment Tax (sum of lines 11 and 12)	14,736.69

Secondary

GRETCHEN L KELLY [REDACTED]

1. Self-employment income	0.00
2. Multiply line 1 by 92.35%	0.00
3. Farm Optional Method Income	0.00
4. Non Farm Optional Method Income	0.00
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	0.00
6. Maximum earnings subject to social security	87,900.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	0.00
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	0.00
11. Multiply the smaller of line 5 or 10 by 12.40%	0.00
12. Multiply line 5 by 2.90%	0.00
13. Self-Employment Tax (sum of lines 11 and 12)	0.00

Name of Taxpayer: KEVIN M & GRETCHEN L KELLY
Identification Number: [REDACTED]

10/31/2007
Total 8.20.00

2005 - SCHEDULE SE - COMPUTATION OF SELF-EMPLOYMENT TAX

Primary
KEVIN M KELLY

[REDACTED]

1. Self-employment income	136,789.00
2. Multiply line 1 by 92.35%	126,324.64
3. Farm Optional Method Income	0.00
4. Non Farm Optional Method Income	0.00
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	126,324.64
6. Maximum earnings subject to social security	90,000.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	0.00
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	90,000.00
11. Multiply the smaller of line 5 or 10 by 12.40%	11,160.00
12. Multiply line 5 by 2.90%	3,663.41
13. Self-Employment Tax (sum of lines 11 and 12)	14,823.41

Secondary
GRETCHEN L KELLY

[REDACTED]

1. Self-employment income	0.00
2. Multiply line 1 by 92.35%	0.00
3. Farm Optional Method Income	0.00
4. Non Farm Optional Method Income	0.00
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	0.00
6. Maximum earnings subject to social security	90,000.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	0.00
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	0.00
11. Multiply the smaller of line 5 or 10 by 12.40%	0.00
12. Multiply line 5 by 2.90%	0.00
13. Self-Employment Tax (sum of lines 11 and 12)	0.00

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:45 PM

IRPTRNS [REDACTED] *(TY2004)

PAGE 0005 OF 0011

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN L KELLY
[REDACTED]

ACCOUNT NUMBER: 0 [REDACTED]
PAYER ENTITY DATA: [REDACTED]
COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

MTG INT PD.....\$9,231+

***** TAXPAYER COPY *****

IRPTR [REDACTED] *(TY2004)

PAGE 0006 OF 0011

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN KELLY LN
[REDACTED] S
STATE: CA [REDACTED]

ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA: [REDACTED]
WASHINGTON MUTUAL BANK F.A.
7301 BAYMEADOWS WAY
JACKSONVILLE FL 32256

MTG INT PD.....\$9,119+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:47 PM

IRPT [REDACTED] *(TY2004)

PAGE 0007 OF 0011

DOCUMENT TYPE: 1098-T
PAYEE ENTITY DATA: 5 [REDACTED]
GRETCHEN L KELLY

GRTR THAN OR EQ TO HALF TIME STUDENT
NOT A GRADUATE STUDENT
ACADEMIC PERIOD CODE: NO

ACCOUNT NUMBER [REDACTED]
PAYER ENTITY DATA: [REDACTED]
CALIFORNIA LUTHERAN UNIVERSITY
60 WEST OLSEN ROAD 1200
THOUSAND OAKS CA 91360

AMNTS BILL.....\$5,700+

***** TAXPAYER COPY *****

IRPTRNS [REDACTED] *(TY2004)

PAGE 0008 OF 0011

DOCUMENT TYPE: 1099-G
PAYEE ENTITY DATA: [REDACTED]
REEP GRETCHEN
[REDACTED] LN

TAX YEAR OF REFUND: 2003

ACCOUNT NUMBER: [REDACTED]
STATE OF CALIFORNIA
FRANCHISE TAX BOARD P O BOX 942840
SACRAMENTO CA 94240

1099-G OFFSET: NOT REFUND, CREDIT OR OFFSET FOR TRADE OR BUSINESS
FED TAX WH.....\$0
PR YR RFND.....\$1,069+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:49 PM

IRPTR [REDACTED] *(TY2004)

PAGE 0009 OF 0011

DOCUMENT TYPE: 1099-INT
PAYEE ENTITY DATA:
GRETCHEN L KELLY
[REDACTED]

NO SECOND NOTICE

ACCOUNT NUMBER: [REDACTED]
COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

FED TAX WH.....\$0
INTEREST.....\$39+

***** TAXPAYER COPY *****

IRPTR [REDACTED] *(TY2004)

PAGE 0010 OF 0011

DOCUMENT TYPE: 1099-INT
PAYEE ENTITY DATA:
GRETCHEN KELLY
[REDACTED]

NO SECOND NOTICE

ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA:
WASHINGTON MUTUAL BANK F.A.
7301 BAYMEADOWS WAY
JACKSONVILLE FL 32256

FED TAX WH.....\$0
INTEREST.....\$18+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:51 PM

IRPTRN: [REDACTED]

*(TY2004)

PAGE 0011 OF 0011

DOCUMENT TYPE: 1099-INT

PAYEE ENTITY DATA: [REDACTED]

GRETCHEN KELLY

[REDACTED] DR

NO SECOND NOTICE

ACCOUNT NUMBER: [REDACTED]

BANK OF AMERICA N.A.

TEFRA CONTROL AZ1 200 18 07

PO BOX 29961

PHOENIX

AZ 85038

FED TAX WH.....\$0

INTEREST.....\$19+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:53 PM

(TY2004) IRMF ON LINE TRANSCRIPT SYSTEM SUMMARY

TIN- [REDACTED]	TIN TYPE AND VALIDITY- 0	DOCUMENT CODE- 00	11 DOCS
GROUP	AMOUNT	GROUP	AMOUNT
WAGES.....	\$49,255+		
INTEREST.....	\$76+		
PR YR RFND.....	\$1,069+		
OTHER INC.....	\$5,639+		
FED TAX WH.....	\$6,631+		
SO SEC WH.....	\$3,403+		
MEDCARE WH.....	\$795+		
MEDCARE WG.....	\$54,894+		
MTG INT PD.....	\$41,718+		

ENTER=PAYE(E), PAYE(R), (O)NLINE, (W)HITE OUT, IRPO(L), HARD(C)OPY OR (H)ELP

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:29 PM

IRPTRN [REDACTED] *(TY2004)

PAGE 0001 OF 0009

DOCUMENT TYPE: 5498
PAYEE ENTITY DATA: [REDACTED]
KEVIN MICHAEL KELLY
[REDACTED] C [REDACTED]
[REDACTED] -6258

IRA CODE: NOT CHECKED
SEP CODE: CHECKED
SIMPLE CODE: NOT CHECKED

ACCOUNT NUMBER: [REDACTED]
[REDACTED]
VANGUARD FIDUCIARY TRUST CO
PO BOX 2600
VALLEY FORGE PA 19482

ROTH IRA CODE: NOT CHECKED
RMD FOR SUBSEQUENT YEAR: NOT CHECKED

SEP CTB.....\$5,087+
FMV ACCT.....\$15,192+

***** TAXPAYER COPY *****

IRPTRN [REDACTED] *(TY2004)

PAGE 0002 OF 0009

DOCUMENT TYPE: 5498
PAYEE ENTITY DATA: [REDACTED]
KEVIN MICHAEL KELLY
[REDACTED] [REDACTED] [REDACTED]
[REDACTED]

IRA CODE: NOT CHECKED
SEP CODE: NOT CHECKED
SIMPLE CODE: NOT CHECKED

ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA: 232640992
VANGUARD FIDUCIARY TRUST CO
PO BOX 2600
VALLEY FORGE PA 19482

ROTH IRA CODE: CHECKED
RMD FOR SUBSEQUENT YEAR: NOT CHECKED

RH IRA CTB.....\$3,000+
FMV ACCT.....\$6,646+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:35 PM

IRPTRN [REDACTED] *(TY2004)

PAGE 0007 OF 0009

DOCUMENT TYPE: 1098-E
PAYEE ENTITY DATA: [REDACTED]
KELLY KEVIN
[REDACTED]
[REDACTED]-0000

ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA: [REDACTED]
DEPARTMENT OF HEALTH AND HUMAN SERVICES
PSC/FMS/DFO/DMB
PARKLAWN BLDG ROOM 2B60 5600 FISHERS LN
ROCKVILLE MD 20857

STD LN INT.....\$3,841+

***** TAXPAYER COPY *****

IRPTRN [REDACTED] *(TY2004)

PAGE 0008 OF 0009

DOCUMENT TYPE: 1099-G
PAYEE ENTITY DATA: [REDACTED]
KELLY KEVIN M
[REDACTED]
[REDACTED] 22

TAX YEAR OF REFUND: 2003

ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA: [REDACTED]
STATE OF CALIFORNIA
FRANCHISE TAX BOARD P O BOX 942840
SACRAMENTO CA 94240

1099-G OFFSET: NOT REFUND, CREDIT OR OFFSET FOR TRADE OR BUSINESS
FED TAX WH.....\$0
PR YR RFND.....\$601+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:31 PM

IRPTR [REDACTED] *(TY2004)

PAGE 0003 OF 0009

DOCUMENT TYPE: 1099-B
PAYEE ENTITY DATA: [REDACTED]
KEVIN M KELLY

[REDACTED]
[REDACTED] OAKS [REDACTED]
ACCOUNT NUMBER: [REDACTED] 04S
PAYER ENTITY DATA: [REDACTED]
SCOTTRADE INC
12800 CORPORATE HILL 5TH FL
ST LOUIS MO 63131

SALES DATE: 07-07-2004
GROSS INCLUDES COMMISSIONS: NO
GROSS EXCLUDES COMMISSIONS: YES
CUSIP NUMBER: 17275R102
NO SECOND NOTICE
RCPNT CAN TAKE A LOSS ON TAX RETURN
NMBR OF SHARES EXCHGD: 000000000000
CLASS OF STOCK EXCHGD:

ITEM DESCRIPTION: 30 CISCO SYSTEMS
FED TAX WH.....\$0
STOCK&BOND.....\$663+

***** TAXPAYER COPY *****

IRPTR [REDACTED] *(TY2004)

PAGE 0004 OF 0009

DOCUMENT TYPE: 1099-B
PAYEE ENTITY DATA: [REDACTED]
KEVIN M KELLY

[REDACTED]
[REDACTED]
ACCOUNT NUMBER: [REDACTED] 4 04S
PAYER ENTITY DATA: [REDACTED] 8 [REDACTED] 6
SCOTTRADE INC
12800 CORPORATE HILL 5TH FL
ST LOUIS MO 63131

SALES DATE: 07-07-2004
GROSS INCLUDES COMMISSIONS: NO
GROSS EXCLUDES COMMISSIONS: YES
CUSIP NUMBER: 073325102
NO SECOND NOTICE
RCPNT CAN TAKE A LOSS ON TAX RETURN
NMBR OF SHARES EXCHGD: 000000000000
CLASS OF STOCK EXCHGD:

ITEM DESCRIPTION: 10 BEA SYSTEMS INC.
FED TAX WH.....\$0
STOCK&BOND.....\$60+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:33 PM

IRPTR [REDACTED] *(TY2004)

PAGE 0005 OF 0009

DOCUMENT TYPE: 1099-B
PAYEE ENTITY DATA: [REDACTED]
KEVIN M KELLY
[REDACTED] 4
[REDACTED]
ACCOUNT NUMBER: [REDACTED] 04S
PAYER ENTITY DATA: [REDACTED]
SCOTTRADE INC
12800 CORPORATE HILL 5TH FL
ST LOUIS MO 63131

SALES DATE: 07-07-2004
GROSS INCLUDES COMMISSIONS: NO
GROSS EXCLUDES COMMISSIONS: YES
CUSIP NUMBER: 599902103
NO SECOND NOTICE
RCPNT CAN TAKE A LOSS ON TAX RETURN
NMBR OF SHARES EXCHGD: 000000000000
CLASS OF STOCK EXCHGD:

ITEM DESCRIPTION: 30 MILLENNIUM PHARMACTCLS INC
FED TAX WH.....\$0
STOCK&BOND.....\$367+

***** TAXPAYER COPY *****

IRPTR [REDACTED] *(TY2004)

PAGE 0006 OF 0009

DOCUMENT TYPE: 1099-B
PAYEE ENTITY DATA: [REDACTED]
KEVIN M KELLY
[REDACTED]
STATE: CA ZIP [REDACTED]
ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA: [REDACTED]
MORGAN STANLEY DW INC
HARBORSIDE FINANCIAL CNTR PLAZA 3 6 FL
JERSEY CITY NJ 07311

SALES DATE: 07-07-2004
GROSS INCLUDES COMMISSIONS: NO
GROSS EXCLUDES COMMISSIONS: NO
CUSIP NUMBER: 031162100
NO SECOND NOTICE
RCPNT CAN TAKE A LOSS ON TAX RETURN
NMBR OF SHARES EXCHGD: 000000000000
CLASS OF STOCK EXCHGD:

ITEM DESCRIPTION: AMGEN INC
FED TAX WH.....\$0
STOCK&BOND.....\$2,591+

***** TAXPAYER COPY *****

Station Name: PHI009WA2639673 Date: 7/31/2008 Time: 4:15:37 PM

IRPTRN [REDACTED] *(TY2004)

PAGE 0009 OF 0009

DOCUMENT TYPE: 1099-INT

PAYEE ENTITY DATA:

[REDACTED]

NO SECOND NOTICE

ACCOUNT NUMBER:

PAYER ENTITY DATA:

BANK OF AMERICA N.A.
TEFRA CONTROL AZ1 200 18 07
PO BOX 29961
PHOENIX AZ 85038

FED TAX WH.....\$0
INTEREST.....\$33+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:41 PM

IRPTR [REDACTED]

*(TY2004)

PAGE 0001 OF 0011

DOCUMENT TYPE: W-2
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN KELLY
[REDACTED]

ACCOUNT NUMBER: N/A
PAYER ENTITY DATA: [REDACTED]
OSI COLLECTION SERVICES INC.
2520 S 170TH
NEW BERLIN WI 53151

RETIREMENT PLAN IND: YES

STATUTORY EMPLOYEE IND: NO

TYPE OF EMPLOYMENT: ALL OTHERS
FED TAX WH.....\$6,631+
WAGES.....\$49,255+
SO SEC WH.....\$3,403+
SO SEC WAG.....\$54,894+
DEF COMP.....\$5,639+
MEDCARE WH.....\$795+
MEDCARE WG.....\$54,894+

***** TAXPAYER COPY *****

IRPTR [REDACTED]

*(TY2004)

PAGE 0002 OF 0011

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN L REEP
[REDACTED]

ACCOUNT NUMBER: 026093043H
PAYER ENTITY DATA: 132631719
COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

MTG INT PD.....\$2,457+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:39 PM

IRPTRW1

*** (TY2004) IRMF ON LINE TRANSCRIPT SYSTEM SUMMARY ***

TIN- 1	TIN TYPE AND VALIDITY- 0	DOCUMENT CODE- 00	9 DOCS
GROUP	AMOUNT	GROUP	AMOUNT
INTEREST.....	\$33+		
PR YR RFND.....	\$601+		
STOCK&BOND.....	\$3,681+		
STD LN AMT.....	\$3,841+		
RH IRA CTB.....	\$3,000+		

ENTER=PAYE (E) , PAYE (R) , (O)NLINE, (W)HITE OUT, IRPO(L) , HARD(C)OPY OR (H)ELP

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:15:43 PM

IRPTRN [REDACTED] *(TY2004)

PAGE 0003 OF 0011

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN L REEP

[REDACTED]

ACCOUNT NUMBER: 0 [REDACTED]
PAYER ENTITY DATA: [REDACTED]
COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

MTG INT PD.....\$19,488+

***** TAXPAYER COPY *****

IRPTRN [REDACTED] (TY2004)

PAGE 0004 OF 0011

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN L KELLY

[REDACTED]

ACCOUNT NUMBER [REDACTED]
PAYER ENTITY DATA: [REDACTED]
COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

MTG INT PD.....\$1,423+

***** TAXPAYER COPY *****



Fidelity National Title Company

74709 Highway 111, Suite 209 • Indian Wells, CA 92210
 (760) 674-8443 • FAX (760) 674-8428

[Handwritten Signature]

DATE: June 17, 2004
 ESCROW NO: 6266-KC
 ESCROW OFFICER: Kelly Collier

TIME: 11:17:54

CLOSING DATE: June 27, 2004

BUYER ESTIMATED CLOSING STATEMENT

SELLER(S): Roger Snellenberger Development Corporation
 BUYER(S): Gretchen L. Kelly
 PROPERTY: [REDACTED] Bay, Indio, [REDACTED]

	\$ DEBITS	\$ CREDITS
FINANCIAL:		
Total Consideration	478,378.00	
Deposit - Gretchen L. Kelly		10,000.00
New 1st Trust Deed to Countrywide Home Loans		382,700.00
New 2nd Trust Deed to Countrywide Home Loans		47,840.00
PRORATIONS/ADJUSTMENTS:		
Prepaid County Taxes at \$383.60 Semi-Annual from 06/27/04 to 07/01/04	8.52	
HOA Dues at \$150.18 Month from 06/27/04 to 07/01/04	20.02	
Design Center credit		32,495.00
TITLE CHARGES:		
ALTA Loan Policy (10-17-92) w/Form 1 Cov. for 382,700.00	520.75	
Sub Escrow Fee	125.00	
Recording Deed	100.00	
Recording Trust Deed(s)	200.00	
ALTA Loan Policy (10-17-92) w/Form 1 Cov. for 47,840.00	224.50	
ESCROW CHARGES		
Escrow Fee	550.00	
Loan Tie-In	250.00	
Draw Deed	150.00	
NEW LOAN CHARGES - COUNTRYWIDE HOME LOANS		
Total Loan Charges: \$2,188.82		
Loan Discount	956.75	
Appraisal Fee	520.00	
Credit Report	35.00	
Tax Service Fee CW-Tax Service	60.00	
Document Fees	150.00	
Loan Processing Fee	390.00	
Underwriting Fee	250.00	
Flood Certification Fee Landsafe Flood	25.00	
Builder Rate Cap Paid Upfront		2,618.93
Lender Credit		500.00
Interest at \$57.67 per day from 06/26/04 to 07/01/04	288.35	
Insurance Impounds at 80.91 per month for 3 months	242.73	
Tax Impounds at 498.32 per month for 6 months	2,989.92	
Aggregate Adjustment		600.00 -
HOA CHARGES:		
July 2004	150.18	
MISCELLANEOUS CHARGES:		
Traditional Building Design Center release for upgrades per instructions	5,000.00	
Traditional Building Design Center release for upgrades per instructions	5,000.00	

FEDERAL TRUTH - IN - LENDING DISCLOSURE STATEMENT
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

Tim
Helen Kelly

Creditor:
AMERICAN INTERNET MORTGAGE, INC.

Borrower:
GRETCHEN L. KELLY AND KEVIN MICHAEL KELLY

4241 JUTLAND DRIVE, STE 305
SAN DIEGO, CA 92117

Loan Number: 0517249

Date: SEPTEMBER 14, 2005
Check box if applicable:

<p>ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.</p> <p align="center">5.833 %</p>	<p>FINANCE CHARGE The dollar amount the credit will cost you.</p> <p align="center">\$ 399,130.93</p>	<p>Amount Financed The amount of credit provided to you or on your behalf.</p> <p align="center">\$ 356,444.27</p>	<p>Total of Payments The amount you will have paid after you have made all payments as scheduled.</p> <p align="center">\$ 755,575.20</p>	<p><input type="checkbox"/> Total Sale Price The total cost of your purchase on credit including your down-payment of</p> <p>\$ N/A \$ N/A</p>
--	--	---	--	---

REQUIRED DEPOSIT: The annual percentage rate does not take into account your required deposit.

PAYMENTS: Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due	Number of Payments	Amount of Payments	When Payments Are Due	Number of Payments	Amount of Payments	When Payments Are Due
		Monthly Beginning:			Monthly Beginning:			Monthly Beginning:
360	2,098.82	11/01/2005						

- DEMAND FEATURE:** This obligation has a demand feature.
 - VARIABLE RATE:** Your loan contains variable rate features.
 - Information regarding the variable rate features of your loan have been provided to you earlier in a separate document.
 - Information regarding the variable rate features of your loan are provided hereinafter. The annual percentage rate may increase or decrease during the term of this transaction with increases or decreases in the value of the "Index" (or "Reference Rate"). The rate that you will pay may not be changed more often than every _____ commencing _____.
 - Rate Change Limits:** The rate may not _____ %
 - The rate will never be greater than _____ %
 - Any increase in the rate will result in a corresponding increase in the payment.
 - Rate increases may occur without immediate and/or corresponding payment increases.
 - Unpaid interest will be added to the principal.
- The "Index" (or "Reference Rate") is the:

INSURANCE: The following insurance is required to obtain credit:

- Credit life insurance and credit disability
 - Property insurance
 - Flood insurance
- You may obtain the insurance from anyone you want that is acceptable to creditor.
- If you purchase property flood insurance from creditor you will pay \$ _____ for one year term.

- The goods or property being purchased
- Real property you already own.

FILING FEES: \$ _____

LATE CHARGE: If a payment is more than 15 days late, you will be charged 5.00 % of the Principal & Interest payment.

PREPAYMENT: If you pay off early, you

- may will not have to pay a penalty.

Label

(See instructions on page 16.) Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign

(See page 16.)

For the year Jan. 1-Dec. 31, 2004, or other tax year beginning ending
Your first name M.I. Last name Suffix
KEVIN M KELLY
If a joint return, spouse's first name M.I. Last name Suffix
City, town or post office State ZIP code
CA 91362

OMB No. 1545-0074
Your social security number
You must enter your SSN(s) above.

Note. Checking "Yes" will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund? Yes No Spouse Yes No

Filing Status
1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (see page 17)

Exemptions

6 a Yourself. If someone can claim you as a dependent, do not check box 6a.
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 18)
d Total number of exemptions claimed 2

Income

Table with 2 columns: Description and Amount. Rows include Wages, salaries, tips, etc. (49,255); Taxable interest (118); Ordinary dividends (0); Taxable refunds, credits, or offsets of state and local income taxes (0); Business income or (loss) (15,162); Capital gain or (loss) (350); IRA distributions (0); Pensions and annuities (0); Rental real estate, royalties, partnerships, S corporations, trusts, etc. (-6,048); Farm income or (loss) (0); Unemployment compensation (0); Social security benefits (0); Other income (0); Total income (58,837).

Adjusted Gross Income

Table with 2 columns: Description and Amount. Rows include Educator expenses (0); Certain business expenses of reservists, performing artists, and fee-basis government officials (0); IRA deduction (0); Student loan interest deduction (0); Tuition and fees deduction (0); Health savings account deduction (0); Moving expenses (0); One-half of self-employment tax (1,071); Self-employed health insurance deduction (0); Self-employed SEP, SIMPLE, and qualified plans (0); Penalty on early withdrawal of savings (0); Alimony paid (0); Total adjusted gross income (57,766).

Tax and Credits

37 Amount from line 36 (adjusted gross income) 37 57,766

38 a Check You were born before January 2, 1940, Blind. Total boxes
 if: Spouse was born before January 2, 1940, Blind. checked ▶ 38a

b If your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here ▶ 38b

39 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 39 41,776

40 Subtract line 39 from line 37 40 15,990

41 If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 33 41 6,200

42 Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0- 42 9,790

43 Tax (see page 33). Check if any tax is from: a Form(s) 8814 b Form 4972 43 961

44 Alternative minimum tax (see page 35). Attach Form 6251 44 0

45 Add lines 43 and 44 45 961

46 Foreign tax credit. Attach Form 1116 if required 46 0

47 Credit for child and dependent care expenses. Attach Form 2441 47 0

48 Credit for the elderly or the disabled. Attach Schedule R 48 0

49 Education credits. Attach Form 8863 49 961

50 Retirement savings contributions credit. Attach Form 8880 50 0

51 Child tax credit (see page 37) 51 0

52 Adoption credit. Attach Form 8839 52 0

53 Credits from: a Form 8396 b Form 8859 53 0

54 Other credits. Check applicable box(es): a Form 3800 b Form 8801 c Specify 54 0

55 Add lines 46 through 54. These are your total credits 55 961

56 Subtract line 55 from line 45. If line 55 is more than line 45, enter -0- 56 0

Other Taxes

57 Self-employment tax. Attach Schedule SE 57 2,142

58 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 58 0

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59 0

60 Advance earned income credit payments from Form(s) W-2 60 0

61 Household employment taxes. Attach Schedule H 61 0

62 Add lines 56 through 61. This is your total tax 62 2,142

Payments

63 Federal income tax withheld from Forms W-2 and 1099 63 6,631

64 2004 estimated tax payments and amount applied from 2003 return 64 5,441

65 a Earned income credit (EIC) 65a 0
 b Nontaxable combat pay election ▶ 65b 0

66 Excess social security and tier 1 RRTA tax withheld (see page 54) 66 0

67 Additional child tax credit. Attach Form 8812 67 0

68 Amount paid with request for extension to file (see page 54) 68 0

69 Other payments from: a Form 2439 b Form 4136 c Form 8885 69 0

70 Add lines 63, 64, 65a, and 66 through 69. These are your total payments 70 12,072

Refund

71 If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you overpaid 71 9,930

72 a Amount of line 71 you want refunded to you 72a 6,930
 b Routing number c Type: Checking Savings
 d Account number

73 Amount of line 71 you want applied to your 2005 estimated tax 73 3,000

Amount You Owe

74 Amount you owe. Subtract line 70 from line 62. For details on how to pay, see page 55 74 0

75 Estimated tax penalty (see page 55) 75 0

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 56)? Yes. Complete the following. No

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation Home phone number

Paid Preparer's Use Only

Preparer's signature Date 6/6/2005 Check if self-employed Preparer's SSN or PTIN P00117620

Firm's name (or yours if self-employed), address, and ZIP code Gerald J. Breitman, AIA/C 2806 Parkview Dr. Thousand Oaks State CA ZIP code 91362-4646

Sch C - PART V (page2)

Total: 32,707

1	OUTSIDE LABOR	1	20,880
2	CLEANING	2	349
3	TELEPHONE	3	7,970
4	GIFTS	4	3,508
5		5	

**SCHEDULE C
(Form 1040)**

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2004

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
▶ Attach to Form 1040 or 1041. ▶ See instructions for Schedule C (Form 1040).

Name of proprietor KEVIN M KELLY		Social Security number [REDACTED]
A Principal business or profession, including product or service (see page C-2 of the instructions) CHIROPRACTOR		B Enter code from pages C-7, 8, & 9 621310
C Business name. If no separate business name, leave blank.		D Employer ID number (EIN), if any
E Business address (including suite or room no.) [REDACTED]		
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you "materially participate" in the operation of this business during 2004? If "No," see page C-3 for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2004, check here <input type="checkbox"/>		

Part I Income

1 Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	1	321,000
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	321,000
4 Cost of goods sold (from line 42 on page 2)	4	0
5 Gross profit. Subtract line 4 from line 3	5	321,000
6 Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	0
7 Gross income. Add lines 5 and 6	7	321,000

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	4,800	19 Pension and profit-sharing plans	19	
9 Car and truck expenses (see page C-3)	9	8,407	20 Rent or lease (see page C-5):		
10 Commissions and fees	10	1,500	a Vehicles, machinery, and equipment	20a	0
11 Contract labor (see page C-4)	11	6,021	b Other business property	20b	53,257
12 Depletion	12		21 Repairs and maintenance	21	8,450
13 Depreciation and section 179 expense deduction (not included in Part III) (see page C-4)	13	11,533	22 Supplies (not included in Part III)	22	11,203
14 Employee benefit programs (other than on line 19)	14		23 Taxes and licenses	23	3,180
15 Insurance (other than health)	15	4,927	24 Travel, meals, and entertainment:		
16 Interest:			a Travel	24a	6,800
a Mortgage (paid to banks, etc.)	16a		b Meals and entertainment		37,732
b Other	16b		c Enter nondeductible amount included on line 24b (see page C-5)		50% 18,866
17 Legal and professional services	17	8,328	d Subtract line 24c from line 24b	24d	18,866
18 Office expense	18	2,155	25 Utilities	25	3,600
28 Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	305,839	26 Wages (less employment credits)	26	21,899
29 Tentative profit (loss). Subtract line 28 from line 7	29	15,162	27 Other expenses (from line 48 on page 2)	27	130,913
30 Expenses for business use of your home. Attach Form 8829	30	0	28 Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	305,839
31 Net profit or (loss). Subtract line 30 from line 29.			29 Tentative profit (loss). Subtract line 28 from line 7	29	15,162
• If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.			30 Expenses for business use of your home. Attach Form 8829	30	0
• If a loss, you must go to line 32.			31 Net profit or (loss). Subtract line 30 from line 29.		
32 If you have a loss, check the box that describes your investment in this activity (see page C-6).			• If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.	31	15,162
• If you checked 32a, enter the loss on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.			• If you checked 32b, you must attach Form 6198.		

32a All investment is at risk.
32b Some investment is not at risk.

Part III Cost of Goods Sold (see page C-6)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	
36 Purchases less cost of items withdrawn for personal use	36	
37 Cost of labor. Do not include any amounts paid to yourself	37	
38 Materials and supplies	38	
39 Other costs	39	
40 Add lines 35 through 39	40	0
41 Inventory at end of year	41	
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42	0

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 on page C-4 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶

44 Of the total number of miles you drove your vehicle during 2004, enter the number of miles you used your vehicle for:
 a Business 0 b Commuting 0 c Other 0

45 Do you (or your spouse) have another vehicle available for personal use? Yes No

46 Was your vehicle available for personal use during off-duty hours? Yes No

47 a Do you have evidence to support your deduction? Yes No
 b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

BANK CHARGES	1,500
UNIFORMS	4,520
MARKETING	72,700
BILLING	9,091
POSTAGE	3,855
PRINTING	5,600
STORAGE	- 565
SUBSCRIPTIONS	375
SEE SCHEDULE ATTACHED	32,707
48 Total other expenses. Enter here and on page 1, line 27	48 130,913

**SCHEDULE D
(Form 1040)**

Capital Gains and Losses

OMB No. 1545-0074

2004

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

Attachment
Sequence No. **12**

Name(s) shown on Form 1040

KEVIN M and GRETCHEN L KELLY

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-6 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2			0		0
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)			0		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					0
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					0
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet on page D-6 of the instructions					()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f).					0

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-6 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8 AMGEN	7/30/2002	7/7/2004	2,592	2,242	350
10 sh., Bea Systems	10/2/2002	7/7/2004	61	61	0
30 sh., Cisco Sys.	10/2/2002	7/7/2004	663	663	0
30 sh., Millennium Pharm.	10/2/2002	7/7/2004	368	368	0
9 Enter your long-term totals, if any, from Schedule D-1, line 9			0		0
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)			3,684		
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					0
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					0
13 Capital gain distributions. See page D-1 of the instructions					0
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet on page D-6 of the instructions					()
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back.					350

Part III Summary

16 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, and then go to line 17 below

16 350

17 Are lines 15 and 16 **both** gains?

Yes. Go to line 18.

No. Skip lines 18 through 21, and go to line 22.

18 Enter the amount, if any, from line 7 of the **28% Rate Gain Worksheet** on page D-7 of the instructions ▶

18 0

19 Enter the amount, if any, from line 18 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-8 of the instructions ▶

19 0

20 Are lines 18 and 19 **both** zero or blank?

Yes. Complete Form 1040 through line 42, and then complete the **Qualified Dividends and Capital Gain Tax Worksheet** on page 34 of the Instructions for Form 1040. **Do not** complete lines 21 and 22 below.

No. Complete Form 1040 through line 42, and then complete the **Schedule D Tax Worksheet** on page D-9 of the instructions. **Do not** complete lines 21 and 22 below.

21 If line 16 is a loss, enter here and on Form 1040, line 13, the **smaller** of:

- The loss on line 16 or
- (\$3,000), or if married filing separately, (\$1,500) }

21 ()

Note. When figuring which amount is smaller, treat both amounts as positive numbers.

22 Do you have qualified dividends on Form 1040, line 9b?

Yes. Complete Form 1040 through line 42, and then complete the **Qualified Dividends and Capital Gain Tax Worksheet** on page 34 of the Instructions for Form 1040.

No. Complete the rest of Form 1040.

**SCHEDULE E
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0074

2004

Attachment
Sequence No. **13**

▶ Attach to Form 1040 or Form 1041. ▶ See instructions for Schedule E (Form 1040).

Name(s) shown on return

Your social security number

KEVIN M and GRETCHEN L KELLY

property, use Schedule C or C-EZ (see page E-3). Report farm rental income or loss from Form 4835 on page 2, line 40.

1 List the type and location of each rental real estate property:		2 For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of		Yes	No
1	CONDOMINIUM	• 14 days or	• 10% of the total days rented at fair rental value?	1	X
2				2	
3				3	

Income:	Properties			Totals
	1	2	3	(Add cols. 1, 2, and 3)
3 Rents received	3 15,540			3 15,540
4 Royalties received	4 0			4 0
Expenses:				
5 Advertising	5 500			
6 Auto and travel (see page E-4)	6 0			
7 Cleaning and maintenance	7 0			
8 Commissions	8 0			
9 Insurance	9 0			
10 Legal and other professional fees	10 0			
11 Management fees	11 0			
12 Mortgage interest paid to banks, etc. (see page E-4)	12 9,119			12 9,119
13 Other interest	13 0			
14 Repairs	14 800			
15 Supplies	15 0			
16 Taxes	16 2,570			
17 Utilities	17 800			
18 Other (list) ▶ ASSOCIATION DUES	18 1,800	0	0	
	0	0	0	
	0	0	0	
	0			
19 Add lines 5 through 18	19 15,589			19 15,589
20 Depreciation expense or depletion	20 5,999			20 5,999
21 Total expenses. Add lines 19 and 20	21 21,588			
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-4 to find out if you must file Form 6198	22 -6,048			
23 Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See page E-4 to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23 6,048			
24 Income. Add positive amounts shown on line 22. Do not include any losses	24			0
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			-6,048
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 41 on page 2	26			-6,048

SCHEDULE SE

(Form 1040)

Department of the Treasury
Internal Revenue Service

Self-Employment Tax

▶ Attach to Form 1040. ▶ See Instructions for Schedule SE (Form 1040).

OMB No. 1545-0074

2004

Attachment
Sequence No. 17

Name of person with self-employment income (as shown on Form 1040)

KEVIN M KELLY

Social security number of person
with self-employment income ▶



Who Must File Schedule SE

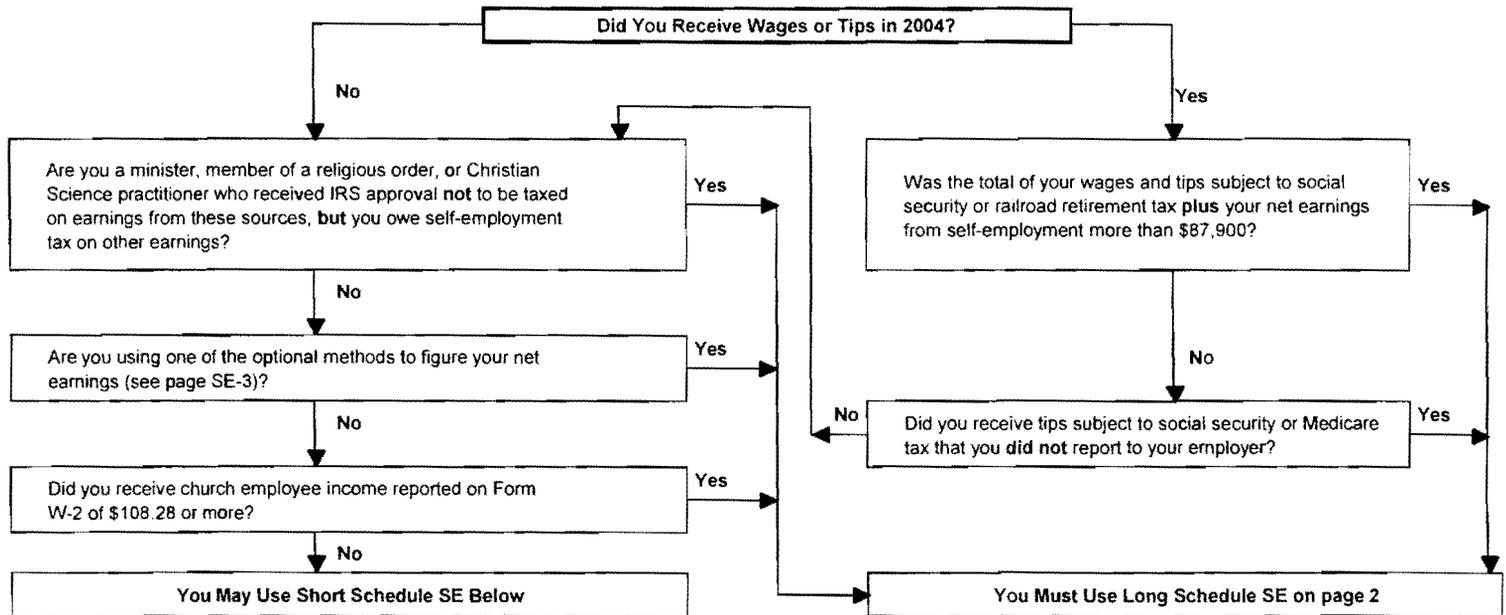
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order is **not** church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 57.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1	0
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	15,162
3	Combine lines 1 and 2	3	15,162
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax ▶	4	14,002
5	Self-employment tax. If the amount on line 4 is: <ul style="list-style-type: none"> • \$87,900 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 57. • More than \$87,900, multiply line 4 by 2.9% (.029). Then, add \$10,899.60 to the result. Enter the total here and on Form 1040, line 57. 	5	2,142
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 30	6	1,071

Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury Internal Revenue Service

See separate instructions. Attach to your tax return.

Attachment Sequence No. 67

Name(s) shown on return: KEVIN M KELLY; Business or activity to which this form relates: CHIROPRACTOR; Identifying number: [REDACTED]

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

Table with 5 columns: Line number, Description, (a) Description of property, (b) Cost (business use only), (c) Elected cost. Rows 1-13.

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

Table with 3 columns: Line number, Description, Amount. Rows 14-16.

Part III MACRS Depreciation (Do not include listed property.) (See page 5 of the instructions.)

Section A

Table with 3 columns: Line number, Description, Amount. Rows 17-18.

Section B - Assets Placed in Service During 2004 Tax Year Using the General Depreciation System

Table with 7 columns: (a) Classification of property, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Rows 19a-i.

Section C - Assets Placed in Service During 2004 Tax Year Using the Alternative Depreciation System

Table with 6 columns: Line number, Description, (b) Month and year placed in service, (d) Recovery period, (e) Convention, (f) Method. Rows 20a-c.

Part IV Summary (see page 8 of the instructions)

Table with 3 columns: Line number, Description, Amount. Rows 21-23.

For Paperwork Reduction Act Notice, see separate instructions.

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See page 9 of the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see page 8 of the instructions)							25	0
26 Property used more than 50% in a qualified business use (see page 8 of the instructions):								
Jeep	1/1/2003	91.67%	37,000	26,258	5	200DB - HY	4,492	
27 Property used 50% or less in a qualified business use (see page 8 of the instructions):								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	4,492
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29	0

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a)		(b)		(c)		(d)		(e)		(f)	
	Vehicle 1	Vehicle 2	Vehicle 3	Vehicle 4	Vehicle 5	Vehicle 6	Vehicle 1	Vehicle 2	Vehicle 3	Vehicle 4	Vehicle 5	Vehicle 6
30 Total business/investment miles driven during the year (do not include commuting miles - See page 2 of the instructions)	22,000											
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven	2,000											
33 Total miles driven during the year. Add lines 30 through 32	24,000											
34 Was the vehicle available for personal use during off-duty hours?	Yes	No										
	X											
35 Was the vehicle used primarily by a more than 5% owner or related person?	Yes	No										
	X											
36 Is another vehicle available for personal use?	Yes	No										
	X											

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see page 10 of the instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See page 10 of the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See page 10 of the instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2004 tax year (see pg. 11 of the instructions):					
43 Amortization of costs that began before your 2004 tax year				43	0
44 Total. Add amounts in column (f). See page 12 of the instructions for where to report				44	0

Depreciation and Amortization (Including Information on Listed Property)

2004

Attachment
Sequence No. 67

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return KEVIN M and GRETCHEN L KELLY	Business or activity to which this form relates CONDOMINIUM	Identifying number [REDACTED]
--	---	----------------------------------

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See page 2 of the instructions for a higher limit for certain businesses	1	102,000
2 Total cost of section 179 property placed in service (see page 3 of the instructions).	2	0
3 Threshold cost of section 179 property before reduction in limitation	3	410,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 3 of the instructions	5	102,000
6		
(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter the amount from line 29		
		7 0
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	0
10 Carryover of disallowed deduction from line 13 of your 2003 Form 4562.	10	0
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	0
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	0
13 Carryover of disallowed deduction to 2005. Add lines 9 and 10, less line 12	13	0

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see page 3 of the instructions)	14	0
15 Property subject to section 168(f)(1) election (see page 4 of the instructions)	15	0
16 Other depreciation (including ACRS) (see page 4 of the instructions)	16	0

Part III MACRS Depreciation (Do not include listed property.) (See page 5 of the instructions.)

Section A

17 MACRS deductions for assets placed in service in tax years beginning before 2004	17	5,999
18 If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

Section B - Assets Placed in Service During 2004 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation <small>(business/investment)</small>	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19 a 3-year property	[REDACTED]					
b 5-year property	[REDACTED]					
c 7-year property	[REDACTED]					
d 10-year property	[REDACTED]					
e 15-year property	[REDACTED]					
f 20-year property	[REDACTED]					
g 25-year property	[REDACTED]		25 yrs.		S/L	
h Residential rental property	[REDACTED]		27.5 yrs.	MM	S/L	
i Nonresidential real property	[REDACTED]		39 yrs.	MM	S/L	
				MM	S/L	

Section C - Assets Placed in Service During 2004 Tax Year Using the Alternative Depreciation System

20 a Class life	[REDACTED]					
b 12-year	[REDACTED]		12 yrs.		S/L	
c 40-year	[REDACTED]		40 yrs.	MM	S/L	

Part IV Summary (see page 8 of the instructions)

21 Listed property. Enter amount from line 28	21	0
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	5,999
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	0

For Paperwork Reduction Act Notice, see separate instructions.

Passive Activity Loss Limitations

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040 or Form 1041.

Attachment
Sequence No. **88**

Name(s) shown on return

Identifying number

KEVIN M and GRETCHEN L KELLY

Part I 2004 Passive Activity Loss

Caution: See the instructions for Worksheets 1, 2, and 3 on pages 7 and 8 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation see **Special Allowance for Rental Real Estate Activities** on page 3 of the instructions.)

1 a	Activities with net income (enter the amount from Worksheet 1, column (a))	1a	0	
b	Activities with net loss (enter the amount from Worksheet 1, column (b))	1b	(6,048)	
c	Prior years unallowed losses (enter the amount from Worksheet 1, column (c))	1c	()	
d	Combine lines 1a, 1b, and 1c	1d	(6,048)	

Commercial Revitalization Deductions From Rental Real Estate Activities

2 a	Commercial revitalization deductions from Worksheet 2, column (a)	2a	()	
b	Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)	2b	()	
c	Add lines 2a and 2b	2c	()	

All Other Passive Activities

3 a	Activities with net income (enter the amount from Worksheet 3, column (a))	3a	0	
b	Activities with net loss (enter the amount from Worksheet 3, column (b))	3b	()	
c	Prior years unallowed losses (enter the amount from Worksheet 3, column (c))	3c	()	
d	Combine lines 3a, 3b, and 3c	3d	0	

4	Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582. Report the losses on the forms and schedules normally used.	4	(6,048)	
---	---	---	----------	--

- If line 4 is a loss and:
- Line 1d is a loss, go to Part II.
 - Line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, **do not** complete Part II or Part III. Instead, go to line 15.

Part II Special Allowance for Rental Real Estate With Active Participation

Note: Enter all numbers in Part II as positive amounts. See page 8 for an example.

5	Enter the smaller of the loss on line 1d or the loss on line 4	5	6,048	
6	Enter \$150,000. If married filing separately, see page 8.	6	150,000	
7	Enter modified adjusted gross income, but not less than zero (see page 8)	7	64,885	
8	Subtract line 7 from line 6	8	85,116	
9	Multiply line 8 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see page 8.	9	25,000	
10	Enter the smaller of line 5 or line 9	10	6,048	

If line 2c is a loss, go to Part III. Otherwise, go to line 15.

Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: Enter all numbers in Part III as positive amounts. See the example for Part II on page 8.

11	Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions	11	0	
12	Enter the loss from line 4	12	0	
13	Reduce line 12 by the amount on line 10	13	0	
14	Enter the smallest of line 2c (treated as a positive amount), line 11, or line 13	14	0	

Part IV Total Losses Allowed

15	Add the income, if any, on lines 1a and 3a and enter the total	15	0	
16	Total losses allowed from all passive activities for 2004. Add lines 10, 14, and 15. See pages 10 and 11 of the instructions to find out how to report the losses on your tax return	16	6,048	

For Paperwork Reduction Act Notice, see page 12 of the instructions.

Caution: The worksheets must be filed with your tax return. Keep a copy for your records.

Worksheet 1—For Form 8582, Lines 1a, 1b, and 1c (See page 7 of the instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	(b) Net loss (line 1b)	(c) Unallowed loss (line 1c)	(d) Gain	(e) Loss
Sch E: CONDOMINIUM	0	6,048	0	0	6,048
Total. Enter on Form 8582, lines 1a, 1b, and 1c	0	6,048	0		

Worksheet 2—For Form 8582, Lines 2a and 2b (See page 7 and 8 of the instructions.)

Name of activity	(a) Current year deductions (line 2a)	(b) Prior year unallowed deductions (line 2b)	(c) Overall loss
Total. Enter on Form 8582, lines 2a and 2b	0	0	

Worksheet 3—For Form 8582, Lines 3a, 3b, and 3c (See page 8 of the instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 3a)	(b) Net loss (line 3b)	(c) Unallowed loss (line 3c)	(d) Gain	(e) Loss
Total. Enter on Form 8582, lines 3a, 3b, and 3c	0	0	0		

Worksheet 4—Use this worksheet if an amount is shown on Form 8582, line 10 or 14 (See page 9.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Special allowance	(d) Subtract column (c) from column (a)
Sch E: CONDOMINIUM	Sch E, Prop #1	6,048	1.000000	6,048	0
Total		6,048	1.00	6,048	0

Worksheet 5—Allocation of Unallowed Losses (See page 9 of the instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
Total		0	1.00	0

Education Credits (Hope and Lifetime Learning Credits)

2004

Department of the Treasury
Internal Revenue Service (99)

▶ See instructions.
▶ Attach to Form 1040 or Form 1040A.

Attachment
Sequence No. **50**

Name(s) shown on return

KEVIN M and GRETCHEN L KELLY

Your social security number

Caution: You **cannot** take both an education credit and the tuition and fees deduction (Form 1040, line 27, or Form 1040A, line 19) for the **same student** in the same year.

Part I Hope Credit. Caution: You **cannot** take the Hope credit for more than **2** tax years for the **same student**.

1	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,000 for each student.	(d) Enter the smaller of the amount in column (c) or \$1,000	(e) Subtract column (d) from column (c)	(f) Enter one-half of the amount in column (e)	
			0	0	0	0	
			0	0	0	0	
			0	0	0	0	
2	Add the amounts in columns (d) and (f)					2	0
3	Tentative Hope credit. Add the amounts on line 2, columns (d) and (f). If you are taking the lifetime learning credit for another student, go to Part II; otherwise, go to Part III					3	0

Part II Lifetime Learning Credit

4	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)
	GRETCHEN KELLY	[REDACTED]	5,700
			0
			0
			0
5	Add the amounts on line 4, column (c), and enter the total		5 5,700
6	Enter the smaller of line 5 or \$10,000		6 5,700
7	Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III		7 1,140

Part III Allowable Education Credits

8 Tentative education credits. Add lines 3 and 7		8	1,140
9 Enter: \$105,000 if married filing jointly; \$52,000 if single, head of household, or qualifying widow(er)	9	105,000	
10 Enter the amount from Form 1040, line 37*, or Form 1040A, line 22	10	57,766	
11 Subtract line 10 from line 9. If zero or less, stop ; you cannot take any education credits	11	47,235	
12 Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)	12	20,000	
13 If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)	13		1.00000
14 Multiply line 8 by line 13	14		1,140
15 Enter the amount from Form 1040, line 45, or Form 1040A, line 28	15		961
16 Enter the total, if any, of your credits from Form 1040, lines 46 through 48, or Form 1040A, lines 29 and 30	16		0
17 Subtract line 16 from line 15. If zero or less, stop ; you cannot take any education credits	17		961
18 Education credits. Enter the smaller of line 14 or line 17 here and on Form 1040, line 49, or Form 1040A, line 31	18		961

* If you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico, see Pub. 970 for the amount to enter.

Line 18 (Sch E page 1 (1040)) - Other Expense Summary for 01

1	ASSOCIATION DUES	1	1,800
2	Total	2	1,800

Form 4562 Statement - Sch C: DC

KEVIN M and GRETCHEN L KELLY

Item No.	Description of Property	Date Placed In Service	Asset Code	Bus. Use %	Cost or Other Basis	Sec. 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum. Deprec., 179, Bonus	2004 Deprec.	2004 Accum. Deprec.
----------	-------------------------	------------------------	------------	------------	---------------------	--------------------	-------------------	----------------	-----------------	--------	-----------	----------------------------------	--------------	---------------------

Section 179 Deductions Before Limitations (Line 8) and Special Allowance (Line 14)

Special allowance except listed property (Line 14)

4	THERAPY EQ.	2/1/2004	F-7	100.00%	7,443		3,722							
5	FURNITURE	2/1/2004	F-11	100.00%	4,505		2,253							
					<u>11,948</u>		<u>5,975</u>							

Depreciation Detail

GDS 5-year property (Line 19b)

4	THERAPY EQ.	2/1/2004	F-7	100.00%	7,443		3,722	3,721	5	200DB	HY		744	4,466
Total GDS 5-year property (Line 19b)					<u>7,443</u>	<u>0</u>	<u>3,722</u>	<u>3,721</u>				<u>0</u>	<u>744</u>	<u>4,466</u>

GDS 7-year property (Line 19c)

5	FURNITURE	2/1/2004	F-11	100.00%	4,505		2,253	2,252	7	200DB	HY		322	2,575
Total GDS 7-year property (Line 19c)					<u>4,505</u>	<u>0</u>	<u>2,253</u>	<u>2,252</u>				<u>0</u>	<u>322</u>	<u>2,575</u>

Subtotal

					<u>11,948</u>	<u>0</u>	<u>5,975</u>	<u>5,973</u>				<u>0</u>	<u>1,066</u>	<u>7,041</u>
--	--	--	--	--	---------------	----------	--------------	--------------	--	--	--	----------	--------------	--------------

Listed Property

Listed property with more than 50% business use (Line 25 and 26)

4	Jeep	1/1/2003	V-5	91.67%	37,000	0	0	26,258	5	200DB	HY	7,660	4,492	12,152
Total listed prop with > 50% business use					<u>37,000</u>	<u>0</u>	<u>0</u>	<u>26,258</u>				<u>7,660</u>	<u>4,492</u>	<u>12,152</u>

Subtotal Listed Property

					<u>37,000</u>	<u>0</u>	<u>0</u>	<u>26,258</u>				<u>7,660</u>	<u>4,492</u>	<u>12,152</u>
					<u>48,948</u>	<u>0</u>	<u>5,975</u>	<u>32,231</u>				<u>7,660</u>	<u>5,558</u>	<u>19,193</u>

Form 4562 Reconciliation

Annual depreciation and amortization	5,558
Special allowance except listed property (Line 14)	5,975
Listed property special allowance (Line 25)	0
Section 179 deduction claimed (includes prior year disallowed)	0
Section 179 deduction carried forward to future year	0
Section 179 deduction (Line 12)	0
Less amortization included in total annual depreciation and amortization (Line 44)	0
Form 4562, Line 22	11,533

Form 4562 Statement - Sch E: 01

KEVIN M and GRETCHEN L KELLY

Item No.	Description of Property	Date Placed In Service	Asset Code	Bus. Use %	Cost or Other Basis	Sec. 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum. Deprec., 179, Bonus	2004 Deprec.	2004 Accum. Deprec.
----------	-------------------------	------------------------	------------	------------	---------------------	--------------------	-------------------	----------------	-----------------	--------	-----------	----------------------------------	--------------	---------------------

Depreciation Detail

MACRS deductions for prior years (Line 17)

1	CONDOMINIUM	6/27/2003	R-6	100.00%	165,000	0	0	165,000	27.5	SL/GDS	MM	3,251	5,999	9,250
Total MACRS deductions for prior years (Line 17)					<u>165,000</u>	<u>0</u>	<u>0</u>	<u>165,000</u>				<u>3,251</u>	<u>5,999</u>	<u>9,250</u>
Subtotal					<u>165,000</u>	<u>0</u>	<u>0</u>	<u>165,000</u>				<u>3,251</u>	<u>5,999</u>	<u>9,250</u>
					<u>165,000</u>	<u>0</u>	<u>0</u>	<u>165,000</u>				<u>3,251</u>	<u>5,999</u>	<u>9,250</u>

Form 4562 Reconciliation

Annual depreciation and amortization	5,999
Special allowance except listed property (Line 14)	0
Listed property special allowance (Line 25)	0
Section 179 deduction claimed (includes prior year disallowed)	0
Section 179 deduction carried forward to future year	0
Section 179 deduction (Line 12)	0
<u>Less amortization included in total annual depreciation and amortization (Line 44)</u>	<u>0</u>
Form 4562 , Line 22	5,999

Line 6 (Sch A (1040)) - Real estate taxes

1a	Principal residence	1a	5,616	
Less:				
b	Allocation from form(s) 8829	1b	0	
c	Subtract line b from line 1a.	1c	5,616	
2	Real estate taxes from Schedule E properties	2	0	
3	Other real estate (not held for investment):			
a	-----	3a	-----	
b	-----	3b	-----	
c	-----	3c	-----	
d	-----	3d	-----	
e	-----	3e	-----	
	Total other real estate (not held for investment)	3	0	
4	Real estate held for investment:			
a	-----	4a	-----	
b	-----	4b	-----	
c	-----	4c	-----	
d	-----	4d	-----	
e	-----	4e	-----	
	Total other real estate held for investment	4	0	
5	Total real estate taxes	5	5,616	

Line 10 (Sch A (1040)) - Home mortgage interest and points on Form 1098

1	Lender's Name	NOT used to buy, build, or improve a qualified residence	USED for investment assets	Total Mortgage Interest	Fully Deductible Points
a	COUNTRYWIDE	<input type="checkbox"/>	<input type="checkbox"/>	1a 19,488	1a
b	COUNTRYWIDE	<input type="checkbox"/>	<input type="checkbox"/>	1b 2,457	1b
c	COUNTRYWIDE	<input type="checkbox"/>	<input type="checkbox"/>	1c 9,232	1c
d	-----	<input type="checkbox"/>	<input type="checkbox"/>	1d	1d
e	Mortgage interest from Schedule E	<input type="checkbox"/>	<input type="checkbox"/>	1e 0	1e
	Total of line 1			1	31,177

Qualified Loan Limit - Part I

2	Enter the average balance of all your grandfathered debt. See instructions.	2	-----
3	Enter the average balance of all your home acquisitions debt. See instructions	3	-----
4	Enter \$1,000,000 (\$500,000 if married filing separately)	4	1,000,000
5	Enter the LARGER of the amounts on line 2 or the amount on line 4	5	1,000,000
6	Add the amounts on lines 2 and 3	6	0
7	Enter the SMALLER of the amount on line 5 or the amount on line 6	7	0
8	Enter \$100,000 (\$50,000 if married filing separately). See instructions for a limit that may apply	8	100,000
9	Add the amounts on lines 7 and 8. This is your qualified loan limit	9	100,000

Deductible Home Mortgage Interest - Part II

10	Enter the total of the average balances of all mortgages on all qualified homes. See instructions.	10	-----
If line 9 is less than line 10, Go on to line 11.			
If line 9 is equal to or more than line 10, go to line 13. All of your interest on all the mortgages included on line 10 is deductible as home mortgage interest on Schedule A (Form 1040)			
11	Enter the total amount of interest that you paid. See instructions	11	0
12	Divide the amount on line 9 by the amount on line 10. Enter as a decimal (rounded to 3 places)	12	0.000
13	Multiply the amount on line 11 by the decimal amount on line 12. If you skipped lines 11 & 12, enter amount from line 1. This is your DEDUCTIBLE HOME MORTGAGE INTEREST	13	31,177
14	Reductions in amounts deductible on Schedule A		
a	Subtract the amount on line 13 from the amount on line 11. This is NOT home mortgage interest. See instructions.	a	0
b	Form 8396 allocation.	b	0
c	Form(s) 8829 allocation (Home Office)	c	0
d	-----	d	-----
	Total of Lines 14b - 14d	14	0
15	Subtract line 14 from line 13. Enter the result on line 10, Schedule A	15	31,177



Line 15 (Sch A (1040)) - Gifts By Cash or Check

		Total:	<u>1,700</u>
1	<u>VARIOUS</u>	Type of Charity	
	-----	50%	1 <u>1,700</u>

7 **Notices and communications.** Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2.

- a If you also want the second representative listed to receive a copy of notices and communications, check this box
- b If you do not want any notices or communications sent to your representative(s), check this box

8 **Retention/revocation of prior power(s) of attorney.** The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.

YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

9 **Signature of taxpayer(s).** If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ **IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.**

<p><i>[Handwritten Signature]</i> ----- Signature</p>	<p><i>7/27/08</i> ----- Date</p>	<p>----- Title (if applicable)</p>
<p><i>Kevin M. Kelly</i> ----- Print Name</p>	<p><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/> ----- PIN Number</p>	<p>----- Print name of taxpayer from line 1 if other than individual</p>
<p><i>[Handwritten Signature]</i> ----- Signature</p>	<p><i>7/27/08</i> ----- Date</p>	<p>----- Title (if applicable)</p>
<p><i>Greene Kelly</i> ----- Print Name</p>	<p><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/><input type="checkbox"/> ----- PIN Number</p>	

Part II Declaration of Representative

Caution: Students with a special order to represent taxpayers in qualified Low Income Taxpayer Clinics or the Student Tax Clinic Program (levels k and l), see the instructions for Part II.

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (for example, spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
 - h Unenrolled Return Preparer—the authority to practice before the Internal Revenue Service is limited by Circular 230, section 10.7(c)(1)(viii). You must have prepared the return in question and the return must be under examination by the IRS. See **Unenrolled Return Preparer** on page 1 of the instructions.
 - k Student Attorney—student who receives permission to practice before the IRS by virtue of their status as a law student under section 10.7(d) of Circular 230.
 - l Student CPA—student who receives permission to practice before the IRS by virtue of their status as a CPA student under section 10.7(d) of Circular 230.
 - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

▶ **IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.** See the Part II instructions.

Designation—Insert above letter (a-r)	Jurisdiction (state) or identification	Signature	Date
a	Pennsylvania	Jayne Rebhun	7/27/08
a	Nebraska	Jayne Rebhun	7/27/08
b	Pennsylvania	Jayne Rebhun	7/27/08

Audit Discrepancies Tax Year 2005

1. The advertising expenses per return was \$ 4,000.00'; the auditor claimed a discrepancy of \$ 3,980.00 which is incorrect. The advertising expenses included flyers, post cards and mailers that were paid for with cash. The receipts are not available as they were destroyed in the flood in our home. As per IRS handbook pertaining to destroyed records, "If you can not produce a receipt because of reasons beyond your control, you can prove a deduction by reconstructing your records or expenses. Reasons beyond your control include fire, flood, and other casualty". The taxpayer has included the flyers and cards and mailers that I had printed, thus reconstructing my records per IRS rules (Chapter 5 page 27). Some of these advertising expenses included "displaying or exhibiting products or materials sold by a business" which has been outlined in *Simons Brick Co v Commr*, 14 BTA 878, Dec 4703 (1928), aff'd, CA-9. Some of these expenses are also a form of goodwill advertising that have also been upheld in tax ruling see Reg §1.162-20 (a) (2).

2. The car log book is enclosed per year requested. The total mileage was 21,398 rounded off to 22,000 miles. The car expenses were listed as \$10, 206.00 on the original return. The taxpayer submitted expenses totaling \$ 13,549.00 thereby increasing that figure.

3. The insurance total listed as \$10, 710 on the tax return; the auditor stated the TP books' total was \$ 3,964.00. The total insurance for 2005 was actually \$ 9, 120.00.

4. The office expenses were listed as \$ 4,200.00 with other business property listed as \$ 59,881. The office expenses was for miscellaneous expenses for chiropractic offices, including filing, scheduling meetings, marketing, billing and other tasks performed for the necessary functions of running my office. I have included checks for those services totaling \$ 4,074.00. The remainder of those expenses were paid in cash.

The other business was for rent on my offices. The rent total should have been \$77,481.00 not the figure of \$59,881.00 listed on the return. The taxpayer has included a printout of these expenses listing all checks paid to confirm this figure.

5. The repair and maintenance information was listed as \$10,800. The total from the records were \$8,774.00. The remainder of those expenses was paid out in cash with receipts not available as those records were destroyed.

6. The travel expense was listed initially as \$ 4,800.00. The actually expenses were \$ 5,348.00.

7. The meals and entertainment expenses totaled \$ 22,005. The taxpayer showed \$13,305.00 paid out of his business account and \$ 3, 465.00 paid on his Chase Credit Card. He has enclosed those receipts. The remainder being paid out in cash. The record for those expenses having been destroyed due to circumstances beyond his control. A lot of those expenses were for meals that were less than \$75.00 per IRS handbook (Chapter 5 page 26), "documentary evidence is not needed if any of the following apply:

❖ Your expense, other than lodging, is less than \$ 75.00.

Also, all of the meals and entertainment expenses meet the directly – related test in

this:

1. *The main purpose of the combined business and entertainment was the active conduct of business.*
2. *Taxpayer did engage in business with the person during the entertainment period and*
3. *The taxpayer had more than a general expectation of getting income or some other specific business benefits at some future time.*

8. As for the wages , those numbers came directly from the company used to do payroll called Paychex. That statement was included with the original return. The taxpayer has enclosed the copy of the year end statement showing the accuracy of that figure.

9. The uniforms information requested was listed as \$ 3,700.00 on the return. The taxpayer has receipts totaling \$ 1,304.00 from his business account and \$ 459.03 from his Chase Credit Card. The remainder of these expenses were paid in cash with records having been destroyed due to circumstances beyond his control.

10. The marketing expenses you requested listed expenses of \$80,530.00. The taxpayer showed cancelled checks for \$74,569.00. The remaining expenses were paid in cash with receipts destroyed due to circumstance beyond his control.

11. The billing expenses totaled \$ 14,600.00 with receipts showing \$ 3,242.00. It appears the tax preparer might have allocated rental expenses for the El Monte Office as billing expenses. The correct billing figure is \$ 3,242.00. The rent figures have been updated and therefore the billing figures will also reflect the change.

12. The postage expense was listed as \$ 3,900.00. The taxpayer has figures showing \$ 635.75. The rest of the postage was paid with cash and included mailing large expensive x-ray envelopes, billing packets, patient files and reports, flyers, "Free Auto Accident Report", mailers, coupons and other items to promote my business. The receipts were destroyed due to circumstance beyond taxpayer's control. The taxpayer has included a receipt that reconstructs these records per the IRS handbook (Chapter 5 page 27).

13. The printing expenses totaled \$ 4,600.00 on the return. The taxpayer shows expenses showing total receipts of \$ 3,807.00. The remainder of these expenses was paid with cash. The receipts were destroyed due to circumstances beyond control. See chapter 5 page 27 of the IRS handbook with regards to destroyed receipts.

14. The unidentified expenses requested on the return were listed as \$ 34,044.00. Some of these expenses included cleaning, telephone, and gifts; the taxpayer has included those receipts with this packet. The cleaning was listed as \$ 3,564.00 on the return – the taxpayer has receipts totaling \$3,484.00. The telephone expense was listed as \$ 8,100.00 – the taxpayer shows receipts totaling \$ 6,988.00 from his business account and \$ 264.00 from his Chase Credit Card. The gifts expense shows a total of \$ 1,500.00 – the taxpayer has receipts totaling \$ 1,472.00. The remainder of those expenses were paid with cash, the receipts having been destroyed due to circumstance beyond taxpayer’s control.

The other expenses of \$ 20,880.00 was not outside labor as it was listed on the return, It should have been classified as rent. That is why the rent which was explained earlier in this letter was not \$59,881 but was actually \$77,481.00. The taxpayer does not know how it was listed as outside labor and show be re-classified.

Per IRS handbook, in providing documentation, The taxpayer had provided the auditor with “evidence that is the best proof possible under the circumstances”. In business where the taxpayer does not a cancelled check, the printout he provided the auditor includes the check number. The copy of the bank statements he had already provided the auditor will show the check as having cleared his bank.

The auditor also requested an explanation the differences on the return vs what the taxpayer has listed as TP books. That sheet provided was a work sheet. The final

figures comes from adding cash receipts and credit cards to his check register and totaling those figures.

It is respectfully requested that this information be considered in support of audit reconsideration.

Joyce Rebhun, JD, MBA, PhD

Here is the information you requested regarding my 2005 tax year.

1. The advertising expenses per return was \$4,000.00, you claim a discrepancy of \$3,980.00 which is incorrect. The advertising expenses included flyers, post cards and mailers that were paid for with cash. The receipts are not available as they were destroyed in the flood in our home. As per IRS handbook pertaining to destroyed records, "If you can not produce a receipt because of reasons beyond your control, you can prove a deduction by reconstructing your records or expenses. Reasons beyond your control include fire, flood, and other casualty". I have included the flyers and cards and mailers that I had printed, thus reconstructing my records per IRS rules (Chapter 5 page 27). Some of these advertising expenses included "displaying or exhibiting products or materials sold by a business" which has been outlined in *Simons Brick Co v Commr*, 14 BTA 878, Dec. 4703 (1928), aff'd, CA-9. Some of these expenses are also a form of goodwill advertising that have also been upheld in tax rulings, see Reg \$1.162-20(a)(2).
RECEIPTS WERE NOT LOST THE CELLPHONE / ROOF WAS REPAIRED IN 2005

2. The car log book is enclosed per your request. The total mileage was 21,398 rounded off to 22,000 miles. The car expense you requested was listed as \$10,206.00 on my return. I have included expenses totaling \$13,549.00 thereby increasing that figure.

3. The insurance total was listed as \$10,710 on the tax return, you stated the TP books total was \$3,964.00. The total insurance for 2005 was actually \$9,120.00.

✓ 4. The office expense you requested was listed as \$4,200.00 with other business property listed as \$59,881. The office expense was for miscellaneous expenses for my offices, including filing, scheduling meetings, marketing, billing and other tasks performed for the necessary functions of running my office. I have included checks for those services totaling \$4,074.00. The remainder of those expenses was paid in cash. The other business was for rent on my offices. The rent total should have been \$77,481.00 not the figure of \$59,881.00 listed on the return. I have included printouts of these expenses listing all checks paid to confirm this figure.

✓ 5. The repair and maintenance information you requested was listed as \$10,800. The total from my records were \$8,774.00. The remainder of those expenses was paid out in cash with receipts not available as those records were destroyed.

✓ 6. The travel expense you questioned was listed initially as \$4,800.00. The actual expenses were \$5,348.00.

7. The Meals and Entertainment expenses you requested totaled \$22,005. I show \$13,305.00 paid out of my account and \$3,465.00 paid on my Chase credit card. I have enclosed those receipts. The remainder being paid out in cash. The records for those expenses having been destroyed due to circumstances beyond my control. A lot of those expenses were for meals that were less than \$75.00. Per IRS handbook (Chapter 5 page 26), "documentary evidence is not needed if any of the following apply:

- Your expense, other than lodging, is less than \$75.00.

Also, all of the meals and entertainment expenses meet the directly – related test in that:

1. The main purpose of the combined business and entertainment was the active conduct of business.
 2. I did engage in business with the person during the entertainment period and
 3. I had more than a general expectation of getting income or some other specific business benefit at some future time.
8. As for the wages you requested, those numbers came directly from the company I use to do my payroll called Paychex. That statement was included with my original return. I have enclosed the copy of the year end statement showing the accuracy of that figure.
9. The uniforms information you requested was listed as \$3,700.00 on the return. I have receipts totaling \$1,304.00 from my account and \$459.03 from my Chase credit card. The remainder of these expenses was paid in cash with records having been destroyed due to circumstances beyond my control.
10. The marketing expenses you requested listed expenses of \$80,530.00. I show cancelled checks for \$74,569.00. The remaining expenses were paid in cash with receipts destroyed due to circumstances beyond my control.
11. The billing expenses you requested totaled \$14,600.00 with my receipts showing \$3,242.00. It appears I might have allocated rental expenses for the El Monte office as billing expenses. The correct billing figure is \$3,242.00. The rent figures have been updated and therefore the billing figures will also reflect this change.
12. You requested information regarding the postage expense. The postage expense was listed as \$3,900.00. I have figures showing \$635.75. The rest of the postage was paid with cash and included mailing large expensive x-ray envelopes, billing packets, patient files and reports, flyers, “Free Auto Accident Report”, mailers, coupons and other items to promote my business. The receipts were destroyed due to circumstances beyond my control. I have included a receipt that reconstructs these records per the IRS handbook (Chapter 5 page 27).
13. You requested information regarding the printing expenses which totaled \$4,600.00 on the return. I show expenses showing total receipts of \$3,807.00. The remainder of these expenses was paid with cash. The receipts were destroyed due to circumstances beyond my control. See Chapter 5 page 27 of the IRS handbook with regards to destroyed receipts.

Page 3

14. The unidentified expenses you requested were listed on the return as \$34,044.00. Some of those expenses include cleaning, telephone and gifts and I have included those receipts with this packet. The cleaning was listed as \$3,564.00 on the return and I have receipts totaling \$3,484.00. The telephone expense was listed as \$8,100.00 and I show receipts totaling \$6,988.00 from my account and \$264.00 from my Chase credit card. The gifts expense shows a total of \$1,500.00 and I have receipts totaling \$1,472.00. The remainder of those expenses was paid with cash, the receipts having been destroyed due to circumstances beyond my control.

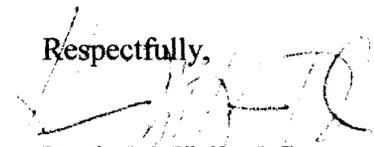
The other expense of \$20,880.00 was not outside labor as it was listed on the return. It should have been classified as rent. That is why the rent I explained earlier in this letter was not \$59,881 but was actually \$77,481.00. I do not know how it was listed as outside labor and should be re-classified.

Per the IRS handbook, in providing documentation, I have provided you with "evidence that is the best proof possible under the circumstances". In instances where I do not have a cancelled check, the printout I have provided you includes the check number. The copy of my bank statements I have already provided you will show the check as having cleared my bank.

You also requested an explanation regarding the differences on the return vs what you have listed as TP books. That sheet you have is a work sheet. The final figures come from adding cash receipts and credit cards to my check register and totaling those figures.

Please contact me should you any further inquiries.

Respectfully,



Kevin M. Kelly DC

Department of the Treasury — Internal Revenue Service
Amended U.S. Individual Income Tax Return
▶ See separate instructions.

OMB No. 1545-0074

This return is for calendar year ▶ **2005**, or fiscal year ended ▶

Please print or type	Your first name	MI	Last name	Your social security number
	Kevin	M	Kelly	[REDACTED]
	If a joint return, spouse's first name	MI	Last name	[REDACTED]
	Gretchen	L	Kelly	[REDACTED]
(no. and [REDACTED]) or P.O. box if mail is not delivered to your home				Apt. no.
[REDACTED] ge Way				Phone number
[REDACTED] see instructions.				State ZIP code
Moorpark				For Paperwork Reduction Act Notice, see instructions.

A If the address shown above is different from that shown on your last return filed [REDACTED] you would like us to change it, check here

B Filing status. Be sure to complete this line. **Note.** You cannot change from joint to separate returns after the due date.

On original return ▶ Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

On this return ▶ Single Married filing jointly Married filing separately Head of household* Qualifying widow(er)

* If the qualifying person is a child but not your dependent, see instructions.

Use Part II on page 2 to explain any changes		A Original amount or as previously adjusted (see instructions)	B Net change — amount of increase or (decrease) — explain in Part II	C Correct amount
Income and Deductions (see instructions)				
	1 Adjusted gross income (see instructions).....	1 194,061.	-57,870.	136,191.
	2 Itemized deductions or standard deduction (see instructions)	2 54,951.	8,844.	63,795.
	3 Subtract line 2 from line 1	3 139,110.	-66,714.	72,396.
	4 Exemptions. If changing, fill in Parts I and II on page 2	4 6,400.	0.	6,400.
	5 Taxable income. Subtract line 4 from line 3	5 132,710.	-66,714.	65,996.
Tax Liability	6 Tax (see instructions). Method used in column C: Tables	6 27,071.	-17,247.	9,824.
	7 Credits (see instructions)	7 0.	0.	0.
	8 Subtract line 7 from line 6. Enter the result but not less than zero	8 27,071.	-17,247.	9,824.
	9 Other taxes (see instructions)	9 14,737.	-929.	13,808.
	10 Total tax. Add lines 8 and 9	10 41,808.	-18,176.	23,632.
Pay-ments	11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld. If changing, see instructions	11 6,068.	0.	6,068.
	12 Estimated tax payments, including amount applied from prior year's return	12 3,000.	0.	3,000.
	13 Earned income credit (EIC)	13 0.	0.	0.
	14 Additional child tax credit from Form 8812	14 0.	0.	0.
	15 Credits from Form 2439, Form 4136, or Form 8885	15 0.	0.	0.
	16 Amount paid with request for extension of time to file (see instructions)	16		
	17 Amount of tax paid with original return plus additional tax paid after it was filed	17		
	18 Total payments. Add lines 11 through 17 in column C	18		9,068.
Refund or Amount You Owe				
	19 Overpayment, if any, as shown on original return or as previously adjusted by the IRS	19		
	20 Subtract line 19 from line 18 (see instructions)	20		9,068.
	21 Amount you owe. If line 10, column C, is more than line 20, enter the difference and see instructions	21		14,564.
	22 If line 10, column C, is less than line 20, enter the difference	22		
	23 Amount of line 22 you want refunded to you	23		
	24 Amount of line 22 you want applied to your estimated tax	24		

Sign Here Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Joint return? See instrs. Keep a copy for your records.	Your signature	Date	Spouse's signature. If a joint return, both must sign	Date
	[Signature]			
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN		
	[Signature] Joyce Rebhun, JD, MBA, PhD		[REDACTED]	
8500 Wilshire Boulevard Suite 519		CA 90211		Phone no. (310) 657-8553
Beverly Hills				

Part I Exemptions. See Form 1040 or 1040A instructions.

If you are **not changing your exemptions**, do not complete this part.
 If claiming **more exemptions**, complete lines 25 - 31.
 If claiming **fewer exemptions**, complete lines 25 - 30.

	A Original number of exemptions reported or as previously adjusted	B Net change	C Correct number of exemptions
25 Yourself and spouse	25		
Caution. If someone can claim you as a dependent, you cannot claim an exemption for yourself.			
26 Your dependent children who lived with you	26		
27 Your dependent children who did not live with you due to divorce or separation	27		
28 Other dependents	28		
29 Total number of exemptions. Add lines 25 through 28	29		
30 Multiply the number of exemptions claimed on line 29 by the amount listed below for the tax year you are amending. Enter the result here and on line 4.	30		

Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:
2004	\$3,100	\$107,025
2003	3,050	104,625
2002	3,000	103,000
2001	2,900	99,725

31 Dependents (children and other) not claimed on original (or adjusted) return:

(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) <input type="checkbox"/> if qualifying child for child tax credit	Number of children on 31 who:
				<input type="checkbox"/>	<ul style="list-style-type: none"> lived with you <input type="checkbox"/> did not live with you due to divorce or separation (see instructions) <input type="checkbox"/> Dependents on 31 not entered above <input type="checkbox"/>
				<input type="checkbox"/>	
				<input type="checkbox"/>	
				<input type="checkbox"/>	
				<input type="checkbox"/>	

Part II Explanation of Changes to Income, Deductions, and Credits
 Enter the line number from page 1 of the form for each item you are changing and give the reason for each change. Attach only the supporting forms and schedules for the items changed. If you do not attach the required information, your Form 1040X may be returned. Be sure to include your name and social security number on any attachments.

If the change relates to a net operating loss carryback or a general business credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the instructions. Also, check here

taxpayers actual expenses in chiropractic business were not taken into account by auditor; taxpayers representative agreed to these adjustments in error and against their interest.

full documentation is attached to refute the RAR adjustment and the fraud penalty.

Part III Presidential Election Campaign Fund. Checking below will not increase your tax or reduce your refund.

If you did not previously want \$3 to go to the fund but now want to, check here

If a joint return and your spouse did not previously want \$3 to go to the fund but now wants to, check here

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2005

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
▶ Attach to Form 1040 or 1041. ▶ See Instructions for Schedule C (Form 1040).

Name of proprietor
Kevin M Kelly

A Principal business or profession, including product or service (see instructions)
chripractor services

B Enter code from instructions
▶ **621310**

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.)

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you 'materially participate' in the operation of this business during 2005? If 'No,' see instructions for limit on losses. Yes No

H If you started or acquired this business during 2005, check here

Part I Income			
1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here. <input type="checkbox"/>	1	402,174.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	402,174.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	402,174.
6	Other income, including Federal and state gasoline or fuel tax credit or refund	6	
7	Gross income. Add lines 5 and 6	7	402,174.

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	4,000.
9	Car and truck expenses (see instructions)	9	13,549.
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	8,200.
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	7,057.
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	9,120.
16	Interest:		
	a Mortgage (paid to banks, etc)	16a	
	b Other	16b	
17	Legal & professional services	17	2,800.
18	Office expense	18	4,200.
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
	a Vehicles, machinery, and equipment	20a	
	b Other business property	20b	77,481.
21	Repairs and maintenance	21	8,774.
22	Supplies (not included in Part III)	22	600.
23	Taxes and licenses	23	600.
24	Travel, meals, and entertainment:		
	a Travel	24a	5,348.
	b Deductible meals and entertainment	24b	22,005.
25	Utilities	25	4,600.
26	Wages (less employment credits)	26	24,178.
27	Other expenses (from line 48 on page 2)	27	110,804.
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	303,316.
29	Tentative profit (loss). Subtract line 28 from line 7	29	98,858.
30	Expenses for business use of your home. Attach Form 8829	30	
31	Net profit or (loss). Subtract line 30 from line 29.	31	98,858.

• If a profit, enter on **Form 1040, line 12**, and also on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.

• If a loss, you **must** go to line 32.

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

• If you checked 32a, enter the loss on **Form 1040, line 12**, and also on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.

• If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32a All investment is at risk.

32b Some investment is not at risk.

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.	<input type="checkbox"/> Yes <input type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation.	35
36	Purchases less cost of items withdrawn for personal use	36
37	Cost of labor. Do not include any amounts paid to yourself.	37
38	Materials and supplies	38
39	Other costs	39
40	Add lines 35 through 39.	40
41	Inventory at end of year	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4.	42

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

- 43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____
- 44 Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:
 a Business _____ b Commuting _____ c Other _____
- 45 Do you (or your spouse) have another vehicle available for personal use? Yes No
- 46 Was your vehicle available for personal use during off-duty hours? Yes No
- 47a Do you have evidence to support your deduction? Yes No
- b If 'Yes,' is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

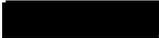
bank charges	850.
uniforms	3,700.
marketing	80,350.
billing	3,240.
postage	3,900.
printing and postage	4,600.
subscriptions	1,000.
See Line 48 Other Expenses	13,164.
48 Total other expenses. Enter here and on page 1, line 27.	110,804.



Schedule C - chripractor services

Line 48 Other Expenses

outside labor	0.
cleaning	3,564.
telephone	8,100.
gifts	1,500.
Total	<u>13,164.</u>



Smart Worksheet for: Schedule C (chripractor services): Profit or Loss from Business

Domestic Production Activities Smart Worksheet

Amounts have been gathered from the Schedule C as a starting point for the Domestic Production Activities deduction calculation. Make adjustments as necessary, be careful not to duplicate amounts.

If you qualify for the deduction, complete the Domestic Production column. For the small business simplified overall method, enter gross receipts. For the simplified deduction method, enter gross receipts and cost of goods sold. For the Section 861 method, enter all amounts.

	Total	Domestic Production
A Gross receipts	402,174.	
B Cost of goods sold *		
C Directly allocable deductions, expenses, or losses *		
D Indirectly allocable deductions, expenses, or losses *	303,316.	
E W-2 wages (adjust for wages from COGS, if necessary)	24,178.	

* Expenses should be allocated to lines B, C and D without duplicating amounts on these lines.
QuickZoom to Form 8903, Domestic Production Activities Deduction ...

Smart Worksheet for: Schedule C (chripractor services): Profit or Loss from Business

Activity Summary Smart Worksheet

Supporting information provided by program. **NO ENTRIES ARE NEEDED.**

	Regular Tax	Alternative Minimum Tax
A Ownership	Taxpayer	
B At risk status	All	
C Passive status	Nonpassive	
Schedule C		
D Tentative profit (loss)	98,858.	98,858.
E Other preferences and adjustments		
F At risk disallowed loss		
G Passive carryover loss		
H Passive disallowed loss		
I Net profit (loss) allowed	98,858.	98,858.
Related Dispositions		
J Tentative profit (loss)		
K At risk disallowed loss		
L Passive carryover loss		
M Passive disallowed loss		
N Net profit (loss) allowed		

For the year Jan 1 - Dec 31, 2005, or other tax year beginning _____, 2005, ending _____, 20__

Label (See instructions.)
Your first name MI Last name
Kevin M Kelly

Use the IRS label. Otherwise, please print or type.
If a joint return, spouse's first name MI Last name
Gretchen L Kelly

Home address (number and street). If you have a P.O. box, see instructions. Apartment no.
[Redacted]

Presidential Election Campaign [] You [] Spouse

You must enter your social security number(s) above. ▲

Checking a box below will not change your tax or refund.

Filing Status

1 Single 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above & full name here. ▶

5 Qualifying widow(er) with dependent child (see instructions)

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a. Boxes checked on 6a and 6b ... 2

b Spouse No. of children on 6c who:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see instrs)	• lived with you	• did not live with you due to divorce or separation (see instrs)
				<input type="checkbox"/>		
				<input type="checkbox"/>		
				<input type="checkbox"/>		
				<input type="checkbox"/>		

Dependents on 6c not entered above. Add numbers on lines above ... 2

d Total number of exemptions claimed ... 2

If more than four dependents, see instructions.

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	47,741.
8a	Taxable interest. Attach Schedule B if required.	8a	131.
b	Tax-exempt interest. Do not include on line 8a.	8b	
9a	Ordinary dividends. Attach Schedule B if required.	9a	
b	Qualified divs (see instrs)	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	98,858.
13	Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here. ▶ <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount (see instrs)	15b	
16a	Pensions and annuities	16a	
b	Taxable amount (see instrs)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	-1,635.
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits	20a	
b	Taxable amount (see instrs)	20b	
21	Other income	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	145,095.

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Adjusted Gross Income

23	Educator expenses (see instructions)	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	One-half of self-employment tax. Attach Schedule SE	27	6,904.
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction (see instructions)	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	IRA deduction (see instructions)	32	
33	Student loan interest deduction (see instructions)	33	
34	Tuition and fees deduction (see instructions)	34	2,000.
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 - 31a and 32 - 35	36	8,904.
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	136,191.

Tax and Credits

Standard Deduction for

• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see instructions.

• All others:

Single or Married filing separately, \$5,000

Married filing jointly or Qualifying widow(er), \$10,000

Head of household, \$7,300

Table with columns for line number, description, and amount. Includes lines 38-57 covering income, deductions, and credits.

Other Taxes

Table with columns for line number, description, and amount. Includes lines 58-63 covering self-employment tax, social security, and other taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with columns for line number, description, and amount. Includes lines 64-71 covering federal income tax withheld, estimated payments, and earned income credit.

Refund

Direct deposit? See instructions and fill in 73b, 73c, and 73d.

Table with columns for line number, description, and amount. Includes lines 72-74 covering overpaid amount and refund details.

Amount You Owe

Table with columns for line number, description, and amount. Includes lines 75-76 covering amount owed and tax penalty.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. [X] No

Sign Here

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only

Preparer's signature: Joyce Rebhun, JD, MBA, PhD. Firm's name: Joyce Rebhun, Inc. 8500 Wilshire Boulevard Suite 519.

SCHEDULE A
(Form 1040)

Itemized Deductions

OMB No. 1545-0074

2005

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040.

▶ See instructions for Schedule A (Form 1040).

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

Kevin M & Gretchen L Kelly

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.			
	1	Medical and dental expenses (see instructions)	1	10,114
	2	Enter amount from Form 1040, line 38	2	136,191
	3	Multiply line 2 by 7.5% (.075)	3	10,214
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4	532
Taxes You Paid (See instructions.)	5 State and local (check only one box):			
	a	<input checked="" type="checkbox"/> Income taxes, or	5	2,345
	b	<input type="checkbox"/> General sales taxes (see instructions)		
	6	Real estate taxes (see instructions)	6	4,639
	7	Personal property taxes	7	
	8	Other taxes. List type and amount ▶	8	
	9	Add lines 5 through 8	9	6,984
	Interest You Paid (See instructions.)	10	Home mtg interest and points reported to you on Form 1098	10
11		Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address ▶	11	
12		Points not reported to you on Form 1098. See instrs for spl rules	12	
13		Investment interest. Attach Form 4952 if required. (See instrs.)	13	
14	Add lines 10 through 13	14	55,279	
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	15 a Total gifts by cash or check. If you made any gift of \$250 or more, see instrs		15 a	1,000
	b Gifts by cash or check after August 27, 2005, that you elect to treat as qualified contributions (see instructions)		15 b	
	16	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	16	
	17	Carryover from prior year	17	
18	Add lines 15a, 16, & 17	18	1,000	
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See instructions.)	19	
Job Expenses and Certain Miscellaneous Deductions (See instructions.)	20	Unreimbursed employee expenses – job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶	20	
	21	Tax preparation fees	21	
	22	Other expenses – investment, safe deposit box, etc. List type and amount ▶	22	
	23	Add lines 20 through 22	23	
	24	Enter amount from Form 1040, line 38	24	
	25	Multiply line 24 by 2% (.02)	25	
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	26		
Other Miscellaneous Deductions	27	Other – from list in the instructions. List type and amount ▶	27	
Total Itemized Deductions	28	is Form 1040, line 38, over \$145,950 (over \$72,975 if MFS)? –		
		<input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See instructions for the amount to enter.	▶ 28	63,795
29	If you elect to itemize deductions even though they are less than your standard deduction, check here ▶			

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2005

Department of the Treasury
Internal Revenue Service (99)

▶ Partnerships, joint ventures, etc, must file Form 1065 or 1065-B.
▶ Attach to Form 1040 or 1041. ▶ See Instructions for Schedule C (Form 1040).

Attachment
Sequence No. **09**

Name of proprietor

Kevin M Kelly

A Principal business or profession, including product or service (see instructions)

chripractor services

B Enter code from instructions

▶ **621310**

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.)
City, town or post office, state, and ZIP code

2

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you 'materially participate' in the operation of this business during 2005? If 'No,' see instructions for limit on losses. Yes No

H If you started or acquired this business during 2005, check here ▶

Part I **Income**

1 Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here. <input type="checkbox"/>	1	402,174.
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	402,174.
4 Cost of goods sold (from line 42 on page 2)	4	
5 Gross profit. Subtract line 4 from line 3.	5	402,174.
6 Other income, including Federal and state gasoline or fuel tax credit or refund.	6	
7 Gross income. Add lines 5 and 6.	7	402,174.

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	4,000.	18 Office expense	18	4,200.
9 Car and truck expenses (see instructions)	9	13,549.	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11	8,200.	a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	77,481.
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	7,057.	21 Repairs and maintenance	21	8,774.
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	600.
15 Insurance (other than health)	15	9,120.	23 Taxes and licenses	23	600.
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc)	16a		a Travel	24a	5,348.
b Other	16b		b Deductible meals and entertainment	24b	22,005.
17 Legal & professional services	17	2,800.	25 Utilities	25	4,600.
28 Total expenses before expenses for business use of home. Add lines 8 through 27 in columns.	28	303,316.	26 Wages (less employment credits)	26	24,178.
29 Tentative profit (loss). Subtract line 28 from line 7	29	98,858.	27 Other expenses (from line 48 on page 2)	27	110,804.
30 Expenses for business use of your home. Attach Form 8829 .	30				
31 Net profit or (loss). Subtract line 30 from line 29.	31	98,858.			

- If a profit, enter on **Form 1040, line 12**, and **also** on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.
- If a loss, you **must** go to line 32.

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

• If you checked 32a, enter the loss on **Form 1040, line 12**, and **also** on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.

32a All investment is at risk.

• If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32b Some investment is not at risk.

BAA For Paperwork Reduction Act Notice, see **Form 1040** instructions.

Schedule **C** (Form 1040) 2005

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation.....	35
36	Purchases less cost of items withdrawn for personal use.....	36
37	Cost of labor. Do not include any amounts paid to yourself.....	37
38	Materials and supplies.....	38
39	Other costs.....	39
40	Add lines 35 through 39.....	40
41	Inventory at end of year.....	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4.....	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

- 43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____
- 44 Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:
 a Business _____ b Commuting _____ c Other _____
- 45 Do you (or your spouse) have another vehicle available for personal use?..... Yes No
- 46 Was your vehicle available for personal use during off-duty hours?..... Yes No
- 47 a Do you have evidence to support your deduction?..... Yes No
 b If 'Yes,' is the evidence written?..... Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

bank charges	850.
uniforms	3,700.
marketing	80,350.
billing	3,240.
postage	3,900.
printing and postage	4,600.
subscriptions	1,000.
See Line 48 Other Expenses	13,164.
48 Total other expenses. Enter here and on page 1, line 27.....	110,804.

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss
(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc)
▶ Attach to Form 1040 or Form 1041.
▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2005

Attachment
Sequence No. 13

Name(s) shown on return

Kevin M & Gretchen L Kelly

Your social security

Part I **Income or Loss From Rental Real Estate and Royalties** Note. If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). Report farm rental income or loss from **Form 4835** on page 2, line 40.

1	List the type and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, or • 10% of the total days rented at fair rental value? (See instructions.)	Yes	No
				A	B
A	sfr				X
B					
C					

Income:		Properties			Totals
		A	B	C	(Add columns A, B, and C.)
3	Rents received	15,745.			15,745.
4	Royalties received				
Expenses:					
5	Advertising	260.			
6	Auto and travel (see instructions)	1,800.			
7	Cleaning and maintenance				
8	Commissions				
9	Insurance	1,683.			
10	Legal and other professional fees				
11	Management fees				
12	Mortgage interest paid to banks, etc (see instructions)				
13	Other interest				
14	Repairs	600.			
15	Supplies	500.			
16	Taxes	3,653.			
17	Utilities				
18	Other (list) ▶ association dues painting plumbing	3,000. 680. 450.			
18					

19	Add lines 5 through 18	12,626.	19	12,626.
20	Depreciation expense or depletion (see instructions)	5,999.	20	5,999.
21	Total expenses. Add lines 19 and 20	18,625.		
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	-2,880.	22	
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	-1,635.	23	
24	Income. Add positive amounts shown on line 22. Do not include any losses.		24	
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here.		25	-1,635.
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 41 on page 2		26	-1,635.

BAA For Paperwork Reduction Act Notice, see instructions.

Schedule E (Form 1040) 2005

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2005

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ See Instructions for Schedule SE (Form 1040).

Attachment
Sequence No. **17**

Name of person with self-employment income (as shown on Form 1040)

Kevin M Kelly

Social security number of person
with self-employment income ▶



Who Must File Schedule SE

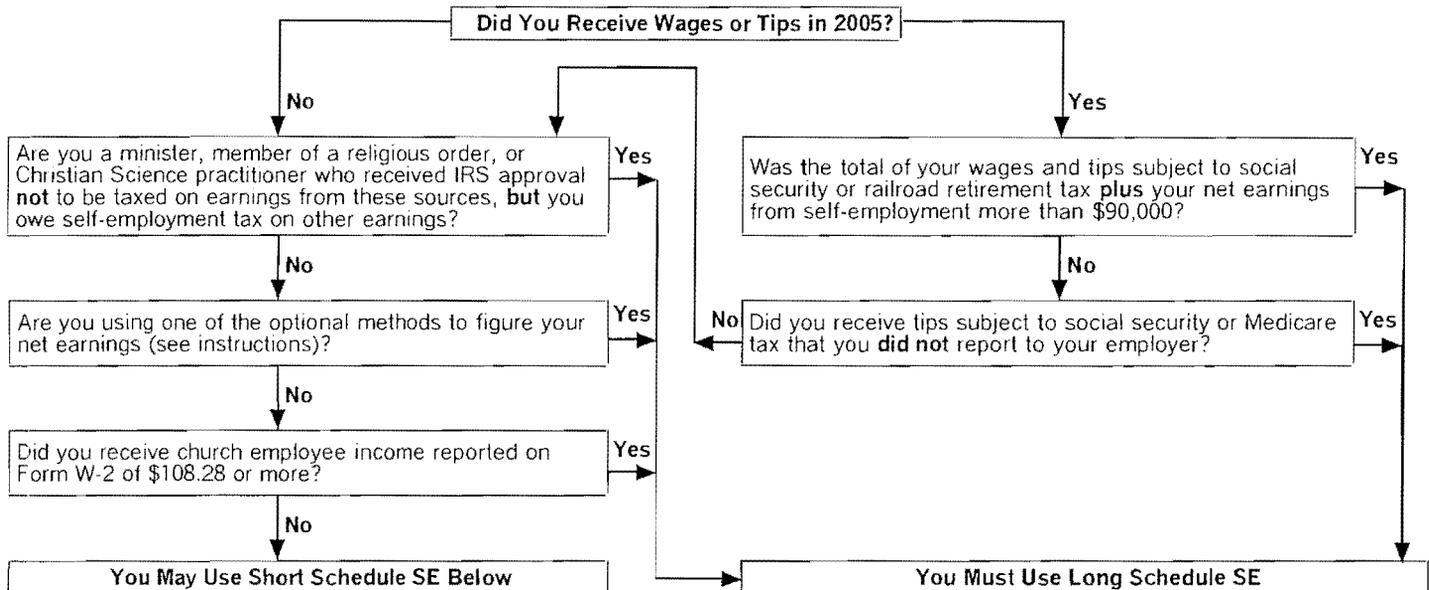
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, or
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income (see instructions).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either 'optional method' in Part II of Long Schedule SE (see instructions).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write 'Exempt - Form 4361' on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A – Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A.....	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report.....	2	98,858.
3	Combine lines 1 and 2.....	3	98,858.
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax.....	4	91,295.
5	Self-employment tax. If the amount on line 4 is: • \$90,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$90,000, multiply line 4 by 2.9% (.029). Then, add \$11,160.00 to the result. Enter the total here and on Form 1040, line 58.	5	13,808.
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27.	6	6,904.

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2005

Additional Taxes on Qualified Plans (Including IRAs), and Other Tax-Favored Accounts

2005

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040.
▶ See separate instructions.

Attachment
Sequence No. **29**

Name of individual subject to additional tax. If married filing jointly, see the instructions.

Your social security number

Kevin M Kelly

**Fill in Your Address
Only If You Are Filing
This Form by Itself and
Not With Your
Tax Return**

Home address (number and street), or P.O. box if mail is not delivered to your home

City, town or post office

State ZIP code

If this is an amended return, check here

If you only owe the additional 10% tax on early distributions, you may be able to report this tax directly on Form 1040, line 60, without filing Form 5329. See the instructions for Form 1040, line 60.

Part I Additional Tax on Early Distributions

Complete this part if you took a taxable distribution (other than a qualified hurricane distribution), before you reached age 59-1/2, from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040—see above). You also may have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions (see instructions).

1 Early distributions included in income. For Roth IRA distributions, see instructions	1	
2 Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions: _____	2	
3 Amount subject to additional tax. Subtract line 2 from line 1	3	
4 Additional tax. Enter 10% (.10) of line 3. Include this amount on Form 1040, line 60.	4	
<i>Caution: If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10% (see instructions).</i>		

Part II Additional Tax on Certain Distributions From Education Accounts

Complete this part if you included an amount in income, on Form 1040, line 21, from a Coverdell education savings account (ESA) or a qualified tuition program (QTP).

5 Distributions included in income from Coverdell ESAs and QTPs	5	
6 Distributions included on line 5 that are not subject to the additional tax (see instructions)	6	
7 Amount subject to additional tax. Subtract line 6 from line 5	7	
8 Additional tax. Enter 10% (.10) of line 7. Include this amount on Form 1040, line 60.	8	

Part III Additional Tax on Excess Contributions to Traditional IRAs

Complete this part if you contributed more to your traditional IRAs for 2005 than is allowable or you had an amount on line 17 of your 2004 Form 5329.

9 Enter your excess contributions from line 16 of your 2004 Form 5329 (see instructions). If zero, go to line 15	9	
10 If your traditional IRA contributions for 2005 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10	
11 2005 traditional IRA distributions included in income (see instructions)	11	
12 2005 distributions of prior year excess contributions (see instructions)	12	
13 Add lines 10, 11, and 12	13	
14 Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14	
15 Excess contributions for 2005 (see instructions)	15	
16 Total excess contributions. Add lines 14 and 15	16	
17 Additional tax. Enter 6% (.06) of the smaller of line 16 or the value of your traditional IRAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60.	17	

Part IV Additional Tax on Excess Contributions to Roth IRAs

Complete this part if you contributed more to your Roth IRAs for 2005 than is allowable or you had an amount on line 25 of your 2004 Form 5329.

18 Enter your excess contributions from line 24 of your 2004 Form 5329 (see instructions). If zero, go to line 23.	18	2,800.
19 If your Roth IRA contributions for 2005 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19	4,500.
20 2005 distributions from your Roth IRAs (see instructions)	20	
21 Add lines 19 and 20	21	4,500.
22 Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22	0.
23 Excess contributions for 2005 (see instructions)	23	
24 Total excess contributions. Add lines 22 and 23	24	0.
25 Additional tax. Enter 6% (.06) of the smaller of line 24 or the value of your Roth IRAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60.	25	0.

Part V Additional Tax on Excess Contributions to Coverdell ESAs

Complete this part if the contributions to your Coverdell ESAs for 2005 were more than is allowable or you had an amount on line 33 of your 2004 Form 5329.

26	Enter the excess contributions from line 32 of your 2004 Form 5329 (see instructions). If zero, go to line 31 ..		26
27	If the contributions to your Coverdell ESAs for 2005 were less than the maximum allowable contribution, see instructions. Otherwise, enter -0-	27	
28	2005 distributions from your Coverdell ESAs (see instructions)	28	
29	Add lines 27 and 28		29
30	Prior year excess contributions. Subtract line 29 from line 26. If zero or less, enter -0-		30
31	Excess contributions for 2005 (see instructions)		31
32	Total excess contributions. Add lines 30 and 31		32
33	Additional tax. Enter 6% (.06) of the smaller of line 32 or the value of your Coverdell ESAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60		33

Part VI Additional Tax on Excess Contributions to Archer MSAs

Complete this part if you or your employer contributed more to your Archer MSAs for 2005 than is allowable or you had an amount on line 41 of your 2004 Form 5329.

34	Enter the excess contributions from line 40 of your 2004 Form 5329 (see instructions). If zero, go to line 39 ..		34
35	If the contributions to your Archer MSAs for 2005 are less than the maximum allowable contribution, see instructions. Otherwise, enter -0-	35	
36	2005 distributions from your Archer MSAs from Form 8853, line 10	36	
37	Add lines 35 and 36		37
38	Prior year excess contributions. Subtract line 37 from line 34. If zero or less, enter -0-		38
39	Excess contributions for 2005 (see instructions)		39
40	Total excess contributions. Add lines 38 and 39		40
41	Additional tax. Enter 6% (.06) of the smaller of line 40 or the value of your Archer MSAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60		41

Part VII Additional Tax on Excess Contributions to Health Savings Accounts (HSAs)

Complete this part if you, someone on your behalf, or your employer contributed more to your HSAs for 2005 than is allowable or you had an amount on line 43 of your 2004 Form 5329.

42	Enter the excess contributions from line 42 of your 2004 Form 5329. If zero, go to line 47		42
43	If the contributions to your HSAs for 2005 are less than the maximum allowable contribution, see instructions. Otherwise, enter -0-	43	
44	2005 distributions from your HSAs from Form 8889, line 14	44	
45	Add lines 43 and 44		45
46	Prior year excess contributions. Subtract line 45 from line 42. If zero or less, enter -0-		46
47	Excess contributions for 2005 (see instructions)		47
48	Total excess contributions. Add lines 46 and 47		48
49	Additional tax. Enter 6% (.06) of the smaller of line 48 or the value of your HSAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60		49

Part VIII Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)

Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.

50	Minimum required distribution for 2005 (see instructions)		50
51	Amount actually distributed to you in 2005		51
52	Subtract line 51 from line 50. If zero or less, enter -0-		52
53	Additional tax. Enter 50% (.50) of line 52. Include this amount on Form 1040, line 60		53

Signature. Complete **only** if you are filing this form by itself and not with your tax return.

Please Sign Here	Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature		Date	
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address and ZIP code	EIN		
	Phone no.			

Passive Activity Loss Limitations

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040 or Form 1041.

Attachment
Sequence No. **88**

Name(s) shown on return

Kevin [REDACTED] [REDACTED]

Part I 2005 Passive Activity Loss

Caution: Complete Worksheets 1, 2, and 3 on page 2 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation see Special Allowance for Rental Real Estate Activities in the instructions.)			
1 a	Activities with net income (enter the amount from Worksheet 1, column (a))	1 a	0.
b	Activities with net loss (enter the amount from Worksheet 1, column (b))	1 b	-2,880.
c	Prior years unallowed losses (enter the amount from Worksheet 1, column (c))	1 c	-6,048.
d	Combine lines 1a, 1b, and 1c	1 d	-8,928.
Commercial Revitalization Deductions From Rental Real Estate Activities			
2 a	Commercial revitalization deductions from Worksheet 2, column (a)	2 a	
b	Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)	2 b	
c	Add lines 2a and 2b	2 c	
All Other Passive Activities			
3 a	Activities with net income (enter the amount from Worksheet 3, column (a))	3 a	
b	Activities with net loss (enter the amount from Worksheet 3, column (b))	3 b	
c	Prior years unallowed losses (enter the amount from Worksheet 3, column (c))	3 c	
d	Combine lines 3a, 3b, and 3c	3 d	
4	Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582. Report the losses on the forms and schedules normally used.	4	-8,928.

- If line 4 is a loss and:
- Line 1d is a loss, go to Part II.
 - Line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, do not complete Part II or Part III. Instead, go to line 15.

Part II Special Allowance for Rental Real Estate With Active Participation

Note: Enter all numbers in Part II as positive amounts. See the instructions for an example.

5	Enter the smaller of the loss on line 1d or the loss on line 4	5	8,928.
6	Enter \$150,000. If married filing separately, see the instructions	6	150,000.
7	Enter modified adjusted gross income, but not less than zero (see instructions)	7	146,730.
8	Subtract line 7 from line 6	8	3,270.
9	Multiply line 8 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see instructions	9	1,635.
10	Enter the smaller of line 5 or line 9	10	1,635.

If line 2c is a loss, go to Part III. Otherwise, go to line 15.

Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: Enter all numbers in Part III as positive amounts. See the example in the instructions for Part II.

11	Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions	11	
12	Enter the loss from line 4	12	
13	Reduce line 12 by the amount on line 10	13	
14	Enter the smallest of line 2c (treated as a positive amount), line 11, or line 13	14	

Part IV Total Losses Allowed

15	Add the income, if any, on lines 1a and 3a and enter the total	15	0.
16	Total losses allowed from all passive activities for 2005. Add lines 10, 14, and 15. See the instructions to find out how to report the losses on your tax return	16	1,635.

BAA For Paperwork Reduction Act Notice, see the instructions.

Caution: The worksheets must be filed with your tax return. Keep a copy for your records.

Worksheet 1 – For Form 8582, Lines 1a, 1b, and 1c (See instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	(b) Net loss (line 1b)	(c) Unallowed loss (line 1c)	(d) Gain	(e) Loss
[REDACTED] A	0.	2,880.	6,048.		8,928.
Total. Enter on Form 8582, lines 1a, 1b, and 1c	0.	2,880.	6,048.		

Worksheet 2 – For Form 8582, Lines 2a and 2b (See instructions.)

Name of activity	(a) Current year deductions (line 2a)	(b) Prior year unallowed deductions (line 2b)	(c) Overall loss
Total. Enter on Form 8582, lines 2a and 2b			

Worksheet 3 – For Form 8582, Lines 3a, 3b, and 3c (See instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 3a)	(b) Net loss (line 3b)	(c) Unallowed loss (line 3c)	(d) Gain	(e) Loss
Total. Enter on Form 8582, lines 3a, 3b, and 3c					

Worksheet 4 – Use this worksheet if an amount is shown on Form 8582, line 10 or 14 (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Special allowance	(d) Subtract column (c) from column (a)
[REDACTED]	3	8,928.	1.00000000	1,635.	7,293.
Total		8,928.	1.00	1,635.	7,293.

Worksheet 5 – Allocation of Unallowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
[REDACTED]		7,293.	1.00000000	7,293.
Total		7,293.	1.00	7,293.

Worksheet 6 -- Allowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Unallowed loss	(c) Allowed loss
[REDACTED]	[REDACTED]	8,928.	7,293.	1,635.
Total		8,928.	7,293.	1,635.

Worksheet 7 -- Activities With Losses Reported on Two or More Forms or Schedules (See instructions.)

Name of Activity	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions) Type					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions)					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions)					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions)					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Total			1.00		

Name of Activity	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions) Type					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions)					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions)					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions)					
1 a Net loss plus prior year unallowed loss from form or schedule					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Total			1.00		



Schedule C - chiropractor services

Line 48 Other Expenses

outside labor	0.
cleaning	3,564.
telephone	8,100.
gifts	1,500.
Total	<u>13,164.</u>



Smart Worksheet for: Schedule A: Itemized Deductions

Mortgage Interest and Points Smart Worksheet

A Enter a description and an amount for fully deductible mortgage interest and points. Check the box if the mortgage was sold to another lender, or the mortgage has been paid off; the lender's name will **not** transfer to next year's return.

Check the box if the mortgage interest and/or points are **not** reported on Form 1098.

Note: When the points must be deducted over the life of the loan, enter this information on the Other Points Smart Worksheet.

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Countrywide home Loans	16,295.		<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	2,463.		<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	17,825.		<input type="checkbox"/>	<input type="checkbox"/>
See Mortgage Interest and Points	18,696.		<input type="checkbox"/>	<input type="checkbox"/>

Smart Worksheet for: Schedule C (chripractor services): Profit or Loss from Business

Domestic Production Activities Smart Worksheet

Amounts have been gathered from the Schedule C as a starting point for the Domestic Production Activities deduction calculation. Make adjustments as necessary, be careful not to duplicate amounts.

If you qualify for the deduction, complete the Domestic Production column. For the small business simplified overall method, enter gross receipts. For the simplified deduction method, enter gross receipts and cost of goods sold. For the Section 861 method, enter all amounts.

	Total	Domestic Production
A Gross receipts	402,174.	
B Cost of goods sold *		
C Directly allocable deductions, expenses, or losses *		
D Indirectly allocable deductions, expenses, or losses *	303,316.	
E W-2 wages (adjust for wages from COGS, if necessary) .	24,178.	

* Expenses should be allocated to lines B, C and D without duplicating amounts on these lines.

QuickZoom to Form 8903, Domestic Production Activities Deduction ...



Schedule A, lines 10, 11, and 12

Mortgage Interest and Points

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Escrow				
Countrywide	3,193.			
Countrywide	4,453.			
Washington Mutual Bank	7,606.			
Wells Fargo Bank N.A.	3,444.			
Total	<u>18,696.</u>			

This return is for calendar year ▶ **2005**, or fiscal year ended ▶

Please print or type	Your first name	MI	Last name	Your social security number
	Kevin	M	Kelly	[REDACTED]
	If a joint return, spouse's first name	MI	Last name	Spouse's social security number
	Gretchen	L	Kelly	[REDACTED]
Home address (no. and street) or P.O. box if mail is not delivered to your home			Apt. no.	Phone number
[REDACTED]			[REDACTED]	[REDACTED]
Act Notice, see instructions.				

A If the address shown above is different from that shown on your last return filed with the IRS and you would like us to change it, check here

B Filing status. Be sure to complete this line. **Note.** You cannot change from joint to separate returns after the due date.

On original return ▶ Single Married filing jointly Married filing separately Head of household Qualifying widow(er)

On this return ▶ Single Married filing jointly Married filing separately Head of household* Qualifying widow(er)

* If the qualifying person is a child but not your dependent, see instructions.

Use Part II on page 2 to explain any changes		A Original amount or as previously adjusted (see instructions)	B Net change — amount of increase or (decrease) — explain in Part II	C Correct amount
Income and Deductions (see instructions)				
	1 Adjusted gross income (see instructions).....	1 194,061.	-57,870.	136,191.
	2 Itemized deductions or standard deduction (see instructions).....	2 54,951.	8,844.	63,795.
	3 Subtract line 2 from line 1.....	3 139,110.	-66,714.	72,396.
	4 Exemptions. If changing, fill in Parts I and II on page 2.....	4 6,400.	0.	6,400.
	5 Taxable income. Subtract line 4 from line 3.....	5 132,710.	-66,714.	65,996.
Tax Liability	6 Tax (see instructions). Method used in column C: Tables	6 27,071.	-17,247.	9,824.
	7 Credits (see instructions).....	7 0.	0.	0.
	8 Subtract line 7 from line 6. Enter the result but not less than zero.....	8 27,071.	-17,247.	9,824.
	9 Other taxes (see instructions).....	9 14,737.	-929.	13,808.
	10 Total tax. Add lines 8 and 9.....	10 41,808.	-18,176.	23,632.
Payments	11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld. If changing, see instructions.....	11 6,068.	0.	6,068.
	12 Estimated tax payments, including amount applied from prior year's return.....	12 3,000.	0.	3,000.
	13 Earned income credit (EIC).....	13 0.	0.	0.
	14 Additional child tax credit from Form 8812.....	14 0.	0.	0.
	15 Credits from Form 2439, Form 4136, or Form 8885.....	15 0.	0.	0.
	16 Amount paid with request for extension of time to file (see instructions).....	16		
	17 Amount of tax paid with original return plus additional tax paid after it was filed.....	17		
	18 Total payments. Add lines 11 through 17 in column C.....	18		9,068.
Refund or Amount You Owe				
	19 Overpayment, if any, as shown on original return or as previously adjusted by the IRS.....	19		
	20 Subtract line 19 from line 18 (see instructions).....	20		9,068.
	21 Amount you owe. If line 10, column C, is more than line 20, enter the difference and see instructions.....	21		14,564.
	22 If line 10, column C, is less than line 20, enter the difference.....	22		
	23 Amount of line 22 you want refunded to you.....	23		
	24 Amount of line 22 you want applied to your estimated tax.....	24		

Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Your signature _____ Date _____	Spouse's signature. If a joint return, both must sign _____ Date _____
---------------------------------------	--

Paid Preparer's Use Only

Preparer's signature ▶ <i>Joyce Rebhun</i>	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶ Joyce Rebhun, Inc.	EIN [REDACTED]		
8500 Wilshire Boulevard Suite 519			
Beverly Hills CA 90211		Phone no. (310) 657-8553	

Part I Exemptions. See Form 1040 or 1040A instructions. If you are not changing your exemptions, do not complete this part. If claiming more exemptions, complete lines 25 - 31. If claiming fewer exemptions, complete lines 25 - 30.		A Original number of exemptions reported or as previously adjusted	B Net change	C Correct number of exemptions															
25	Yourself and spouse	25																	
Caution. If someone can claim you as a dependent, you cannot claim an exemption for yourself.																			
26	Your dependent children who lived with you	26																	
27	Your dependent children who did not live with you due to divorce or separation	27																	
28	Other dependents	28																	
29	Total number of exemptions. Add lines 25 through 28	29																	
30	Multiply the number of exemptions claimed on line 29 by the amount listed below for the tax year you are amending. Enter the result here and on line 4.	30																	
	<table border="1"> <thead> <tr> <th>Tax year</th> <th>Exemption amount</th> <th>But see the instructions for line 4 if the amount on line 1 is over:</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>\$3,100</td> <td>\$107,025</td> </tr> <tr> <td>2003</td> <td>3,050</td> <td>104,625</td> </tr> <tr> <td>2002</td> <td>3,000</td> <td>103,000</td> </tr> <tr> <td>2001</td> <td>2,900</td> <td>99,725</td> </tr> </tbody> </table>	Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:	2004	\$3,100	\$107,025	2003	3,050	104,625	2002	3,000	103,000	2001	2,900	99,725			
Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:																	
2004	\$3,100	\$107,025																	
2003	3,050	104,625																	
2002	3,000	103,000																	
2001	2,900	99,725																	

31 Dependents (children and other) not claimed on original (or adjusted) return:					Number of children on 31 who:
(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) <input type="checkbox"/> if qualifying child for child tax credit	
				<input type="checkbox"/>	• lived with you <input type="checkbox"/> • did not live with you due to divorce or separation (see instructions) <input type="checkbox"/> Dependents on 31 not entered above <input type="checkbox"/>
				<input type="checkbox"/>	
				<input type="checkbox"/>	
				<input type="checkbox"/>	

Part II Explanation of Changes to Income, Deductions, and Credits
 Enter the line number from page 1 of the form for each item you are changing and give the reason for each change. Attach only the supporting forms and schedules for the items changed. If you do not attach the required information, your Form 1040X may be returned. Be sure to include your name and social security number on any attachments.

If the change relates to a net operating loss carryback or a general business credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the instructions. Also, check here

taxpayers actual expenses in chiropractic business were not taken into account by auditor; taxpayers representative agreed to these adjustments in error and against their interest.

full documentation is attached to refute the RAR adjustment and the fraud penalty.

Part III Presidential Election Campaign Fund. Checking below will not increase your tax or reduce your refund.
 If you did not previously want \$3 to go to the fund but now want to, check here
 If a joint return and your spouse did not previously want \$3 to go to the fund but now wants to, check here

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB NO. 1545-0047

2005

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
Attach to Form 1040 or 1041. See Instructions for Schedule C (Form 1040).

Name of proprietor: **Kevin M Kelly**

Principal business or profession, including product or service (see instructions): **chripractor services**

Business name. If no separate business name, leave blank.

Business address (including suite or room no.): [REDACTED]
City, town or post office, state, and ZIP code: [REDACTED]

Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

Did you 'materially participate' in the operation of this business during 2005? If 'No,' see instructions for limit on losses. Yes No

If you started or acquired this business during 2005, check here ▶

Social security number (SSN): [REDACTED]

Employer ID number (EIN), if any: ▶ **621310**

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here. ▶ <input type="checkbox"/>	1	402,174.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	402,174.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3.	5	402,174.
6	Other income, including Federal and state gasoline or fuel tax credit or refund	6	
7	Gross income. Add lines 5 and 6. ▶	7	402,174.

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	4,000.	18	Office expense	18	4,200.
9	Car and truck expenses (see instructions)	9	13,549.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):	20	
11	Contract labor (see instructions)	11	8,200.	20a	a Vehicles, machinery, and equipment	20a	
12	Depletion	12		20b	b Other business property	20b	77,481.
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	7,057.	21	Repairs and maintenance	21	8,774.
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	600.
15	Insurance (other than health)	15	9,120.	23	Taxes and licenses	23	600.
16	Interest:			24	Travel, meals, and entertainment:		
16a	a Mortgage (paid to banks, etc)	16a		24a	a Travel	24a	5,348.
16b	b Other	16b		24b	b Deductible meals and entertainment	24b	22,005.
17	Legal & professional services	17	2,800.	25	Utilities	25	4,600.
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns. ▶	28	303,316.	26	Wages (less employment credits)	26	24,178.
29	Tentative profit (loss). Subtract line 28 from line 7.	29	98,858.	27	Other expenses (from line 48 on page 2)	27	110,804.
30	Expenses for business use of your home. Attach Form 8829 .	30					
31	Net profit or (loss). Subtract line 30 from line 29.	31	98,858.				
	<ul style="list-style-type: none"> If a profit, enter on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. If a loss, you must go to line 32. 						
32	If you have a loss, check the box that describes your investment in this activity (see instructions).			32a	All investment is at risk.	32a	<input checked="" type="checkbox"/>
	<ul style="list-style-type: none"> If you checked 32a, enter the loss on Form 1040, line 12, and also on Schedule SE, line 2 (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. If you checked 32b, you must attach Form 6198. Your loss may be limited. 			32b	Some investment is not at risk.	32b	<input type="checkbox"/>

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2005

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation.....	35
36	Purchases less cost of items withdrawn for personal use.....	36
37	Cost of labor. Do not include any amounts paid to yourself.....	37
38	Materials and supplies.....	38
39	Other costs.....	39
40	Add lines 35 through 39.....	40
41	Inventory at end of year.....	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4.....	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

- 43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____
- 44 Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:
 a Business _____ b Commuting _____ c Other _____
- 45 Do you (or your spouse) have another vehicle available for personal use?..... Yes No
- 46 Was your vehicle available for personal use during off-duty hours?..... Yes No
- 47a Do you have evidence to support your deduction?..... Yes No
 b If 'Yes,' is the evidence written?..... Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

bank charges	850.
uniforms	3,700.
marketing	80,350.
billing	3,240.
postage	3,900.
printing and postage	4,600.
subscriptions	1,000.
See Line 48 Other Expenses	13,164.
48 Total other expenses. Enter here and on page 1, line 27.....	110,804.

Line 48 Other Expenses

outside labor	0.
cleaning	3,564.
telephone	8,100.
gifts	1,500.
Total	<u>13,164.</u>



Smart Worksheet for: Schedule C (chiropractor services): Profit or Loss from Business

Domestic Production Activities Smart Worksheet

Amounts have been gathered from the Schedule C as a starting point for the Domestic Production Activities deduction calculation. Make adjustments as necessary, be careful not to duplicate amounts.

If you qualify for the deduction, complete the Domestic Production column. For the small business simplified overall method, enter gross receipts. For the simplified deduction method, enter gross receipts and cost of goods sold. For the Section 861 method, enter all amounts.

	Total	Domestic Production
A Gross receipts	402,174.	
B Cost of goods sold *		
C Directly allocable deductions, expenses, or losses *		
D Indirectly allocable deductions, expenses, or losses *	303,316.	
E W-2 wages (adjust for wages from COGS, if necessary)	24,178.	

* Expenses should be allocated to lines B, C and D without duplicating amounts on these lines.
QuickZoom to Form 8903, Domestic Production Activities Deduction ...

Smart Worksheet for: Schedule C (chiropractor services): Profit or Loss from Business

Activity Summary Smart Worksheet
 Supporting information provided by program. **NO ENTRIES ARE NEEDED.**

	Regular Tax	Alternative Minimum Tax
A Ownership	Taxpayer	
B At risk status	All	
C Passive status	Nonpassive	
Schedule C		
D Tentative profit (loss)	98,858.	98,858.
E Other preferences and adjustments		
F At risk disallowed loss		
G Passive carryover loss		
H Passive disallowed loss		
I Net profit (loss) allowed	98,858.	98,858.
Related Dispositions		
J Tentative profit (loss)		
K At risk disallowed loss		
L Passive carryover loss		
M Passive disallowed loss		
N Net profit (loss) allowed		

For the year Jan 1 - Dec 31, 2005, or other tax year beginning _____, 2005, ending _____, 20

Label (See instructions.)
 Your first name MI Last name
Kevin M Kelly
 Your social security number [REDACTED]

Use the IRS label. Otherwise, please print or type.
 If a joint return, spouse's first name MI Last name
Gretchen L Kelly
 Spouse's social security number [REDACTED]

Home address (number and street). If you have a P.O. box, see instructions. Apartment no.
 [REDACTED] [REDACTED] [REDACTED] [REDACTED]
 You must enter your social security number(s) above.

City, town or post office. If you have a foreign address, see instructions. State ZIP code
 [REDACTED] [REDACTED] [REDACTED]
 Checking a box below will not [REDACTED]

Presidential Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund? (see instructions) You Spouse

Filing Status

1 Single
 2 Married filing jointly (even if only one had income)
 3 Married filing separately. Enter spouse's SSN above & full name here ...
 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here ...
 5 Qualifying widow(er) with dependent child (see instructions)

Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a.
 b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see instrs)
(1) First name	Last name			
				<input type="checkbox"/>

Boxes checked on 6a and 6b ... **2**
 No. of children on 6c who:
 • lived with you ...
 • did not live with you due to divorce or separation (see instrs) ...
 Dependents on 6c not entered above ...
 Add numbers on lines above ... **2**

d Total number of exemptions claimed ... **2**

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	47,741.
8a	Taxable interest. Attach Schedule B if required	8a	131.
b	Tax-exempt interest. Do not include on line 8a.	8b	
9a	Ordinary dividends. Attach Schedule B if required	9a	
b	Qualified divs (see instrs)	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes (see instructions)	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	98,858.
13	Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount (see instrs)	15b	
16a	Pensions and annuities	16a	
b	Taxable amount (see instrs)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	-1,635.
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits	20a	
b	Taxable amount (see instrs)	20b	
21	Other income	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	22	145,095.

Adjusted Gross Income

23	Educator expenses (see instructions)	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	One-half of self-employment tax. Attach Schedule SE	27	6,904.
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction (see instructions)	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid	31a	
b	Recipient's SSN		
32	IRA deduction (see instructions)	32	
33	Student loan interest deduction (see instructions)	33	
34	Tuition and fees deduction (see instructions)	34	2,000.
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 - 31a and 32 - 35	36	8,904.
37	Subtract line 36 from line 22. This is your adjusted gross income	37	136,191.

Tax and Credits

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-57 covering income, deductions, and credits.

Standard Deduction for - People who checked any box on line 39a or 39b or who can be claimed as a dependent, see instructions. All others: Single or Married filing separately, \$5,000. Married filing jointly or Qualifying widow(er), \$10,000. Head of household, \$7,300.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 58-63 covering self-employment tax, social security, and other taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 64-71 covering federal income tax withheld, estimated tax payments, and earned income credit.

Refund

Direct deposit? See instructions and fill in 73b, 73c, and 73d.

Table with 3 columns: Line number, Description, and Amount. Includes lines 72-74 covering overpaid amount and refund details.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 75-76 covering amount owed and estimated tax penalty.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. [X] No

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Paid Preparer's Use Only

Preparer's signature: Joyce Rebhun, JD, MBA, PhD. Firm's name: Joyce Rebhun, Inc. 8500 Wilshire Boulevard Suite 519 Beverly Hills CA 90211. EIN: [Redacted]. Phone no. (310) 657-8553.

Itemized Deductions

2005

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040.
▶ See instructions for Schedule A (Form 1040).

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

Kevin M & Gretchen L Kelly

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.					
	1	Medical and dental expenses (see instructions)	1	10,746.		
	2	Enter amount from Form 1040, line 38	2	136,191.		
	3	Multiply line 2 by 7.5% (.075)	3	10,214.		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4 532.	
Taxes You Paid <small>(See instructions.)</small>	5 State and local (check only one box):					
	a	<input checked="" type="checkbox"/> Income taxes, or	5	2,345.		
	b	<input type="checkbox"/> General sales taxes (see instructions)				
	6	Real estate taxes (see instructions)	6	4,639.		
	7	Personal property taxes	7			
	8	Other taxes. List type and amount ▶	8			
	9	Add lines 5 through 8			9 6,984.	
Interest You Paid <small>(See instructions.)</small>	10	Home mtg interest and points reported to you on Form 1098	10	55,279.		
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address ▶				
			11			
			12			
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See instrs for spcl rules	12			
	13	Investment interest. Attach Form 4952 if required. (See instrs.)	13			
	14	Add lines 10 through 13			14 55,279.	
Gifts to Charity <small>If you made a gift and got a benefit for it, see instructions.</small>	15 a Total gifts by cash or check. If you made any gift of \$250 or more, see instrs					
			15a	1,000.		
	b Gifts by cash or check after August 27, 2005, that you elect to treat as qualified contributions (see instructions)					
			15b			
	16	Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500	16			
	17	Carryover from prior year	17			
	18	Add lines 15a, 16, & 17			18 1,000.	
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See instructions.)			19	
Job Expenses and Certain Miscellaneous Deductions <small>(See instructions.)</small>	20 Unreimbursed employee expenses — job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶					
			20			
		21	Tax preparation fees	21		
		22	Other expenses — investment, safe deposit box, etc. List type and amount ▶	22		
		23	Add lines 20 through 22	23		
		24	Enter amount from Form 1040, line 38	24		
	25	Multiply line 24 by 2% (.02)	25			
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-			26	
Other Miscellaneous Deductions	27	Other — from list in the instructions. List type and amount ▶			27	
Total Itemized Deductions	28 Is Form 1040, line 38, over \$145,950 (over \$72,975 if MFS)?					
	<input checked="" type="checkbox"/>	No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40.				28 63,795.
	<input type="checkbox"/>	Yes. Your deduction may be limited. See instructions for the amount to enter.				
	29 If you elect to itemize deductions even though they are less than your standard deduction, check here ▶ <input type="checkbox"/>					

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2005

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
▶ Attach to Form 1040 or 1041. ▶ See instructions for Schedule C (Form 1040).

Name of proprietor: **Kevin M Kelly** Social security number (SSN): [REDACTED]

A Principal business or profession, including product or service (see instructions):
chripractor services

B Enter code from instructions:
▶ **621310**

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.):
[REDACTED] **Thousand Oaks, CA 91362**

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you 'materially participate' in the operation of this business during 2005? If 'No,' see instructions for limit on losses... Yes No

H If you started or acquired this business during 2005, check here ▶

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here	<input type="checkbox"/>	1	402,174.
2	Returns and allowances		2	
3	Subtract line 2 from line 1		3	402,174.
4	Cost of goods sold (from line 42 on page 2)		4	
5	Gross profit. Subtract line 4 from line 3		5	402,174.
6	Other income, including Federal and state gasoline or fuel tax credit or refund		6	
7	Gross income. Add lines 5 and 6		7	402,174.

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	4,000.	18	Office expense	18	4,200.
9	Car and truck expenses (see instructions)	9	13,549.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11	8,200.	20a	a Vehicles, machinery, and equipment	20a	
12	Depletion	12		20b	b Other business property	20b	77,481.
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	7,057.	21	Repairs and maintenance	21	8,774.
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	600.
15	Insurance (other than health)	15	9,120.	23	Taxes and licenses	23	600.
16	Interest:			24	Travel, meals, and entertainment:		
16a	a Mortgage (paid to banks, etc)	16a		24a	a Travel	24a	5,348.
16b	b Other	16b		24b	b Deductible meals and entertainment	24b	22,005.
17	Legal & professional services	17	2,800.	25	Utilities	25	4,600.
27				26	Wages (less employment credits)	26	24,178.
				27	Other expenses (from line 48 on page 2)	27	110,804.
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns			28		28	303,316.

29	Tentative profit (loss). Subtract line 28 from line 7	29	98,858.
30	Expenses for business use of your home. Attach Form 8829	30	
31	Net profit or (loss). Subtract line 30 from line 29.	31	98,858.

• If a profit, enter on **Form 1040, line 12**, and also on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.

• If a loss, you **must** go to line 32.

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

• If you checked 32a, enter the loss on **Form 1040, line 12**, and also on **Schedule SE, line 2** (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3.

32a All investment is at risk.

• If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32b Some investment is not at risk.

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation. <input type="checkbox"/> Yes <input type="checkbox"/> No	
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation.	35
36	Purchases less cost of items withdrawn for personal use	36
37	Cost of labor. Do not include any amounts paid to yourself	37
38	Materials and supplies	38
39	Other costs	39
40	Add lines 35 through 39	40
41	Inventory at end of year	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43	When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____
44	Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for: a Business _____ b Commuting _____ c Other _____
45	Do you (or your spouse) have another vehicle available for personal use? <input type="checkbox"/> Yes <input type="checkbox"/> No
46	Was your vehicle available for personal use during off-duty hours? <input type="checkbox"/> Yes <input type="checkbox"/> No
47a	Do you have evidence to support your deduction? <input type="checkbox"/> Yes <input type="checkbox"/> No
	b If 'Yes,' is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

bank charges	850.
uniforms	3,700.
marketing	80,350.
billing	3,240.
postage	3,900.
printing and postage	4,600.
subscriptions	1,000.
See Line 48 Other Expenses	13,164.
48 Total other expenses. Enter here and on page 1, line 27	110,804.

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental income and loss
(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc)
▶ Attach to Form 1040 or Form 1041.
▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0047

2005

Attachment
Sequence No. **13**

Name(s) shown on return

Your social security number

Kevin M & Gretchen L Kelly

Part I Income or Loss From Rental Real Estate and Royalties Note. If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). Report farm rental income or loss from **Form 4835** on page 2, line 40.

1	List the type and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:	Yes	No
A	sfr		• 14 days, or	A	X
B			• 10% of the total days rented at fair rental value?	B	
C			(See instructions.)	C	

Income:		Properties			Totals
		A	B	C	(Add columns A, B, and C.)
3	Rents received	3	15,745.		3 15,745.
4	Royalties received	4			4
Expenses:					
5	Advertising	5	260.		
6	Auto and travel (see instructions)	6	1,800.		
7	Cleaning and maintenance	7			
8	Commissions	8			
9	Insurance	9	1,683.		
10	Legal and other professional fees	10			
11	Management fees	11			
12	Mortgage interest paid to banks, etc (see instructions)	12			12
13	Other interest	13			
14	Repairs	14	600.		
15	Supplies	15	500.		
16	Taxes	16	3,653.		
17	Utilities	17			
18	Other (list) ▶				
	association dues		3,000.		
	painting		680.		
	plumbing		450.		
		18			

19	Add lines 5 through 18	19	12,626.	19	12,626.
20	Depreciation expense or depletion (see instructions)	20	5,999.	20	5,999.
21	Total expenses. Add lines 19 and 20	21	18,625.		
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	22	-2,880.		
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	23	-1,635.		
24	Income. Add positive amounts shown on line 22. Do not include any losses	24			
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			-1,635.
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 41 on page 2	26			-1,635.

BAA For Paperwork Reduction Act Notice, see instructions.

Schedule E (Form 1040) 2005

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040. ▶ See Instructions for Schedule SE (Form 1040).**

Name of person with self-employment income (as shown on Form 1040)

Social security number of person
with self-employment income ▶

Kevin M Kelly

Who Must File Schedule SE

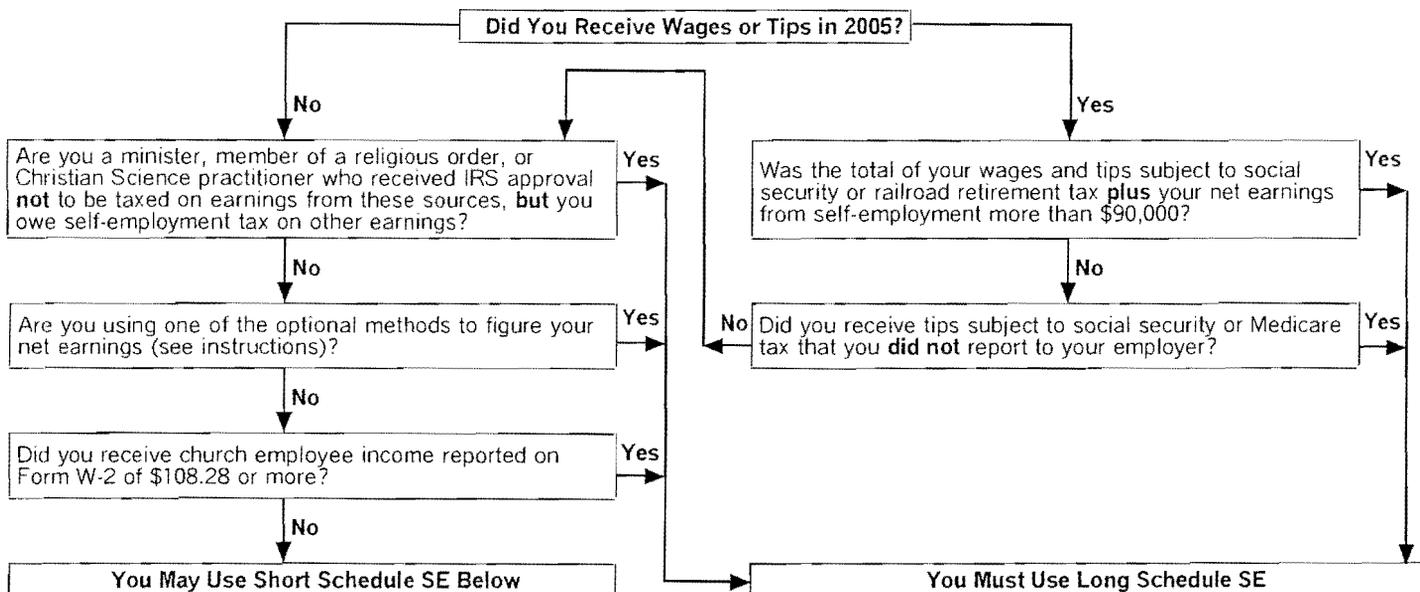
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, **or**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income (see instructions).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either 'optional method' in Part II of Long Schedule SE (see instructions).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write 'Exempt - Form 4361' on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A – Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A.....	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report.....	2	98,858.
3	Combine lines 1 and 2.....	3	98,858.
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax..... ▶	4	91,295.
5	Self-employment tax. If the amount on line 4 is: • \$90,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$90,000, multiply line 4 by 2.9% (.029). Then, add \$11,160.00 to the result. Enter the total here and on Form 1040, line 58.	5	13,808.
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27.	6	6,904.

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2005

Additional Taxes on Qualified Plans (Including IRAs), and Other Tax-Favored Accounts

2005

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040.
▶ See separate instructions.

Attachment
Sequence No. **29**

Name of individual subject to additional tax. If married filing jointly, see the instructions.

Your social security number

Kevin M Kelly

**Fill in Your Address
Only If You Are Filing
This Form by Itself and
Not With Your
Tax Return**

Home address (number and street), or P.O. box if mail is not delivered to your home

Apartment number

City, town or post office

State ZIP code

If this is an amended
return, check here

If you **only** owe the additional 10% tax on early distributions, you may be able to report this tax directly on Form 1040, line 60, without filing Form 5329. See the instructions for Form 1040, line 60.

Part I Additional Tax on Early Distributions

Complete this part if you took a taxable distribution (other than a qualified hurricane distribution), before you reached age 59-1/2, from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040—see above). You also may have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions (see instructions).

1 Early distributions included in income. For Roth IRA distributions, see instructions	1	
2 Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions:	2	
3 Amount subject to additional tax. Subtract line 2 from line 1	3	
4 Additional tax. Enter 10% (.10) of line 3. Include this amount on Form 1040, line 60.	4	
Caution: If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10% (see instructions).		

Part II Additional Tax on Certain Distributions From Education Accounts

Complete this part if you included an amount in income, on Form 1040, line 21, from a Coverdell education savings account (ESA) or a qualified tuition program (QTP).

5 Distributions included in income from Coverdell ESAs and QTPs	5	
6 Distributions included on line 5 that are not subject to the additional tax (see instructions)	6	
7 Amount subject to additional tax. Subtract line 6 from line 5	7	
8 Additional tax. Enter 10% (.10) of line 7. Include this amount on Form 1040, line 60	8	

Part III Additional Tax on Excess Contributions to Traditional IRAs

Complete this part if you contributed more to your traditional IRAs for 2005 than is allowable or you had an amount on line 17 of your 2004 Form 5329.

9 Enter your excess contributions from line 16 of your 2004 Form 5329 (see instructions). If zero, go to line 15	9	
10 If your traditional IRA contributions for 2005 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10	
11 2005 traditional IRA distributions included in income (see instructions)	11	
12 2005 distributions of prior year excess contributions (see instructions)	12	
13 Add lines 10, 11, and 12	13	
14 Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14	
15 Excess contributions for 2005 (see instructions)	15	
16 Total excess contributions. Add lines 14 and 15	16	
17 Additional tax. Enter 6% (.06) of the smaller of line 16 or the value of your traditional IRAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60	17	

Part IV Additional Tax on Excess Contributions to Roth IRAs

Complete this part if you contributed more to your Roth IRAs for 2005 than is allowable or you had an amount on line 25 of your 2004 Form 5329.

18 Enter your excess contributions from line 24 of your 2004 Form 5329 (see instructions). If zero, go to line 23	18	2,800.
19 If your Roth IRA contributions for 2005 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19	4,500.
20 2005 distributions from your Roth IRAs (see instructions)	20	
21 Add lines 19 and 20	21	4,500.
22 Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22	0.
23 Excess contributions for 2005 (see instructions)	23	
24 Total excess contributions. Add lines 22 and 23	24	0.
25 Additional tax. Enter 6% (.06) of the smaller of line 24 or the value of your Roth IRAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60	25	0.

Part V Additional Tax on Excess Contributions to Coverdell ESAs

Complete this part if the contributions to your Coverdell ESAs for 2005 were more than is allowable or you had an amount on line 33 of your 2004 Form 5329.

26	Enter the excess contributions from line 32 of your 2004 Form 5329 (see instructions). If zero, go to line 31.	26	
27	If the contributions to your Coverdell ESAs for 2005 were less than the maximum allowable contribution, see instructions. Otherwise, enter -0-.	27	
28	2005 distributions from your Coverdell ESAs (see instructions)	28	
29	Add lines 27 and 28	29	
30	Prior year excess contributions. Subtract line 29 from line 26. If zero or less, enter -0-.	30	
31	Excess contributions for 2005 (see instructions)	31	
32	Total excess contributions. Add lines 30 and 31.	32	
33	Additional tax. Enter 6% (.06) of the smaller of line 32 or the value of your Coverdell ESAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60.	33	

Part VI Additional Tax on Excess Contributions to Archer MSAs

Complete this part if you or your employer contributed more to your Archer MSAs for 2005 than is allowable or you had an amount on line 41 of your 2004 Form 5329.

34	Enter the excess contributions from line 40 of your 2004 Form 5329 (see instructions). If zero, go to line 39.	34	
35	If the contributions to your Archer MSAs for 2005 are less than the maximum allowable contribution, see instructions. Otherwise, enter -0-.	35	
36	2005 distributions from your Archer MSAs from Form 8853, line 10	36	
37	Add lines 35 and 36	37	
38	Prior year excess contributions. Subtract line 37 from line 34. If zero or less, enter -0-.	38	
39	Excess contributions for 2005 (see instructions)	39	
40	Total excess contributions. Add lines 38 and 39.	40	
41	Additional tax. Enter 6% (.06) of the smaller of line 40 or the value of your Archer MSAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60.	41	

Part VII Additional Tax on Excess Contributions to Health Savings Accounts (HSAs)

Complete this part if you, someone on your behalf, or your employer contributed more to your HSAs for 2005 than is allowable or you had an amount on line 43 of your 2004 Form 5329.

42	Enter the excess contributions from line 42 of your 2004 Form 5329. If zero, go to line 47.	42	
43	If the contributions to your HSAs for 2005 are less than the maximum allowable contribution, see instructions. Otherwise, enter -0-.	43	
44	2005 distributions from your HSAs from Form 8889, line 14	44	
45	Add lines 43 and 44	45	
46	Prior year excess contributions. Subtract line 45 from line 42. If zero or less, enter -0-.	46	
47	Excess contributions for 2005 (see instructions)	47	
48	Total excess contributions. Add lines 46 and 47.	48	
49	Additional tax. Enter 6% (.06) of the smaller of line 48 or the value of your HSAs on December 31, 2005 (including 2005 contributions made in 2006). Include this amount on Form 1040, line 60.	49	

Part VIII Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)

Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.

50	Minimum required distribution for 2005 (see instructions).	50	
51	Amount actually distributed to you in 2005.	51	
52	Subtract line 51 from line 50. If zero or less, enter -0-.	52	
53	Additional tax. Enter 50% (.50) of line 52. Include this amount on Form 1040, line 60.	53	

Signature. Complete **only** if you are filing this form by itself and not with your tax return.

Please Sign Here	Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature		Date	
Paid - Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address and ZIP code	EIN	Phone no.	

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040 or Form 1041.

Name(s) shown on return

Identifying number

Kevin M & Gretchen L Kelly

Part I 2005 Passive Activity Loss

Caution: Complete Worksheets 1, 2, and 3 on page 2 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation see **Special Allowance for Rental Real Estate Activities** in the instructions.)

1 a	Activities with net income (enter the amount from Worksheet 1, column (a)).	1 a	0 .		
b	Activities with net loss (enter the amount from Worksheet 1, column (b)).	1 b	-2,880 .		
c	Prior years unallowed losses (enter the amount from Worksheet 1, column (c)).	1 c	-6,048 .		
d	Combine lines 1a, 1b, and 1c	1 d	-8,928 .		

Commercial Revitalization Deductions From Rental Real Estate Activities

2 a	Commercial revitalization deductions from Worksheet 2, column (a).	2 a			
b	Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)	2 b			
c	Add lines 2a and 2b	2 c			

All Other Passive Activities

3 a	Activities with net income (enter the amount from Worksheet 3, column (a)).	3 a			
b	Activities with net loss (enter the amount from Worksheet 3, column (b)).	3 b			
c	Prior years unallowed losses (enter the amount from Worksheet 3, column (c)).	3 c			
d	Combine lines 3a, 3b, and 3c	3 d			

4	Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582. Report the losses on the forms and schedules normally used.	4	-8,928 .		
---	---	---	----------	--	--

- If line 4 is a loss and:
- Line 1d is a loss, go to Part II.
 - Line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, **do not** complete Part II or Part III. Instead, go to line 15.

Part II Special Allowance for Rental Real Estate With Active Participation

Note: Enter all numbers in Part II as positive amounts. See the instructions for an example.

5	Enter the smaller of the loss on line 1d or the loss on line 4.	5	8,928 .		
6	Enter \$150,000. If married filing separately, see the instructions.	6	150,000 .		
7	Enter modified adjusted gross income, but not less than zero (see instructions).	7	146,730 .		
<p>Note: If line 7 is greater than or equal to line 6, skip lines 8 and 9, enter -0- on line 10. Otherwise, go to line 8.</p>					
8	Subtract line 7 from line 6	8	3,270 .		
9	Multiply line 8 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see instructions.	9	1,635 .		
10	Enter the smaller of line 5 or line 9.	10	1,635 .		

If line 2c is a loss, go to Part III. Otherwise, go to line 15.

Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: Enter all numbers in Part III as positive amounts. See the example in the instructions for Part II.

11	Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions.	11			
12	Enter the loss from line 4	12			
13	Reduce line 12 by the amount on line 10.	13			
14	Enter the smallest of line 2c (treated as a positive amount), line 11, or line 13.	14			

Part IV Total Losses Allowed

15	Add the income, if any, on lines 1a and 3a and enter the total.	15	0 .		
16	Total losses allowed from all passive activities for 2005. Add lines 10, 14, and 15. See the instructions to find out how to report the losses on your tax return.	16	1,635 .		

Caution: The worksheets must be filed with your tax return. Keep a copy for your records.

Worksheet 1 – For Form 8582, Lines 1a, 1b, and 1c (See instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	(b) Net loss (line 1b)	(c) Unallowed loss (line 1c)	(d) Gain	(e) Loss
	0.	2,880.	6,048.		8,928.
Total. Enter on Form 8582, lines 1a, 1b, and 1c					
	0.	2,880.	6,048.		

Worksheet 2 – For Form 8582, Lines 2a and 2b (See instructions.)

Name of activity	(a) Current year deductions (line 2a)	(b) Prior year unallowed deductions (line 2b)	(c) Overall loss
Total. Enter on Form 8582, lines 2a and 2b			

Worksheet 3 – For Form 8582, Lines 3a, 3b, and 3c (See instructions.)

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 3a)	(b) Net loss (line 3b)	(c) Unallowed loss (line 3c)	(d) Gain	(e) Loss
Total. Enter on Form 8582, lines 3a, 3b, and 3c					

Worksheet 4 – Use this worksheet if an amount is shown on Form 8582, line 10 or 14 (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Special allowance	(d) Subtract column (c) from column (a)
		8,928.	1.00000000	1,635.	7,293.
Total.					
		8,928.	1.00	1,635.	7,293.

Worksheet 5 – Allocation of Unallowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Ratio	(c) Unallowed loss
		7,293.	1.00000000	7,293.
Total.				
		7,293.	1.00	7,293.

Worksheet 6 – Allowed Losses (See instructions.)

Name of activity	Form or schedule and line number to be reported on (see instructions)	(a) Loss	(b) Unallowed loss	(c) Allowed loss
[REDACTED]	[REDACTED]	8,928.	7,293.	1,635.
Total		8,928.	7,293.	1,635.

Worksheet 7 – Activities With Losses Reported on Two or More Forms or Schedules (See instructions.)

Name of Activity ...	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Total			1.00		

Name of Activity ...	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Form or schedule and line number to be reported on (see instructions) _____ 1 a Net loss plus prior year unallowed loss from form or schedule ▶ b Net income from form or schedule ▶ c Subtract line 1b from line 1a. If zero or less, enter -0- ▶					
Total			1.00		

Line 48 Other Expenses

outside labor	0.
cleaning	3,564.
telephone	8,100.
gifts	1,500.
Total	<u>13,164.</u>

Mortgage Interest and Points Smart Worksheet

A Enter a description and an amount for fully deductible mortgage interest and points. Check the box if the mortgage was sold to another lender, or the mortgage has been paid off; the lender's name will **not** transfer to next year's return.

Check the box if the mortgage interest and/or points are **not** reported on Form 1098.

Note: When the points must be deducted over the life of the loan, enter this information on the Other Points Smart Worksheet.

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Countrywide home Loans	16,295.		<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	2,463.		<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	17,825.		<input type="checkbox"/>	<input type="checkbox"/>
See Mortgage Interest and Points	18,696.		<input type="checkbox"/>	<input type="checkbox"/>

Domestic Production Activities Smart Worksheet

Amounts have been gathered from the Schedule C as a starting point for the Domestic Production Activities deduction calculation. Make adjustments as necessary, be careful not to duplicate amounts.

If you qualify for the deduction, complete the Domestic Production column. For the small business simplified overall method, enter gross receipts. For the simplified deduction method, enter gross receipts and cost of goods sold. For the Section 861 method, enter all amounts.

	Total	Domestic Production
A Gross receipts	402,174.	
B Cost of goods sold *		
C Directly allocable deductions, expenses, or losses *		
D Indirectly allocable deductions, expenses, or losses *	303,316.	
E W-2 wages (adjust for wages from COGS, if necessary)	24,178.	

* Expenses should be allocated to lines B, C and D without duplicating amounts on these lines.

QuickZoom to Form 8903, Domestic Production Activities Deduction ...

Mortgage Interest and Points

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Escrow				
Countrywide	3,193.			
Countrywide	4,453.			
Washington Mutual Bank	7,606.			
Wells Fargo Bank N.A.	3,444.			
Total	<u>18,696.</u>			

Department of the Treasury — Internal Revenue Service
Amended U.S. Individual Income Tax Return
▶ See separate instructions.

OMB No. 1545-0074

This return is for calendar year ▶ **2006**, or fiscal year ended ▶

Please print or

Your first name **Kevin** MI **M** Last name **Kelly** [Redacted]
 If a joint return, spouse's first name **Gretchen** MI [Redacted] Last name **Kelly** [Redacted]
 Home address (no. and street) or P.O. [Redacted]

- A** If the address shown above is different from that shown on your last return filed with the IRS, would you like us to change it in our records? Yes No
- B** Filing status. Be sure to complete this line. **Note.** You cannot change from joint to separate returns after the due date.
- On original return ▶ Single Married filing jointly Married filing separately Head of household Qualifying widow(er)
 On this return ▶ Single Married filing jointly Married filing separately Head of household* Qualifying widow(er)
- * If the qualifying person is a child but not your dependent, see instructions.

Use Part II on page 2 to explain any changes		A Original amount or as previously adjusted (see instructions)	B Net change — amount of increase or (decrease) — explain in Part II	C Correct amount
Income and Deductions (see instructions)				
	1 Adjusted gross income (see instructions)	1 242,979.	-88,929.	154,050.
	2 Itemized deductions or standard deduction (see instructions)	2 59,885.	20,241.	80,126.
	3 Subtract line 2 from line 1	3 183,094.	-109,170.	73,924.
	4 Exemptions. If changing, fill in Parts I and II on page 2	4 5,894.	706.	6,600.
	5 Taxable income. Subtract line 4 from line 3	5 177,200.	-109,876.	67,324.
Tax Liability	6 Tax (see instructions). Method used in column C <u>Sch D</u>	6 26,016.	-16,440.	9,576.
	7 Credits (see instructions)	7 0.	0.	0.
	8 Subtract line 7 from line 6. Enter the result but not less than zero	8 26,016.	-16,440.	9,576.
	9 Other taxes (see instructions)	9 17,174.	-2,854.	14,320.
	10 Total tax. Add lines 8 and 9	10 43,190.	-19,294.	23,896.
Payments	11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld. If changing, see instructions	11 2,895.	0.	2,895.
	12 Estimated tax payments, including amount applied from prior year's return	12 21,930.	0.	21,930.
	13 Earned income credit (EIC)	13 0.	0.	0.
	14 Additional child tax credit from Form 8812	14 0.	0.	0.
	15 Credits: Federal telephone excise tax or from Forms 2439, 4136, or 8885	15 40.	0.	40.
	16 Amount paid with request for extension of time to file (see instructions)	16		
	17 Amount of tax paid with original return plus additional tax paid after it was filed	17		
	18 Total payments. Add lines 11 through 17 in column C	18		24,865.
Refund or Amount You Owe				
	19 Overpayment, if any, as shown on original return or as previously adjusted by the IRS	19	0.	
	20 Subtract line 19 from line 18 (see instructions)	20		24,865.
	21 Amount you owe. If line 10, column C, is more than line 20, enter the difference and see instructions	21		
	22 If line 10, column C, is less than line 20, enter the difference	22		969.
	23 Amount of line 22 you want refunded to you	23		969.
	24 Amount of line 22 you want applied to your estimated tax	24		

Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Joint return? See instr. Keep a copy for your records.

Your signature _____ Date _____ Spouse's signature. If a joint return, **both** must sign _____ Date _____

Paid Preparer's Use Only

Preparer's signature ▶ **Joyce Rebhun, JD, MBA, PhD** Date _____ Check if self-employed Preparer's SSN or PTIN _____
 Firm's name (or yours if self-employed), address, and ZIP code ▶ **JOYCE REBHUN INC. 8500 WILSHIRE BLVD STE. 519 BEVERLY HILLS CA 90211-3111** EIN [Redacted] Phone no. **(310) 657-8553**

Part I Exemptions. See Form 1040 or 1040A instructions.		A Original number of exemptions reported or as previously adjusted	B Net change	C Correct number of exemptions															
Complete this part only if you are: <ul style="list-style-type: none"> Increasing or decreasing the number of exemptions claimed on line 6d of the return you are amending, or Increasing or decreasing the exemption amount for housing individuals displaced by Hurricane Katrina. 																			
25	Yourself and spouse	25																	
Caution. If someone can claim you as a dependent, you cannot claim an exemption for yourself.																			
26	Your dependent children who lived with you	26																	
27	Your dependent children who did not live with you due to divorce or separation	27																	
28	Other dependents	28																	
29	Total number of exemptions. Add lines 25 through 28	29																	
30	Multiply the number of exemptions claimed on line 29 by the amount listed below for the tax year you are amending. Enter the result here and on line 4.																		
	<table border="1"> <thead> <tr> <th>Tax year</th> <th>Exemption amount</th> <th>But see the instructions for line 4 if the amount on line 1 is over:</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>\$3,300</td> <td>\$112,875</td> </tr> <tr> <td>2005</td> <td>3,200</td> <td>109,475</td> </tr> <tr> <td>2004</td> <td>3,100</td> <td>107,025</td> </tr> <tr> <td>2003</td> <td>3,050</td> <td>104,625</td> </tr> </tbody> </table>	Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:	2006	\$3,300	\$112,875	2005	3,200	109,475	2004	3,100	107,025	2003	3,050	104,625	30		
Tax year	Exemption amount	But see the instructions for line 4 if the amount on line 1 is over:																	
2006	\$3,300	\$112,875																	
2005	3,200	109,475																	
2004	3,100	107,025																	
2003	3,050	104,625																	
31	If you are claiming an exemption amount for housing individuals displaced by Hurricane Katrina, enter the amount from Form 8914, line 2 for 2005 or line 6 for 2006 (see instructions for line 4)	31																	
32	Add lines 30 and 31. Enter the result here and on line 4	32																	

33 Dependents (children and other) not claimed on original (or adjusted) return:					Number of children on 33 who:
(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) <input type="checkbox"/> if qualifying child for child tax credit	
					<ul style="list-style-type: none"> lived with you <input type="checkbox"/> did not live with you due to divorce or separation (see instructions) <input type="checkbox"/>
					Dependents on 33 not entered above <input type="checkbox"/>

Part II Explanation of Changes
 Enter the line number from page 1 of the form for each item you are changing and give the reason for each change. Attach only the supporting forms and schedules for the items changed. If you do not attach the required information, your Form 1040X may be returned. Be sure to include your name and social security number on any attachments.

If the change relates to a net operating loss carryback or a general business credit carryback, attach the schedule or form that shows the year in which the loss or credit occurred. See the instructions. Also, check here

SEE ATTACHED EXPLANATION

Part III Presidential Election Campaign Fund. Checking below will not increase your tax or reduce your refund.
 If you did not previously want \$3 to go to the fund but now want to, check here
 If a joint return and your spouse did not previously want \$3 to go to the fund but now wants to, check here

EXPLANATION OF ADJUSTMENTS TO FORM 1040 CALENDAR YEAR 2006

FEDERAL AUDIT ADJUSTMENTS R.A.R. 12/31/2006		AMENDED RETURN
Sch. C2-Office Expenses	(1659.00)	(1659.00)
Gross Sales Sch. C1	7219.00	7219.00
Capital Gain or Loss	116968.00	25500.00
Itemized Deductions	1851.00	** 20219.00
Exemptions	616.00	0.00

Label (See instructions.)

Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign

For the year Jan 1 - Dec 31, 2006, or other tax year beginning , 2006, ending , 20
Your first name MI Last name
Kevin M Kelly
If a joint return, spouse's first name MI Last name
Gretchen L Kelly
Home address (number and street). If you have a P.O. box, see instructions.
ZIP code
93

OMB No. 1545-0074
Your social security number
Spouse's social security number
You must enter your social security number(s) above.
You

Filing Status

1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above & full name here.
4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child (see instructions)

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
6b Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see instrs)
d Total number of exemptions claimed 2

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

Table with 2 columns: Line number and Amount. Rows include Wages, salaries, tips, etc. (21,534); Taxable interest (1,248); Ordinary dividends; Taxable refunds, credits, or offsets of state and local income taxes (1,939); Alimony received; Business income or (loss) (129,500); Capital gain or (loss) (25,500); Other gains or (losses); IRA distributions; Pensions and annuities; Rental real estate, royalties, partnerships, S corporations, trusts, etc. (-9,845); Farm income or (loss); Unemployment compensation; Social security benefits; Other income; Total income (169,876).

Adjusted Gross Income

Table with 2 columns: Line number and Amount. Rows include Archer MSA deduction; Certain business expenses of reservists, performing artists, and fee-basis government officials; Health savings account deduction; Moving expenses; One-half of self-employment tax (7,161); Self-employed SEP, SIMPLE, and qualified plans (5,000); Self-employed health insurance deduction; Penalty on early withdrawal of savings (535); Alimony paid; IRA deduction (1,130); Student loan interest deduction; Jury duty pay you gave to your employer; Domestic production activities deduction (2,000); Add lines 23 - 31a and 32 - 35 (15,826); Subtract line 36 from line 22. This is your adjusted gross income (154,050).

Tax and Credits

Standard Deduction for -

• People who checked any box on line 39a or 39b or who can be claimed as a dependent, see instructions.

• All others:

Single or Married filing separately, \$5,150

Married filing jointly or Qualifying widow(er), \$10,300

Head of household, \$7,550

Table with 3 columns: Line number, Description, and Amount. Includes lines 38-57 for Tax and Credits.

Other Taxes

Table with 3 columns: Line number, Description, and Amount. Includes lines 58-63 for Other Taxes.

Payments

If you have a qualifying child, attach Schedule EIC.

Table with 3 columns: Line number, Description, and Amount. Includes lines 64-72 for Payments.

Refund

Direct deposit? See instructions and fill in 74b, 74c, and 74d or Form 8888.

Table with 3 columns: Line number, Description, and Amount. Includes lines 73-75 for Refund.

Amount You Owe

Table with 3 columns: Line number, Description, and Amount. Includes lines 76-77 for Amount You Owe.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete the following. [X] No

Sign Here

Joint return? See instructions. Keep a copy for your records.

Your signature, Date, Your occupation (self employed), Daytime phone number, Spouse's signature, Date, Spouse's occupation (production mgr.).

Paid Preparer's Use Only

Preparer's signature: Joyce Rebhun, JD, MBA, PhD; Firm's name: JOYCE REBHUN INC.; Address: 8500 WILSHIRE BLVD STE. 519 BEVERLY HILLS CA 90211-3111

**SCHEDULE A
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ Attach to Form 1040.
▶ See Instructions for Schedule A (Form 1040).

OMB No. 1545-0074

2006

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

Kevin M & Gretchen L Kelly

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29			
Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.																																
	1 Medical and dental expenses (see instructions)						5,747.																										
	2 Enter amount from Form 1040, line 38		2	154,050.																													
	3 Multiply line 2 by 7.5% (.075)							11,554.																									
	4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-																																
Taxes You Paid (See instructions.)	5 State and local income taxes						2,809.																										
	6 Real estate taxes (see instructions)						5,108.																										
	7 Personal property taxes																																
	8 Other taxes. List type and amount ▶																																
	9 Add lines 5 through 8																																
Interest You Paid (See instructions.)	10 Home mtg interest and points reported to you on Form 1098																																
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address ▶																																
	12 Points not reported to you on Form 1098. See instrs for spl rules																																
	13 Investment interest. Attach Form 4952 if required. (See instrs.)																																
	14 Add lines 10 through 13																																
Gifts to Charity If you made a gift and got a benefit for it, see instructions.	15 Gifts by cash or check. If you made any gift of \$250 or more, see instrs																																
	16 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500																																
	17 Carryover from prior year																																
	18 Add lines 15 through 17																																
Casualty and Theft Losses	19 Casualty or theft loss(es). Attach Form 4684. (See instructions.)																																
Job Expenses and Certain Miscellaneous Deductions (See instructions.)	20 Unreimbursed employee expenses — job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶																																
	21 Tax preparation fees																																
	22 Other expenses — investment, safe deposit box, etc. List type and amount ▶																																
	23 Add lines 20 through 22																																
	24 Enter amount from Form 1040, line 38			24																													
	25 Multiply line 24 by 2% (.02)																																
	26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-																																
Other Miscellaneous Deductions	27 Other — from list in the instructions. List type and amount ▶																																
Total Itemized Deductions	28 Is Form 1040, line 38, over \$150,500 (over \$75,250 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input checked="" type="checkbox"/> Yes. Your deduction may be limited. See instructions for the amount to enter.																																
	29 If you elect to itemize deductions even though they are less than your standard deduction, check here ▶																																

Itemized Deductions Limited per IRC Sec. 68.

SCHEDULE C
(Form 1040)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2006

Department of the Treasury
Internal Revenue Service (99)

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
Attach to Form 1040, 1040NR, or 1041. See Instructions for Schedule C (Form 1040).

Attachment
Sequence No. 09

Name of proprietor: **Kevin M Kelly**

Social security number (SSN): [REDACTED]

A Principal business or profession, including product or service (see instructions):
CHIROPRACTOR

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any: [REDACTED]

E Business address (including suite or room): [REDACTED]

G Did you 'materially participate' in the operation of this business during 2006? If 'No,' see instructions for limit on losses. Yes No

H If you started or acquired this business during 2006, check here:

Part I Income

1	Gross receipts or sales. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see the instructions and check here. <input type="checkbox"/>	1	351,732.
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	351,732.
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	351,732.
6	Other income, including federal and state gasoline or fuel tax credit or refund	6	
7	Gross income. Add lines 5 and 6	7	351,732.

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	1,085.	18	Office expense	18	6,893.
9	Car and truck expenses (see instructions)	9	8,028.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11	6,895.	20a	Vehicles, machinery, and equipment	20a	700.
12	Depletion	12		20b	Other business property	20b	67,767.
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	3,883.	21	Repairs and maintenance	21	4,145.
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	3,560.
15	Insurance (other than health)	15	7,653.	23	Taxes and licenses	23	3,047.
16	Interest:			24	Travel, meals, and entertainment:		
16a	Mortgage (paid to banks, etc)	16a		24a	Travel	24a	4,326.
16b	Other	16b		24b	Deductible meals and entertainment	24b	5,175.
17	Legal & professional services	17	3,215.	25	Utilities	25	5,072.
26				26	Wages (less employment credits)	26	26,278.
27				27	Other expenses (from line 48 on page 2)	27	83,285.
28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	28	241,007.				
29	Tentative profit (loss). Subtract line 28 from line 7	29	110,725.				
30	Expenses for business use of your home. Attach Form 8829	30					
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 , and Schedule SE, line 2 or on Form 1040NR, line 13 (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	110,725.				
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Form 1040, line 12 , and Schedule SE, line 2 , or on Form 1040NR, line 13 (statutory employees, see instructions). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198 . Your loss may be limited.	32a	<input checked="" type="checkbox"/> All investment is at risk.	32b	<input type="checkbox"/> Some investment is not at risk.		

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2006

Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation	<input type="checkbox"/> Yes <input type="checkbox"/> No
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35
36	Purchases less cost of items withdrawn for personal use	36
37	Cost of labor. Do not include any amounts paid to yourself	37
38	Materials and supplies	38
39	Other costs	39
40	Add lines 35 through 39	40
41	Inventory at end of year	41
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on page 1, line 4	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

- 43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ _____
- 44 Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:
 a Business _____ b Commuting (see instructions) _____ c Other _____
- 45 Do you (or your spouse) have another vehicle available for personal use? Yes No
- 46 Was your vehicle available for personal use during off-duty hours? Yes No
- 47a Do you have evidence to support your deduction? Yes No
- b If 'Yes,' is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

bank charges	1,535.
uniforms	1,000.
marketing	74,000.
billing	3,500.
postage	2,000.
printing	500.
storage	400.
subscriptions for medical library	350.
48 Total other expenses. Enter here and on page 1, line 27	83,285.

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service

**Net Profit From Business
(Sole Proprietorship)**

► Partnerships, joint ventures, etc, must file Form 1065 or 1065-B.
► Attach to Form 1040, 1040NR, or 1041. ► See instructions.

OMB No. 1545-0074

2006

Attachment
Sequence No. **09A**

Name of proprietor

Gretchen L Kelly

Social security number (SSN)

Part I General Information

**You May Use
Schedule C-EZ
Instead of
Schedule C
Only If You:**

- Had business expenses of \$5,000 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as either a sole proprietor or statutory employee.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service
SALES

B Enter code from instructions

► 888888

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room number). Address not required if same as on page 1 of your tax return.

6921 Blue Ridge Way

City, town or post office, state, and ZIP code

Moorpark, CA 93021

Part II Figure Your Net Profit

1 Gross receipts. Caution. If this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, see Statutory Employees in the instructions for Schedule C, line 1, and check here <input type="checkbox"/>	1	18,775.
2 Total expenses (see instructions). If more than \$5,000, you must use Schedule C	2	
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on Form 1040, line 12 , and on Schedule SE, line 2 , or on Form 1040NR, line 13 . (Statutory employees do not report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	18,775.

Part III Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 2.

4 When did you place your vehicle in service for business purposes? (month, day, year)

5 Of the total number of miles you drove your vehicle during 2006, enter the number of miles you used your vehicle for:

a Business _____ **b** Commuting (see instructions) _____ **c** Other _____

6 Do you (or your spouse) have another vehicle available for personal use? Yes No

7 Was your vehicle available for personal use during off-duty hours? Yes No

8a Do you have evidence to support your deduction? Yes No

b If 'Yes,' is the evidence written? Yes No

BAA For Paperwork Reduction Act Notice, see instructions.

Schedule **C-EZ** (Form 1040) 2006

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2006

Attachment
Sequence No. **12**

Name(s) shown on Form 1040

Your social security

Part I Short-Term Capital Gains and Losses — Assets Held One Year or Less

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold (Mo, day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2			2		
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)			3		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					5
6 Short-term capital loss carryover. Enter the amount, if any, from line 10 of your Capital Loss Carryover Worksheet in the instructions					6
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)					7

Part II Long-Term Capital Gains and Losses — Assets Held More Than One Year

(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold (Mo, day, yr)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
8 2nd Home Indio CA	07/21/04	09/22/06	510,000.	506,234.	3,766.
Home Sale Gain Realized	Various	Various	796,414.	674,996.	139,460.
Section 121 Exclusion					-117,726.
9 Enter your long-term totals, if any, from Schedule D-1, line 9			9		
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)			10	1,306,414.	
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					12
13 Capital gain distributions. See instrs					13
14 Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet in the instructions					14
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on page 2					15
					25,500.

BAA For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions.

Schedule D (Form 1040) 2006

Part III Summary

<p>16 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below</p>	<p>16</p>	<p>25,500.</p>
<p>17 Are lines 15 and 16 both gains?</p> <p><input checked="" type="checkbox"/> Yes. Go to line 18.</p> <p><input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.</p>		
<p>18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet in the instructions</p>		
<p>19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet in the instructions</p>	<p>19</p>	<p>21,734.</p>
<p>20 Are lines 18 and 19 both zero or blank?</p> <p><input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR). Do not complete lines 21 and 22 below.</p> <p><input checked="" type="checkbox"/> No. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Schedule D Tax Worksheet in the instructions. Do not complete lines 21 and 22 below.</p>		
<p>21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of:</p> <ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) 		
<p>Note. When figuring which amount is smaller, treat both amounts as positive numbers.</p>		
<p>22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?</p> <p><input type="checkbox"/> Yes. Complete Form 1040 through line 43, or Form 1040NR through line 40. Then complete the Qualified Dividends and Capital Gain Tax Worksheet in the Instructions for Form 1040 (or in the Instructions for Form 1040NR).</p> <p><input type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.</p>		

Home Sale Worksheets

2006

Use these worksheets to calculate gain on the sale of a main home sold in 2006

Keep for your records

Your First Name and Initial. If Joint, Spouse's Also.

Kevin M & Gretchen L Kelly

No.

Address of Home Sold

- Check here to report on Schedule D even when not required [X]
Did you use this home partially or completely in a trade or business or hold it for investment AND dispose of it in a like-kind (Sec 1031) exchange? Yes [] No []
Warning: If Yes, no taxable gain or exclusion will flow to Sch D or Form 4797. Complete Form 8824.

Installment Sale Information

- Check here to report the sale on an installment basis []
Double-click here to link to the copy of Form 6252 to which this sale relates

Part I - Gain or (Loss)

Table with 5 rows: 1. Date your former main home was bought (03/21/2002), 2. Date your former main home was sold (12/29/2006), 3. Selling price of home (310,000), 4. Adjusted gain (170,540), 5. Gain (139,460). Includes 'AMENDED' text.

Qualifying for and Electing the Exclusion for Sale of Your Main Home

- A Did you acquire this home in a like-kind (Section 1031) exchange and sell it within 5 years after acquiring it? [] Yes [X] No
B Do you wish to use the available main home sale exclusion for sales after May 6, 1997? [X] Yes [] No
C Did you live in the home as your main home for a total of at least 2 years within the 5-year period * ending on the date of sale? [X] Yes [] No
D If married, did your spouse live in the home as a main home for a total of at least 2 years within the 5-year period * ending on the date of sale? [] Yes [X] No
E Have you excluded gain from another main home sold within two years before the sale of this home? [] Yes [X] No
F If married, has your spouse excluded gain from another main home sold within two years before the sale of this home? [] Yes [X] No
G Did you (or your spouse if filing a joint return) own and use the property as your main home for a total of at least 2 years of the 5-year period before the sale? [X] Yes [] No

* If you were a member of the uniformed services or Foreign Service during the time you owned the home, see help and IRS Publication 523 to determine your 5-year period.

Reduced Maximum Exclusion Worksheet

- Is this sale due to change of health or place of employment or other unforeseen circumstances?

**If married filing joint :

If this is a joint sale, answer both questions A and B the same; either yes or no.

If this is NOT a joint sale, answer questions A and B as applicable.

A Taxpayer	<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
B Spouse	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
		Taxpayer		Spouse

- Check here if you are entering number of months rather than number of days for the entries below

1 Maximum exclusion amount	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Taxpayer	Spouse

1 Maximum exclusion amount	<u>250,000.</u>	<u>250,000.</u>
2 For the 5-year period * ending on the date of sale, make the required entries on lines 2a and 2b below.		

a Enter the number of days (or months) each person used the property as a main home.		<u>821</u>
--	--	------------

b Enter the number of days (or months) each person owned the property. If married filing jointly and one spouse owned the property longer than the other spouse, both spouses are treated as owning the property for the longer period.	<u>0</u>	<u>485</u>
---	----------	------------

c The smaller of line 2a or line 2b.		<u>485</u>
--	--	------------

3 If you answered "Yes" to either E or F above, enter the number of days (or months) between the date of the most recent sale of another home on which you excluded gain and the date of sale of this home; otherwise, skip line 3 and enter line 2c on line 4		
---	--	--

4 Enter the smaller of line 2c or line 3		<u>485</u>
---	--	------------

5 Divide line 4 by 730 days (or 24 months)	<u>1.000</u>	<u>1.000</u>
---	--------------	--------------

6 Multiply line 1 by line 5	<u>250,000.</u>	<u>250,000.</u>
--	-----------------	-----------------

7 Add the amounts in the Taxpayer and Spouse columns of ln 6. Enter the result here and on line 8 below		<u>500,000.</u>
--	--	-----------------

* If you were a member of the uniformed services or Foreign Service during the time you owned the home, see help and IRS Publication 523 to determine your 5-year period.

AMENDED

Part 2 - Exclusion and Taxable Gain

6	Depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter zero.	6	<u>21,734.</u>
7	Subtract line 6 from line 5 of Part I Gain or Loss on Sale section (not less than 0)	7	<u>117,726.</u>
8 a	Calculated maximum exclusion		<u>500,000.</u>
b	Maximum exclusion due to separate dispositions in different years or other reasons (enterable) (see Help)		
8 c	Maximum exclusion or reduced maximum exclusion (smaller of 8a or 8b)	8 c	<u>500,000.</u>
9	Exclusion. Enter the smaller of line 7 or 8. If you are reporting this sale on the installment method, enter this amount on line 15 of Form 6252.	9	<u>117,726.</u>
10	Taxable gain. Subtract line 9 from line 5 of Part 1. Report any gain on Sch D. If the amount on line 6 of this worksheet is more than zero, complete line 11.	10	<u>21,734.</u>
11	Enter the smaller of line 6 or line 10. Enter this amount on the Unrecaptured Section 1250 Gain Worksheet, line 12 (or 6252 if an installment sale)	11	<u>21,734.</u>

Alternative Minimum Tax Calculation

A1	Alt Min Tax selling price (from line 1)	A1	<u>310,000.</u>
A2	Alt Min Tax expense of sale (from line 2)	A2	
A3	Alt Min Tax adjusted basis	A3	<u>170,540.</u>
A4	Alt Min Tax gain on sale (line A1 minus line A2 minus line A3)	A4	<u>139,460.</u>
A5	AMT depreciation allowed/allowable on the property after 5/6/1997	A5	<u>0.</u>
A6	Subtract line A5 from line A4	A6	<u>139,460.</u>
A7 a	Calculated maximum AMT exclusion		<u>500,000.</u>
b	Maximum AMT exclusion due to separate dispositions in different years or other reasons (enterable)		<u>139,460.</u>
8 c	AMT maximum exclusion or reduced maximum excl (smaller of A7a or A7b)	A7 c	<u>139,460.</u>
A8	Alt Min Tax exclusion (smaller of line A6 or line A7c)	A8	<u>139,460.</u>
A9	Alt Min Tax taxable gain (line A4 minus line A8)	A9	<u>0.</u>
A10	Alt Min Tax Unrecaptured Section 1250 Gain (smaller of A5 or A9)	A10	

AMENDED



Supporting Statement of:

Home Sale Wks) / Reduced Excl Wkst 2a S

Description	Amount
27 months occupancy as residence	821
Total	<u>821</u>



A

separate property of Gretchen only reduced exclusion

2003--four months rental

Rental September October November short term basis

2004 rented

2005 rented

Purchased in 2002

Close of escrow -moved into Racquet in September 2003

Moved back into Oak Park after you sold Racquet Club for
2 months.

November and December 2006 moved back in

AMENDED



Additional Information



07/21/03	11/15/06
Purchase	Sold

Originally purchased as separate property of wife
quitclaim and change of title to community property
shortly thereafter

AMENDED

Home Sale Worksheets

2006

Use these worksheets to calculate gain on the sale of a main home sold in 2006

► Keep for your records

Your First Name and Initial. If Joint, Spouse's Also.

Kevin M & Gretchen L Kelly

No.

Address of Home Sold

residence with new husband

- Check here to report on Schedule D even when not required
 - Did you use this home partially or completely in a trade or business or hold it for investment **AND** dispose of it in a like-kind (Sec 1031) exchange? Yes No
- Warning:** If Yes, no taxable gain or exclusion will flow to Sch D or Form 4797. Complete Form 8824.

Installment Sale Information

- Check here to report the sale on an installment basis
- Double-click here to link to the copy of Form 6252 to which this sale relates

Part I - Gain or (Loss)

• Date your former main home was bought (This date is used for the holding period. See help.)		06/27/2004 (mm/dd/yyyy)
• Date your former main home was sold		09/22/2006 (mm/dd/yyyy)
1 Selling price of home. Do not include personal property items you sold with your home	1	486,414.
2 Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges)	2	504,456.
3 Subtract line 2 from line 1. This is the amount realized	3	-18,042.
4 Adjusted basis of home sold	4	0.
5 Gain on sale. Subtract line 4 from line 3. If this is a loss, stop here.	5	-18,042.

Qualifying for and Electing the Exclusion for Sale of Your Main Home

- A** Did you change and elect to report the sale on an installment basis? Yes No
- B** Did you elect to report the sale on an installment basis? Yes No
- C** Did **you** live in the home as your main home for a total of at least 2 years within the 5-year period * ending on the date of sale? Yes No
- D** If married, did your **spouse** live in the home as a main home for a total of at least 2 years within the 5-year period * ending on the date of sale? Yes No
- E** Have **you** excluded gain from another main home sold within two years before the sale of this home? Yes No
- F** If married, has your **spouse** excluded gain from another main home sold within two years before the sale of this home? Yes No
- G** Did you (or your spouse if filing a joint return) own and use the property as your main home for a total of at least 2 years of the 5-year period before the sale? See instructions for exceptions Yes No

* If you were a member of the uniformed services or Foreign Service during the time you owned the home, see help and IRS Publication 523 to determine your 5-year period.

Additional Information

675 P. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

07/21/03	11/15/06
Purchase	Sold

Originally purchased as separate property of wife
quitclaim and change of title to community property
shortly thereafter

Additional Information

separate property of Gretchen only reduced exclusion

2003--four months rental

Rental September October November short term basis

2004 rented

2005 rented

Purchased in 2002

Close of escrow -moved into Racquet in September 2003

Moved back into Oak Park after you sold Racquet Club for
2 months.

November and December 2006 moved back in



Additional Information



Purchased 12/2006

Residence only

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss
(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc)
▶ Attach to Form 1040, 1040NR, or Form 1041.
▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

2006

Attachment
Sequence No. **13**

Name(s) shown on return

Kevin M & Gretchen L Kelly

Your social security number

Part I

property, use **Schedule C** or **C-EZ** (see instructions). Report farm rental income or loss from **Form 4835** on page 2, line 40.

1	List the type and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:	
			Yes	No
A			A	X
B			B	
C			C	

• 14 days, or
 • 10% of the total days rented at fair rental value?
 (See instructions.)

Income:		Properties			Totals (Add columns A, B, and C.)
		A	B	C	
3	Rents received				3
4	Royalties received				4
Expenses:					
5	Advertising				
6	Auto and travel (see instructions)	250.			
7	Cleaning and maintenance				
8	Commissions				
9	Insurance				
10	Legal and other professional fees				
11	Management fees				
12	Mortgage interest paid to banks, etc (see instructions)				12
13	Other interest				
14	Repairs				
15	Supplies				
16	Taxes				
17	Utilities				
18	Other (list) ▶				
	assn dues	2,700.			
	painting	98.			
	interest escrow	621.			
	interest	177.			
19	Add lines 5 through 18	3,846.			19 3,846.
20	Depreciation expense or depletion (see instructions)	5,999.			20 5,999.
21	Total expenses. Add lines 19 and 20	9,845.			
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see instructions to find out if you must file Form 6198	-9,845.			
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See instructions to find out if you must file Form 8582. Real estate professionals must complete line 43 on page 2	-9,845.			
24	Income. Add positive amounts shown on line 22. Do not include any losses				24
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here				25 -9,845.
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2				26 -9,845.
		NPA			-9,845.

SCHEDULE SE
(Form 1040)

Self-Employment Tax

OMB No. 1545-0074

2006

Attachment
Sequence No. **17**

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.** ▶ See instructions for Schedule SE (Form 1040).

Name of person with self-employment income (as shown on Form 1040)

Gretchen L Kelly

Social security number of person
with self-employment income ▶

Who Must File Schedule SE

You must file Schedule SE if:

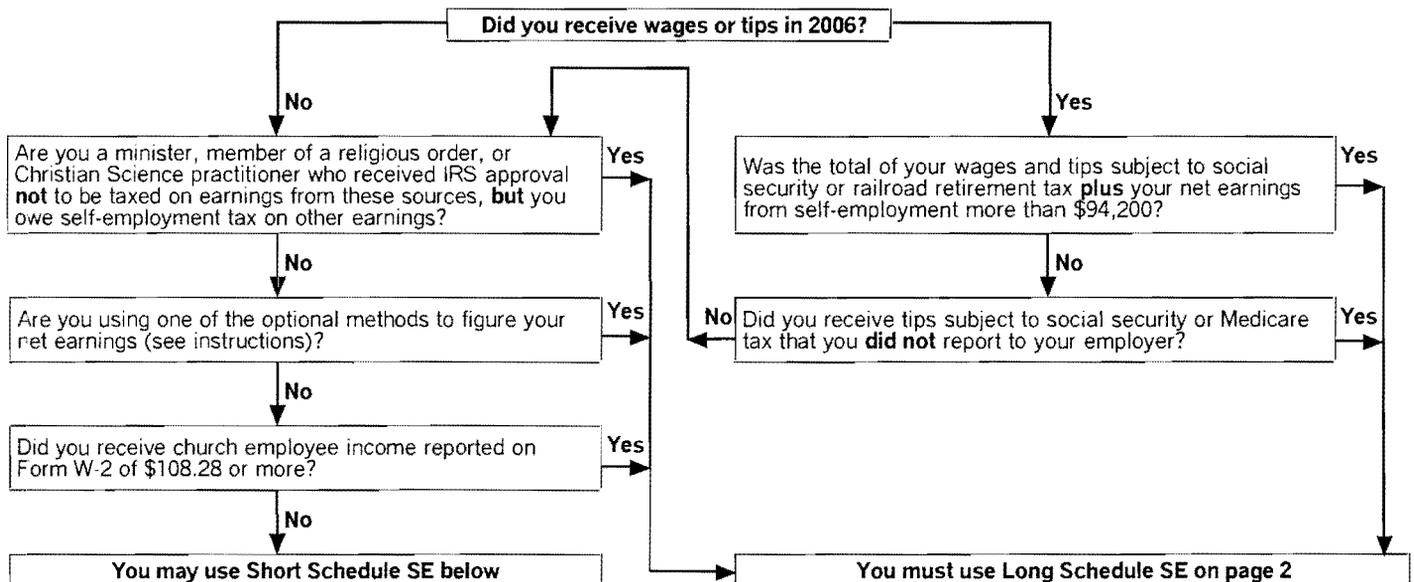
- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of \$400 or more, **or**
- You had church employee income of \$108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income (see instructions).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either 'optional method' in Part II of Long Schedule SE (see instructions).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write 'Exempt - Form 4361' on Form 1040, line 58.

May I Use Short Schedule SE or Must I Use Long Schedule SE?

Note. Use this flowchart **only** if you must file Schedule SE. If unsure, see Who Must File Schedule SE, above.



Section A – Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report	2	18,775.
3	Combine lines 1 and 2	3	18,775.
4	Net earnings from self-employment. Multiply line 3 by 92.35% (.9235). If less than \$400, do not file this schedule; you do not owe self-employment tax	4	17,339.
5	Self-employment tax. If the amount on line 4 is: • \$94,200 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 58. • More than \$94,200, multiply line 4 by 2.9% (.029). Then, add \$11,680.80 to the result. Enter the total here and on Form 1040, line 58.	5	2,653.
6	Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.5). Enter the result here and on Form 1040, line 27	6	1,327.

BAA For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 2006

Name of person with self-employment income (as shown on Form 1040)

Kevin M Kelly

Social security number of person with self-employment income ▶



Section B – Long Schedule SE

Part I Self-Employment Tax

Note. If your only income subject to self-employment tax is **church employee income**, skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See instructions.

<p>A If you are a minister, member of a religious order, or Christian Science practitioner and you filed Form 4361, but you had \$400 or more of other net earnings from self-employment, check here and continue with Part I <input type="checkbox"/></p>		
1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A. Note. Skip this line if you use the farm optional method (see instructions)	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for amounts to report on this line. See instructions for other income to report. Note. Skip this line if you use the nonfarm optional method (see instructions)	110,725.
3	Combine lines 1 and 2	110,725.
4a	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	102,255.
4b	If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	
4c	Combine lines 4a and 4b. If less than \$400, stop ; you do not owe self-employment tax. Exception. If less than \$400 and you had church employee income , enter -0- and continue ▶	102,255.
5a	Enter your church employee income from Form W-2. See the instructions for definition of church employee income	5a
5b	Multiply line 5a by 92.35% (.9235). If less than \$100, enter -0-	0.
6	Net earnings from self-employment. Add lines 4c and 5b	102,255.
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2006	94,200.
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If \$94,200 or more, skip lines 8b through 10, and go to line 11	8a 24,025.
8b	Unreported tips subject to social security tax (from Form 4137, line 9)	8b
8c	Add lines 8a and 8b	24,025.
9	Subtract line 8c from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	70,175.
10	Multiply the smaller of line 6 or line 9 by 12.4% (.124)	8,702.
11	Multiply line 6 by 2.9% (.029)	2,965.
12	Self-employment tax. Add lines 10 and 11. Enter here and on Form 1040, line 58	11,667.
13	Deduction for one-half of self-employment tax. Multiply line 12 by 50% (.5). Enter the result here and on Form 1040, line 27	13 5,834.

Part II Optional Methods To Figure Net Earnings (see instructions)

<p>Farm Optional Method. You may use this method only if (a) your gross farm income⁽¹⁾ was not more than \$2,400 or (b) your net farm profits⁽²⁾ were less than \$1,733.</p>		
14	Maximum income for optional methods	1,600.
15	Enter the smaller of: two-thirds (2/3) of gross farm income ⁽¹⁾ (not less than zero) or \$1,600. Also, include this amount on line 4b above	

<p>Nonfarm Optional Method. You may use this method only if (a) your net nonfarm profits⁽³⁾ were less than \$1,733 and also less than 72.189% of your gross nonfarm income⁽⁴⁾ and (b) you had net earnings from self-employment of at least \$400 in 2 of the prior 3 years.</p> <p>Caution. You may use this method no more than five times.</p>		
16	Subtract line 15 from line 14	16
17	Enter the smaller of: two-thirds (2/3) of gross nonfarm income ⁽⁴⁾ (not less than zero) or the amount on line 16. Also include this amount on line 4b above	17

(1) From Schedule F, line 11, and Schedule K-1 (Form 1065), box 14, code B.

(2) From Schedule F, line 36, and Schedule K-1 (Form 1065), box 14, code A.

(3) From Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A; and Schedule K-1 (Form 1065-B), box 9, code J1.

(4) From Schedule C, line 7; Schedule C-EZ, line 1; Schedule K-1 (Form 1065), box 14, code C; and Schedule K-1 (Form 1065-B), box 9, code J2.

Nondeductible IRAs

2006

Attachment Sequence No. **48**

Department of the Treasury Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040, Form 1040A, or Form 1040NR.

Name. If married, file a separate form for each spouse required to file Form 8606. See instructions.

Your social security number

Gretchen L Kelly

Home address (number and street, or P.O. box if mail is not delivered to your home)

Apartment number

Fill in Your Address Only if You Are Filing This Form by Itself and Not With Your Tax Return

City, town or post office

State ZIP code

Part I Nondeductible Contributions to Traditional IRAs and Distributions From Traditional, SEP, and SIMPLE IRAs

Complete this part only if one or more of the following apply.

- You made nondeductible contributions to a traditional IRA for 2006.
- You took distributions from a traditional, SEP, or SIMPLE IRA in 2006 and you made nondeductible contributions to a traditional IRA in 2006 or an earlier year. For this purpose, a distribution does not include a rollover (other than a repayment of a qualified hurricane distribution), qualified charitable distribution, conversion, recharacterization, or return of certain contributions.
- You converted part, but not all, of your traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2006 (excluding any portion you recharacterized) and you made nondeductible contributions to a traditional IRA in 2006 or an earlier year.

1	Enter your nondeductible contributions to traditional IRAs for 2006, including those made for 2006 from January 1, 2007, through April 16, 2007 (see instructions)	1	2,870.
2	Enter your total basis in traditional IRAs (see instructions)	2	0.
3	Add lines 1 and 2	3	2,870.
	In 2006, did you take a distribution from traditional, SEP, or SIMPLE IRAs, or make a Roth IRA conversion? <input type="checkbox"/> No <input type="checkbox"/> Yes No → Enter the amount from line 3 on line 14. Do not complete the rest of Part I. Yes → Go to line 4.		
4	Enter those contributions included on line 1 that were made from January 1, 2007, through April 16, 2007	4	
5	Subtract line 4 from line 3	5	
6	Enter the value of all your traditional, SEP, and SIMPLE IRAs as of December 31, 2006, plus any outstanding rollovers. Subtract any repayments of qualified hurricane distributions. If the result is zero or less, enter -0- (see instructions)	6	
7	Enter your distributions from traditional, SEP, and SIMPLE IRAs in 2006. Do not include rollovers (other than repayments of qualified hurricane distributions), qualified charitable distributions, conversions to a Roth IRA, certain returned contributions, or recharacterizations of traditional IRA contributions (see instructions)	7	
8	Enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2006. Do not include amounts converted that you later recharacterized (see instructions). Also enter this amount on line 16	8	
9	Add lines 6, 7, and 8	9	
10	Divide line 5 by line 9. Enter the result as a decimal rounded to at least 3 places. If the result is 1.000 or more, enter '1.000'	10	X
11	Multiply line 8 by line 10. This is the nontaxable portion of the amount you converted to Roth IRAs. Also enter this amount on line 17	11	
12	Multiply line 7 by line 10. This is the nontaxable portion of your distributions that you did not convert to a Roth IRA	12	
13	Add lines 11 and 12. This is the nontaxable portion of all your distributions	13	
14	Subtract line 13 from line 3. This is your total basis in traditional IRAs for 2006 and earlier years	14	2,870.
15a	Subtract line 12 from line 7	15a	
15b	b Amount on line 15a attributable to qualified hurricane distributions (see instructions). Also enter this amount on Form 8915, line 22	15b	
15c	c Taxable amount. Subtract line 15b from line 15a. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	15c	
	Note: You may be subject to an additional 10% tax on the amount on line 15c if you were under age 59-1/2 at the time of the distribution (see instructions).		

Part II 2006 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs

Complete this part if you converted part or all of your traditional, SEP, and SIMPLE IRAs to a Roth IRA in 2006 (excluding any portion you recharacterized).

Caution: If your modified adjusted gross income is over \$100,000 or you are married filing separately and you lived with your spouse at any time in 2006, you **cannot** convert any amount from traditional, SEP, or SIMPLE IRAs to Roth IRAs for 2006. If you erroneously made a conversion, you must recharacterize (correct) it (see instructions).

16	If you completed Part I, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2006. Do not include amounts you later recharacterized back to traditional, SEP, or SIMPLE IRAs in 2006 or 2007 (see instructions)	16
17	If you completed Part I, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions)	17
18	Taxable amount. Subtract line 17 from line 16. Also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	18

Part III Distributions From Roth IRAs

Complete this part only if you took a distribution from a Roth IRA in 2006. For this purpose, a distribution does not include a rollover (other than a repayment of a qualified hurricane distribution), qualified charitable distribution, recharacterization, or return of certain contributions (see instructions).

19	Enter your total nonqualified distributions from Roth IRAs in 2006 including any qualified first-time homebuyer distributions (see instructions)	19
20	Qualified first-time homebuyer expenses (see instructions). Do not enter more than \$10,000	20
21	Subtract line 20 from line 19. If zero or less, enter -0- and skip lines 22 through 25	21
22	Enter your basis in Roth IRA contributions (see instructions)	22
23	Subtract line 22 from line 21. If zero or less, enter -0- and skip lines 24 and 25. If more than zero, you may be subject to an additional tax (see instructions)	23
24	Enter your basis in Roth IRA conversions (see instructions)	24
25a	Subtract line 24 from line 23. If zero or less, enter -0- and skip lines 25b and 25c	25a
b	Amount on line 25a attributable to qualified hurricane distributions (see instructions). Also enter this amount on Form 8915, line 23	25b
c	Taxable amount. Subtract line 25b from line 25a. If more than zero, also include this amount on Form 1040, line 15b; Form 1040A, line 11b; or Form 1040NR, line 16b	25c

Sign Here Only if You Are Filing This Form by Itself and Not With Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

Your signature

Date

Paid Preparer's Use Only

Preparer's signature		Date	<input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code	<div style="border-bottom: 1px dashed black; height: 15px; width: 100%;"></div> <div style="border-bottom: 1px dashed black; height: 15px; width: 100%;"></div>			EIN
				Phone no.

**Supporting Statement of:****Schedule C (CHIROPRACTOR)/Line 23**

Description	Amount
<u>Business License</u>	<u>540.00</u>
<u>Payroll Taxes IRS Employer Portion</u>	<u>1,629.00</u>
<u>Payroll Taxes EDD</u>	<u>878.00</u>
Total	<u><u>3,047.00</u></u>



SMART WORKSHEET FOR: Schedule A: Itemized Deductions

Mortgage Interest and Points Smart Worksheet

A Enter a description and an amount for fully deductible mortgage interest and points. Check the box if the mortgage was sold to another lender, or the mortgage has been paid off; the lender's name will **not** transfer to next year's return.

Check the box if the mortgage interest and/or points are **not** reported on Form 1098.

Note: When the points must be deducted over the life of the loan, enter this information on the Other Points Smart Worksheet.

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Wells Fargo Bank	108.	3,100.	<input type="checkbox"/>	<input type="checkbox"/>
Countrywide Home Loans	25,267.		<input type="checkbox"/>	<input type="checkbox"/>
Washington Mutual Bank	8,797.		<input type="checkbox"/>	<input type="checkbox"/>
See Mortgage Interest and Points	28,908.	3,100.	<input type="checkbox"/>	<input type="checkbox"/>

SMART WORKSHEET FOR: Schedule C (CHIROPRACTOR): Profit or Loss from Business

Domestic Production Activities Smart Worksheet

Amounts have been gathered from the Schedule C as a starting point for the Domestic Production Activities deduction calculation. Make adjustments as necessary, be careful not to duplicate amounts.

If you qualify for the deduction, complete the Domestic Production column. For the small business simplified overall method, enter gross receipts. For the simplified deduction method, enter gross receipts and cost of goods sold. For the Section 861 method, enter all amounts.

	Total	Domestic Production
A Gross receipts	351,732.	
B Cost of goods sold *		
C Directly allocable deductions, expenses, or losses *		
D Indirectly allocable deductions, expenses, or losses *	241,007.	
E W-2 wages (adjust for wages from COGS, if necessary)	26,278.	

* Expenses should be allocated to lines B, C and D without duplicating amounts on these lines.

QuickZoom to Form 8903, Domestic Production Activities Deduction ...



Schedule A, lines 10, 11, and 12

Mortgage Interest and Points

Lender's Name/Description	Deductible Mortgage Interest	Fully Deductible Points	Paid Off	Not on Form 1098
Washington Mutual Bank	8,797.			
Wells Fargo Bank	16,755.			
Michael Thomas Escrow	3,356.			
Escrow-Blue Ridge Way		3,100.		
Total	<u>28,908.</u>	<u>3,100.</u>		

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:00 PM

IRPTRN15050160402006000000

*(TY2006)

PAGE 0009 OF 0011

DOCUMENT TYPE: 1099-G

PAYEE ENTITY DATA:

KELLY KEVIN M

GRETCHEN L

TAX YEAR OF REFUND: 2005

STATE: CA ZIP:

PAYER ENTITY DATA:

STATE OF CALIFORNIA

FRANCHISE TAX BOARD P O BOX 942840

SACRAMENTO

CA 94240

1099-G OFFSET: NOT REFUND, CREDIT OR OFFSET FOR TRADE OR BUSINESS

FED TAX WH.....\$0

PR YR RFND.....\$1,939+

***** TAXPAYER COPY *****

IRPTRN15050160402006000000

*(TY2006)

PAGE 0010 OF 0011

DOCUMENT TYPE: 1099-INT

PAYEE ENTITY DATA:

KEVIN M KELLY

THOUSAND OAKS

NO SECOND NOTICE

ACCOUNT

PAYER ENTITY DATA:

TAX REPORTING AZ1 200 18 07

PO BOX 29961

PHOENIX

AZ 85038

FED TAX WH.....\$0

INTEREST.....\$270+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:04 PM

IRMF ON LINE TRANSCRIPT SYSTEM SUMMARY***

TIN-	TIN TYPE AND VALIDITY- 0	DOCUMENT CODE- 00	11 DOCS
GROUP	AMOUNT	GROUP	AMOUNT
INTEREST.....	\$1,199+		
PR YR RFND.....	\$1,939+		
REAL ES SL....	\$1,139,000+		
MTG INT PD.....	\$108+		
POINTS PAID.....	\$3,100+		
STD LN AMT.....	\$3,848+		

ENTER=PAYE (E) , PAYE (R) , (O)NLINE, (W)HITE OUT, IRPO(L) , HARD(C)OPY OR (H)ELP

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:18 PM

IRPTRW573695

ON LINE TRANSCRIPT SYSTEM SUMMARY***

TIN- 573695492

	AMOUNT	GROUP	AMOUNT
WAGES.....	\$21,534+		
INTEREST.....	\$49+		
OTHER INC.....	\$2,490+		
REAL ES SL.....	\$310,000+		
FED TAX WH.....	\$2,895+		
SO SEC WH.....	\$1,489+		
MEDCARE WH.....	\$348+		
MEDCARE WG.....	\$24,025+		
MTG INT PD.....	\$59,616+		

ENTER=PAYE (E) , PAYE (R) , (O)NLINE, (W)HITE OUT, IRPO (L) ,HARD (C)OPY OR (H)ELP

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:08 PM

IRPTR [REDACTED] *(TY2006)

PAGE 0003 OF 0012

DOCUMENT TYPE: 1099-S

PAYEE ENTITY DATA:

GRETCHEN LYNN KELLY [REDACTED]

DATE OF CLOSING: 12-29-2006
PROPERTY OR SERVICES NOT RECEIVED

ACCOUNT NUMBER: [REDACTED]

FIDELITY NATIONAL TITLE - WESTLAKE
950 HAMPSHIRE ROAD
WESTLAKE VILLAGE CA 91361

ITEM DESCRIPTION: [REDACTED]

REAL ES SL.....\$310,000+

BYR RE TAX.....\$15+

***** TAXPAYER COPY *****

IRPTR [REDACTED] *(TY2006)

PAGE 0004 OF 0012

[REDACTED]
PA [REDACTED] KELLY

STATE: CA ZIP: 91360-2550

ACCOUNT NUMBER: 1049 [REDACTED]

COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

MTG INT PD.....\$25,267+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:10 PM

IRPTRN

(TY2006)

PAGE 0005 OF 0012

DOCUMENT TYPE: 1098

PAYEE ENTITY DATA:

GRETCHEN KELLY

ACCOUNT NUMBER:

WASHINGTON MUTUAL BANK F.A.

7301 BAYMEADOWS WAY

JACKSONVILLE

FL 32256

MTG INT PD.....\$8,797+

***** TAXPAYER COPY *****

IRPTRN

(TY2006)

PAGE 0006 OF 0012

DOCUMENT TYPE: 1098

PAYEE ENTITY DATA:

ACCOUNT NUMBER:

WASHINGTON MUTUAL BANK F.A.

7301 BAYMEADOWS WAY

JACKSONVILLE

FL 32256

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:12 PM

IRPT [REDACTED] *(TY2006)

PAGE 0007 OF 0012

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN KELLY
[REDACTED]
[REDACTED]

ACCOUNT NUMBER: [REDACTED]
PAYER ENTITY DATA: 680172274
WASHINGTON MUTUAL BANK F.A.
7301 BAYMEADOWS WAY
JACKSONVILLE FL 32256

MTG INT PD.....\$8,797+

***** TAXPAYER COPY *****

IRPTRN57369549202006000000 *(TY2006)

PAGE 0008 OF 0012

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
GRETCHEN L KELLY
[REDACTED]
[REDACTED]

ACCOUNT NUMBER: [REDACTED]
[REDACTED]
WELLS FARGO BANK N A
1 HOME CAMPUS X2401 049
DES MOINES IA 50328

MTG INT PD.....\$16,755+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:14 PM

IRPTR [REDACTED] 0

*(TY2006)

PAGE 0009 OF 0012

DOCUMENT TYPE: 1098-T

PAYEE ENTITY DATA:

GRETCHEN L KELLY

[REDACTED]

[REDACTED]

GRTR THAN OR EQ TO HALF TIME STUDENT
NOT A GRADUATE STUDENT
ACADEMIC PERIOD CODE: NO
PREVIOUS YEAR AMT INCLUDED IN BOX 2

ACCOUNT NUMBER: [REDACTED]

CALIFORNIA LUTHERAN UNIVERSITY
60 WEST OLSEN ROAD 1220
THOUSAND OAKS CA 91360

AMNPTS BILL.....\$4,000+

***** TAXPAYER COPY *****

IRPTR [REDACTED]

*(TY2006)

PAGE 0010 OF 0012

DOCUMENT TYPE: 1099-

GRETCHEN L & KEVIN MICHAEL KELLY
675 RACQUET CLUB LN

[REDACTED]

NO SECOND NOTICE

ACCOUNT NUMBER: [REDACTED]

COUNTRYWIDE HOME LOANS
400 COUNTRYWIDE WAY
SIMI VALLEY CA 93065

FED TAX WH.....\$0
INTEREST.....\$11+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:18:16 PM

IRPTRN [REDACTED] *(TY2006)

PAGE 0011 OF 0012

DOCUMENT TYPE: 1099-INT

PAYEE ENTITY DATA:

GRETCHEN KELLY

[REDACTED]

[REDACTED]

NO SECOND NOTICE

ACCOUNT NUMBER:

WASHINGTON MUTUAL BANK F.A.
7301 BAYMEADOWS WAY
JACKSONVILLE FL 32256

FED TAX WH.....\$0
INTEREST.....\$24+

***** TAXPAYER COPY *****

IRPTRN [REDACTED] *(TY2006)

PAGE 0012 OF 0012

DOCUMENT TYPE: 1099-INT

PAYEE ENTITY DATA:

GRETCHEN L KELLY

[REDACTED]

[REDACTED]

NO SECOND NOTICE

ACCOUNT NUMBER:

WELLS FARGO BANK N A
1 HOME CAMPUS X2401 049
DES MOINES IA 50328

FED TAX WH.....\$0
INTEREST.....\$14+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673

*(TY2006)

PAGE 0001 OF 0012

DOCUMENT TYPE: W-2
PAYEE ENTITY DATA:
GRETCHEN KELLY

ACCOUNT NUMBER: N/A
PAYER ENTITY DATA:
OST COLLECTION SERVICES INC
2520 S 170TH
NEW BERLIN WI 53151

RETIREMENT PLAN IND: YES

STATUTORY EMPLOYEE IND: NO

TYPE OF EMPLOYMENT: ALL OTHERS
FED TAX WH.....\$2,895+
WAGES.....\$21,534+
SO SEC WH.....\$1,489+
SO SEC WAG.....\$24,025+
DEF COMP.....\$2,490+
MEDCARE WH.....\$348+
MEDCARE WG.....\$24,025+

***** TAXPAYER COPY *****

IRPTR

*(TY2006)

PAGE 0002 OF 0012

DOCUMENT TYPE: 5498
PAYEE ENTITY DATA:
GRETCHEN LYNN KELLY

ACCOUNT NUMBER: 0
VANGUARD FIDUCIARY TRUST CO
PO BOX 2600
VALLEY FORGE PA 19482

IRA CODE: CHECKED
SEP CODE: NOT CHECKED
SIMPLE CODE: NOT CHECKED
ROTH IRA CODE: NOT CHECKED
RMD FOR SUBSEQUENT YEAR: NOT CHECKED

IRA CTB.....\$4,000+
FMV ACCT.....\$4,132+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 7/31/2008 Time: 4:17:52 PM

*(TY2006)

PAGE 0001 OF 0011

DOCUMENT TYPE: 5498

PAYEE ENTITY DATA:

KEVIN MICHAEL KELLY

IRA CODE: CHECKED

SEP CODE: NOT CHECKED

SIMPLE CODE: NOT CHECKED

ACCOUNT NUMBER:

ROTH IRA CODE: NOT CHECKED

RMD FOR SUBSEQUENT YEAR: NOT CHECKED

VANGUARD FIDUCIARY TRUST CO

PO BOX 2600

VALLEY FORGE

PA 19482

FMV ACCT.....\$4,651+

***** TAXPAYER COPY *****

IRPTR

*(TY2006)

PAGE 0002 OF 0011

DOCUMENT TYPE: 5498

PAYEE ENTITY DATA:

KEVIN MICHAEL KELLY

IRA CODE: NOT CHECKED

SEP CODE: NOT CHECKED

SIMPLE CODE: NOT CHECKED

ACCOUNT NUMBER:

ROTH IRA CODE: CHECKED

RMD FOR SUBSEQUENT YEAR: NOT CHECKED

VANGUARD FIDUCIARY TRUST CO

PO BOX 2600

VALLEY FORGE

PA 19482

FMV ACCT.....\$3,333+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:17:54 PM

IRPTRN: [REDACTED]

*(TY2006)

PAGE 0003 OF 0011

DOCUMENT TYPE: 5498

PAYEE ENTITY DATA:

[REDACTED]

IRA CODE: NOT CHECKED
SEP CODE: NOT CHECKED
SIMPLE CODE: NOT CHECKED

ACCOUNT NUMBER:

[REDACTED]
VANGUARD FIDUCIARY TRUST CO
PO BOX 2600
VALLEY FORGE PA 19482

ROTH IRA CODE: CHECKED
RMD FOR SUBSEQUENT YEAR: NOT CHECKED

FMV ACCT.....\$4,045+

***** TAXPAYER COPY *****

IRPTRN: [REDACTED]

*(TY2006)

PAGE 0004 OF 0011

DOCUMENT TYPE: 5498

PAYEE ENTITY DATA:

KEVIN MICHAEL KELLY

[REDACTED]

IRA CODE: NOT CHECKED
SEP CODE: CHECKED
SIMPLE CODE: NOT CHECKED

ACCOUNT NUMBER:

[REDACTED]
VANGUARD FIDUCIARY TRUST CO
PO BOX 2600
VALLEY FORGE PA 19482

ROTH IRA CODE: NOT CHECKED
RMD FOR SUBSEQUENT YEAR: NOT CHECKED

IRA CTB.....\$5,000+

FMV ACCT.....\$16,349+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:17:56 PM

IRPTR [REDACTED] *(TY2006)

PAGE 0005 OF 0011

DOCUMENT TYPE: 1099-S
PAYEE ENTITY DATA: [REDACTED]
KEVIN MICHAEL KELLY
GRETCHEN L KELLY

THOUS [REDACTED]

[REDACTED] PROPERTY OR SERVICES NOT RECEIVED

ACCOUNT NUMBER: 2175
PAYER ENTITY DATA: [REDACTED]
THE REAL ESTATE COMPANY
81 624 HIGHWAY 111
INDIO CA 92201

ITEM DESCRIPTION: [REDACTED]
REAL ES SL.....\$510,000+

***** TAXPAYER COPY *****

IRPTR [REDACTED] *(TY2006)

PAGE 0006 OF 0011

DOCUMENT TYPE: 1099-S
PAYEE ENTITY DATA: [REDACTED]
KELLY, KEVIN
KELLY GRETCHEN

[REDACTED]

[REDACTED] PROPERTY OR SERVICES NOT RECEIVED

ACCOUNT NUMBER: 13818JE
PAYER ENTITY DATA: [REDACTED]
MICHAEL-THOMAS ESCROW
2659 TOWNSGATE ROAD SUITE 138
WESTLAKE VILLAGE CA 91361

ITEM DESCRIPTION: 675 RACQUET CLUB LANE, THOUSAND OAKS, C
REAL ES SL.....\$629,000+

***** TAXPAYER COPY *****

Station Name: PHI009WA2839673 Date: 7/31/2008 Time: 4:17:58 PM

IRPTRN [REDACTED] *(TY2006)

PAGE 0007 OF 0011

DOCUMENT TYPE: 1098
PAYEE ENTITY DATA: [REDACTED]
KEVIN KELLY
[REDACTED]

ACCOUNT NUMBER: MT [REDACTED]
WELLS FARGO BANK N A
1 HOME CAMPUS X2401 049
DES MOINES IA 50328

POINTS PD.....\$3,100+
MTG INT PD.....\$108+

***** TAXPAYER COPY *****

IRPTRN [REDACTED] *(TY2006)

PAGE 0008 OF 0011

DOCUMENT TYPE: 1098-E
PAYEE ENTITY DATA: [REDACTED]
KELLY KEVIN
[REDACTED] 0

ACCOUNT NUMBER: [REDACTED]
[REDACTED] AND HUMAN SERVICES
PSC/FMS/DFD/DMB
PARKLAWN BLDG ROOM 8B45 5600 FISHERS LN
ROCKVILLE MD 20857

STD LN INT.....\$3,848+

***** TAXPAYER COPY *****

Name and Address of Taxpayer KEVIN M & GRETCHEN ████████ KELLY 6921 Blue Ridge Way ████████ ████████ ████████	Taxpayer Identification Number ████████████████	Return Form No.: 1040
	Person with whom examination changes were discussed.	Name and Title:

	Period End	Period End	Period End
1. Adjustments to Income	12/31/2006		
a. Sch C2 - Office Expenses	(1,659.00)		
b. Gross Sales Schedule C 1	7,219.00		
c. Capital Gain or Loss	116,968.00		
d. SE AGI Adjustment	22.00		
e. Itemized Deductions	1,851.00		
f. Exemptions	616.00		
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
o.			
p.			
2. Total Adjustments	125,017.00		
3. Taxable Income Per Return or as Previously Adjusted	52,183.00		
4. Corrected Taxable Income	177,200.00		
Tax Method	SCHEDULE D		
Filing Status	Joint		
5. Tax	26,016.00		
6. Additional Taxes / Alternative Minimum Tax			
7. Corrected Tax Liability	26,016.00		
8. Less			
a. Credits			
b.			
c.			
d.			
9. Balance (Line 7 less Lines 8a through 8d)	26,016.00		
10. Plus			
a. Self Employment Tax	17,174.00		
b. Other Taxes			
c.			
d.			
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)	43,190.00		
12. Total Tax Shown on Return or as Previously Adjusted	24,287.00		
13. Adjustments to:			
a.			
b.			
c.			
14. Deficiency-Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a plus 13b)	18,903.00		
15. Adjustments to Prepayment Credits - Increase (Decrease)			
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)	18,903.00		

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 amend your state return by filing the necessary forms.

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

2005

Form 4549 (Rev. March 2005)	Department of the Treasury-Internal Revenue Service Income Tax Examination Changes	Page <u>2</u> of <u>2</u>
Name of Taxpayer KEVIN M & GRETCHEN L KELLY	Taxpayer Identification Number [REDACTED]	Return Form No.: 1040

17. Penalties/ Code Sections	Period End 12/31/2006	Period End	Period End
a. Accuracy-IRC 6662	3,780.60		
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	3,780.60		
Underreporter attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underreporter attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underreporter attributable to Tax Motivated Transactions (TMT). The interest will accrue and be assessed at 120% of the 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)	18,903.00		
b. Penalties (Line 18) - computed to 01/02/2008	3,780.60		
c. Interest (IRC § 6601) - computed to 02/01/2008	1,787.84		
d. TMT Interest - computed to 02/01/2008 (on TMT underpayment)	0.00		
e. Amount due or (refund) - (sum of Lines a, b, c and d)	24,471.44		

Other Information:

This Report Supersedes the Report Issued 12/18/2007

Examiner's Signature: Joseph Younan	Employee ID: 95-08929	Office:	Date: 01/02/2008
--	--------------------------	---------	---------------------

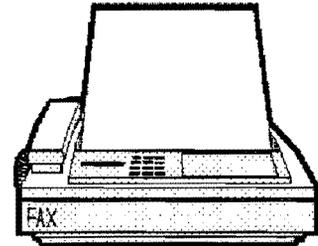
Consent to Assessment and Collection- I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in the United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and 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, Specialty Tax Program Chief, 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:



FAX COVER SHEET

Date: April 01, 2010
To: JOYCE REBHUN
Phone #:
FAX #: 3106575140



From: Internal Revenue Service
Electronic Tax Administration
e-services
Transcript Delivery System
Philadelphia, PA 19255

Message:

We've enclosed the transcript or transcripts that you requested on April 01, 2010.

CONFIDENTIALITY NOTICE

THIS COMMUNICATION IS INTENDED FOR THE SOLE USE OF THE INDIVIDUAL TO WHOM IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF THE READER OF THIS COMMUNICATION IS NOT THE INTENDED RECIPIENT OR THE EMPLOYEE OR AGENT FOR DELIVERING THE COMMUNICATION TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION, OR COPYING OF THIS COMMUNICATION MAY BE STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE CALL AT (1-800-829-0922), AND RETURN THE COMMUNICATION AT THE ADDRESS ABOVE VIA THE UNITED STATES POSTAL SERVICE. THANK YOU



Internal Revenue Service

DEPARTMENT OF THE TREASURY

e-services

This Product Contains Sensitive Taxpayer Data

Account Transcript

Request Date: 04-01-2010

Response Date: 04-01-2010

Tracking Number: 100064854003

FORM NUMBER: 1040

TAX PERIOD: Dec. 31, 2006

TAXPAYER IDENTIFICATION NUMBER: [REDACTED]

SPOUSE TAXPAYER IDENTIFICATION NUMBER: [REDACTED]

KEVIN M & GRETCHEN L KELLY

[REDACTED]
[REDACTED]

[REDACTED] AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS SIGN SHOWN BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE:	23,626.87	
ACCRUED INTEREST:	2,455.71	AS OF: Apr. 12, 2010
ACCRUED PENALTY:	3,764.34	AS OF: Apr. 12, 2010

ACCOUNT BALANCE PLUS ACCRUALS
(this is not a payoff amount): 29,846.92

** INFORMATION FROM THE RETURN OR AS ADJUSTED **

EXEMPTIONS:	02	FILING STATUS: Married Filing Joint
ADJUSTED		
GROSS INCOME:	243,069.00	
TAXABLE INCOME:	177,200.00	
TAX PER RETURN:	24,287.00	
SE TAXABLE		
INCOME TAXPAYER:	94,200.00	
SE TAXABLE		
INCOME SPOUSE:	15,806.00	
TOTAL SELF		
EMPLOYMENT TAX:	17,174.00	

RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)

Jun. 28, 2007

PROCESSING DATE

Jul. 30, 2007

TRANSACTIONS

CODE	EXPLANATION OF TRANSACTION	CYCLE	DATE	AMOUNT
150	Tax return filed 89221-188-31611-7	20072908	07-30-2007	\$24,287.00
806	W-2 or 1099 withholding		04-15-2007	-\$2,896.00
430	Estimated tax payment		01-18-2007	-\$5,000.00
460	Extension of time to file ext. Date 10-15-2007		04-15-2007	\$0.00
670	Payment		04-15-2007	-\$6,086.00
610	Payment with return		06-28-2007	-\$1,328.00
766	Credit to your account		04-15-2007	-\$34.15
776	Interest credited to your account		04-15-2007	-\$5.85
706	Credit transferred in from 1040 200412		04-15-2007	-\$6,930.00
736	Interest credited to your account 1040 200412		04-15-2007	-\$1,067.75
706	Credit transferred in from 1040 200512		04-15-2007	-\$939.25
706	Credit transferred in from 1040 200512		04-15-2006	-\$40.34
276	Penalty for late payment of tax	20072908	07-30-2007	\$19.31
196	Interest charged for late payment	20072908	07-30-2007	\$21.05
606	Write-off of balance due		07-30-2007	-\$0.02
960	Appointed representative		09-07-2007	\$0.00
420	Examination of tax return		10-04-2007	\$0.00
240	Miscellaneous penalty IRC 6662(c), (d), (e), (f), (g), or (h) Accuracy-Related Penalty 49247-453-30651-8	20081008	03-17-2008	\$3,780.60
300	Additional tax assessed by examination 49247-453-30651-8	20081008	03-17-2008	\$18,903.00
336	Interest charged for late payment	20081008	03-17-2008	\$1,443.27
971	Notice issued CP 0022		03-17-2008	\$0.00
960	Appointed representative		03-19-2008	\$0.00
670	Payment		03-24-2008	-\$500.00
971	Pending installment agreement		07-15-2008	\$0.00
971	Tax period blocked from automated levy program		12-15-2008	\$0.00
971	Collection due process Notice of Intent to Levy -- issued		12-01-2008	\$0.00
971	Collection due process Notice of Intent to Levy		12-01-2008	\$0.00

-- issued

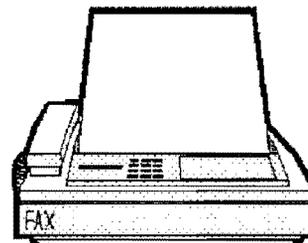
971	Collection due process Notice of Intent to Levy -- return receipt signed	12-05-2008	\$0.00
520	Bankruptcy or other legal action filed	12-09-2008	\$0.00
971	Collection due process request received timely	12-09-2008	\$0.00
971	Collection due process levy (hearing) request or levy and lien (hearing) request received	12-09-2008	\$0.00

This Product Contains Sensitive Taxpayer Data



FAX COVER SHEET

Date: April 01, 2010
To: JOYCE REBHUN
Phone #:
FAX #: 3106575140



From: Internal Revenue Service
Electronic Tax Administration
e-services
Transcript Delivery System
Philadelphia, PA 19255

Message:

We've enclosed the transcript or transcripts that you requested on April 01, 2010.

CONFIDENTIALITY NOTICE

THIS COMMUNICATION IS INTENDED FOR THE SOLE USE OF THE INDIVIDUAL TO WHOM IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW. IF THE READER OF THIS COMMUNICATION IS NOT THE INTENDED RECIPIENT OR THE EMPLOYEE OR AGENT FOR DELIVERING THE COMMUNICATION TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISSEMINATION, DISTRIBUTION, OR COPYING OF THIS COMMUNICATION MAY BE STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE CALL AT (1-800-829-0922), AND RETURN THE COMMUNICATION AT THE ADDRESS ABOVE VIA THE UNITED STATES POSTAL SERVICE. THANK YOU



Fidelity National Title Company

950 Hampshire Road, Westlake Village, CA 91361
805 370-1400 • FAX 805 370-1420

DATE: January 4, 2007
ESCROW NO.: 06-609605051-KB
LOCATE NO.: CAFNT0960-0960-0096-0609605051
ESCROW OFFICER: Karen Betancourt's Team

TIME: 2:30 PM

CLOSING DATE: December 29, 2006

REVISED SELLER FINAL CLOSING STATEMENT

SELLER: Gretchen Kelly
BUYER: Brian H. Fujitani
PROPERTY: [REDACTED]

	\$ DEBITS	\$ CREDITS
FINANCIAL:		
Total Consideration		310,000.00
PRORATIONS/ADJUSTMENTS:		
Prepaid County Taxes at \$1,411.61 Semi-Annual from 12/29/2006 to 1/1/2007		15.68
Credit from seller to buyer for NRCC	4,987.00	
Home Owners Association Dues at \$300.00 Monthly from 12/29/2006 to 1/1/2007		20.00
TITLE CHARGES:		
02-ALTA Homeowner's 1-4 Res. for \$310,000.00	1,331.00	
County Transfer Tax	341.00	
Recording Deed	13.00	
ESCROW CHARGES:		
Escrow Fee to Fidelity National Title	820.00	
Doc Prep Fees to Fidelity National Title	100.00	
Draw Deed	50.00	
Overnight Delivery Fee	11.50	
HOA Processing Fee	50.00	
Demand Processing Fee	50.00	
PAYOFFS - Washington Mutual		
Total Payoff \$144,918.07		
Principal Balance to Washington Mutual	144,079.75	
Interest to 12/29/2006	621.72	
Interest on Principal Balance at \$22.20 per day from 12/29/2006 thru 1/5/2007 to Washington Mutual	177.60	
Forwarding/Demand Fee to Washington Mutual	30.00	
Recording Fee to Washington Mutual	9.00	
COMMISSIONS:		
Listing Brokers Commission to Tim Freund Realtors 0.00%	6,500.00	
Credit from Freund Realtors		4,112.50
Selling Brokers Commission to Karman Properties 0.00%	9,250.00	

	\$ DEBITS	\$ CREDITS
FINANCIAL:		
Total Consideration		310,000.00
PRORATIONS/ADJUSTMENTS:		
Prepaid County Taxes at \$1,411.61 Semi-Annual from 12/29/2006 to 1/1/2007		15.68
Credit from seller to buyer for NRCC	4,987.00	
Home Owners Association Dues at \$300.00 Monthly from 12/29/2006 to 1/1/2007		20.00
TITLE CHARGES:		
02-ALTA Homeowner's 1-4 Res. for \$310,000.00	1,331.00	
County Transfer Tax	341.00	
Recording Deed	13.00	
ESCROW CHARGES:		
Escrow Fee to Fidelity National Title	820.00	
Doc Prep Fees to Fidelity National Title	100.00	
Draw Deed	50.00	
Overnight Delivery Fee	11.50	
HOA Processing Fee	50.00	
Demand Processing Fee	50.00	
PAYOFFS - Washington Mutual		
Total Payoff \$144,918.07		
Principal Balance to Washington Mutual	144,079.75	
Interest to 12/29/2006	621.72	
Interest on Principal Balance at \$22.20 per day from 12/29/2006 thru 1/5/2007 to Washington Mutual	177.60	
Forwarding/Demand Fee to Washington Mutual	30.00	
Recording Fee to Washington Mutual	9.00	
COMMISSIONS:		
Listing Brokers Commission to Tim Freund Realtors 0.00%	6,500.00	
Credit from Freund Realtors		4,112.50
Selling Brokers Commission to Karman Properties 0.00%	9,000.00	
HOA CHARGES - Lordon Management		
Transfer Fee	125.00	
HOA CHARGES - Shadow Ridge HOA		
Dues for prepay 5 mos by seller per inst.	1,500.00	
MISCELLANEOUS:		
M & M Termite & Pest Control Company for Pest Inspection	55.00	
Fidelity National Home Warranty Co. for Home Protection Plan - Confirmation No. D29043	315.00	
CondoCerts for Upfront Fee For HOA	154.00	
First American Natural Hazard Disclosures for Hazard Disclosure Report - Report No. 200612130001	89.95	

Date: January 4, 2007
Escrow No.: 06-**609605051**-KB
Locate No.: CAFNT0960-0960-0096-0609605051

NET PROCEEDS DUE SELLER	\$143,737.66	
TOTALS	\$314,148.18	\$314,148.18

SAVE THIS STATEMENT FOR INCOME TAX PURPOSES

Print Date: January 4, 2007 2:55 PM
Escrow No.: 06-609605051-KB
Locate No.: CAFNT0960-0960-0096-0609605051
Settlement Agent: Fidelity National Title Company

ATTACHMENT TO RESPA

BUYER

SELLER

LENDERS

University Credit Union
2990 Lava Ridge Court, #190
Roseville, CA 95661

PROPERTIES

Payoff charges for Washington Mutual

Principal Balance	144,079.75
Interest to 12/29/2006	621.72
Interest on Principal Balance at \$22.20 per day from 12/29/2006 thru 1/5/2007	177.60
Forwarding/Demand Fee	30.00
Recording Fee	9.00
Subtotal	144,918.07

L. SETTLEMENT CHARGES			
700	TOTAL SALES/BROKER'S COMMISSION	based on	\$20,600.00 @ .0000% = \$20,600.00
	Division of Commission (line 700) as follows:		
701	\$10,300.00 to THE REAL ESTATE COMPANY, INC.		
702	\$10,300.00 to THE REAL ESTATE COMPANY, INC.		
703	Commission paid at Settlement		\$20,600.00
704			
800. ITEMS PAYABLE IN CONNECTION WITH LOAN			
801			
802			
803			
804			
805			
806			
807			
808			
809			
810			
811			
812			
813			
814			
815			
816			
817			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE			
901	Interest from 9/21/2006 to 10/1/2006 @ \$72.6600		
902			
903			
904			
905			
1000. RESERVES DEPOSITED WITH LENDER			
1001	Hazard Insurance 3 months @ \$69.99 per month		
1002			
1003			
1004	County Property Taxes 9 months @ \$472.99 per month		
1005			
1006	Aggregate Adjustment		
1100. TITLE CHARGES			
1101	Settlement Charges To THE REAL ESTATE COMPANY INC.		\$1,220.00
1102	Loan Tie-In Fee To THE REAL ESTATE COMPANY INC.		
1103	Demand Fax Fee To THE REAL ESTATE COMPANY INC.		\$30.00
1104	Grant Deed To THE REAL ESTATE COMPANY INC.		\$100.00
1105	PCOR/INSUR. CERT To THE REAL ESTATE COMPANY INC.		
1106	1099 FORM To THE REAL ESTATE COMPANY INC.		\$100.00
1107	OTHER ESCROW CHARGES (see Attached)		
1108	Title insurance to: FIDELITY NATIONAL TITLE		
1109	Lender's coverage to: FIDELITY NATIONAL TITLE \$459,000.00		
1110	Owner's coverage to: FIDELITY NATIONAL TITLE \$510,000.00		\$595.50
1111			
1112			
1113	Miscellaneous Title Charges		
1114			
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES			
1201	Recording fee: Deed \$147.00	Mortgage \$	Release \$
1202	City, County tax stamps: Deed \$	\$0.00	\$561.00
1203			
1204			
1205			
1206			
1300. ADDITIONAL SETTLEMENT CHARGES			
1301	County Taxes	Delinquent	Property Tax
1302	Termite To TRANSACTION TERMITE AND PEST CONTROL		\$80.00
1303	Notary Fee To Sara Saenz		\$325.00
1304	Homewarranty Policy To RAM HOME WARRANTY		\$325.00
1305	Home Owner Association(s) Charges		\$79.95
1306	LGS REPORT, INC		
1307			

1000. RESERVES DEPOSITED WITH LENDER		
1001	Hazard Insurance 3 months @ \$69.99 per month	
1002		
1003		
1004	County Property Taxes 9 months @ \$472.99 per month	
1005		
1006	Aggregate Adjustment	
1100. TITLE CHARGES		
1101	Settlement Charges To THE REAL ESTATE COMPANY INC.	\$1,220.00
1102	Loan Tie-in Fee To THE REAL ESTATE COMPANY INC.	
1103	Demand Fax Fee To THE REAL ESTATE COMPANY INC.	\$30.00
1104	Grant Deed To THE REAL ESTATE COMPANY INC.	\$100.00
1105	PCOR/INSUR. CERT To THE REAL ESTATE COMPANY INC.	
1106	1099 FORM To THE REAL ESTATE COMPANY INC.	\$100.00
1107	OTHER ESCROW CHARGES (see Attached)	
1108	Title insurance to: FIDELITY NATIONAL TITLE	
1109	Lender's coverage to: FIDELITY NATIONAL TITLE \$459,000.00	
1110	Owner's coverage to: FIDELITY NATIONAL TITLE \$510,000.00	\$595.50
1111		
1112		
1113	Miscellaneous Title Charges	
1114		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201	Recording fee: Deed \$147.00 \$110.00 Mortgage \$ Release \$	\$110.00
1202	City/County tax stamps: Deed \$ \$0.00 \$561.00	\$561.00
1203		
1204		
1205		
1206		
1300. ADDITIONAL SETTLEMENT CHARGES		
1301	County Taxes Delinquent Property Tax	
1302	Termite To TRANSACTION TERMITE AND PEST CONTROL	\$80.00
1303	Notary Fee To Sara Saenz	
1304	Homewarranty Policy To RAM HOME WARRANTY	\$325.00
1305	Home Owner Association(s) Charges	\$325.00
1306	LGS REPORT, INC	\$79.95
1307		
1308		
1309		
1310		
1311		
1312		
1313		
1314		
1315		
1316		
1317		
1400	TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)	\$24,126.45

Rev. 7/2/95

HUD-1 Rev. 7/95

DEPT OF REVENUE
 COPY OF THIS STATEMENT TO BE FILED WITH THE
 BY _____
 ESCROW DIVISION

[Handwritten signature]

Joyce

**Century 21 On Track Realtors
Escrow Division**
1777 Los Angeles Avenue, Simi Valley, CA 93065
(805) 522-0110 Fax (805) 584-2598

Escrow No. 5069
Reference: [Redacted] 10
Oak Park, CA 91377

Estimated Close Date: March 1, 2002
Report Print Date: February 21, 2002
Page 1

**Buyer
ESTIMATED CLOSING STATEMENT**

BUYER:
Gretchen L. Reep
[Redacted]

- - DEBITS - - - - CREDITS - -

Consideration:

Total Consideration 164,900.00

Deposits:

Deposit
By: Gretchen Reep 5,000.

Existing & New Encumbrances:

New Encumbrance 148,400.

Adjustments:

Seller Credit Buyer 4,900.

Prorations:

County Taxes 584.13
at \$ 876.20 per 6 months
From 03/01/02 to 07/01/02

New Loan Charges:

Re: Interest @ 6
From To 420.00
Underwriting Fee 550.00
Re. Mortgage Professionals
Appraisal Fee 300.00
Origination Fee 1,480.00
Processing Fee 450.00
Misc. Fee 100.00
*Credit Report POC \$ 15.00

Disbursements Paid:

Fire Insurance 50.00
pd to: Farmers Insurance Group
March Dues 239.00
pd to: Shadow Ridge
Notary Fee 50.00
pd to: Notary
Document Compliance Fee 250.00
pd to: Coldwell Banker
Property Inspection 200.00
pd to: Wiley Property Inspections

**CERTIFIED TO BE A TRUE
AND EXACT COPY OF THE
ORIGINAL
BY ON TRACK ESCROW**

Title Charges:

Lender's Title Policy 400.00
Record Trust Deed 100.00
Title / Wire Fee 25.00
Lender's Endorsement (s) 200.00

Escrow Fees:

Escrow Fees 645.75
Loan Tie-In Fee 150.00
Document Fee** 70.00
Federal Express 25.00

<p>A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REVISED SETTLEMENT STATEMENT</p>  <p>Fidelity National Title Company</p>	<p>B. TYPE OF LOAN OMB No. 2502-0265</p> <p>1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FmHA 3. <input type="checkbox"/> Conv. Unins 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> Conv. Ins</p> <p>6. ESCROW NUMBER: 7. LOAN NUMBER: 06-609605051-KB 501297715</p> <p>8. MORTGAGE INSURANCE CASE NUMBER:</p>
---	--

NOTE: THIS FORM IS FURNISHED TO GIVE YOU A STATEMENT OF THE ACTUAL SETTLEMENT COSTS. AMOUNTS PAID TO AND BY THE SETTLEMENT AGENT ARE SHOWN. ITEMS MARKED "(P.O.C.)" WERE PAID OUTSIDE OF THE CLOSING. THEY ARE SHOWN HERE FOR INFORMATIONAL PURPOSES AND ARE NOT INCLUDED IN THE TOTALS.

<p>D. NAME & ADDRESS OF BORROWER: Brian H. Fujitani [REDACTED]</p>	<p>E. NAME & ADDRESS OF SELLER: Gretchen Kelly</p>	<p>F. NAME & ADDRESS OF LENDER: University Credit Union 2990 Lava Ridge Court, #190 Roseville, CA 95661</p>
<p>G. PROPERTY LOCATION: [REDACTED]</p>	<p>H. SETTLEMENT AGENT: Fidelity National Title Company</p> <p>PLACE OF SETTLEMENT: 950 Hampshire Road Westlake Village, CA 91361</p>	<p>I. SETTLEMENT DATE: December 29, 2006</p>

J. SUMMARY OF BORROWER'S TRANSACTIONS		K. SUMMARY OF SELLER'S TRANSACTIONS	
100. GROSS AMOUNT DUE FROM BORROWER		400. GROSS AMOUNT DUE TO SELLER	
101. Contract Sales Price		401. Contract Sales Price	310,000.00
102. Personal Property		402. Personal Property	
103. Settlement charges to borrower (line 1400)		403. Credit from Freund Realtors	4,112.50
104.		404.	
105.		405.	
Adjustments: Items Paid by Seller in Advance		Adjustments: Items Paid by Seller in Advance	
106. City/Town Taxes		406. City/Town Taxes	
107. County Taxes		407. PPD County Taxes fr 12/29/2006 to 1/1/2007	15.68
108. Assessments		408. Assessments	
109.		409. HOA Dues fr 12/29/2006 to 1/1/2007	20.00
110.		410.	
111.		411.	
112.		412.	
113.		413.	
114.		414.	
115.		415.	
116.		416.	
117.		417.	
118.		418.	
120. GROSS AMOUNT DUE FROM BORROWER		420. GROSS AMOUNT DUE TO SELLER	314,148.18
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER		500. REDUCTIONS IN AMOUNT DUE TO SELLER	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	20,505.45
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff to Washington Mutual	144,918.07
205.		505. Credit from seller to buyer for PPD	4,987.00
206.			
207.			
208.			
209.			

L. SETTLEMENT CHARGES		Escrow: 06-609605051-KB Locate: CAFNT0960-0960-0096-0609605051	
700. TOTAL SALES/BROKER'S COMMISSION based on price \$310,000.00 @ 5.00% = \$15,500.00		PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
Division of Commission (line 700) as follows:			
701. \$6,500.00 - Tim Freund Realtors			
702. \$9,000.00 - Karman Properties			
703. Commission paid at Settlement			
704.			15,500.00
800. ITEMS PAYABLE IN CONNECTION WITH LOAN			
801. Loan Origination Fee plus \$930.00			
802. Loan Discount			
803. Appraisal Fee			
804. Credit Report			
805. Lender's Inspection Fee			
806. Mortgage Insurance Application Fee			
807. Assumption Fee			
808.			
809.			
810.			
811.			
812.			
813.			
814.			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE			
901. Interest @ \$40.47 per day fr 12/28/2006 to 1/1/2007			
902. Mortgage insurance Premium			
903. Hazard Insurance Premium			
904.			
905.			
1000. RESERVES DEPOSITED WITH LENDER			
1001. Hazard Insurance months @ \$ per month			
1002. Mortgage Insurance months @ \$ per month			
1003. City property taxes months @ \$ per month			
1004. County property taxes months @ \$ per month			
1005. Annual assessments months @ \$ per month			
1006.			
1007.			
1008.			
1100. ESCROW AND TITLE CHARGES			
1101. Settlement or Closing Fee to Fidelity National Title			820.00
1102. Abstract or title search			
1103. Title examination			
1104. Title insurance binder			
1105. Document preparation to Fidelity National Title			100.00
1106. Notary fees			
1107. Draw Deed			50.00
1108. Title insurance Fidelity National Title Insurance Company			1,331.00
1109. Lender's coverage - 06-ALTA Loan w/Form 1 - 1992 for \$248,000.00; \$397.50			
1110. Owner's coverage - 02-ALTA Homeowner's 1-4 Res. for \$310,000.00; \$1,331.00			
1111. Demand Processing Fee			50.00
1112. HOA Processing Fee			50.00
1113. Overnight Delivery Fee			11.50
1114.			
1115.			
1116.			
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES			
1201. Recording Fees: Deed \$26.00 Mortgage \$99.00 Release \$0.00			13.00
1202. City/county tax/stamps: \$341.00 Mortgage \$			341.00
1203. State tax/stamps: Deed \$ Mortgage \$			
1204.			



MICHAEL-THOMAS ESCROW

2659 Townsgate Road, Suite 138, Westlake Village, CA 91361
(800) 540-2412 / (805) 495-6558
FAX (805) 495-1960

SELLER'S FINAL SETTLEMENT STATEMENT

PROPERTY:	[REDACTED]	DATE:	November 15, 2006
SELLER:	Kevin Michael Kelly and Gretchen L. Kelly	CLOSING DATE:	November 14, 2006
		ESCROW NO.:	13818-JE

	<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION		
Total Consideration		629,000.00
PAYOFF CHARGES - Countrywide		
[Total Payoff \$462,458.59]		
Principal Balance	459,018.16	
Interest on Principal Balance to 11/17/2006	3,356.43	
Statement Fee	30.00	
Reconveyance Fee	45.00	
Recording Fee	9.00	
PAYOFF CHARGES - Donner and Donner (Attorney for Respondent)		
[Total Payoff \$75,000.00]		
Principal Balance	75,000.00	
PRORATIONS/ADJUSTMENTS		
Taxes at \$2360.66/semi-annually from 11/14/2006 to 01/01/2007		616.39
HOA at \$210.00/monthly from 11/14/2006 to 12/01/2006		119.00
Credit toward Buyer's closing costs	1,850.00	
COMMISSION CHARGES		
Tim Freund Realtors	15,725.00	
Credit from Tim Freund Realtors for seller credit		11,007.50
Newbury Park Realty	15,725.00	
H.O.A./MANAGEMENT		
Transfer Fee to Community Property Management	175.00	
Dues for (S) Nov, (B) Dec to Racquet Club Villas HOA	210.00	
Minutes to Racquet Club Villas HOA	120.00	
Demand Fee to Community Property Management	75.00	
Document Fee(s) to Community Property Management	135.00	
OTHER DEBITS/CREDITS		
M & M Reinspection Fee	1,215.00	
HPP for Home Warranty Policy	450.00	
Adobe Data Services Central Closing Fee	85.00	
First American NHD Zone Disclosure Report	89.95	
TITLE/TAXES/RECORDING CHARGES		

	<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION		
Total Consideration		629,000.00
PAYOFF CHARGES - Countrywide		
[Total Payoff \$462,458.59]		
Principal Balance	459,018.16	
Interest on Principal Balance to 11/17/2006	3,356.43	
Statement Fee	30.00	
Reconveyance Fee	45.00	
Recording Fee	9.00	
PAYOFF CHARGES - Donner and Donner (Attorney for Respondent)		
[Total Payoff \$75,000.00]		
Principal Balance	75,000.00	
PRORATIONS/ADJUSTMENTS		
Taxes at \$2360.66 semi-annually from 11/14/2006 to 01/01/2007		516.39
-OA at \$210.00/monthly from 11/14/2006 to 12/01/2006		119.00
Credit toward Buyer's closing costs	1,850.00	
COMMISSION CHARGES		
Tim Freund Realtors	15,725.00	
Credit from Tim Freund Realtors for seller credit		11,007.50
Newbury Park Realty	15,725.00	
H.O.A./MANAGEMENT		
Transfer Fee to Community Property Mangement	175.00	
Dues for (S) Nov. (B) Dec to Racquet Club Villas HOA	210.00	
Minutes to Racquet Club Villas HOA	120.00	
Demand Fee to Community Property Mangement	75.00	
Document Fee(s) to Community Property Mangement	135.00	
OTHER DEBITS/CREDITS		
M & M Reinspection Fee	1,215.00	
-PP for Home Warranty Policy	450.00	
Goobe Data Services Central Closing Fee	85.00	
First American NHD Zone Disclosure Report	89.95	
TITLE/TAXES/RECORDING CHARGES		
Owners Title Policy Fee to LAWYERS TITLE	1,740.00	
Sub Escrow Fee to LAWYERS TITLE	42.50	
Recording Grant Deed	10.00	
Documentary Transfer Tax	691.90	
Current Taxes	2,360.66	
ESCROW CHARGES		
Escrow Fee	1,433.00	
Processing Demands	75.00	
Drawing Grant Deed	75.00	
Escrow Coutresy		715.00
Net Proceeds	61,716.29	
TOTAL	\$ 641,457.89	\$ 641,457.89

Date: November 15, 2006

Escrow No.: 13818-JE

Page 2 of 2:

DEBITS

CREDITS

SAVE THIS STATEMENT FOR INCOME TAX PURPOSES

109		
110		
111		
112		
113		
114		
115		
116		
117		
118		
120	GROSS AMOUNT DUE FROM BORROWER	
200	AMOUNTS PAID BY OR IN BEHALF OF BORROWER	
201	Deposit or earnest money	
202	Principal amount of new loan(s)	
203	Existing loan(s) taken subject to	
204	Second Mortgage Loan	
205		
206		
207		
208		
209		
210		
211	City/Town taxes	-
212	County taxes	-
213		
214		
215		
216		
217		
218		
219		
220	TOTAL PAID BY FOR BORROWER	
221	CASH AT SETTLEMENT FROM TO BORROWER:	
222	Gross amount due from borrower (line 120)	
223	Less amounts paid by for borrower (line 200)	
224	CASH TO BORROWER	

409		
410		
411		
412		
413		
414		
415		
416		
417		
418		
420	GROSS AMOUNT DUE TO SELLER	\$510,040.13
500	REDUCTIONS IN AMOUNT DUE TO SELLER:	
501	Excess deposit (see inst.)	
502	Settlement charges to seller (line 1400)	\$24,126.45
503	Existing loan(s) taken subject to	
504	Payoff To WELL FARGO MORTGAGE (see detail)	\$354,811.93
505	Interest Adjustment \$	
506	Interest Deficit \$	
507	Payoff of second mortgage loan	
508	Interest Adjustment \$	
509		
510	City/Town taxes	
511	County taxes	07/01/2006 - 09/22/2006 \$1,277.06
512		
513		
514		
515		
516		
517		
518		
519		
520	TOTAL REDUCTION AMOUNT DUE SELLER	\$382,205.44
600	CASH AT SETTLEMENT TO FROM SELLER:	
601	Gross amount due to seller (line 420)	\$510,040.13
602	Less reductions in amount due seller (line 520)	\$382,205.44
603	CASH TO SELLER	\$127,834.69

DEPT. FILED TO BE A TRUE AND CORRECT
 COPY OF THIS INSTRUMENT
 BY *[Signature]*
 THE REAL ESTATE DIVISION



Fidelity National Title Company

74785 Highway 111, Suite 209 • Indian Wells, CA 92210
 (760) 674-8443 • FAX (760) 674-8428

J Kelly

DATE: June 17, 2004
 ESCROW NO: 6266-KC
 ESCROW OFFICER: Kelly Collier

TIME: 11:17:54

CLOSING DATE: June 27, 2004

BUYER ESTIMATED CLOSING STATEMENT

SELLER(S): Roger Snellenberger Development Corporation
 BUYER(S): Gretchen L. Kelly
 PROPERTY: [REDACTED]

	\$ DEBITS	\$ CREDITS
FINANCIAL:		
Total Consideration	478,378.00	
Deposit - Gretchen L. Kelly		10,000.00
New 1st Trust Deed to Countrywide Home Loans		382,700.00
New 2nd Trust Deed to Countrywide Home Loans		47,840.00
PRORATIONS/ADJUSTMENTS:		
Prepaid County Taxes at \$383.60 Semi-Annual from 06/27/04 to 07/01/04	8.52	
HOA Dues at \$150.18 Month from 06/27/04 to 07/01/04	20.02	
Design Center credit		32,495.00
TITLE CHARGES:		
ALTA Loan Policy (10-17-92) w/Form 1 Cov. for 382,700.00	520.75	
Sub Escrow Fee	125.00	
Recording Deed	100.00	
Recording Trust Deed(s)	200.00	
ALTA Loan Policy (10-17-92) w/Form 1 Cov. for 47,840.00	224.50	
ESCROW CHARGES		
Escrow Fee	550.00	
Loan Tie-In	250.00	
Draw Deed	150.00	
NEW LOAN CHARGES - COUNTRYWIDE HOME LOANS		
Total Loan Charges: \$2,188.82		
Loan Discount	956.75	
Appraisal Fee	520.00	
Credit Report	35.00	
Tax Service Fee CW Tax Service	60.00	
Document Fees	150.00	
Loan Processing Fee	390.00	
Underwriting Fee	250.00	
Flood Certification Fee Landsafe Flood	25.00	
Builder Rate Cap Paid Upfront		2,618.93
Lender Credit		500.00
Interest at \$57.67 per day from 06/26/04 to 07/01/04	288.35	
Insurance Impounds at 80.91 per month for 3 months	242.73	
Tax Impounds at 498.32 per month for 6 months	2,989.92	
Aggregate Adjustment		600.00
HOA CHARGES:		
July 2004	150.18	
MISCELLANEOUS CHARGES:		
Traditional Building Design Center release for upgrades per instructions	5,000.00	
Traditional Building Design Center release for upgrades per instructions	5,000.00	

FEDERAL TRUTH - IN - LENDING DISCLOSURE STATEMENT
(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

Trust
Habit Man Bay

Creditor:
AMERICAN INTERNET MORTGAGE, INC.

Borrower:
GRETCHEN L. KELLY AND KEVIN MICHAEL KELLY

4241 JUTLAND DRIVE, STE 305
SAN DIEGO, CA 92117



Date: SEPTEMBER 14, 2005
Check box if applicable:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments	<input type="checkbox"/> Total Sale Price
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.	The total cost of your purchase on credit including your down-payment of
5.833 %	\$ 399,130.93	\$ 356,444.27	\$ 755,575.20	\$ N/A \$ N/A

REQUIRED DEPOSIT: The annual percentage rate does not take into account your required deposit.

PAYMENTS: Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due	Number of Payments	Amount of Payments	When Payments Are Due	Number of Payments	Amount of Payments	When Payments Are Due
		Monthly Beginning:			Monthly Beginning:			Monthly Beginning:
360	2,098.82	11/01/2005						

- DEMAND FEATURE:** This obligation has a demand feature.
 - VARIABLE RATE:** Your loan contains variable rate features.
 - Information regarding the variable rate features of your loan have been provided to you earlier in a separate document.
 - Information regarding the variable rate features of your loan are provided hereinafter. The annual percentage rate may increase or decrease during the term of this transaction with increases or decreases in the value of the "index" (or "Reference Rate"). The rate that you will pay may not be changed more often than every _____ commencing _____.
 - Rate Change Limits:** The rate may not _____ %
 - The rate will never be greater than _____ %
 - Any increase in the rate will result in a corresponding increase in the payment.
 - Rate increases may occur without immediate and/or corresponding payment increases.
 - Unpaid interest will be added to the principal.
- The "Index" (or "Reference Rate") is the:

INSURANCE: The following insurance is required to obtain credit:

Credit life insurance and credit disability Property insurance Flood insurance

You may obtain the insurance from anyone you want that is acceptable to creditor.

If you purchase property flood insurance from creditor you will pay \$ _____ for one year term.

The goods or property being purchased _____ Real property you already own.

FILING FEES: \$ _____

LATE CHARGE: If a payment is more than 15 days late, you will be charged 5.00 % of the Principal & Interest payment.

PREPAYMENT: If you pay off early, you

may will not have to pay a penalty.

may will not be entitled to a refund of part of the finance charge.

Sale of Principal Residence (Sch D (1040))

Description of property	Date home was purchased	Date home was sold
OAK PARK CONDOMINIUM	3/1/2002	12/29/2006

- Select activity _____ Check if passive
- Do you elect to pay tax on entire gain? Yes No
- Do you satisfy all requirements necessary to claim the maximum exclusion? Yes No
- Does spouse satisfy all requirements necessary to claim the maximum exclusion? Yes No
- Check to report fully excluded gain on Schedule D.

If you or your spouse qualify for reduced exclusion, complete Worksheet 3.

CAUTION: Please refer to Publication 523 to see if any of the situations listed in Table 1 apply to you before you use this worksheet.

Worksheet 1. Adjusted Basis of Home Sold

1	Enter the purchase price of the home sold. (If you filed Form 2119 when you originally acquired that home to postpone gain on the sale of a previous home before May 7, 1997, enter the adjusted basis of the new home from that Form 2119.)	1	164,900
2	Seller paid points for home bought after 1990. (See Seller-paid points.) Do not include any seller-paid points you already subtracted to arrive at the amount entered on line 1 above.	2	
3	Subtract line 2 from line 1.	3	164,900
4	Settlement fees or closing costs. See Settlement fees or closing costs. If line 1 includes the adjusted basis of the new home from Form 2119, go to line 6.		
a	Abstract and recording fees.	4a	5,640
b	Legal fees (including title search and preparing documents)	4b	
c	Surveys.	4c	
d	Title insurance.	4d	
e	Transfer or stamp taxes.	4e	
f	Amounts that the seller owed that you agreed to pay (back taxes or interest, recording or mortgage fees, and sales commissions).	4f	
g	Other.	4g	
5	Add lines 4a through 4g.	5	5,640
6	Cost of additions and improvements. Do not include any additions and improvements included on line 1 above.	6	
7	Special tax assessments paid for local improvements, such as streets and sidewalks.	7	
8	Other increases to basis.	8	
9	Add lines 3, 5, 6, 7, and 8.	9	170,540
10	Depreciation, related to the business use or rental of the home, claimed (or allowable).	10	
11	Other decreases to basis (see Decreases to basis.)	11	
12	Add lines 10 and 11.	12	0
13	ADJUSTED BASIS OF HOME SOLD. Subtract line 12 from line 9. Enter here and on Worksheet 2, line 4.	13	170,540

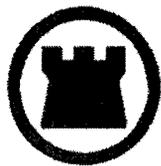
Worksheet 2. Gain (or Loss), Exclusion, and Taxable Gain

PART 1 - Gain (or Loss) on Sale			
1	Selling price of home.	1	310,000
2	Selling expenses.	2	25,492
3	Subtract line 2 from line 1.	3	284,508
4	Adjusted basis of home sold (from Worksheet 1, line 13).	4	170,540
5	Subtract line 4 from line 3. This is the gain (or loss) on the sale. If this is a loss, stop here.	5	113,968
PART 2 - Exclusion and Taxable Gain			
6	Enter any depreciation allowed or allowable on the property for periods after May 6, 1997. If none, enter zero.	6	
7	Subtract line 6 from line 5. (If the result is less than zero, enter zero.)	7	113,968
8	If you qualify to exclude gain on the sale, enter your maximum exclusion. (See Maximum Amount of Exclusion earlier.) If you do not qualify to exclude gain, enter -0-	8	250,000
9	Enter the smaller of line 7 or line 8. This is your EXCLUSION.	9	113,968
10	Subtract line 9 from line 5. This is your taxable gain. Report it as described under Reporting the Gain on page 16. If the amount on this line is zero, do not report the sale or exclusion on your tax return. IF THE AMOUNT ON LINE 6 IS MORE THAN ZERO, COMPLETE LINE 11.	10	0
11	Enter the smaller of line 6 or line 10. Enter this amount on line 12 of the Unrecaptured Section 1250 Gain Worksheet in the instructions for Schedule D (Form 1040).	11	0

Worksheet 3. Reduced Maximum Exclusion

Caution: Complete this worksheet only if you (or spouse) qualify for a reduced maximum exclusion. (See Reduced Maximum Exclusion earlier.) Complete column (B) only if you are married filing a joint return.

	(A) You	(B) Your Spouse		
1	Maximum amount.	1	250,000	0
2a	Enter the number of days that you used the property as a main home during the 5-year period* ending on the date of sale. (If married filing jointly, fill in columns (A) and (B)).	2a		
b	Enter the number of days that you owned the property during the 5-year period ending on the date of sale. (If married filing jointly and one spouse owned the property longer than the other spouse, both spouses are treated as owning the property for the longer period).	b		
c	Enter the smaller of line 2a or 2b.	c	0	0



Chicago Title Company

2801 Townsgate Road, Suite 120, Westlake Village, CA 91361
805 497-7430 • FAX 818 706-0998

DATE: December 1, 2006
ESCROW NO.: 06-61501816-CS
LOCATE NO.: CAIND0000-7756-5615-
ESCROW OFFICER: Candy Sczegan

TIME: 12:00 P

CLOSING DATE: December 1, 20

BUYER FINAL CLOSING STATEMENT

SELLER: Pardee Homes
BUYER: Kevin Kelly and Gretchen Kelly
PROPERTY: [REDACTED]

	\$ DEBITS	\$ CREDITS
FINANCIAL:		
Total Consideration	926,218.00	
Deposit - Kevin Kelly		10,000.00
Deposit - [REDACTED]		65,736.68
Deposit - [REDACTED]		122,142.00
[REDACTED] Wells Fargo Bank		620,000.00
New 2nd Trust Deed to Wells Fargo Bank		150,000.00
PRORATIONS/ADJUSTMENTS:		
Prepaid County Taxes at \$3,704.87 Semi-Annual from 12/1/2006 to 1/1/2007	617.48	
Seller Credit for Options Deposit		5,268.00
Master Capital Contribution Reimbursement	74.00	
Sub Capital Contribution Reimbursement	138.00	
TITLE CHARGES:		
06-ALTA Loan w/Form 1 - 1992 for \$620,000.00	749.00	
Endorsement Fee(s)	25.00	
06-ALTA Loan w/Form 1 - 1992 for \$150,000.00	302.50	
Recording Deed	13.00	
Recording Trust Deed(s)	60.00	
Recording	18.00	
ESCROW CHARGES:		
Escrow Fee to Chicago Title	950.00	
Overnight Delivery Fee	29.50	
NEW LOAN CHARGES - Wells Fargo Bank		
Total Loan Charges: \$9,423.25		
Origination Fee @ 0.500% plus \$0.00 to Pardee Home Loans	3,100.00	
Processing Fee to Pardee Home Loans	650.00	
Application Fee \$595.00 POC to Pardee Home Loans		
Flood Life of Loan Fee to Wells Fargo Flood Services	19.00	
Underwriting Fee to Pardee Home Loans	650.00	

Date: December 1, 2006
Escrow No.: 06-61501816-CS
Locate No.: CAIND0000-7756-5615-

Janurary Sub Monthly HOA Dues	69.00
Master dues for January	37.00
December Sub Monthly HOA Dues	69.00
Dues for Master Dues for December	37.00

HOA CHARGES - Merit Property Management Company

Processing Fee (2@\$65.00 ea.)	130.00
--------------------------------	--------

MISCELLANEOUS:

Conejo Mobile Notary for Notary Fee	100.00
Hazard Premium to State Farm	1,357.00

BUYERS REFUND	\$3,147.95	
TOTALS	\$974,694.90	\$974,694.90

SAVE THIS STATEMENT FOR INCOME TAX PURPOSES

<p>A. CHICAGO TITLE COMPANY CLOSER: Donna Simpson-Payne DATE OF PRINTING: 06/20/03 TIME OF PRINTING: 11:41</p>	<p>B. TYPE OF LOAN</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td>1. <input type="checkbox"/> FHA</td> <td>2. <input type="checkbox"/> FmHA</td> <td>3. <input type="checkbox"/> CONV. UNINS.</td> </tr> <tr> <td>4. <input type="checkbox"/> VA</td> <td>5. <input type="checkbox"/> CONV. INS.</td> <td></td> </tr> </table> <p>6. File Number: 34036076 J7</p> <p>7. Loan Number: 034036076-001 J85 43</p> <p>8. Mortgage Insurance Base Number: _____</p>	1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> CONV. UNINS.	4. <input type="checkbox"/> VA	5. <input type="checkbox"/> CONV. INS.	
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FmHA	3. <input type="checkbox"/> CONV. UNINS.					
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> CONV. INS.						

C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. NAME OF BORROWER: Gretchen L. Reep
ADDRESS: C/O Terry Moerler, Re/Max Gold Coast
 Thousand Oaks CA 91360

E. NAME OF SELLER: Bryan K. Brundell and Pamela A.W. Brundell
ADDRESS: C/O Terry Moerler, Re/Max Gold Coast
 Thousand Oaks CA 91360

F. NAME OF LENDER: America's Wholesale Lender, SEE ATTACHED
ADDRESS: 20970 Warner Center Lane, Ste. C
 Woodland Hills CA 91367

G. PROPERTY LOCATION: [REDACTED]

H. SETTLEMENT AGENT: [REDACTED]	I. SETTLEMENT DATE: June 27, 2003
PLACE OF SETTLEMENT: [REDACTED]	
ADDRESS: THOUSAND OAKS CA 91360	

J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract sales price	428,475.00	401. Contract sales price	
102. Personal Property		402. Personal Property	
103. Settlement charges to borrower (line 1400)	4,696.65	403. [REDACTED]	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City/town taxes to		406. City/town taxes to	
107. County taxes 06/27/03 to 07/01/03	29.90	407. County taxes to	
108. Assessments to		408. Assessments to	
109. June HOA Dues	28.00	409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMT DUE FROM BORROWER	433,229.55	420. GROSS AMT DUE TO SELLER	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	10,000.00	501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	342,780.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
		504. Payoff of first mortgage loan	
204. NEW LOAN FROM America's Wholesale Lender	42,847.00	505. Payoff of second mortgage loan	
205.			
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	

ORD#/ABS# 34036076 J77 ESC# 034036076 J85 433		L. SETTLEMENT CHARGES	TIME OF PRINTING: 11:41 DATE OF PRINTING: 06/20/03	
700. TOTAL SALES/BROKER'S COMMISSION based on price			PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
\$ @ %-				
Division of Commission (line 700) as follows:				
701. LB:	\$ to			
702. SB:	\$ to			
703. Commission paid at Settlement (Money retained by broker applied to commission \$)				
704. Other sales agent charges:				
705. Additional commission: \$ to				
800. ITEMS PAYABLE IN CONNECTION WITH LOAN				
801. Loan Origination Fee	%			
802. Loan Discount	%			
803. Appraisal Fee to First Rate Financial			350.00	
804. Credit Report to First Rate Financial			18.00	
805. Lender's inspection Fee to				
806. Mortgage Insurance Application Fee to				
807. Assumption Fee to				
808. Processing Fee to First Rate Financial			425.00	
809. Underwriting Fee to America's Wholesale Lender			425.00	
810. Document Preparation Fee to America's Wholesale Lender			250.00	
811. Tax Service Fee to Countrywide Tax Service			60.00	
812. ADDITIONAL ITEMS PAYABLE IN CONNECTION WITH LOAN (ATTACHED)			175.00	
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE				
901. Interest from 06/26/03 to 07/01/03 @\$ 54.7500 /day for 5 days			273.75	
902. Mortgage Insurance Premium for 0.00 months to				
903. Hazard Insurance Premium for 0.00 years to HOA				
904.				
905.				
1000. RESERVES DEPOSITED WITH LENDER				
1001. Hazard insurance 0.00 month @\$ per month				
1002. Mortgage insurance 0.00 month @\$ per month				
1003. City property taxes 0.00 month @\$ per month				
1004. County property taxes 0.00 month @\$ per month				
1005. Annual assessments 0.00 month @\$ per month				
1006. 0.00 month @\$ per month				
1007. 0.00 month @\$ per month				
1008. Aggregate Accounting Adjustment			0.00	
1100. TITLE CHARGES				
1101. Settlement or Closing Fee to Chicago Title			1,032.00	
1102. Abstract or title search to				
1103. Title examination to				
1104. Title insurance binder to				
1105. Document preparation to Chicago Title			50.00	
1106. Notary fees to CHICAGO TITLE COMPANY			75.00	
1107. Attorney's fee to				
1108. Title insurance to Chicago Title			523.00	
(includes above items numbers:)				
1109. Lender's coverage \$ 342,780.00 \$ 523.00				
1110. Owner's coverage \$ 428,475.00 \$ 1,335.00				
1111. ALTA (2nd TD) to Chicago Title			100.00	
1112. Loan Tie-In Fee to Chicago Title			200.00	
1113. Delivery Fees to Chicago Title (Estimate)			9.90	
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES				
1201. Recording fees: Deed \$; Mortgage \$; Release \$			120.00	
1202. City/county tax/stamps: Deed \$; Mortgage \$				
1203. State tax/stamps: Deed \$; Mortgage \$				
1204. Lender Required Endorsements to Chicago Title (Estimate)			100.00	
1205. Demand Processing Fee to Chicago Title				
1300. ADDITIONAL SETTLEMENT CHARGES				

ORD#/ABS# 34036076
ESC# 034036076

J77
J85 433

ESTIMATED
SUPPLEMENTAL PAGE

TIME OF PRINTING: 11:41
DATE OF PRINTING: 06/20/03

D. NAME OF BORROWER: Gretchen L. Reep
ADDRESS: C/O Terry Moerler, Re/Max Gold Coast
Thousand Oaks CA 91360

E. NAME OF SELLER: Bryan K. Brundell and Pamela A.W. Brundell
ADDRESS: C/O Terry Moerler, Re/Max Gold Coast
Thousand Oaks CA 91360

F. NAME OF LENDER: America's Wholesale Lender
ADDRESS: 20970 Warner Center Lane, Ste. C
Woodland Hills CA 91367

NAME OF LENDER: America's Wholesale Lender
ADDRESS: 20970 Warner Center Lane, Ste. C
Woodland Hills CA 91367

ORD#/ABS# 34036076 J77
ESC# 034036076 J85 433

ESTIMATED
SUPPLEMENTAL PAGE

TIME OF PRINTING: 11:41
DATE OF PRINTING: 06/20/03

ADDITIONAL BUYER SETTLEMENT CHARGES

		CHARGE AMOUNT
812.001	Broker loan fee to First Rate Financial	\$ 50.00
812.002	Flood Certification Fee to Landsafe Floo	25.00
812.003	Broker loan fee (2dn TD) to First Rate F	100.00
TOTAL ADDITIONAL ITEMS PAYABLE IN CONNECTION WITH LOAN (LINE 812)		\$ 175.00 =====
1307.001	Premium paid to First Rate Financial (PO POC	
1307.002	Premium pd to First Rate Financial (POC) POC	
TOTAL ADDITIONAL SETTLEMENT CHARGES (LINE 1307)		\$ _____ =====

I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

Gretchen L. Reep

LOAN NAME: KELLY

LOAN NO.: 0517246

Joyce ~~Ward~~
De-E Rogger Ch.

CLOSING INSTRUCTIONS

Lender
AMERICAN INTERNET MORTGAGE, INC.

 4241 JUTLAND DRIVE, STE 305
 SAN DIEGO, CA 92117

 PHONE: (888) 411-4246 FAX: (858) 272-8886

ALL DOCUMENTS MUST BE IN OUR OFFICE
 48 HOURS
 PRIOR TO DISBURSEMENT OF LOAN FUNDS

Settlement Company
 First American Title
 3 First American Way
 Santa Ana, Ca 92707

 Romina or Joe
 PHONE: 714-800-4051 FAX: 714-913-6407
 ORDER NO: 2691842

Important Dates
 DOCUMENT DATE: SEPTEMBER 23, 2005
 CLOSING DATE: SEPTEMBER 30, 2005
 FUNDING DATE: SEPTEMBER 29, 2005
 RESCISSION DATE:
 DOCUMENTS EXPIRE: SEPTEMBER 30, 2005

Title Company
 First American Title
 3 First American Way
 Santa Ana, CA 92707

 Mark Hudiburg
 PHONE: 714-800-4119 FAX: 714-800-4700
 ORDER NO: 2691842

Monthly Payment

P & I	\$	2,713.61
TAX	\$	379.64
INSURANCE	\$	0
PMI/MMI	\$	0
OTHER IMPOUNDS	\$	0
TOTAL	\$	3,093.25

- We enclose the following documents necessary to complete the above-captioned loan.
- Return all documents completed as shown 24 hours after closing.
- Deliver to Borrower one (1) copy of each document signed by Borrower.
- Each Borrower must receive two (2) copies of "Notice of Right to Cancel".

- Deed of Trust or Mortgage:** *Conform and Certify* copies. Deliver original to Title Company along with other originals to be recorded.
- Note:** *Conform and Certify* copies.

CONDOMINIUM RIDER NOTICE OF RIGHT TO CANCEL PAYMENT LETTER TO BORROWER FLOOD ZONE NOTIFICATION Form 4506-T REQ FOR TRANSCRIPT SIGNATURE AFFIDAVIT BORROWER CERT AS TO OTHER LOAN CREDIT SCORE NOTICE OWNER OCCUPANCY AGREEMENT CALIFORNIA INSURANCE DISCLOSURE	FEDERAL T.I.L. DISC STMT HAZARD INSURANCE AUTHORIZATION COMPLIANCE AGREEMENT NOTICE OF ASSGN. SALE TRANSFER BORROWER'S CERT. & AUTHORIZATION NTC TO BORR. NOT SPECIAL FLOOD INITIAL ESCROW ACCOUNT DISCL DISCLOSURE OF CREDIT SCORE INFO BORROWER'S ACK. OF DISCLOSURES CA ADDENDUM TO RES. MTG LOAN APPLICATION	FEDERAL T.I.L. DISC STMT (Page 2) IMPOUND ACCOUNT DISC AGREEMENT RESPA SERVICING DISCLOSURE W-9(s) HARDSHIP LETTER TRANSFER/SALE OF LOAN DISCLOSURE NOTICE FURNISHING OF NEGATIVE INFO INTERIM INTEREST PAYMENT DISCLOSURE
---	---	--

- FHA 2900 or VA 1876/1820 - Borrower to execute and return all copies. **DO NOT DATE.**
- IN ADDITION TO THE ABOVE, FURNISH US THE FOLLOWING WHEN REQUESTING FUNDS:
- Termite Report.
- Certified copy of your original Closing Instructions.

SEE ATTACHED "ADDENDUM TO CLOSING INSTRUCTIONS - FUNDING CONDITIONS".

PRIOR TO CLOSING WE WILL OBTAIN:

- Final Compliance Inspection Report.
- ALTA POLICY must contain Endorsements 100, 116, 8.1 and 115.1 with liability in the amount of our loan on property described herein.
- LIABILITY SUBJECT ONLY TO: (Gen. & Spec. taxes) Fiscal Year

CLOSING INSTRUCTIONS

- Two certified copies of Borrower's & Seller's Settlement Statement must be forwarded within 24
- If for any reason this loan does not close, please return all documents.

I have read, understand, and have complied with all requirements listed on these instructions.

ACKNOWLEDGED AND ACCEPTED:

_____	Date	_____	Date
GRETCHEN L. KELLY		KEVIN MICHAEL KELLY	
_____	Date	_____	Date
_____	Date	_____	Date
_____	Date	_____	Date

By my signature hereon, I acknowledge that I have read, understand, and have complied with all requirements listed on these instructions any Addendums hereto, and with all requirements relating to settlement agent responsibilities under the 1986 Tax Reform Act.

AMERICAN INTERNET MORTGAGE, INC.

_____	Date	_____	Date
Closing Agent		Lender's Authorized Signature	

Joyce

Century 21 On Track Realtors
Escrow Division
 1777 Los Angeles Avenue, Simi Valley, CA 93065
 (805) 522-0110 Fax (805) 584-2598

Escrow No: 5069
 Reference: [REDACTED]

Estimated Close Date: March 1, 2002
 Report Print Date: February 21, 2002
 Page 2

Buyer
ESTIMATED CLOSING STATEMENT

BUYER:
 Gretchen L. Reep
 [REDACTED]

	- - DEBITS - -	- - CREDITS - -
Funds Held:		
PAD-This is not a charge	400.00	
Balance Due Escrow		13,298.
Totals	\$ 171,598.89	\$ 171,598.

NOTICE: This estimated closing statement is subject to changes, corrections or additions at the time of final computation of closing escrow statement.

Gretchen L. Reep

*6/25/02
 ESCROW DIVISION
 CENTURY 21*

CERTIFIED TO BE A TRUE
 AND EXACT COPY OF THE
 ORIGINAL

Joyce



OLD REPUBLIC TITLE COMPANY

2277 Townsgate Road, Suite 100 • Westlake Village, CA • 91361 • (805) 379-0073 • FAX (805) 495-7914

GRETCHEN REEP
5744 OAK BEND LANE #110
OAK PARK, CA 91377

Date: 04/03/03
Escrow No.: 2717000136-WJS
Escrow Officer: Spilger
Closing Date: 04/03/03

Property: [REDACTED]

[REDACTED] Borrower's Closing Statement

Item	Debits	Credits
New 1st loan from First EQUITY FUNDING		152,000
PROCESSING FEE 1ST EQUITY	577.00	
UNDERWRITING 1ST EQUITY	575.00	
Tax prepaid reserves for 3 mos. @ \$216.02	648.06	
Aggregate Accounting Adjustment		23
Loan Payoff to NATIONAL CITY MORTGAGE (\$148,132.06)		
Current Balance	146,818.43	
Interest, 03/01/03 to 04/08/03, 38 days @ \$27,1500	1,031.70	
Statement/Demand Fee	44.00	
Reconveyance Fee	45.00	
PRO RATA PMI	192.93	
Delinquent Taxes	383.42	
Lender's Title Insurance	560.00	
Escrow Fee	337.50	
Notary Fee	30.00	
Additional Charges	75.00	
COURIER FEE	25.00	
WIRE FEE	25.00	
ADDITIONAL DOC'S	25.00	
Recording Fees	58.00	
Due to Borrower	647.71	
TOTALS	152,023.75	152,023.75

Fidelity: Portfolio

Accounts & Trade >

[Help/Glossary](#)

Portfolio Total: \$31,063.95*

[Summary](#) [Portfolio Positions](#) [Portfolio Research](#) [Portfolio Analysis](#) [Statements/Records](#)

[Name, Categorize, or Hide Accounts](#)

Retirement Accounts

SEP-IRA Brokerage: 140893706	\$31,063.95	Select Action
Total	\$31,063.95	
Portfolio Total	\$31,063.95	

Are your investments on track to meet your goals?

[Find out](#) with a complimentary portfolio review.

Transfer cash quickly and easily

Set up [Electronic Fund Transfers](#) between your Fidelity and bank accounts.

* Brokerage accounts reported as of: 08/09/2008, 3:30am.

Now you can customize your account information by naming and hiding specific accounts. Select [Name, Categorize, or Hide Accounts](#) for additional information.

Market Update

DJIA	11,732.69	↓ -1.63(-0.01%)
NASDAQ	2,426.26	↑ 12.16(0.50%)
S&P 500	1,297.71	↑ 1.39(0.11%)
Rus. 3000	757.42	↑ 1.08(0.14%)
WR. 5000	13,220.86	↑ 23.73(0.18%)
Nikk. 225	13,430.91	↑ 262.50(1.99%)

(Real Time) as of 8/11/2008, 10:21AM ET

[Market News](#)

Related Links

[View your Watch List.](#)

[Receive News Alerts](#) about your portfolio holdings.



Copyright 1998-2008 FMR LLC. All rights reserved.

[Terms of Use](#) [Privacy](#) [Security](#) [Site Map](#)

KEVIN M. KELLY D.C.

Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE ARE THE TRAVEL EXPENSES FOR 2006 REQUESTED BY THE IRS.

I TRAVELED TO VAIL, CO., TO MEET WITH DR. JOEL DEKANICH WHO RUNS A CHIROPRACTIC / MEDICAL CLINIC. I WANTED TO START UP A CLINIC LIKE HIS AND WENT TO TOUR THE FACILITY AND MEET WITH HIM. WE ALSO WENT TO HAWAII FOR A REAL ESTATE MATTER. MARRIOTT HOTELS INVITED US TO LOOK AT A TIME SHARE INVESTMENT AND MY WIFE WANTED TO LEARN HOW TO SELL REAL ESTATE AND GET INTO THE TIME SHARE BUSINESS. SINCE SHE HAS HER REAL ESTATE LICENSE WE WROTE THE TRIP OFF. WE WERE ALSO THERE WITH CUSTOMERS OF MINE AND THAT IS WHY I WROTE OFF MY PORTION OF THAT TRIP.

10/16/2007

2006 Travel - Last year

1/1/2006 through 12/31/2006

Date	Account	Num	Description	Memo	Category	Amount
4/17/2006	BofA		Ericka Nunez	Reimbursement - travel exp	Office:Travel	c -205.00
5/16/2006	BofA - Bu...	2	Ericka Nunez	Reimbursement - travel exp	Office:Travel	c -210.00
7/22/2006	BofA - Bu...		Ericka Nunez	Reimbursement - travel exp	Office:Travel	c -210.00
10/19/2006	BofA - Bu...		Ericka Nunez	Reimbursement - travel exp	Office:Travel	c -210.00
11/14/2006	BofA - Bu...		Ericka Nunez	Reimbursement - travel exp	Office:Travel	c -210.00
12/16/2006	BofA - Bu...		Ericka Nunez	Reimbursement - travel exp	Office:Travel	c -210.00
1/20/2006	BofA - Per...		Vail 1 BILLAB...	Dr. Dekanich - Vail Integrated Medical Group	Office:Travel	c -130.06
1/23/2006	BofA - Per...		Mtn Adv Cent...	Ron Galaviz - Lead Builders	Office:Travel	c -78.04
1/23/2006	BofA - Per...		Vail Ticket Kio...	Dr. Dekanich - Vail Integrated Medical Group	Office:Travel	c -81.00
3/2/2006	BofA - Per...		Hawaiian Ai 1...	Real Estate Inv	Office:Travel	c -539.30
3/2/2006	BofA - Per...		Hawaiian Ai 1...	Lead Builders - Ron Galaviz	Office:Travel	c -539.30
4/25/2006	BofA - Per...		Enterprise Re...	Car rental	Office:Travel	c -16.08
1/1/2006 - 12/31/2006						-2,638.78

TOTAL INFLOWS 0.00

TOTAL OUTFLOWS -2,638.78

NET TOTAL -2,638.78

+1088

4320 -

TRAVEL (From CC)

Maui Ocean Club

1303 ~~00~~

Maui Mtn Cruises

115

Wed Bldg

Don Garcia

Hertz Car Rental

270

1688

KEVIN KELLY

October 2, 2007
Page 33 of 42

Statement for account

Payment
\$4,073.54 07/27/06 \$0.00 \$121.00



Amount Enclosed \$ [] Make your check payable to Chase Card Services.
New address or e-mail? Print on back.

71689 BEX 2 16308 D
KEVIN KELLY
STE 104



CARDMEMBER SERVICE
84014



Statement Date: 06/03/06 - 07/02/06
Payment Due Date: 07/27/06
Minimum Payment Due: \$121.00
CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect
1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account Number

Previous Balance \$3,999.97 Total Credit Line \$13,100
Payment, Credits -\$300.00 Available Credit \$9,026
Purchases, Cash, Debits +\$293.27 Cash Access Line \$7,860
Finance Charge +\$80.30 Available for Cash \$7,860
New Balance \$4,073.54

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance 17,455
Rewards earned on purchases 294
Rewards available to redeem 17,749

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

2,926 Rewards to expire on statement date in March 2007

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movie, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans		Amount	
Date	Reference Number	Credit	Debit
06/06	65457026157021750970695		\$22.75
06/27	11781784400000001031969	300.00	
06/25	5543845617753527550892		270.52

APR - see phone
APR - TRAVEL

FINANCE CHARGES

Category	Daily Periodic Rate 30 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06573%	23.99%	\$4,071.95	\$80.30	\$0.00	\$80.30
Cash advances	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$80.30

Effective Annual Percentage Rate (APR): 23.99%

Please see Information About Your Account section for balance computation method, grace period, and other important information.
The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.
The Effective APR represents your total finance charges - including transaction fees - such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

URGENT: As a valued cardmember, claim your Thank You of a full year of 3 magazines, worth up to \$100.00. Limited time 09/10/06 to claim your Thank You of up to \$100.00 processed by NewSub Services and for details 1-800-641-3426 4UO

This Statement is a Facsimile - Not an original





Prepared For

06/27/06

New Activity Continued

Amount \$

06/05/06	COSTCO WHSE #00117 WESTLAKE VILL CA [REDACTED] WHOLESALE CLUBS 06/05/06	225.62
06/07/06	Whole FoodsThou 0131THOUSAND OAKS CA [REDACTED] GROCERY STORE/SUPERMRKT 06/07/06	34.73
06/08/06	SUR LA TABLE INC 8663285412 WA [REDACTED]	24.68
06/09/06	NORDSTROM CANOGA PARK CA [REDACTED] SLEEPWEAR 06/09/06	21.54
06/15/06	BANANA REPUBLIC 8477THOUSAND OAKS CA [REDACTED] MISCELLANEOUS AND SPECI 06/15/06	110.65
06/26/06	MARRIOTT MARRIOTT MALAHAINA HI [REDACTED] LODGING 06/26/06	1,263.57
06/26/06	MARRIOTT MARRIOTT MALAHAINA HI [REDACTED] LODGING 06/26/06	39.58
06/27/06	Periodic FINANCE CHARGE	18.69

Lead Review
[Signature]

Total of New Activity**1,273.66**

Finance Charges	Average Daily Balance \$	Daily Periodic Rate	Actual ANNUAL PERCENTAGE RATE	Nominal ANNUAL PERCENTAGE RATE	Periodic FINANCE CHARGE \$
Billing days this period: 31					
Purchases	1,048.71	0.0575%	20.99%	20.99%	18.69
Cash Advances	0.00	0.0630%	0.00%	22.99%	0.00
					18.69

Certain of the periodic rates and APRs above may be variable. Those rates may vary based upon the prime rate identified in the Wall Street Journal, as described in your Cardmember Agreement as currently in effect.

Hilton HHonors® Program

This Month

Earned 3843

You've earned five points per dollar spent this month for your supermarket purchases.

Total HHonors points earned each billing period are transferred to your Hilton HHonors® account. For your Hilton HHonors® account information, please visit www.hiltonhhonors.com or call 1-800-548-8690.

KEVIN M. KELLY DC

2304



DATE 7/20/16

16-66/1220 1011

PAY TO THE ORDER OF

EMMA HUNTER

\$ 210.00

To: HANSON BEN

DOLLARS

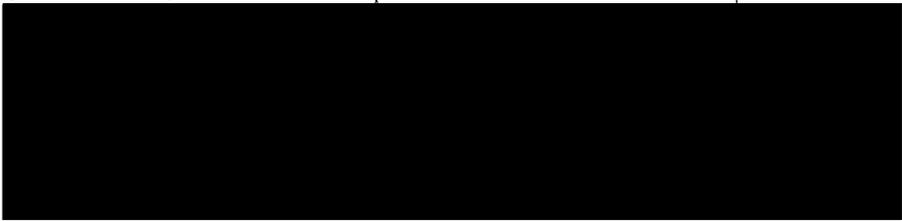
Bank of America



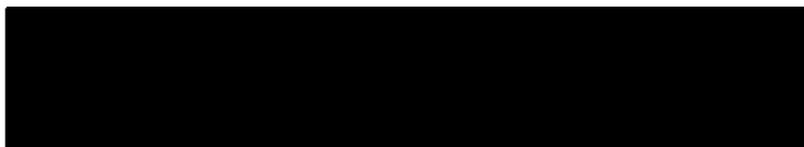
Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362

FOR ACCOUNT DEPOSIT ONLY

K-M-K-TL



⑆0000021000⑆



KEVIN M. KELLY DC

2176

16-66/1220
1011

PAY
TO THE
ORDER OF

WICKA AVE

\$ 205

Two hundred five

DOLLARS

Bank of America



Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362

FOR



Kevin M. Kelly

⑆0000020500⑆

00661

00661



KEVIN M KELLY
KEVIN M KELLY DC

Statement Period: October 13 through November 10, 2006
Account [REDACTED]

Account [REDACTED]

KEVIN M. KELLY DC 2400
DATE 10-19-06
PAY TO THE ORDER OF Pacific Sports Team \$ 592.33
Five Hundred Ninety Two and 33/100
Bank of America
FOR [REDACTED] *K-M-K-R*

Amt: 592.33

KEVIN M. KELLY DC 2401
DATE 10-20-06 \$ 210.00
PAY TO THE ORDER OF Eriqas House
Two Hundred Ten
Bank of America
FOR [REDACTED] *K-M-K-R*

Amt: 210.00

KEVIN M. KELLY DC 2402
DATE 10-29-06
PAY TO THE ORDER OF CPA \$ 50.00
Fifty
Bank of America
FOR [REDACTED] *K-M-K-R*

Amt: 50.00

KEVIN M. KELLY DC 2403
DATE 10-19-06
PAY TO THE ORDER OF CPA \$ 50.00
Fifty
Bank of America
FOR [REDACTED] *K-M-K-R*

Ref. No.: 5060349982

Amt: 50.00

KEVIN M. KELLY DC 2404
DATE 10-19-06
PAY TO THE ORDER OF SCLP \$ 41.32
Forty One and 32/100
Bank of America
FOR [REDACTED] *K-M-K-R*

Amt: 41.32

Continued on next page

KEVIN M KELLY
KEVIN M KELLY DC

Statement Period: November 11 through December 11, 2006
Account Number [REDACTED]

Account Number: 1 [REDACTED]

KEVIN M. KELLY DC 2428
DATE 11-10-6
PAY TO THE ORDER OF Cash \$ 491.00
Four Hundred Ninety One DOLLARS & 00/100
Bank of America
FOR [REDACTED] *K-MK-TR*

Amt: 491.00

KEVIN M. KELLY DC 2429
DATE 11-18-06
PAY TO THE ORDER OF Prize Money \$ 210.00
Two Hundred Ten DOLLARS & 00/100
Bank of America
FOR [REDACTED] *K-MK-TR*

Ref. No. [REDACTED] Amt: 210.00

KEVIN M. KELLY DC 2431
DATE 11-17-6
PAY TO THE ORDER OF Cash \$ 1,550.00
One Thousand Five Hundred Fifty DOLLARS & 00/100
Bank of America
FOR [REDACTED] *K-MK-TR*

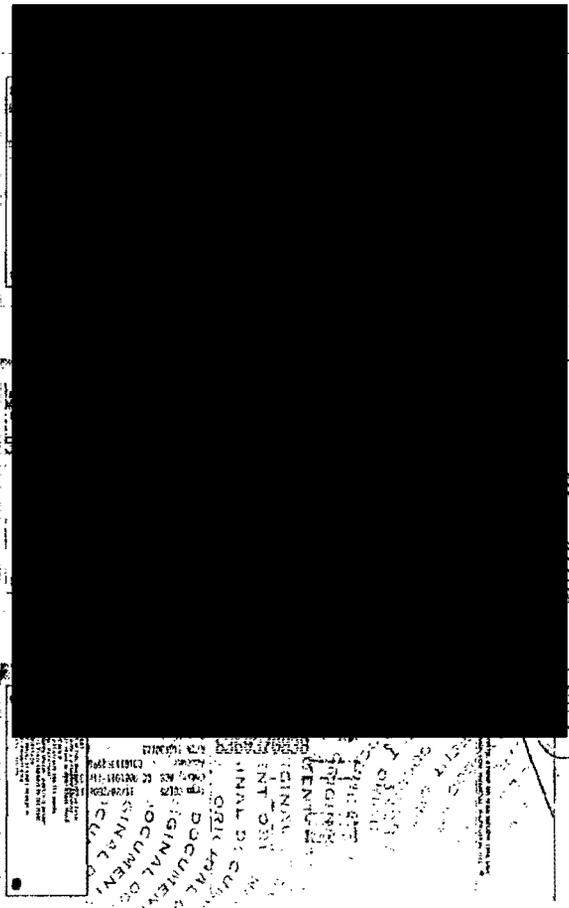
Ref. [REDACTED] Amt: 1,550.00

KEVIN M. KELLY DC 2432
DATE 11-2-6
PAY TO THE ORDER OF Time Warner \$ 23.96
One Hundred Twenty Three DOLLARS & 96/100
Bank of America
FOR [REDACTED] *K-MK-TR*

Ref. No. [REDACTED] 23.96

KEVIN M. KELLY DC 2433
DATE 11-15-6
PAY TO THE ORDER OF Bank of America \$ 592.33
Five Hundred Ninety Two DOLLARS & 33/100
Bank of America
FOR [REDACTED] *K-MK-TR*

Ref. [REDACTED] Amt: 592.33



Continued on next page

Account Number: [REDACTED]

2457
PAY TO THE ORDER OF STATE FARM
DATE 12-15-06 \$ 288.50
Two Hundred Eighty Eight and 5/100
Bank of America
K. M. Kelly

Amt: 288.50

2458
PAY TO THE ORDER OF Greg Glavin DC
DATE 12-15-06 \$ 1,550.00
One Thousand Five Hundred Fifty
Bank of America
K. M. Kelly

Ref. [REDACTED] Amt: 1,550.00

2460
PAY TO THE ORDER OF Greg Glavin DC
DATE 12-15-06 \$ 365.00
Three Hundred Sixty Five
Bank of America
K. M. Kelly

Ref. No. [REDACTED] Amt: 365.00

2461
PAY TO THE ORDER OF Gretchen Kelly
DATE 12-15-06 \$ 300.00
Three Hundred
Bank of America
K. M. Kelly

Ref. No. [REDACTED] Amt: 300.00

2462
PAY TO THE ORDER OF Chica Muzet
DATE 12-15-06 \$ 210.00
Two Hundred Ten
Bank of America
K. M. Kelly

Ref. No. [REDACTED] Amt: 210.00

Continued on next page
0007188 007.210.8

Kevin M. Kelly D.C.
Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE IS THE OFFICE EXPENSES LIST REQUESTED BY JOSEPH YOUNAN FOR
THE 2006 TAX YEAR

15901 Hawthorne Blvd Suite 420 Lawndale CA 90260 310 214-9555 fax 310 214-8242
1325 Thousand Oaks Blvd Suite 104 Thousand Oaks, CA 91362 805 371-6144 fax 805 371-6148

ADD CE
 ERICKA PERINS

Office:Expense - Misc - Last year
 1/1/2006 through 12/31/2006

Date	Account	Num	Description	Memo	Category	Ct	Amount
1/3/2006	BofA - Busin...	[REDACTED]	Esther Gomez	Cleaning	Office:Expense - Misc	e	-75.00
1/23/2006	BofA - Busin...	[REDACTED]	TO Lock & Key	Change lock after move out	Office:Expense - Misc	c	-102.51
1/31/2006	BofA - Busin...	[REDACTED]	Esther Gomez	Cleaning	Office:Expense - Misc	c	-150.00
2/22/2006	BofA - Busin...	[REDACTED]	Creative Storang...	Office Storage Cabinets	Office:Expense - Misc	c	-1,170.00
4/4/2006	BofA - Busin...	[REDACTED]	Ventura County...	advertising	Office:Expense - Misc	c	-26.00
4/17/2006	BofA - Busin...	[REDACTED]	Esther Gomez	Cleaning	Office:Expense - Misc	c	-75.00
4/18/2006	BofA - Busin...	[REDACTED]	Esther Gomez	Cleaning	Office:Expense - Misc	c	-150.00
5/23/2006	BofA - Busin...	[REDACTED]	Esther Gomez	Cleaning	Office:Expense - Misc	c	-75.00
6/29/2006	BofA - Busin...	[REDACTED]	Ester Gomez	Cleaning	Office:Expense - Misc	c	-75.00
8/8/2006	BofA - Busin...	[REDACTED]	Standard Proce...	Patient supplies	Office:Expense - Misc	c	-71.86
10/5/2006	BofA - Busin...	[REDACTED]	Quest Diagnost...	Blood work	Office:Expense - Misc	c	-82.88
12/3/2006	BofA - Busin...	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	Quest Diagnost...	patient blood work	Office:Expense - Misc	c	-57.78
1/3/2006	BofA - Perso...	[REDACTED]	Verizon Wrts 7 ...	cell phone supplies	Office:Expense - Misc	c	-26.80
1/11/2006	BofA - Perso...	[REDACTED]	Standard Proce...	Patient supplies	Office:Expense - Misc	c	-82.05
2/8/2006	BofA - Perso...	[REDACTED]	National Chiro...	Arbitration forms	Office:Expense - Misc	c	-60.00
4/3/2006	BofA - Perso...	[REDACTED]	Indian Springs ...	Ticket - Golf - Dr. Nelson	Office:Expense - Misc	c	-99.00
4/19/2006	BofA - Perso...	[REDACTED]	Intuit *QUICKE...	computer program	Office:Expense - Misc	c	-42.89
6/6/2006	BofA - Perso...	[REDACTED]	Ulta #114 06/0...	Atty gift	Office:Expense - Misc	c	-91.85
7/18/2006	BofA - Perso...	[REDACTED]	Toppers Pizza ...	Pizza - Office Lunch	Office:Expense - Misc	c	-17.43
7/31/2006	BofA - Perso...	[REDACTED]	Bella Luna Itali...	Dr. Celaya - PS Sale	Office:Expense - Misc	c	-74.52
11/7/2006	BofA - Perso...	[REDACTED]	Agoura Allianc...	move tables to LA	Office:Expense - Misc	c	-16.50
11/7/2006	BofA - Perso...	[REDACTED]	U-haul Ctr Ago...	move tables to LA	Office:Expense - Misc	c	-45.37
11/10/2006	BofA - Perso...	[REDACTED]	National Chiro...	Arbitration Forms	Office:Expense - Misc	c	-60.00
11/24/2006	BofA - Perso...	[REDACTED]	Sou Best Buy #...	copier	Office:Expense - Misc	c	-182.48
12/15/2006	BofA - Perso...	[REDACTED]	Standard Proce...	patient supplies	Office:Expense - Misc	c	-115.83
1/1/2006 - 12/31/2006							-4,025.75

TOTAL INFLOWS 0.00
 TOTAL OUTFLOWS -4,025.75
 NET TOTAL -4,025.75

5234

OFFICE DEPOT
19800 HAWTHORNE BLVD.
SUITE 248
TORRANCE, CA 90503
310-214-9179

18 060508 5125 SH recpt RC 38481 17384

TELEMKT PMT STRO878 REG014 TRN2932
05/08/06 17:39 EMP 479510 POS 5.01

M A T I O N **

Page:

1-888-GO-DEPOT
1-800-685-5010
Nbrs print on Invoices

REG ENTRY # [REDACTED]

TELEMARKETING [REDACTED] [REDACTED]
173.84

APPROVAL CODE 392389

er: 001 Reg

Delivery by : OD TRUCK
Order Date : 8 May 2006 Mon
Est Delv Date: 10 May 2006 Wed
Prefer Time : 8:30 am - 5:00 p
CSR: 087

Sec:7627



===== S h i p T o =====
KEVIN M KELLY 0000

00001 KEVIN M KELLY

STE 420

9

===== C u s t o m e r I n f o r m a t i o n =====

Cust Nbr: [REDACTED] NUNEZ

Cust Nbr: 43216813

Sku / Cust Nbr	Item Description	T	Ord Qty	Ship Qty	B/O Qty UM	Unit Price	Total Cost
0507528 800507528	DRUM,LASER,BROTHER D		1	0	0 EA	160.590	160.59

Item Totals: 1 0 0

Customer Copies : 1

Merchandise Totals 160.59
Delivery Chg .00

Sub-Total 160.59
Sales TAX (8.250%) 13.25

Order Total 173.84

Payment Type:
Cash
Balance Due -----> 173.84

This is not a receipt of payment until register validation occurs.

Thank-you for placing your order with OFFICE DEPOT.

Signature

Signature is Required

Please Print

*Barbara
Anike
Cash*

Office

Exp

LC

GOADARY

18.40

9/13

ZACA MESA

76.40

7/20

Pat line

18.25

9/5

~~Pat~~

PAT line

22.75

6/5

Hertz

270.52

6/5

Pat line

- Travel

Pat line

20.04

8/4

Pat line

22.49

7/20

Cousin

20.93

Justi

78.05

Cousin

155.94

ZACA MESA

84.84

Pat line

80.96

24.58

894.15

+ 3786

4680.15

+ 177.20

5353.99

Statement for account [REDACTED]
New Balance \$4,377.64 Payment Due Date 01/27/06 Past Due Amount \$0.00 Minimum Payment \$138.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services. New address or e-mail? Print on back.

Tax time is almost here. Make your payment using your credit card. For details, visit officialpayments.com/Chase.jsp

61483 BEX Z 206 D
KEVIN KELLY
[REDACTED] 3258

PO BOX 94014
PALATINE IL 60094-4014



Statement Date: 12/03/05 - 01/02/06
Payment Due Date: 01/27/06
Minimum Payment Due: \$138.00
CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-868-446-3308
TDD 1-800-955-8060
Outside U.S. call collect 1-302-594-6200

MASTERCARD ACCOUNT SUMMARY Account Number [REDACTED]
Previous Balance \$4,841.72 Total Credit Line \$10,100
Payment, Credits -\$681.42 Available Credit \$5,722
Purchases, Cash, Debits +\$122.31 Cash Access Line \$6,060
Finance Charges +\$95.03 Available for Cash \$5,722
New Balance \$4,377.64

ACCOUNT INQUIRIES
P.O. Box 16298
Wilmington, DE 19850-5298
PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014
VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance 16,162
Rewards earned on purchases 123
Rewards expired this statement 8
Rewards available to redeem 16,277

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

8 Rewards to expire on statement date in February 2006

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Debit
12/04	[REDACTED]	[REDACTED]	\$22.31
		PAYMENT - THANK YOU	100.00
			681.42

OFFICE ABOVE
CHARITY

FINANCE CHARGES

Category	Daily Periodic Rate 31 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06368%	23.24%	\$4,813.53	\$95.03	\$0.00	\$95.03
Cash advances	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$95.03

Effective Annual Percentage Rate (APR): 23.24%

Please see reverse side for balance computation method, grace period, and other important information.
The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.
The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

A New Year's resolution that is easy to keep. Use your Ultimate Rewards Express card for all of your purchases. Earn reward points for every purchase you make. Redeem your points for name-brand merchandise or gift certificates to leading merchants.

Misc CC expense
81034-39

This Statement is a Facsimile - Not an original

KEVIN KELLY

Acc [REDACTED]
October 2, 2007
Page 35 of 42

Statement for account number: [REDACTED]
\$3,981.18 02/27/06 \$0.00 Payment \$124.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services.
New address or e-mail? Print on back.

Tax time is almost here. Make your payment using your credit card. For details, visit officialpayments.com/Chase.jsp

[REDACTED]

KEVIN KELLY
[REDACTED]



PO BOX 94014
PALATINE IL 60094-4014



[REDACTED]



Statement Date: 01/03/06 - 02/02/06
Payment Due Date: 02/27/06
Minimum Payment Due: \$124.00
CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Outside U.S. call collect
1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account: [REDACTED]

Previous Balance	\$4,377.64	Total Credit Line	\$10,100
Payment, Credits	-\$500.00	Available Credit	\$6,118
Purchases, Cash, Debits	+\$18.46	Cash Access Line	\$6,060
Finance Charges	+\$85.06	Available for Cash	\$6,060
New Balance	\$3,981.18		

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298
PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	16,277	For Ultimate Rewards Express
Rewards earned on purchases	19	Customer Service Call
Rewards expired this statement	6	1-800-945-2000
Rewards available to redeem	16,288	

1 Rewards to expire on statement date in March 2006

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movie, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount	Credit	Debit
01/04	[REDACTED]	[REDACTED] PAYMENT - THANK YOU	500.00		\$18.46

OFFICE PHONE 800-#

FINANCE CHARGES

Category	Daily Periodic Rate 31 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06368%	23.24%	\$4,308.41	\$85.06	\$0.00	\$85.06
Cash advances	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$85.06

Effective Annual Percentage Rate (APR): 23.24%

Please see reverse side for balance computation method, grace period, and other important information.
The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.
The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

URGENT: This month, valued cardmembers have been issued a Thank You worth up to \$100 entitling you to a full year of three magazines. They've already been reserved for you. Quantities are limited, so call by 04/10/06 to claim your Thank You of up to \$100 and for details, 1-800-882-6318. 3GX

This Statement is a Facsimile - Not an original

continues

Statement for account [REDACTED]
\$3,577.12 03/27/06 \$0.00 \$107.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services.
New address or e-mail? Print on back.

[REDACTED]
[REDACTED]
KEVIN STE 1325 THOUSAND PALATINE IL 60094-4014



Statement Date: 02/03/06 - 03/02/06
Payment Due Date: 03/27/06
Minimum Payment Due: \$107.00
CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Outside U.S. call collect 1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Ac [REDACTED]		INQUIRIES	
Previous Balance	\$3,981.16	Total Credit Line	\$10,100
Payment, Credits	-\$500.00	Available Credit	\$6,522
Purchases, Cash, Debits	+\$24.45	Cash Access Line	\$6,060
Finance Charges	+\$71.51	Available for Cash	\$6,060
New Balance	\$3,577.12		

P.O. Box 15298
Wilmington, DE 19850-5298
PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014
VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	16,288
Rewards earned on purchases	26
Rewards expired this statement	1
Rewards available to redeem	16,312

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

455 Rewards to expire on statement date in June 2006

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Merchant Name or Transaction Description	Amount	
		Credit	Debit
02/04	PAT LIVE TALLAHASSEE FL		\$24.45
02/27	PAYMENT - THANK YOU	500.00	

OFFICE PHONE 800 #

FINANCE CHARGES

Category	Daily Periodic Rate 28 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06436%	23.49%	\$3,968.23	\$71.51	\$0.00	\$71.51
Cash advance	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$71.51

Effective Annual Percentage Rate (APR): 23.49%

Please see Information About Your Account section for balance computation method, grace period, and other important information.
The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.
The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

Final Cardmember Rewards Notice before May 10, 2006!
As a valued Cardmember, you're entitled to Rewards valued up to \$170.00! You must act quickly. Quantities are limited. So log on now for details and to claim your magazine Rewards valued up to \$170.00! www.321mags.com/Rewards.

This Statement is a Facsimile - Not an original

Amount Enclosed \$

Make your check payable to Chase Card Services. New address or e-mail? Print on back.

Tax time is almost here. Make your payment using your credit card. For details, visit officialpayments.com/Chase.jsp

51

59242 BEX Z 09206 D KEVIN KELLY



Statement Date: 03/03/06 - 04/02/06
Payment Due Date: 04/27/06
Minimum Payment Due: \$106.00

CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-448-3308
TDD 1-800-955-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect 1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account Number:

Previous Balance	\$3,577.12	Total Credit Line	\$10,100
Payment, Credits	-\$400.00	Available Credit	\$6,539
Purchases, Cash, Debits	+\$310.33	Cash Access Line	\$6,060
Finance Charges	+\$73.23	Available for Cash	\$6,060
New Balance	\$3,560.68		

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	16,312
Rewards earned on purchases	311
Rewards available to redeem	16,623

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

455 Rewards to expire on statement date in June 2006

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount	Credit	Debit
03/04		PAT LIVE TALLAHASSEE FL	\$17.42		
03/20		BEST TRAFFIC SCHOOL CO WOODLAND HILL CA	19.95		
03/28		PAYMENT - THANK YOU	400.00		
03/26		NY-NY HOTEL & CASINO LAS VEGAS NV	272.98		

OFFICIAL DEDUCTION FOR IT

FINANCE CHARGES

Category	Daily Periodic Rate 31 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06505%	23.74%	\$3,631.36	\$73.23	\$0.00	\$73.23
Cash advances	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$73.23

Effective Annual Percentage Rate (APR): 23.74%

Please see information About Your Account section for balance computation method, grace period, and other important information.

The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.

The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

Tired of sweaters? Use your Ultimate Rewards Express card to update your wardrobe this spring and earn rewards! With your Ultimate Rewards Express card you are earning a point for every dollar you spend in purchases. Use it for all your purchases to earn Ultimate Rewards!

KEVIN KELLY

Acct [REDACTED] 14
 October 2, 2007
 Page 15 of 42

Statement for [REDACTED]
 New Balance \$4,310.65
 Payment Due Date 05/27/06
 Past Due Amount \$0.00
 Minimum Payment \$113.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services.
 New address or e-mail? Print on back.

[REDACTED]

[REDACTED] PALATINE IL 60094-4014

[REDACTED]



Statement Date: 04/03/06 - 05/02/06
 Payment Due Date: 05/27/06
 Minimum Payment Due: \$113.00
CUSTOMER SERVICE
 In U.S. 1-800-945-2000
 Español 1-888-446-3308
 TDD 1-800-955-8060
 Pay by phone 1-800-436-7958
 Outside U.S. call collect 1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Acct [REDACTED]

Previous Balance	\$3,560.68	Total Credit Line	\$13,100	ACCOUNT INQUIRIES
Payment, Credits	-\$500.00	Available Credit	\$8,789	P.O. Box 15298
Purchases, Cash, Debits	+\$1,179.78	Cash Access Line	\$7,850	Wilmington, DE 19850-5298
Finance Charges	+\$70.19	Available for Cash	\$7,850	PAYMENT ADDRESS
New Balance	\$4,310.65			P.O. Box 94014 Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

Congratulations! Your credit line has been increased. Take advantage of your enhanced spending power to make purchases and transfer balances today.

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	16,623	For Ultimate Rewards Express
Rewards earned on purchases	1,180	Customer Service Call
Rewards available to redeem	17,803	1-800-945-2000

455 Rewards to expire on statement date in June 2006

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount	
			Credit	Debit
04/04	[REDACTED]	AT LIVE TALLAHASSEE FL		\$20.03
04/25	[REDACTED]	PAYMENT - THANK YOU	500.00	
04/30	[REDACTED]	PET EMERGENCY CLINIC THOUSAND OAKS CA		1,159.75

OFFICE PHONE 800 #

FINANCE CHARGES

Category	Daily Periodic Rate 30 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06505%	23.74%	\$3,596.42	\$70.19	\$0.00	\$70.19
Cash advances	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$70.19

Effective Annual Percentage Rate (APR): 23.74%
 Please see Information About Your Account section for balance computation method, grace period, and other important information.
 The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.
 The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

As part of a class settlement, you will receive 90 days of free identity theft insurance coverage from AIG, from 06/01/06 to 08/29/06, under AIG's Policy No. 916233. For more information, see www.chasenoticeofclasssettlement.com. To file claims, call AIG toll-free at 1-866-434-3572.

This Statement is a Facsimile - Not an original

Statement for account [REDACTED]
\$3,999.97 05/27/06 \$0.00 Payment \$122.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services. New address or e-mail? Print on back.

55373 BEK Z 15306 D
KEVIN KELLY



SERVICE
E IL 60094-4014



Statement Date: 05/03/06 - 06/02/06
Payment Due Date: 06/27/06
Minimum Payment Due: \$122.00
CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect 1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account: [REDACTED]

Previous Balance	\$4,310.65	Total Credit Line	\$13,100	INQUIRIES
Payment, Credits	-\$593.25	Available Credit	\$9,100	P.O. Box 15298
Purchases, Cash, Debits	+\$199.83	Cash Access Line	\$7,860	Wilmington, DE 19850-5298
Finance Charges	+\$82.74	Available for Cash	\$7,860	PAYMENT ADDRESS
New Balance	\$3,999.97			P.O. Box 94014
				Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	17,803
Rewards earned on purchases	107
Rewards expired this statement	455
Rewards available to redeem	17,455

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

2,926 Rewards to expire on statement date in March 2007

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Amount
[REDACTED]	\$93.25
05/04 55457028125021745062417 P A T LIVE TALLAHASSEE FL	18.58
[REDACTED] PAYMENT - THANK YOU	500.00
05/24 [REDACTED] JUSTIN VINEYARDS & WIN PASO ROBLES CA	181.25

*OFFICE PHONE 500 #
OFF: MARGENTLY
→ Thank you*

FINANCE CHARGES

Category	Daily Periodic Rate 31 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V .06573%	23.99%	\$4,060.40	\$82.74	\$0.00	\$82.74
Cash advances	V .06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$82.74

Effective Annual Percentage Rate (APR): 23.99%

Please see Information About Your Account section for balance computation method, grace period, and other important information.

The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.

The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

For a limited time, you're entitled to claim up to \$100.00 worth of your favorite magazines. Respond now to receive an entire year of selections processed by NewSub Services. Call by August 10, 2006 for selections and automatic renewal details. Quantities are limited. Enjoy! 1-800-639-2820 3J6

This Statement is a Facsimile - Not an original

Statement for account [REDACTED]

New Balance \$4,073.54 Payment Due Date 07/27/06 Past Due Amount \$0.00 Minimum Payment \$121.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services. New address or e-mail? Print on back.

71683 BEX Z 18306 D
KEVIN KELLY



CARDMEMBER SERVICE
PO BOX 94014
PALATINE IL 60094-4014



Statement Date: 06/03/06 - 07/02/06
Payment Due Date: 07/27/06
Minimum Payment Due: \$121.00

CUSTOMER SERVICE
in U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-965-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect 1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account: [REDACTED]

Previous Balance	\$3,999.97	Total Credit Line	\$13,100
Payment, Credits	-\$300.00	Available Credit	\$9,026
Purchases, Cash, Debits	+\$293.27	Cash Access Line	\$7,860
Finance Charges	+\$80.30	Available for Cash	\$7,860
New Balance	\$4,073.54		

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	17,465
Rewards earned on purchases	294
Rewards available to redeem	17,749

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

2,926 Rewards to expire on statement date in March 2007

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount Credit	Debit
06/05	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
06/27	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
06/25	[REDACTED]	HERTZ RENT-A-CAR KAHULUI HI		270.52

270.52 *AP - Travel*

FINANCE CHARGES

Category	Daily Periodic Rate 30 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	.06573%	23.99%	\$4,071.95	\$80.30	\$0.00	\$80.30
Cash advances	.06573%	23.99%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$80.30

Effective Annual Percentage Rate (APR): 23.99%

Please see Information About Your Account section for balance computation method, grace period, and other important information. The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category. The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

URGENT: As a valued cardmember, claim your Thank You of a full year of 3 magazines, worth up to \$100.00. Limited time 09/10/06 to claim your Thank You of up to \$100.00 processed by NewSub Services and for details 1-800-641-3426 4UC

This Statement is a Facsimile - Not an original

Statement for account number: [REDACTED]
\$5,793.33 08/27/06 \$0.00 \$147.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services.
New address or e-mail? Print on back.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]



CARDMEMBER SERVICE
PO BOX 94014
PALATINE IL 60094-4014



Statement Date: 07/03/06 - 08/02/06
Payment Due Date: 08/27/06
Minimum Payment Due: \$147.00

CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect
1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account Number: [REDACTED]

Previous Balance	\$4,073.54	Total Credit Line	\$13,100
Payment, Credits	-\$200.00	Available Credit	\$7,306
Purchases, Cash, Debits	+\$1,830.68	Cash Access Line	\$7,860
Finance Charges	+\$89.10	Available for Cash	\$7,306
New Balance	\$5,793.33		

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	17,749
Rewards earned on purchases	1,831
Rewards available to redeem	19,580

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

2,926 Rewards to expire on statement date in March 2007

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount Credit	Debit
07/04	[REDACTED]	PAT LIVE TALLAHASSEE FL		\$22.49
07/27	[REDACTED]	PAYMENT - THANK YOU	200.00	
07/26	[REDACTED]	FERTILITY & SURGICAL A THOUSAND OAKS CA		375.00
07/31	[REDACTED]	CONTINEN 00521738680175 HOUSTON TX		716.60
	080206 1 KA	LAX EWR		
	2 KA	EWR LAX		
07/31	55499676213855213160487	CONTINEN 00521738680186 HOUSTON TX		716.60
	080206 1 KA	LAX EWR		
	2 KA	EWR LAX		

APR: ree phone

FINANCE CHARGES

Category	Daily Periodic Rate 31 days in cycle	Corresponding APR	Average Daily Balance	Finance Charge Due To Periodic Rate	Transaction Fee	FINANCE CHARGES
Purchases	V 06642%	24.24%	\$4,326.90	\$89.10	\$0.00	\$89.10
Cash advances	V 06642%	24.24%	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges						\$89.10

Effective Annual Percentage Rate (APR): 24.24%

Please see Information About Your Account section for balance computation method, grace period, and other important information.

The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.

The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

This Statement is a Facsimile - Not an original

Statement for account number [REDACTED]
New Balance \$8,098.38 Payment Due Date 09/27/06 Past Due Amount \$0.00 Minimum Payment \$185.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services. New address or e-mail? Print on back.

12 BEN Z 24609 D
KEVIN KELLY



Statement Date: 08/03/06 - 09/02/06
Payment Due Date: 09/27/06
Minimum Payment Due: \$185.00

CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3309
TDD 1-800-955-8050
Pay by phone 1-800-435-7958
Outside U.S. call collect 1-302-694-6200

MASTERCARD ACCOUNT SUMMARY Account Number: [REDACTED]

Previous Balance	\$5,793.33	Total Credit Line	\$13,100
Payment, Credits	-\$150.00	Available Credit	\$7,001
Purchases, Cash, Debits	+\$330.04	Cash Access Line	\$7,860
Finance Charges	+\$125.01	Available for Cash	\$7,001
New Balance	\$6,098.38		

ACCOUNT INQUIRIES
P.O. Box 15296
Wilmington, DE 19850-5296
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	19,580
Rewards earned on purchases	331
Rewards available to redeem	19,911

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

2,926 Rewards to expire on statement date in March 2007

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount Credit	Debit
08/02	[REDACTED]	CONTINEN 00521739423170 HOUSTON TX		\$40.00
	080206 1 HA	LAX EWR		
	2 KA	EWR LAX		
08/02	[REDACTED]	CONTINEN 00521739423203 HOUSTON TX		40.00
	080206 1 HA	LAX EWR		
	2 KA	EWR LAX		
08/02	[REDACTED]	[REDACTED]		
	[REDACTED]	EWR		
	[REDACTED]	TALLAHASSEE FL	20.04	
	[REDACTED]	KER WINERY & V LOS OLIVOS CA	38.00	
	[REDACTED]	& SURGICAL A THOUSAND OAKS CA	120.00	
	[REDACTED]	- THANK YOU	150.00	

Handwritten notes:
- APR: telephone
- APR: [unclear] - Frank I think [unclear]

FINANCE CHARGES

Category	Daily Periodic Rate 31 days in cycle	Corresp. APR	Average Daily Balance	Finance Charge		Transaction Fee	Accumulated Fin Charge	FINANCE CHARGES
				Due To Periodic Rate	Fee			
Purchases	V .06642%	24.24%	\$8,071.26	\$125.01	\$0.00	\$0.00	\$0.00	\$125.01
Cash advances	V .06642%	24.24%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges								\$125.01

Effective Annual Percentage Rate (APR): 24.24%

Please see Information About Your Account section for balance computation method, grace period, and other important information.
The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.
The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

This Statement is a Facsimile - Not an original

Statement for account number: [REDACTED]

New Balance \$5,833.38 10/27/06 \$0.00 Payment \$190.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services.
New address or e-mail? Print on back.



CARDMEMBER SERVICE
PO BOX 94014
PALATINE IL 60094-4014



Statement Date: 09/03/06 - 10/02/06
Payment Due Date: 10/27/06
Minimum Payment Due: \$180.00

CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-448-3308
TDD 1-800-955-8060
Pay by phone 1-800-435-7958
Outside U.S. call collect
1-302-694-8200

MASTERCARD ACCOUNT SUMMARY Account Number: [REDACTED]

Previous Balance	\$8,098.38	Total Credit Line	\$13,100
Payment, Credits	-\$500.00	Available Credit	\$7,266
Purchases, Cash, Debits	+\$113.05	Cash Access Line	\$7,660
Finance Charges	+\$121.95	Available for Cash	\$7,266
New Balance	\$5,833.38		

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

ULTIMATE REWARDS EXPRESS SUMMARY

Previous rewards balance	19,911
Rewards earned on purchases	114
Rewards available to redeem	20,025

For Ultimate Rewards Express
Customer Service Call
1-800-945-2000

2,926 Rewards to expire on statement date in March 2007

Remember, your points add up fast when you use your Chase credit card for all your purchases -- at the gas station, the movies, restaurants, on-line -- everywhere your Chase credit card is accepted. You earn one point for every dollar you spend.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount	
			Credit	Debit
09/05	[REDACTED]	PAT LIVE TALLAHASSEE FL		\$18.25
09/13	[REDACTED]	GODADDY.COM 480-5058855 AZ		18.40
08/20	[REDACTED]	ZACA MESA WINERY LOS OLIVOS CA		76.40
08/27	[REDACTED]	PAYMENT - THANK YOU	500.00	

UPP = telephone
OFF = misc - website
UPP = transaction
misc - Dr. Glynis
Diana
Sueley Fern

FINANCE CHARGES

Category	Daily Periodic Rate 30 days in cycle	Corresp. APR	Average Daily Balance	Finance Charge		Transaction Fee	Accumulated Fin Charge	FINANCE CHARGES
				Due To	Periodic Rate			
Purchases	V 06642%	24 24%	\$6,120.08	\$121.95	\$0.00	\$0.00	\$0.00	\$121.95
Cash advances	V 06642%	24 24%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges								\$121.95

Effective Annual Percentage Rate (APR): 24.24%

Please see Information About Your Account section for balance computation method, grace period, and other important information.

The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.

The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage

IMPORTANT NEWS

Whatever you'd like to do - refinance your mortgage to get extra cash, make home improvements, even buy a new home. Call Chase first at 1-866-836-8335. We can help with all your home financing needs. All loans subject to credit and property approval. Equal Housing Lender.

This Statement is a Facsimile - Not an original

Statement for account number: [REDACTED]
\$6,095.64 11/27/06 \$0.00 \$185.00



Amount Enclosed \$ [REDACTED] Make your check payable to Chase Card Services.
New address or e-mail? Print on back.

[REDACTED]

[REDACTED]



CARDMEMBER SERVICE
PO BOX 94014
PALATINE IL 60094-4014

⑆ 5000 160 281⑆ 4067600 1683 14 20⑆



Statement Date: 10/03/06 - 11/02/06
Payment Due Date: 11/27/06
Minimum Payment Due: \$185.00

CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect
1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account Number: 5183 3778 0018 8314

Previous Balance	\$5,833.38	Total Credit Line	\$13,100
Payment, Credits	-\$180.00	Available Credit	\$7,004
Purchases, Cash, Debits	+\$317.87	Cash Access Line	\$7,860
Finance Charges	+\$124.39	Available for Cash	\$7,004
New Balance	\$6,095.64		

ACCOUNT INQUIRIES
P.O. Box 15298
Wilmington, DE 19850-5298

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

FLEXIBLE REWARDS SUMMARY

Previous points balance	0
Points earned on purchases this period	53
Member-Get-Member bonus points	0
New total points balance	10,193

To redeem your Flexible Rewards points, call
1-800-603-2265, or log on to
www.ChooseMyRewards.com for 24-hour
access to your rewards program.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount	
			Credit	Debit
10/04	55457026278021780893614	P A T LIVE 6007757790 FL		\$20.93
10/04	25247806278005189915634	CUVAISON WINERY CLUB CALISTOGA CA		76.05
10/17	85454916291900013561921	JUSTIN VINEYARDS & WIN PASO ROBLES CA		155.84
10/27	13003002933119691400002	PAYMENT - THANK YOU	180.00	
10/27	74266853003467000087460	EPAY FEEWilmington DE		9.95
10/31	55547506305542304022505	FESS PARKER WINERY & V 8888773335 CA		53.00

Handwritten notes:
CFF: telephone - 5014
WFF: WISC
ATTY THANK YOU
Date Shady R-FLG J-LEWITT S-BOUFMAN

FINANCE CHARGES

Category	Daily Periodic Rate	Corresp. APR	Average Daily Balance	Finance Charge		Transaction Fee	Accumulated Fin Charge	FINANCE CHARGES
				Due To	Periodic Rate			
Purchases	V .06642%	24.24%	\$6,041.22	\$124.39	\$0.00	\$0.00	\$0.00	\$124.39
Cash advances	V .06642%	24.24%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges								\$124.39

Effective Annual Percentage Rate (APR): 24.24%

Please see Information About Your Account section for balance computation method, grace period, and other important information.

The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category.

The Effective APR represents your total finance charges - including transaction fees - expressed as a percentage.

IMPORTANT NEWS

HOLIDAY SHOPPERS: Get low prices on MP3 players, toys, digital cameras, flat screen TV's, and lots more through Trilegiant's offer. You can get up to \$50 cash back on purchases with your Shoppers Advantage membership. CALL 1-866-883-7233 TODAY.

This Statement is a Facsimile - Not an original

Statement for account [REDACTED]
New Balance \$6,111.28
Payment Due Date 12/27/06
Past Due Amount \$0.00
Minimum Payment \$186.00



Amount Enclosed \$ [REDACTED]
Make your check payable to Chase Card Services.
New address or e-mail? Print on back.

Tax Time is almost here. Make your payment using your credit card. For details, visit officialpayments.com/Chase.jsp

67046 BEX 2 33606 0
KEVIN KELLY



PALATINE, IL 60094-4014



Statement Date: 11/03/06 - 12/02/06
Payment Due Date: 12/27/06
Minimum Payment Due: \$186.00

CUSTOMER SERVICE
In U.S. 1-800-945-2000
Español 1-888-446-3308
TDD 1-800-955-8060
Pay by phone 1-800-436-7958
Outside U.S. call collect 1-302-594-8200

MASTERCARD ACCOUNT SUMMARY Account Number: [REDACTED]

Previous Balance	\$6,095.64	Total Credit Line	\$16,100
Payment, Credit	-\$300.00	Available Credit	\$9,988
Purchases, Cash, Debits	+\$190.38	Cash Access Line	\$9,660
Finance Charges	+\$125.26	Available for Cash	\$9,660
New Balance	\$6,111.28		

INQUIRIES
P.O. Box 15296
Wilmington, DE 19850-5296

PAYMENT ADDRESS
P.O. Box 94014
Palatine, IL 60094-4014

VISIT US AT:
www.chase.com/creditcards

Congratulations! Your credit line has been increased. Take advantage of your enhanced spending power to make purchases and transfer balances today.

FLEXIBLE REWARDS SUMMARY

Previous points balance	10,193
Points earned on purchases this period	191
Member-Get-Member bonus points	0
New total points balance	10,384

To redeem your Flexible Rewards points, call 1-800-603-2265, or log on to www.ChooseMyRewards.com for 24-hour access to your rewards program.

TRANSACTIONS

Trans Date	Reference Number	Merchant Name or Transaction Description	Amount Credit	Debit
11/01	[REDACTED]	CUVAISON WINERY CLUB CALISTOGA CA		584.84
11/01	[REDACTED]	ZACA MESA WINERY 8056889339 CA		80.96
11/04	[REDACTED]	P A T LIVE 8007757790 FL		24.58
11/27	[REDACTED]	PAYMENT - THANK YOU	300.00	

*APR miscell.
ATTY Thank you
office telephone*

FINANCE CHARGES

Category	Daily Periodic Rate 30 days in cycle	Corresp. APR	Average Daily Balance	Finance Charge			FINANCE CHARGES
				Due To Periodic Rate	Transaction Fee	Accumulated Fin Charge	
Purchases	V .06642%	24.24%	\$6,286.00	\$125.26	\$0.00	\$0.00	\$125.26
Cash advances	V .06642%	24.24%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total finance charges							\$125.26

Effective Annual Percentage Rate (APR): 24.24%

Please see Information About Your Account section for balance computation method, grace period, and other important information. The Corresponding APR is the rate of interest you pay when you carry a balance on any transaction category. The Effective APR represents your total finance charges - including transaction fees such as cash advance and balance transfer fees - expressed as a percentage.

IMPORTANT NEWS

Claim your reward today! You still have time to claim your Thomas Kinkadee Lithograph! Simply go to www.rewardcenter.com and enter 157312 where it asks for your certificate number. Take advantage of this final opportunity to claim this exclusive collection!

This Statement is a Facsimile - Not an original

KEVIN M. KELLY DC

2074



DATE 1-23-06

PAY TO THE ORDER OF

T.O. Look & Kay

\$ 102.51

One Hundred Two AND 51/100

DOLLARS

Bank of America



Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362

Handwritten signature: K M Kelly

FOR [Redacted]



10251



301550092
01/23/06
2006571 53047 01 02
K OF AMERICA INC

KEVIN M. KELLY DC

2115

DATE

2-17

16-66/1220
1011

PAY
TO THE
ORDER OF

CREATIVE STORAGE SOLUTIONS

\$ 1,170-

One Thousand One Hundred Seventy

DOLLARS

Bank of America



Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362

FOR

Deposit on completion of CASILAS

K-MK-10

117000



KEVIN M. KELLY DC

2153



DATE 4-4-6



PAY TO THE ORDER OF

VENTURA LARRY ESTER

\$ 2000

Twenty Six and no/100

DOLLARS

Bank of America



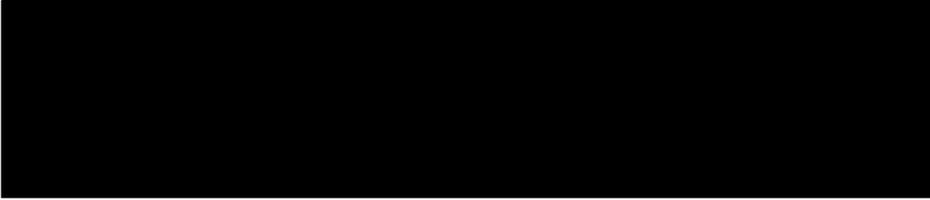
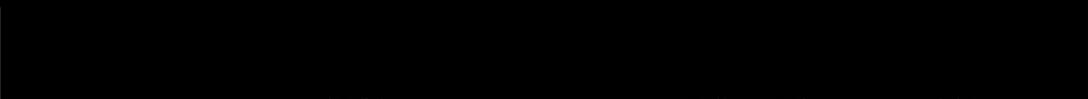
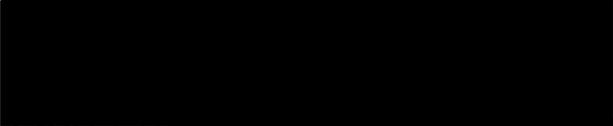
Oak Mall
152 Hillcrest Dr W
Thousand Oaks CA
805 373.5362

[Handwritten signature]

FOR



002600



KEVIN M. KELLY DC

2178

16-66/1220
1011

DATE 4-17-6

PAY
TO THE
ORDER OF

ESTER Gomez

\$ 75 -

Seventy Five

DOLLARS

Bank of America

Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362



⑆01210⑆ 1245⑆ 11231⑆ 1720⑆ 4070⑆ 9288⑆ 01⑆ 35⑆ 0100
243708⑆ 1000⑆ 4800701

Handwritten signature

MP

FOR _____



07500.00



Handwritten signature

KEVIN M KELLY
KEVIN M KELLY DC

Statement Period: September 13 through October 12, 2006
Account Number: [REDACTED]

Account Number: [REDACTED]

2380

DATE 10-4-06

AMOUNT \$ 100.00

One Hundred and 00/100

Bank of America

FOR [REDACTED]

Amt: 100.00

2382

DATE 10-5-06

AMOUNT \$ 214.66

Two Hundred Fourteen and 66/100

Bank of America

FOR [REDACTED]

Ref. No.: 5060116202 Amt: 214.66

2383

DATE 10-5-06

AMOUNT \$ 82.88

Eighty Two and 88/100

Bank of America

FOR [REDACTED]

Ref. No.: 6360605613 Amt: 82.88

2384

DATE 10-5-06

AMOUNT \$ 36.71

Thirty Six and 71/100

Bank of America

FOR [REDACTED]

Ref. [REDACTED] Amt: 36.71

2385

DATE 10-5-06

AMOUNT \$ 82.09

Eighty Two and 09/100

Bank of America

FOR [REDACTED]

Am [REDACTED]

next page

KEVIN M KELLY
KEVIN M KELLY DC

Statement Period: November 11 through December 11, 2006
Account Number: [REDACTED] 96

Account Number: [REDACTED]

KEVIN M. KELLY DC 2439
DATE 11-30-06
PAY TO THE ORDER OF CASH \$ 50-
Fifty 00/100
Bank of America
[REDACTED]

Ref. No.: [REDACTED] Amt: 50.00

DATE 12-1-06
PAY TO THE ORDER OF Dignity Director \$ 76.32
Seventy Six and 32/100
Bank of America
[REDACTED] K. M. Kelly DC

DATE 12-4-06 2444
PAY TO THE ORDER OF CASH \$ 1,000-
One Thousand 00/100
Bank of America
[REDACTED] K. M. Kelly DC

DATE 12-2-06
PAY TO THE ORDER OF Dignity an Lisa \$ 4,500-
Four Thousand Five Hundred 00/100
Bank of America
[REDACTED] K. M. Kelly DC

Kevin M. Kelly D.C.
Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE IS THE REPAIRS AND MAINTENANCE LIST REQUESTED BY JOSEPH
YOUNAN FOR THE 2006 TAX YEAR

15901 Hawthorne Blvd Suite 420 Lawndale CA 90260 310 214-9555 fax 310 214-8242
1325 Thousand Oaks Blvd Suite 104 Thousand Oaks, CA 91362 805 371-6144 fax 805 371-6148

Office:Repairs & Maintenance - Last year

1/1/2006 through 12/31/2006

10/16/2007

Date	Account	Num	Description	Memo	Category	Clr	Amount
1/3/2006	BofA - Busin...	████	Ulysses Marth...table repair		Office:Repairs ...	c	-70.00
2/9/2006	BofA - Busin...	████	Firestone repairs / maintenance		Office:Repairs ...	c	-152.92
2/10/2006	BofA - Busin...		Firestone ...repairs / maintenance		Office:Repairs ...	c	-152.92
3/31/2006	BofA - Busin...	2████	Firestone repairs / maintenance		Office:Repairs ...	c	-442.88
4/4/2006	BofA - Busin...		Firestone ...repairs / maintenance		Office:Repairs ...	c	-442.88
4/8/2006	BofA - Busin...	2████	Conejo Detail repairs / maintenance		Office:Repairs ...	c	-185.00
4/20/2006	BofA - Busin...	████	████████████████████		████████████████████	█	████████
████████	████████	████████	Shaver Pontia...repairs / maintenance		Office:Repairs ...	c	-535.85
5/1/2006	BofA - Busin...	████	Rusnak BMW repairs / maintenance		Office:Repairs ...	c	-1,495.00
1/30/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-19.95
2/3/2006	BofA - Perso...		Valvoline Inst... repairs / maintenance		Office:Repairs ...	c	-37.81
3/31/2006	BofA - Perso...		Camino Real ... repairs / maintenance		Office:Repairs ...	c	-80.00
4/3/2006	BofA - Perso...		Aaa Ca Memb...repairs / maintenance		Office:Repairs ...	c	-16.00
4/3/2006	BofA - Perso...		Mike Ply Mobil...repairs / maintenance		Office:Repairs ...	c	-58.25
4/10/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-20.95
4/14/2006	BofA - Perso...		Firestone 0... repairs / maintenance		Office:Repairs ...	c	-61.66
5/4/2006	BofA - Perso...		Janss Mall Ca...repairs / maintenance		Office:Repairs ...	c	-16.99
5/4/2006	BofA - Perso...		Shell Oil 611... Dr. Rogers lunch		Office:Repairs ...	c	-54.49
5/8/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-21.95
6/13/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-25.95
8/2/2006	BofA - Perso...		Janss Mall Ca...repairs / maintenance		Office:Repairs ...	c	-18.99
9/14/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-20.95
9/22/2006	BofA - Perso...		Valvoline Inst... repairs / maintenance		Office:Repairs ...	c	-41.02
9/26/2006	BofA - Perso...		Janss Mall Ca...repairs / maintenance		Office:Repairs ...	c	-51.17
10/4/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-20.95
10/19/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-17.95
11/13/2006	BofA - Perso...		Thousand Oa... repairs / maintenance		Office:Repairs ...	c	-17.95
1/1/2006 - 12/31/2006							-4,165.38
TOTAL INFLOWS							0.00
TOTAL OUTFLOWS							-4,165.38
NET TOTAL							-4,165.38

DATE 12-29-5

16-66/1220
1011

PAY
TO THE
ORDER OF

Ulysses Martin

\$ 70 -

Security

DOLLARS

Bank of America

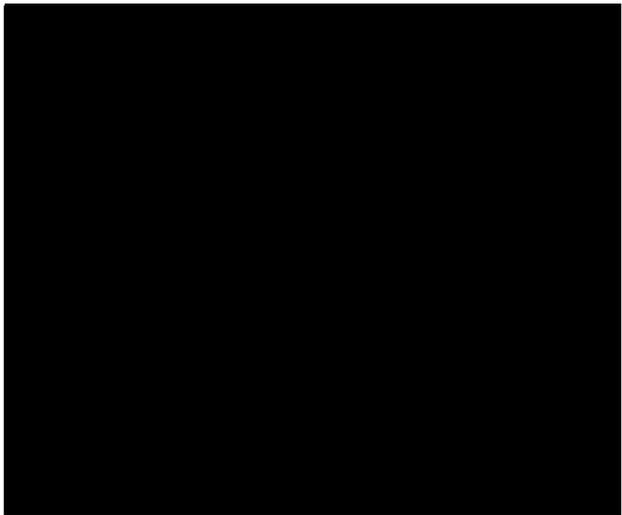


Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362

FOR

K-M-K-10

MP
0.1



Handwritten signature or note on the right side of the page.

KEVIN M. KELLY DC

2170



DATE 4-7-06



PAY TO THE ORDER OF

Covejo Detail

\$ 185.00

One Hundred Eighty Five and 00/100

DOLLARS

Bank of America



Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362

[Handwritten signature]



04/13/06

5460963656



ERICA
E, CA 91361
ONLY
DETAIL
08

KEVIN M. KELLY DC

2181

DATE 4-18-6

16-66/1220
1011

PAY
TO THE
ORDER OF

Sharon

\$ 84.95

Eighty Four & 95/100

DOLLARS

Bank of America



Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805 373 5362

Handwritten signature



SHAN



KEVIN M. KELLY DC

2187



62

DATE 4-24-06

16-66/1220
1011

PAY
TO THE
ORDER OF

Shawen

\$ 535.85

Five Hundred Thirty Five ⁸⁵/₁₀₀

DOLLARS

Bank of America

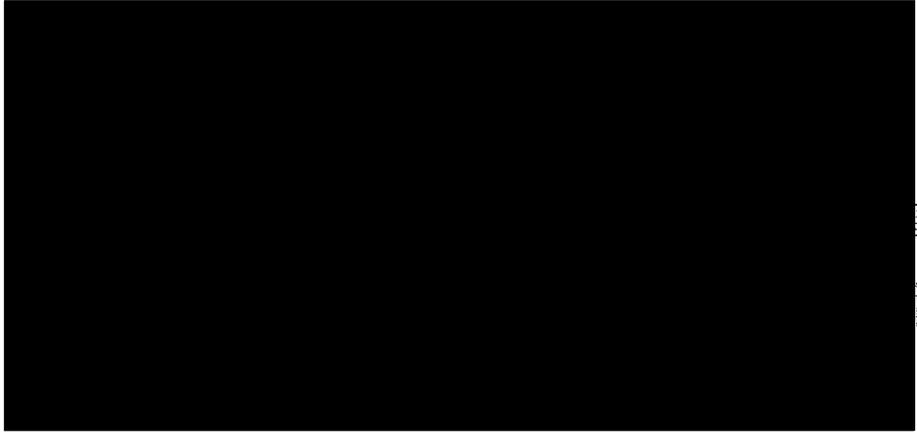
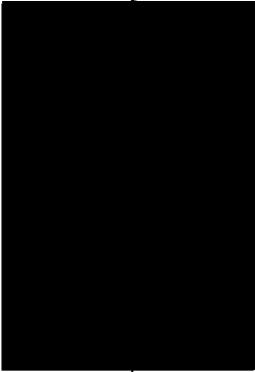
Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA
805.373.5362



Healer 2/10/18/06

KMK-TQ

FOR



2/16

01000

2197

KEVIN M. KELLY DC

1325 [REDACTED]

DATE 4-29-06

16-66/1220
1011

PAY TO THE ORDER OF

RUSMAN BMW

\$ 1495

ONE THOUSAND FOUR HUNDRED NINETY FIVE

DOLLARS

Bank of America



Oaks Mall
152 Hillcrest Dr W
Thousand Oaks CA

FOR

[REDACTED]

Office:Repairs & Maintenance - Last year

1/1/2006 through 12/31/2006

10/2/2007

Page 1

Date	Account	Num	Description	Memo	Category	Clr	Amount	
1/3/2006	BofA - [REDACTED]		Ulysses Marthans		Office:Repair...	c	-70.00	
2/9/2006	BofA - Bu...		Firestone		Office:Repair...	c	-152.92	
2/10/2006	BofA - Bu...		Firestone	DES:... ID:2101	INDN:14...	Office:Repair...	c	-152.92
3/31/2006	BofA - Bu...		Firestone		Office:Repair...	c	-442.88	
4/4/2006	BofA - Bu...		Firestone	DES:... ID:2149	INDN:14...	Office:Repair...	c	-442.88
4/8/2006	BofA - Bu...		Conejo Detail		Office:Repair...	c	-185.00	
4/20/2006	BofA - Bu...		Chrylser		Office:Repair...	c	-84.95	
4/25/2006	BofA - Bu...		Shaver Pontiac Jeep		Office:Repair...	c	-535.85	
5/1/2006	BofA - Bu...		Rusnak BMW	BMW	Office:Repair...	c	-1,495.00	
1/30/2006	BofA - Per...		Thousand Oaks Han...	RD #7802 PURCHASE	...Office:Repair...	c	-19.95	
2/3/2006	BofA - Per...		Valvoline Instant Oil ...	RD #7802 PURCHASE	...Office:Repair...	c	-37.81	
3/31/2006	BofA - Per...		Camino Real Towin...	802 PURCHASE #2424...	Office:Repair...	c	-80.00	
4/3/2006	BofA - Per...		Aaa Ca Member Pa...	#7802 PURCHASE #24...	Office:Repair...	c	-16.00	
4/3/2006	BofA - Per...		Mike Ply Mobil Servi...	D #7802 PURCHASE #...	Office:Repair...	c	-58.25	
4/10/2006	BofA - Per...		Thousand Oaks Han...	RD #7802 PURCHASE	...Office:Repair...	c	-20.95	
4/14/2006	BofA - Per...		Firestone	001457... D #7802 PURCHASE #...	Office:Repair...	c	-61.66	
5/4/2006	BofA - Per...		Janss Mall Car Was...	RD #7802 PURCHASE	...Office:Repair...	c	-16.99	
5/4/2006	BofA - Per...		Shell Oil	61106228... Dr. Rogers lunch	Office:Repair...	c	-54.49	
5/8/2006	BofA - Per...		Thousand Oaks Han...	RD #7802 PURCHASE	...Office:Repair...	c	-21.95	
6/13/2006	BofA - Per...		Thousand Oaks Han...	RD #7802 PURCHASE	...Office:Repair...	c	-25.95	
8/2/2006	BofA - Per...		Janss Mall Car Was...		Office:Repair...	c	-18.99	
9/14/2006	BofA - Per...		Thousand Oaks Han...	RD #7424 PURCHASE	...Office:Repair...	c	-20.95	
9/22/2006	BofA - Per...		Valvoline Instant Oil ...		Office:Repair...	c	-41.02	
9/26/2006	BofA - Per...		Janss Mall Car Was...		Office:Repair...	c	-51.17	
10/4/2006	BofA - Per...		Thousand Oaks Han...		Office:Repair...	c	-20.95	
10/19/2006	BofA - Per...		Thousand Oaks Han...	RD #7424 PURCHASE	...Office:Repair...	c	-17.95	
11/13/2006	BofA - Per...		Thousand Oaks Han...	RD #7424 PURCHASE	...Office:Repair...	c	-17.95	
1/1/2006 - 12/31/2006							-4,165.38	

TOTAL INFLOWS	0.00
----------------------	-------------

TOTAL OUTFLOWS	-4,165.38
-----------------------	------------------

NET TOTAL	-4,165.38
------------------	------------------

Kevin M. Kelly D.C.
Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE ARE THE MEALS AND ENTERTAINMENT EXPENSES REQUESTED BY THE IRS. ALL OF THESE EXPENSES MEET THE DIRECTLY RELATED TEST IN THAT

“THE MAIN PURPOSE OF THE ENTERTAINMENT ACTIVITY IS THE CONDUCT OF BUSINESS, BUSINESS WAS ACTUALLY CONDUCTED DURING THE ACTIVITY QND THE TAXPAYER HAD MORE THAN A GENERAL EXPECTATION OF GETTING INCOME OR SOME OTHER SPECIFIC (IN MY CASE PATIENTS OR PATIENT REFERRALS) BENEFIT AT SOME FUTURE TIME”. PER THE IRS PUBLICATION 463 P10 – DIRECTLY RELATED TEST.

KEEP IN MIND, MR. YOUNAN THREW ALL OF THESE EXPENSES OUT FOR 2004 AND 2005 EVEN THOUGH I PROVED TO HIM THEY WERE BUSINESS RELATED AND MET THE STANDARDS SET FORTH IN THE IRS PUBLICATION 463.

Office:Meals & Entertainment - Last year

1/1/2006 through 12/31/2006

10/2/2007

Page 2

Date	Account	Num	Description	Memo	Category	CI Amount
4/14/2006	BofA - Perso...		Moz Budda... Client Dinner - Lead Bldrs		Office:Meals & E...	c -160.00
5/8/2006	BofA - Perso...		Indian Spri... Pros Clients - Tim & Nadia		Office:Meals & E...	c -89.00
5/9/2006	BofA - Perso...		Blend 05/0... Client Dinner - Rice		Office:Meals & E...	c -293.52
5/9/2006	BofA - Perso...		The Wine ... June party - pros clients, Lead/C&H/rice ...		Office:Meals & E...	c -314.81
5/10/2006	BofA - Perso...		The Home ... Party fixtures / lights/ misc		Office:Meals & E...	c -253.86
5/16/2006	BofA - Perso...		Tuscany II ... #7802 PURCHASE [REDACTED]...		Office:Meals & E...	c -149.95
5/26/2006	BofA - Perso...		Zin Bistro A... Lead Bldrs		Office:Meals & E...	c -84.00
6/5/2006	BofA - Perso...		Morton's Of... Dr. Gilhooly		Office:Meals & E...	c -119.34
6/6/2006	BofA - Perso...		Cosmos 06... Joleen - owner wcomp		Office:Meals & E...	c -16.65
6/6/2006	BofA - Perso...		Yard House...Dr. Nelson		Office:Meals & E...	c -43.83
6/6/2006	BofA - Perso...		Arnold Pal... Dr. Gilhooly		Office:Meals & E...	c -63.88
6/7/2006	BofA - Perso...		The Alamo ... NP Cassie - Neck pain/HA		Office:Meals & E...	c -73.60
6/7/2006	BofA - Perso...		Sienna Deli... K2 - Bus Cards		Office:Meals & E...	c -9.38
6/9/2006	BofA - Perso...		Roxys Fam... GBreitman - TO		Office:Meals & E...	c -25.84
6/12/2006	BofA - Perso...		California P... Gretchen - Billing/ Coll/ marketing		Office:Meals & E...	c -32.73
6/12/2006	BofA - Perso...		Tryst 06/09 ...Lead Bldrs R Galaviz		Office:Meals & E...	c -371.03
6/14/2006	BofA - Perso...		Bandits Gril... Atty Frank I annaccone		Office:Meals & E...	c -28.34
6/26/2006	BofA - Perso...		Maui Mount... D #7802 PURCHASE # [REDACTED]...		Office:Meals & E...	c -115.00
6/26/2006	BofA - Perso...		Lahaina St... Ron Galaviz - Lead Bldrs		Office:Meals & E...	c -369.89
6/27/2006	BofA - Perso...		Tommy Ba... Ron Galaviz - Lead Bldrs		Office:Meals & E...	c -146.92
7/3/2006	BofA - Perso...		Bandits Gril...ATTY Steve Debis		Office:Meals & E...	c -43.82
7/17/2006	BofA - Perso...		Pf Changs ... Atty - Iannaccone		Office:Meals & E...	c -51.27
7/20/2006	BofA - Perso...		The Alamo ... Tri County Elect - Jack		Office:Meals & E...	c -58.79
7/27/2006	BofA - Perso...		The Alamo ... Tri County Elec - Jack / Naked Juice - D...		Office:Meals & E...	c -76.35
8/3/2006	BofA - Perso...		Cresencian... #7424 PURCHASE # [REDACTED]...		Office:Meals & E...	c -7.09
8/10/2006	BofA - Perso...		California P... K2 - Danielle Cards		Office:Meals & E...	c -6.96
8/15/2006	BofA - Perso...		L G S Prim... Art & Vivian Rice - Chiropractic & RE		Office:Meals & E...	c -116.08
8/16/2006	BofA - Perso...		Zin Bistro A... Lead Builders		Office:Meals & E...	c -33.25
8/21/2006	BofA - Perso...		Cresencian... K2 - Lawndale		Office:Meals & E...	c -11.04
8/28/2006	BofA - Perso...		Exotic Sush...Dr. Celaya - Practice sale		Office:Meals & E...	c -104.16
9/1/2006	BofA - Perso...		California P... RLevine - atty TO		Office:Meals & E...	c -31.98
9/5/2006	BofA - Perso...		Johnny Roc...Dr. Celaya		Office:Meals & E...	c -27.87
9/11/2006	BofA - Perso...		Crown& An... J.Jenkins Southern Wine & Spirits		Office:Meals & E...	c -129.25
9/25/2006	BofA - Perso...		Finns Seaf... Angela & Her husband - LBP		Office:Meals & E...	c -75.29
9/29/2006	BofA - Perso...		Pf Changs ... Sean Olney - Marketing		Office:Meals & E...	c -37.97
9/29/2006	BofA - Perso...		Piatti Thous...Atty - Wabby		Office:Meals & E...	c -48.67
10/10/2006	BofA - Perso...		Doubletree ... Clients Rice		Office:Meals & E...	c -498.44
10/26/2006	BofA - Perso...		The Alamo ... Maureen - Amgen boss has headaches ...		Office:Meals & E...	c -61.01
11/9/2006	BofA - Perso...		Sisley Italia... R Galaviz - discusssed daughters treatm...		Office:Meals & E...	c -39.85
11/20/2006	BofA - Perso...		Finns Seaf... 7424 PURCHASE [REDACTED]9...		Office:Meals & E...	c -100.66
11/21/2006	BofA - Perso...		Wood Ranc...7424 PURCHASE [REDACTED]...		Office:Meals & E...	c -44.35
11/28/2006	BofA - Perso...		Zin Bistro A...#7424 PURCHASE [REDACTED]8...		Office:Meals & E...	c -91.51
12/4/2006	BofA - Perso...		Regional- P...424 PURCHASE [REDACTED]		Office:Meals & E...	c -13.71
12/4/2006	BofA - Perso...		Pf Changs ... PURCHASE [REDACTED]:Meals & E...		Office:Meals & E...	c -48.65
12/29/2006	BofA - Perso...		Costco Wh... Holiday Party - Staff / Atty's / MD's		Office:Meals & E...	c -225.59
1/1/2006 - 12/31/2006						-10,197.82

TOTAL INFLOWS 0.00

TOTAL OUTFLOWS -10,197.82

NET TOTAL -10,197.82

Office:Meals & Entertainment - Last year

1/1/2006 through 12/31/2006

10/2/2007

Page 1

Date	Account	Num	Description	Memo	Category	CI	Amount
1/3/2006	BofA - Busin...		Bkofameric... office staff		Office:Meals & E...	c	-300.00
2/2/2006	BofA - Busin...		Bkofameric... Marketing lunches atty - Fleg/Nelson/Lutz		Office:Meals & E...	c	-300.00
2/9/2006	BofA - Busin...		Bkofameric... Atty LMoss & staff		Office:Meals & E...	c	-300.00
3/20/2006	BofA - Busin...		Bkofameric... Atty Flannaccone & staff (Becky)		Office:Meals & E...	c	-100.00
4/6/2006	BofA - Busin...		...Chase Car...		Office:Meals & E...	c	-75.00
5/16/2006	BofA - Busin...	2214	Green Acres Atty/Client Party		Office:Meals & E...	c	-841.30
8/29/2006	BofA - Busin...		Bkofameric... Atty lunch - Frank Iannaccone		Office:Meals & E...	c	-60.00
1/3/2006	BofA - Perso...		Vons Sto... PS Office party		Office:Meals & E...	c	-175.09
1/3/2006	BofA - Perso...		Jensen's 1... PS Christmas Party		Office:Meals & E...	c	-59.70
1/3/2006	BofA - Perso...		Indian Spri... ATTY ps		Office:Meals & E...	c	-89.00
1/9/2006	BofA - Perso...		Finns Seaf... Pros Client - Amanda		Office:Meals & E...	c	-18.89
1/9/2006	BofA - Perso...		California P... Atty Lunch - RFleg		Office:Meals & E...	c	-22.76
1/9/2006	BofA - Perso...		Bella Luna I... Client Dinner - Dr. Gilhooly		Office:Meals & E...	c	-47.46
1/17/2006	BofA - Perso...		Bristol Far... Client galaviz		Office:Meals & E...	c	-110.63
1/30/2006	BofA - Perso...		Chapelli's ... Pros Clients - Rice		Office:Meals & E...	c	-113.79
1/30/2006	BofA - Perso...		Jensen's 0... Dr. Nelson		Office:Meals & E...	c	-96.95
2/6/2006	BofA - Perso...		Lamppost ... Client Dinner - Galaviz		Office:Meals & E...	c	-50.62
2/9/2006	BofA - Perso...		Beaurivage... Atty Fleg		Office:Meals & E...	c	-190.50
2/10/2006	BofA - Perso...		Pf Changs ... Clients Galaviz		Office:Meals & E...	c	-44.90
2/13/2006	BofA - Perso...		Finns Seaf... Sugar/ Spice - Bruce (staff trtment)		Office:Meals & E...	c	-21.03
2/15/2006	BofA - Perso...		The Alamo ... Pros Clients - Lloyd's Plumbing		Office:Meals & E...	c	-44.03
2/16/2006	BofA - Perso...		New York-n... Lead Bldrs / Art Rice		Office:Meals & E...	c	-239.79
2/16/2006	BofA - Perso...		Pf Changs ... Pros Client - Keith (bartender) Back pain		Office:Meals & E...	c	-75.11
2/17/2006	BofA - Perso...		Vons Sto... Clients - Elias		Office:Meals & E...	c	-134.77
2/21/2006	BofA - Perso...		Jensen's Fi... Clients Elias		Office:Meals & E...	c	-115.72
2/21/2006	BofA - Perso...		Williamsso... Clients Elias		Office:Meals & E...	c	-169.55
2/21/2006	BofA - Perso...		The Upper ... Clients Elias		Office:Meals & E...	c	-28.45
2/21/2006	BofA - Perso...		Williamsso... Clients Elias		Office:Meals & E...	c	-29.00
2/21/2006	BofA - Perso...		Yard House... Dr. Nelson		Office:Meals & E...	c	-32.80
2/21/2006	BofA - Perso...		The Upper ... Clients Elias		Office:Meals & E...	c	-41.30
2/21/2006	BofA - Perso...		Century Ra... Clients Elias		Office:Meals & E...	c	-42.00
2/21/2006	BofA - Perso...		Jensen's 0... Clients Elias		Office:Meals & E...	c	-42.22
2/22/2006	BofA - Perso...		The Alamo ... Clients Tri County Electric - Jack		Office:Meals & E...	c	-46.77
2/27/2006	BofA - Perso...		Jensen's 0... Pros Clients - Rice		Office:Meals & E...	c	-50.89
2/27/2006	BofA - Perso...		Tommy Ba... Dr. Nelson		Office:Meals & E...	c	-59.26
2/28/2006	BofA - Perso...		La Quinta B... Art Rice		Office:Meals & E...	c	-32.21
3/1/2006	BofA - Perso...		Jillian's 02/... Dr. Nelson		Office:Meals & E...	c	-154.30
3/1/2006	BofA - Perso...		The Alamo ... Maureen - Amgen - back pain		Office:Meals & E...	c	-44.04
3/1/2006	BofA - Perso...		Jillian's 02/... Dr. nelson		Office:Meals & E...	c	-48.00
3/6/2006	BofA - Perso...		Beverages... BBQ - Clients		Office:Meals & E...	c	-190.66
3/7/2006	BofA - Perso...		Modo Mio ... Art Rice		Office:Meals & E...	c	-204.17
3/8/2006	BofA - Perso...		The Alamo ... Maureen - Amgen		Office:Meals & E...	c	-40.61
3/10/2006	BofA - Perso...		Bauducco's... Pros Client - 24K Green Landscape		Office:Meals & E...	c	-51.06
3/23/2006	BofA - Perso...		Side Street ... Client Brkfst - 24K green Landscape		Office:Meals & E...	c	-29.33
3/23/2006	BofA - Perso...		Havana Ma... Staff mtg		Office:Meals & E...	c	-31.63
3/27/2006	BofA - Perso...		Il Fornaio - ... Client Dinner - Galaviz		Office:Meals & E...	c	-70.91
3/27/2006	BofA - Perso...		Il Fornaio - ... Client Dinner - Galaviz		Office:Meals & E...	c	-90.56
4/3/2006	BofA - Perso...		Finns Seaf... Client Lunch - C&H Constr.		Office:Meals & E...	c	-18.89
4/3/2006	BofA - Perso...		Yard House... Dr. Nelson		Office:Meals & E...	c	-39.03
4/4/2006	BofA - Perso...		Fleming's #... Dr. Nelson		Office:Meals & E...	c	-131.47
4/7/2006	BofA - Perso...		Finns Seaf... Stephanie - Headaches		Office:Meals & E...	c	-106.49

Kevin M. Kelly D.C.
Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE IS THE TAX STATEMENT REQUESTED BY THE IRS AND PREPARED BY
PAY-CHEX. IT IS FOR MY EMPLOYEE, ERICKA NUNEZ.

a Control number 0083-M340		33333		For Official Use Only ▶ OMB No. 1545-0008	
b Kind of Payer ▶	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	944 <input type="checkbox"/>	1 Wages, tips, other compensation 26278.00
	CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	2 Federal income tax withheld 3182.01
c Total number of Forms W-2 1		d Establishment number		3 Social security wages 26278.00	4 Social security tax withheld 1629.23
e Employer identification number (EIN) [REDACTED]				5 Medicare wages and tips 26278.00	6 Medicare tax withheld 381.07
f Employer's name KEVIN MICHAEL KELLY				7 Social security tips	8 Allocated tips
15901 HAWTHORNE BLVD STE 420 LAWNDALE CA 90260				9 Advance EIC payments	10 Dependent care benefits
g Employer's address and ZIP code				11 Nonqualified plans	12 Deferred compensation
h Other EIN used this year				13 For third-party sick pay use only	
				14 Income tax withheld by payer of third-party sick pay	
15 State Employer's state ID number				16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person KEVIN KELLY		[REDACTED]		For Official Use Only	
E-mail address		[REDACTED]			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ REFERENCE COPY PREPARED BY PAYCHEX. Title ▶ DO NOT FILE. Date ▶

Form **W-3** Transmittal of Wage and Tax Statements **2006** Department of the Treasury Internal Revenue Service

DO NOT FILE

**YOUR FEDERAL W-2 & W-3 DATA
IS FILED ELECTRONICALLY**

DE 7

EDD 01351



00070101

YEAR ENDED 12 31 06 DUE 01 01 07 DELINQUENT 01 31 07

2006

0083-M340

TAXPAY 06364

480 2062 2



C.	TOTAL WAGES PAID THIS YEAR			26 278 00
D.	UNEMPLOYMENT INSURANCE (Wages to \$ 7,000)			
	4.00 % X	7 000 00		280 00
E.	EMPLOYMENT TRAINING TAX			
	0.10 % X			7 00
F.	DISABILITY INSURANCE (Total Employee wages up to a maximum limit)			
	0.80 % X	26 278 00		210 22
G.	CALIFORNIA PIT WITHHELD			595 35
H.	SUBTOTAL			1 092 57
I.	LESS PREVIOUS PAYMENTS			1 092 57
J.	TOTAL TAXES DUE OR OVERPAID			00

I declare that the information herein is correct to the best of my knowledge and belief.

REFERENCE COPY

PREPARED BY PAYCHEX

DO NOT FILE

Signature

Title

Phone

Date

Notice to Employee

Refund. Does if you do not have to file a tax return, you should file to get a refund if box 2 shows federal income tax withheld or if you can take the earned income credit.
Retained income credit (EIC). You must file a tax return if any amount is shown in box 5. You may be able to take the EIC for 2006 if (a) you do not have a qualifying child and you earned less than \$12,120 (\$14,120 if covered filing jointly), (b) you have one qualifying child and you earned less than \$37,001 (\$34,001 if married filing jointly), or (c) you have more than one qualifying child and you earned less than \$36,548 (\$34,348 if married filing jointly). You may not qualify if you were not lawfully present in the United States (BEP). You cannot take the EIC if your investment income is more than \$2,000. Any EIC that is more than your tax liability is included in you, but only if you file a tax return. If you have at least one qualifying child, you may get as much as \$1,448 of the EIC in advance by completing Form W-5, Shared Income Credit Advance Payment Certificate, and giving it to your employer.
Cherry and religious workers. If you are not subject to social security and Medicare taxes, see Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers.
Corrections. If your name, SSN, or address is incorrect, correct Copies B, C, and 2 and ask your employer to correct your employment record. Be sure to ask the employer to file Form W-2c, Corrected Wage and Tax Statement, with the Social Security Administration (SSA) to correct any name, SSN, or salary amount error reported to the SSA on Form W-2. If your name and SSN are correct but correct the wrong tax shown on your social security card, you should ask for a new card at any SSA office or call 1-800-772-1213. **Change the account types.** If you had more than one employer in 2006 and more than \$5,840.40 in social security and/or RRTA reduced retirement (RRTA) taxes were withheld, you may be able to claim a credit for the excess amount your federal income tax. If you had more than one employer and more than \$3,073.60 in the RRTA tax was withheld, you also may be able to claim a credit. See your Form 1040 or Form 1040A instructions and Publication 503, Tax Withholding and Estimated Tax.

Box 10. This amount is the total dependent care benefits that your employer paid to you or incurred on your behalf (including amounts from a section 125 (cafeteria) plan). Any amount over \$5,000 also is included in box 1. You must complete Schedule 2 (Form 1040A) or Form 2441, Child and Dependent Care Expenses, to compute any taxable and non-taxable amounts.
Box 11. This amount is (a) reported to box 1 if it is a distribution made to you from a non-qualified deferred compensation or non-qualified section 457(b) plan or (b) included in box 3 under 5 if it is a prior year deferral under a non-qualified or section 457(b) plan that becomes taxable for social security and Medicare taxes this year because there is no longer a substantial risk of forfeiture of your right to the deferred amount.
Box 12. The following list explains the codes shown in box 12. You may need this information to complete your tax return. Elective deferrals (codes D, E, F, and G) and designated Roth contributions (codes AA and BB) under all plans are generally limited to a total of \$15,000 (\$10,000 if you only have SIMPLE plans; \$18,000 for section 408(a) plans if you qualify for the 1.5-year rule explained in Pub. 571). Deferrals under code G are limited to \$15,000. Deferrals under code H are limited to \$7,000.
However, if you were at least age 50 in 2006, your employer may have allowed an additional deferral of up to \$5,000 (\$2,500 for section 401(a)(11) and 408(a) SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals. For code G, the limit on elective deferrals may be higher for the last three years before you reach retirement age. Contact your plan administrator for more information. Amounts in excess of the overall elective deferral limit must be included in income. See the "Wages, Salaries, Tips, etc." instructions for Form 1040.
Note. If a year follows code D, E, F, G, H, or S, you made a make-up personal contribution for a prior year(s) when you were in military service. To figure whether you made excess deferrals, consider these amounts for the year shown, not the current year. If no year is shown, the contributions are for the current year.
A—Unfunded social security or RRTA tax on tips. Include this tax on Form 1040. See "Total Tax" in the Form 1040 instructions.
B—Unfunded Medicare tax on tips. Include this tax on Form 1040. See "Total Tax" in the Form 1040 instructions.
C—Health cost of group-term life insurance over \$50,000 (included in boxes 1, 3 (up to social security wage base), and 5)
D—Elective deferrals to a section 401(a) or 408(a) (b) (6) (SIMPLE) arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(a) arrangement.
E—Elective deferrals under a section 408(a) (b) (6) (SIMPLE) salary reduction agreement.
F—Elective deferrals under a section 408(a) (b) (6) (SIMPLE) salary reduction agreement.
G—Elective deferrals and employer contributions (including nonexcess deferrals) to a section 457(b) deferred compensation plan.
H—Elective deferrals to a section 401(a)(11) or 408(a) (b) (6) (SIMPLE) non-qualified organization plan. See "Adjusted Gross Income" in the Form 1040 instructions for how to deduct.
J—Non-taxable sick pay (information only, not included in boxes 1, 3, or 5).
K—20% excise tax on excess golden parachute payments. See "Total Tax" in the Form 1040 instructions.
L—Substantiated employee business expense reimbursements (reimbursable).
M—Unsubstantiated social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only). See "Total Tax" in the Form 1040 instructions.
N—Unsubstantiated Medicare tax on taxable cost of group-term life insurance over \$50,000 (former employees only). See "Total Tax" in the Form 1040 instructions.
P—Excludable surviving spouse reimbursements paid directly to employee (not included in boxes 1, 3, or 5).
Q—Non-taxable cost-of-living pay. See the instructions for Form 1040 or Form 1040A for details on reporting this amount.
R—Employer contributions to your Archer MSA. Report on Form 8853, Archer MSAs and Long-Term Care Insurance Contracts.
S—Employee salary reduction contributions under a section 408(a) (b) (6) SIMPLE (not included in box 1).
T—Adoption benefits (not included in box 1). You must complete Form 8839, Qualified Adoption Expenses, to compute any taxable and non-taxable amounts.
V—Income from exercise of nonqualified stock options (included in boxes 1, 3 (up to social security wage base), and 5).
W—Employer contributions to your Health Savings Account. Report on Form 8879, Health Savings Accounts (HSAs).
Y—Deferrals under a section 409A nonqualified deferred compensation plan.
Z—Income under section 409A on a nonqualified deferred compensation plan. This amount is also included in box 1. It is subject to an additional 20% tax plus interest. See "Total Tax" in the Form 1040 instructions.
AA—Designated Roth contributions to a section 401(a) plan.
BB—Designated Roth contributions under a section 408(a) (b) (6) salary reduction agreement.
Box 13. If the "Retirement plan" box is checked, special limits may apply to the amount of institutional IRA contributions that you can deduct.

Name: Keep Copy C of Form W-2 for at least 3 years after the due date for filing your income tax return. However, to help protect your social security benefits, keep Copy C until you begin receiving social security benefits, or in case there is a question about your work record and/or earnings in a particular year. Review the information shown on your annual (for workers over 25) Social Security Statement.

Instructions for Employer

Box 1. Enter this amount on the wages line of your tax return.
Box 2. Enter this amount on the federal income tax withheld line of your tax return.
Box 3. This amount is not included in boxes 1, 3, 5, or 7. For information on how to report tips on your tax return, see your Form 1040 instructions.
Box 4. Enter this amount on the advance earned income credit payments line of your Form 1040 or Form 1040A.

Form W-2 Wage and Tax Statement 2006 Copy C, for employees records

a Control number 0083-M340 00001		b Employer's identification number [REDACTED]		c Employee's name, address, and ZIP code KEVIN MICHAEL KELLY LAWDALE CA 90260		Department of the Treasury - Internal Revenue Service OMB No. 1545-0048	
1 Wages, tips, other compensation 26278.00	2 Federal income tax withheld 3182.01	3 Social Security wages 26278.00	4 Social Security tax withheld 1629.23	5 Medicare wages and tips 26278.00	6 Medicare tax withheld 381.07	7 Social Security tips	8 Allocated tips
9 Advance EIC payment	10 Dependent care benefits	11 Nonqualified plans					
12 See instructions for Box 12	14 Other CASDI 210.23	e Employee's name, address, and ZIP code ERIKA NUNEZ LAWDALE CA 90260		15 State wages, tips, etc. 26278.00	17 State income tax 595.35	19 Local wages, tips, etc.	20 Locality name
13 Statutory Employee	15 State I.D. No.	16 State income tax	18 Local income tax	19 Local income tax	20 Locality name		

Form W-2 Wage and Tax Statement 2006 Copy B, to be filed with employees FEDERAL tax return

a Control number 0 [REDACTED]		b Employer's identification number [REDACTED]		c Employee's name, address, and ZIP code KEVIN MICHAEL KELLY [REDACTED]		Department of the Treasury - Internal Revenue Service OMB No. 1545-0048	
1 Wages, tips, other compensation 26278.00	2 Federal income tax withheld [REDACTED]	3 Social Security wages 26278.00	4 Social Security tax withheld 1629.23	5 Medicare wages and tips 26278.00	6 Medicare tax withheld 381.07	7 Social Security tips	8 Allocated tips
9 Advance EIC payment	10 Dependent care benefits	11 Nonqualified plans					
12 See instructions for Box 12	14 Other CASDI 210.23	e Employee's name, address, and ZIP code [REDACTED]		15 State wages, tips, etc. 26278.00	17 State income tax 595.35	19 Local wages, tips, etc.	20 Locality name
13 Statutory Employee	15 State I.D. No.	16 State income tax	18 Local income tax	19 Local income tax	20 Locality name		

Form W-2 Wage and Tax Statement 2006 Copy 2, to be filed with employees tax return for CA

a Control number 0 [REDACTED]		b Employer's identification number [REDACTED]		c Employee's name, address, and ZIP code ERIKA NUNEZ [REDACTED] STE 420		Department of the Treasury - Internal Revenue Service OMB No. 1545-0048	
1 Wages, tips, other compensation 26278.00	2 Federal income tax withheld 3182.01	3 Social Security wages 26278.00	4 Social Security tax withheld 1629.23	5 Medicare wages and tips 26278.00	6 Medicare tax withheld 381.07	7 Social Security tips	8 Allocated tips
9 Advance EIC payment	10 Dependent care benefits	11 Nonqualified plans					
12 See instructions for Box 12	14 Other CASDI 210.23	e Employee's name, address, and ZIP code ERIKA NUNEZ [REDACTED] STE 420		15 State wages, tips, etc. 26278.00	17 State income tax 595.35	19 Local wages, tips, etc.	20 Locality name
13 Statutory Employee	15 State I.D. No.	16 State income tax	18 Local income tax	19 Local income tax	20 Locality name		

Kevin M. Kelly D.C.
Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE IS THE INFO FOR THE SALE OF OUR HOMES. INCLUDED IS THE FIGURES SHOWING THE 18K LOSS ON OUR INDIO HOME.

I HAVE SPOKEN WITH MY ACCOUNTANT REGARDING THE CAPITAL GAINS ON THE OTHER 2 HOMES AND WAS TOLD THAT MY WIFE WAS ELIGIBLE FOR THE CAPITAL GAINS CREDIT ON THE OAK PARK CONDO AND I WAS ELIGIBLE FOR THE CAPITAL GAINS CREDIT FOR THE RACQUET CLUB HOME PER IRS CODE 121, WHATEVER THAT MEANS.

SHOULD YOU HAVE ANY QUESTIONS REGARDING THIS DEDUCTION YOU MAY CONTACT MY FORMER ACCOUNTANT GERRY BREITMAN AT 805 857-3545.

15901 Hawthorne Blvd Suite 420 Lawndale CA 90260 310 214-9555 fax 310 214-8242
1325 Thousand Oaks Blvd Suite 104 Thousand Oaks, CA 91362 805 371-6144 fax 805 371-6148

LAY-A-WAY PAYMENT

LAY-A-WAY

CREDIT

GIFT CERTIFICATE

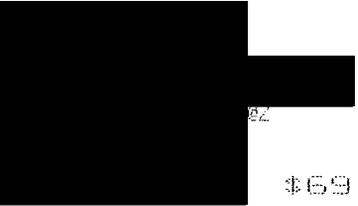
SALES DRAFT

HOOPER CAMERA PORTRAIT
2092 E NEWBURY RD
NEWBURY PARK, CA 91320
TERMINAL 0445865



DATE	09/20/87	TIME	10:17
SALES	10	REG.	

3761
09/20
VS
AUTH
INV
ROTH



02

SALE \$69.71

SERIAL #	LIST	QTY.	SALE	TOTAL
----------	------	------	------	-------

CUSTOMER COPY

CUSTOMER ACCEPTANCE:

I have received all merchandise in good condition and agree to all conditions stated on the reverse.

WARRANTY:

I have been offered an extended warranty on applicable merchandise and have

ACCEPTED REJECTED

P.O. #

CUSTOMER SIGNATURE

DATE

CUSTOMER SIGNATURE

DATE

New

Upgrade

Downgrade



637PI19

GE Security, Inc. - Receipt

Conejo Valley Association of REALTORS®

Keyholder Information

Last Name

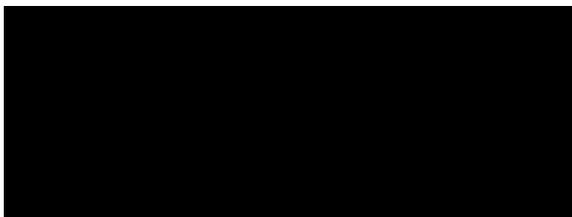
[Grid for Last Name]

First Name

[Grid for First Name]

Keyholder ID

[Grid for Keyholder ID]



New Key Serial Number

[Redacted area]

Items	Fees and Payment Type	Totals
DisplayKEY Service	<input checked="" type="checkbox"/> DisplayKEY Service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Replacement Insurance Annual Due Date: <u>May 8th</u> Fee: [] + Tax: [] = Total: []	\$ [] . []
DisplayKEY Replacement Insurance	Annual Due Date: <u>May 8th</u> Insurance covers purchased DisplayKEY and DisplayKEY Cradle and is billed annually Fee: []	\$ [] . []
eKEY Prof.	<input type="checkbox"/> eKEY Professional or <input type="checkbox"/> eKEY Basic Monthly Debit Date: [] of the month Fee: [] + Tax: [] = Total: []	\$ [] . []
eKEY Basic	Monthly Debit Date: [] of the month Fee: [] + Tax: [] = Total: [] Companion Key <input type="checkbox"/> Yes <input type="checkbox"/> No Companion Key Serial Number: [Grid]	\$ [] . []
Misc. Fees	<input checked="" type="checkbox"/> Activation Fee <input type="checkbox"/> Liquidated Damage Fee <input type="checkbox"/> Key Replacement Fee <input type="checkbox"/> Other: _____ <input type="checkbox"/> Returned Check Fee	\$ [] . []
Payment Type	Check Number: [Grid] Other Payment Type Information: [] (Payable to <i>Supra</i>) Must be converted to check payable to <i>Supra</i> Taxes calculated at: []	Payment Total \$ [] . []

Acceptance of the product I have chosen constitutes agreement to the terms and conditions of this document and my obligations hereunder, even if I fail to acknowledge below.

Keyholder Acknowledgement _____

Signature Date

[Grid for Signature Date: M M D D Y Y]

Conejo Valley Association of REALTORS
463 Pennsfield Place Suite 100
Thousand Oaks CA 91360-5571
Office Phone: (805) 495-4681 Fax Phone: (805) 495-7713

Gretchen L. Reep
 Tim Freund REALTORS
 1915 Hidden Oak Court
 Thousand Oaks CA 91320

CONEJO VALLEY ASSOC
 463 PENNSFIELD PLACE
 THOUSAND OAKS, CA 91360

TERMINAL ID: 008407504
 MERCHANT #: 359210273884

Receipt Date 07/24/06
 Receipt # 59221
 Member # 95435
 Office # 1232

VISA
 #XXXXXXXXXXXX6623
 SALE
 BATCH: 000141 INVOICE: 041411
 DATE: JUL 24, 06 TIME: 14:37
 SQ: 005 AUTH NO: 014373

TOTAL \$883.92

CUSTOMER COPY

Item Qty Code Description	Unit Price	Extended Amount Taxable
Invoice # [REDACTED]		
[REDACTED]	67.500	67.50
[REDACTED]	52.000	52.00
[REDACTED] C.A.R Proc. Fee	67.500	67.50
	30.000	30.00
		<u>217.00</u>
	Invoice Total	217.00
	Amount Applied	217.00
		<u>0.00</u>
	Amount Due	0.00
Invoice # [REDACTED] 07/24/06		
1 [REDACTED] MLS Access Fee	190.000	190.00
1 [REDACTED] MLS Agent Init. Fee	100.000	100.00
1 [REDACTED] REALTOR Init. Fee	150.000	150.00
		<u>440.00</u>
	Invoice Total	440.00
	Amount Applied	440.00
		<u>0.00</u>
	Amount Due	0.00
Invoice # [REDACTED] 8 07/24/06		
1 [REDACTED] 6 Key Issuance Fee	50.000	50.00
1 [REDACTED] 2 Key Lease Fee	164.960	164.96 *
		<u>214.96</u>
	Sub Total	214.96
	Tax	11.96
		<u>226.92</u>
	Invoice Total	226.92
	Amount Applied	226.92
		<u>0.00</u>
	Amount Due	0.00
Payment Type/Number	Total Applied This Receipt	883.92
Visa [REDACTED]	Total Previous Payments	0.00
**** [REDACTED]	Balance Due on Above Invoice(s)	0.00
Visa [REDACTED]		



3481 Old Conejo Road, Suite 104
 Newbury Park, CA 91320-2196
 Phone: 805.498.4746
 Fax: 805.498.7773
 devineprint@earthlink.net
 www.devineprinting.com

INVOICE

DATE	NUMBER
------	--------

09/19/06



GRETCHIN KELLY



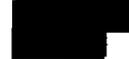
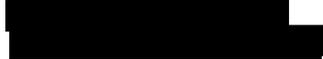
P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
QUANTITY	ITEM CODE	DESCRIPTION			PRICE	AMOUNT
25	COLOR SHEE	SHADOW RIDGE - 100# GLOSS TEXT / 4/0			0.86	21.50T
25	COLOR SHEE	RAQUET CLUB - 100# GLOSS TEXT / 4/0			0.86	21.50T
		Sales Tax			7.25%	3.12
Thank you for your business.					TOTAL	

\$46.12

Conejo Valley Association of REALTORS
463 Pennsfield Place Suite 100
Thousand Oaks CA 91360-5571
Office Phone: (805) 495-4681 Fax Phone: (805) 495-7713

Gretchen L. Reep
 Tim Freund REALTORS

Receipt Date 09/20/06
 Receipt #



Item	Unit	Extended
Qty Code Description	Price	Amount Taxable
Invoice # [REDACTED]		
1 9077 Flags/2 colors	13.500	13.50 *
Invoice Sub Total		13.50
Tax		0.98
Invoice Total		14.48
Total Applied		14.48
Balance Due		0.00
Payment Type/Number		
Visa [REDACTED]		
***** [REDACTED]		
Amount Tendered		14.48
Change		0.00

CONEJO VALLEY ASSOC
463 PENNSFIELD PLACE 100
THOUSAND OAKS, CA

Conejo Valley Association of REALTORS
463 Pennsfield Place Suite 100
Thousand Oaks CA 91360-5571
Phone: (805) 495-4681 Fax Phone: (805) 495-7713

TERMINAL ID: 008907309
MERCHANT #: 359210273884

SALE
BATCH: 000000 INVOICE: 034070
DATE: DEC 05 2006 TIME: 12:46
SD: 010 AUTH NO: 012483

TOTAL \$384.00

CUSTOMER COPY

Receipt Date 12/05/06
Receipt # [REDACTED]
Member # 95435
Office # 1232

Item Qty	Code	Description	Unit Price	Extended Amount	Taxable
Invoice #	[REDACTED]	12/01/06			
1	0740	CVAR REALTOR Dues	155.000	155.00	
1	0751	N.A.R. Dues	94.000	94.00	
1	0760	C.A.R. Dues	135.000	135.00	
		Invoice Total		384.00	
		Amount Applied		384.00	
		Amount Due		0.00	
		Total Applied This Receipt		384.00	
		Total Previous Payments		0.00	
		Balance Due on Above Invoice(s)		0.00	

Payment Type/Number
Visa [REDACTED]
** [REDACTED]
visa



KEYHOLDER, member of **Conejo Valley Association of REALTORS®** GE Security, Inc.:

Signature: _____

By: *Daniel J Gromko*

Name: _____

Name: Daniel J. Gromko

Title: V.P., Finance
4001 Fairview Industrial Drive S.E.
Salem, Oregon 97302-1142

ID: _____

Mailing Address: _____

I. eKEY

A. Software Type and Monthly System Fees

eKEY Professional (monthly)

\$27.62, 09/26/05 - 09/25/09
System Fees are subject to all applicable tax and any annual adjustment.

eKEY Basic (monthly)

\$17.62, 09/26/05 - 09/25/09
System Fees are subject to all applicable tax and any annual adjustment.

B. Payment and Card Authorization I authorize GE to initiate debit/credit entries on my credit/debit card for the monthly System Fee.

Cardho: _____

Zip: _____

Cardholder Signature: _____

II. DisplayKEY

A. Annual System Fees

DisplayKEY & Cradle (annual)

\$86.64, 09/26/05-05/07/06;
\$197.96 annually, 05/08/06-05/07/09;
\$65.98, 05/08/09-09/25/09
System Fees are subject to all applicable tax and any annual adjustment.

B. Replacement Insurance

- I elect to purchase Loss and Theft Insurance on my DisplayKEY and Cradle, and understand that:
 1. I will be billed the insurance fee of \$25.00, plus tax, if applicable, each year on the annual billing date for Service.
 2. each claim is subject to investigation by GE.
 3. I am entitled to terminate this insurance upon written notice to GE, Attention: GE Security Supra, PO Box 981484, El Paso, TX, 79998-1484, or faxed to GE Security Supra at 915-217-2557 if termination is within 10 business days of the annual billing date.
 4. if this Keyholder Agreement or the insurance is terminated for any reason, I will not be entitled to a refund for any amounts paid for this insurance.

I decline Replacement Insurance upon execution of the Keyholder Agreement.



3481 Old Conejo Road, Suite 104
 Newbury Park, CA 91320-2196
 Phone: 805.498.4746
 Fax: 805.498.7773
 devineprint@earthlink.net
 www.devineprinting.com

INVOICE

DATE	NUMBER
07/25/06	260948

GRETCHIN KELLY



P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
			07/25/06	Cust. Will Cal		
QUANTITY	ITEM CODE	DESCRIPTION			PRICE	AMOUNT
100	BUSINESS CA	12-PT C1S - PMS 287 - 1/0			0.45	45.00T
	TYPESETTING	TYPESETTING			25.00	25.00T
		Sales Tax			7.25%	5.08



100 6623 4093 6623

1007 01/10 M
 GRETCHIN KELLY

QUAN	CLASS	DESCRIPTION	PRICE	AMOUNT
100		BL		
DATE 7-28-06 AUTHORIZATION 013201			SUB TOTAL	75.08
REFERENCE NO		REG/DEPT.	TAX	
FOLIO/CHECK NO		SERVER	TIPS	
		CLERK	MISC.	
SALES SLIP			TOTAL	75.08

CUSTOMER COPY

PURCHASER SIGN HERE

X

Cardholder acknowledges receipt of goods and/or services in the amount of the Total shown hereon and agrees to perform the obligations set forth in the Cardholder's agreement with the Issuer.

IMPORTANT: RETAIN THIS COPY FOR YOUR RECORDS

Thank you for your business.

TOTAL

\$75.08

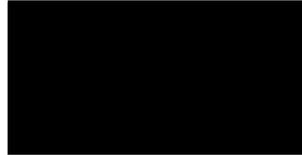


3481 Old Conejo Road, Suite 104
 Newbury Park, CA 91320-2196
 Phone: 805.498.4746
 Fax: 805.498.7773
 devineprint@earthlink.net
 www.devineprinting.com

INVOICE

DATE	NUMBER
09/07/06	261165

GRETCHIN KELLY



P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
			09/07/06	Cust. Will Ca		
QUANTITY	ITEM CODE	DESCRIPTION			PRICE	AMOUNT
25	COLOR SHEE	 - 100# GLOSS TEXT /			0.86	21.50T
					7.25%	1.56
Thank you for your business.					TOTAL	\$23.06

Conejo Valley Association of REALTORS
463 Pennsfield Place Suite 100
Thousand Oaks CA 91360-5571
Office Phone: (805) 495-4631 Fax Phone: (805) 495-7713

Gretchen L. Reep
 Tim Freund REALTORS

Receipt Date 09/01/06
 Receipt # [REDACTED]
 Office # 1232

Item	Unit	Extended
Qty Code Description	Price	Amount Taxable
Invoice # [REDACTED]		
[REDACTED] 12 Brochure Box on/Stake	18.650	18.65 *
Invoice Sub Total		18.65
Tax		1.35
Invoice Total		20.00
Total Applied		20.00
Balance Due		0.00
Amount Tendered		20.00
Change		0.00

[REDACTED]

TERMINAL NO. [REDACTED]
 MERCHANT # [REDACTED]
 VISA [REDACTED]
 DATE: SEP 01 06 TIME: 13:37
 SQ: 010 AUTH NO: 015570

TOTAL \$20.00

CUSTOMER COPY

Invoice #2270

09/01/2006

Bill To:
Gretchen Kelly

Prepared By:
Signs Now!

Phone: [Redacted]

Fax:

[Redacted]

Phone: 805-373-0905

Fax: 805-373-6090

Description:

Quantity	Description	Each	Amount	Tax
1	Alum .040 Sign - 18" x 24" DS	\$79.00	\$79.00	\$5.73
1	Frame - Metal for 18" x 24"	\$29.00	\$29.00	\$2.10

TOTALS Subtotal: \$108.00
Sales Tax: \$7.83
Total Due: \$115.83

Thank you!

Terms:

Method Paid: Check Cash Credit Card

Date Paid: 8/31/06

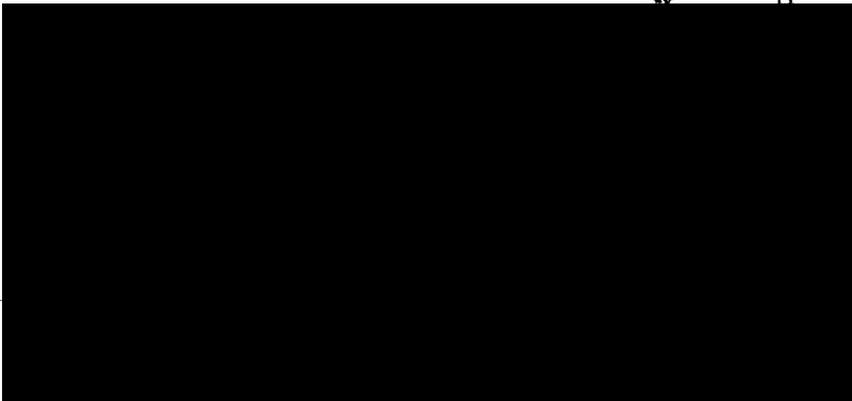
Check Number: _____

Deposit Amount: _____

Date: ____/____/____

Received by: _____

Date: ____/____/____

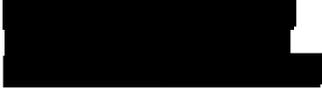


805-373-0905

Conejo Valley Association of REALTORS



Gretchen L. Reep



Receipt Date

09/13/06



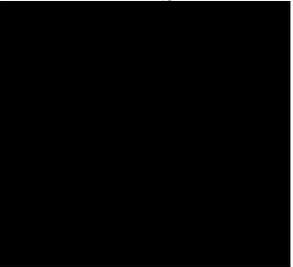
Office #

1232

Item	Unit	Extended
Qty Code Description	Price	Amount Taxable
Invoice # [redacted]		
[redacted] 2 colors	13.500	13.50 *
Sub Total		13.50
Tax		0.98
Invoice Total		14.48
Amount Applied		14.48
Amount Due		0.00
Payment Type/Number	Total Applied This Receipt	14.48
Visa	Total Previous Payments	0.00
***** [redacted]	Balance Due on Above Invoice(s)	0.00
Visa		

TERMINAL
MERCHANT

VISA
#>>>>
SALE
BATCH: 00
DATE: SEP
30: 001



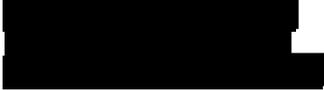
TOTAL \$14.48

CUSTOMER COPY

Conejo Valley Association of REALTORS
463 Pennsfield Place Suite 100
Thousand Oaks CA 91360-5571
Office Phone: (805) 495-4681 Fax Phone: (805) 495-7713

Gretchen L. Reep

Receipt Date



#

1232

Item	Unit	Extended
Qty Code Description	Price	Amount Taxable
Invoice # [Redacted]		
2 9445 6x24 NS Stickers - Alph@#'s 2"	4.350	4.35 *
	2.150	4.30 *
Invoice Sub Total		8.65
Tax		0.63
Invoice Total		9.28
Total Applied		9.28
Balance Due		0.00
Amount Tendered		9.28
Change		0.00

Payment Type/Number
 Cash
 cash

Conejo Valley Association of REALTORS
463 Pennsfield Place Suite 100
Thousand Oaks CA 91360-5571
Office Phone: (805) 495-4681 Fax Phone: (805) 495-7713

Gretchen L. Reep
 Tim Freund REALTORS



Receipt Date 08/29/06
 Receipt # [Redacted]
 Office # 1232

Item	Unit	Extended
Qty Code Description	Price	Amount Taxable
Invoice # [Redacted] 08/29/06		
1 91861 Supra I Box	115.000	115.00 *
		115.00
		8.34
		123.34
Payment Type/Number		123.34
Cash		0.00
cash		123.34
		0.00

Form 4564 (Rev. September 2006)	Department of the Treasury – Internal Revenue Service Information Document Request	Request Number 0006
---	--	------------------------

To: (Name of Taxpayer and Company Division or Branch) KEVIN M KELLY & GRETCHEN L KELLY <i>Please return Part 2 with listed documents to requester identified below</i>	Subject: Initial Information Document Request for 2006	
	SAIN number	Submitted to: KEVIN M KELLY & GRETCHEN L KELLY
	Dates of Previous Requests (mmddyyyy)	

Description of documents requested

Tax Period(s): 200612

1. Bank statements for all accounts, business and personal, for the period covering January 1, 2006 thru December 31, 2006.
2. General Ledger, Profit & Loss Statement, Balance Sheet, worksheets, notes, and schedules used to keep track of income and expenses for both Schedule C businesses.
3. Interview notes, worksheets, trial balance, and all other documents supplied to tax preparer to prepare 2006 tax return.
4. Receipts, invoices, and cancelled checks substantiating the following expenses claimed on Schedule C1 (chiropractic business).
 - Line 18 office expense, \$5,234
 - Line 21 repair & maintenance, \$4,145 ✓
 - Line 29A Travel, \$4,326 ✓
 - Line 24b net meals & entertainment, \$5,175 ✓
 - Line 26 wages, \$26,278. Copy of W-2(s) issued. Need to verify social security number and name of person paid. —
5. Escrow closing statements (purchase & sales) for all properties sold in 2006. In addition, provide substantiation proving adjusted basis for properties sold. Documents proving why the capital gains were not recognized. —
6. Purchase and sales documents substantiating \$18,042 loss on Schedule D. ✓
7. Copy of 2006 Form 1040, U.S. Individual Income Tax Return.

Information due by <u>10/09/2007</u>	At next appointment <input type="checkbox"/>	Mail in <input checked="" type="checkbox"/>
From:	Name and Title of Requester Joseph Younan, Revenue Agent	Employee ID number [REDACTED]
	Office Location: 751 Daily Drive Suite 100 Camarillo, CA 93010	Date (mmddyyyy) 09/24/2007
		Phone: [REDACTED] Fax:

Power of Attorney and Declaration of Representative

OMB No. 1545-0150
For IRS Use Only
 Received by: _____
 Name _____
 Telephone _____
 Function _____
 Date / /

▶ Type or print. ▶ See the separate instructions.

Part I Power of Attorney

Caution: Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer(s) must sign and date this form on page 2, line 9.

Taxpayer name(s) and address Kevin & Gretchen [REDACTED] [REDACTED] [REDACTED]	Social security number(s) [REDACTED] [REDACTED] [REDACTED]	Employer identification number Plan number (if applicable)
---	---	---

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address JOYCE REBHUN, JD, MBA, PHD 8500 WILSHIRE BOULEVARD STE. 519 BEVERLY HILLS, CA 90211	CAF No. 9005 2098 3 R Telephone No. [REDACTED] Fax No. 310 657 5140 Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

3 Tax matters

Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty (see the instructions for line 3)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s) (see the instructions for line 3)
INDIVIDUAL INCOME TAX	FORM 1040	2004 THROUGH 2010

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. **Specific Uses Not Recorded on CAF**

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative or add additional representatives, the power to sign certain returns, or the power to execute a request for disclosure of tax returns or return information to a third party. See the line 5 instructions for more information.

Exceptions. An unenrolled return preparer cannot sign any document for a taxpayer and may only represent taxpayers in limited situations. See **Unenrolled Return Preparer** on page 1 of the instructions. An enrolled actuary may only represent taxpayers to the extent provided in section 10.3(d) of Treasury Department Circular No. 230 (Circular 230). An enrolled retirement plan administrator may only represent taxpayers to the extent provided in section 10.3(e) of Circular 230. See the line 5 instructions for restrictions on tax matters partners. In most cases, the student practitioner's (levels k and l) authority is limited (for example, they may only practice under the supervision of another practitioner).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney: _____
 SPECIFIC ADDITION, POWER TO SIGN TAX RETURNS

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, **BUT NOT TO ENDORSE OR CASH**, refund checks, initial here _____ and list the name of that representative below.

Name of representative to receive refund check(s) ▶ _____

7 Notices and communications. Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2.

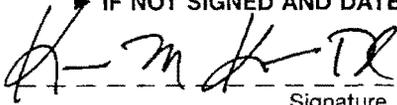
- a If you also want the second representative listed to receive a copy of notices and communications, check this box
- b If you do not want any notices or communications sent to your representative(s), check this box

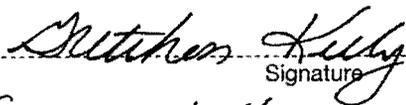
8 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here.

YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

9 Signature of taxpayer(s). If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

▶ **IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.**


3/27/08

Signature _____ Date _____ Title (if applicable) _____
 Print Name _____ PIN Number Print name of taxpayer from line 1 if other than individual _____

7/27/08

Signature _____ Date _____ Title (if applicable) _____
 Print Name _____ PIN Number

Part II Declaration of Representative

Caution: Students with a special order to represent taxpayers in qualified Low Income Taxpayer Clinics or the Student Tax Clinic Program (levels k and l), see the instructions for Part II.

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
 - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
 - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
 - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230.
 - d Officer—a bona fide officer of the taxpayer's organization.
 - e Full-Time Employee—a full-time employee of the taxpayer.
 - f Family Member—a member of the taxpayer's immediate family (for example, spouse, parent, child, brother, or sister).
 - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
 - h Unenrolled Return Preparer—the authority to practice before the Internal Revenue Service is limited by Circular 230, section 10.7(c)(1)(viii). You must have prepared the return in question and the return must be under examination by the IRS. See **Unenrolled Return Preparer** on page 1 of the instructions.
 - k Student Attorney—student who receives permission to practice before the IRS by virtue of their status as a law student under section 10.7(d) of Circular 230.
 - l Student CPA—student who receives permission to practice before the IRS by virtue of their status as a CPA student under section 10.7(d) of Circular 230.
 - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

▶ **IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.** See the Part II instructions.

Designation—Insert above letter (a-r)	Jurisdiction (state) or identification	Signature	Date
a	Pennsylvania	Jayce Rebhun	7/27/08
a	Nebraska	Jayce Rebhun	7/27/08
b	Pennsylvania	Jayce Rebhun	7/27/08

Vehicle Information

Activity: Sch C: 02
Item number 4
Description Jeep
Date placed in service 1/1/2003

Vehicle Information

Table with 2 columns: Question (a-e), Yes/No. All 'Yes' boxes are checked.

Table with 2 columns: Line number (1-5), Amount. Line 1: 12,000; Line 2: 5,000; Line 4: 7,000; Line 5: 41.67%

Standard Mileage Rate

Table with 2 columns: Line number (6a-6e), Amount. 6a: 2,225; 6e: 2,225

Actual Expenses

Table with 2 columns: Line number (7-20), Amount. 7: Gasoline, oil and repairs; 10: 293; 11: 0; 12: 12; 13: 13; 14: 0; 16: 293; 17: 122; 18: 552; 19: 0; 20: 674

Comparison of Standard Mileage and Actual Expenses

Check which Expense to use.

Table with 2 columns: Line number (21-22), Amount. 21: 2,225 (Standard checked); 22: 674 (Actual)

Expenses not claimed
Gas oil & repairs - 652.63 - Bank Statements
Vehicle registration - 199.00 - CK 2415
Real Estate Expense - 1945.57 - Bank Statements
2797.20 - NOT CLAIMED ON 2006 TAX RETURN.

Kevin M. Kelly D.C.
Doctor of Chiropractic
Spinal Specialist

HARRY,

HERE ARE ADDITIONAL EXPENSES WE FORGOT TO INCLUDE ON OUR 2006 TAX RETURN. MY WIFE STARTED SELLING REAL ESTATE AND THESE ARE THE COSTS FOR HER BUSINESS.

I AM NOT SURE HOW TO GET THESE DEDUCTIONS FOR 2006. PERHAPS YOU CAN FIGURE IT OUT. THANKS

KEVIN

REAL ESTATE BUSINESS EXPENSES	\$1945.57
GAS, OIL AND REGISTRATION (AUTO)	<u>652.63</u>
TOTAL EXPENSES FOR 2006	\$2,797.20



Internal Revenue Service

e-services

DEPARTMENT OF THE TREASURY

This Product Contains Sensitive Taxpayer Data

Wage and Income Transcript

Request Date: 11-24-2008

Response Date: 11-24-2008

Employee Number: 87HME

Tracking Number: 100035024546

SSN Provided: [REDACTED]

[REDACTED] 2004

Form 5498 Individual Retirement Arrangement Contribution Information

Trustee:

Trustee/Issuer's Federal Identification Number [REDACTED]

VANGUARD FIDUCIARY TRUST CO

PO BOX 2600

VALLEY FORGE, PA 19482-2600

Participant:

Participant's Identification Number: [REDACTED]

KEVIN MICHAEL KELLY

Submission Type:

Original document

Account Number (Optional): [REDACTED]

IRA Contributions (Other Than Amounts in Boxes 2, 3, 4, and 8-11): 0.00

Rollover Contributions: 0.00

Roth Conversion Amount: 0.00

Recharacterized Contributions: 0.00

Fair Market Value of Account: \$15,192.00

Life Insurance Cost Included in Box 1: 0.00

SEP Code: Checked

IRA Code: Not Checked

Simple Code: Not Checked

Roth IRA Code: Not Checked

RMD For Subsequent Year: Not Checked

SEP Contributions: \$5,087.00

SIMPLE Contributions: 0.00

Roth IRA Contributions: 0.00

Form 5498 Individual Retirement Arrangement Contribution Information

Trustee:

Trustee/Issuer's Federal Identification Number [REDACTED]

VANGUARD FIDUCIARY TRUST CO

PO BOX 2600

VALLEY FORGE, PA 19482-2600

Participant:

Participant's Identification Number [REDACTED]

KEVIN MICHAEL KELLY
[REDACTED]
[REDACTED]

Submission Type:	Original document
Account Number (Optional):	[REDACTED]
IRA Contributions (Other Than Amounts in Boxes 2, 3, 4, and 8-11):	0.00
Rollover Contributions:	0.00
Roth Conversion Amount:	0.00
Recharacterized Contributions:	0.00
Fair Market Value of Account:	\$6,646.00
Life Insurance Cost Included in Box 1:	0.00
SEP Code:	Not Checked
IRA Code:	Not Checked
Simple Code:	Not Checked
Roth IRA Code:	Checked
RMD For Subsequent Year:	Not Checked
SEP Contributions:	0.00
SIMPLE Contributions:	0.00
Roth IRA Contributions:	\$3,000.00

Form 1099-B Proceeds From Broker and Barter Exchange Transactions

Payer:

Payer's Federal Identification Number (FIN): [REDACTED]

SCOTTRADE INC

12800 CORPORATE HILL 5TH FL

ST LOUIS, MO 63131-0000

Recipient:

Recipient's Identification Number: [REDACTED]

KEVIN M KELLY
[REDACTED]

[REDACTED]

Submission Type:	Original document
Account Number:	[REDACTED]
Date of Sale or Exchange:	07-07-2004
CUSIP Number:	17275R102
Gross Includes Commission:	No
Gross Excludes Commission:	Yes
Bartering:	0.00
Federal Income Tax Withheld:	0.00
Stocks and Bonds:	\$663.00
Aggregate Profit or (Loss):	0.00
Realized Profit or (Loss):	0.00
Unrealized Profit or (Loss) 12/31 Prior Year:	0.00
Unrealized Profit or (Loss) 12/31 Current Year:	0.00
Description:	30 CISCO SYSTEMS
Second Notice Indicator:	No Second Notice
Number of Shares Exchanged:	000000000000
Class/Classes of Stock Exchanged:	
Recipient Indicator:	Loss can be taken on tax return

Form 1099-B Proceeds From Broker and Barter Exchange Transactions

Payer:

Payer's Federal Identification Number [REDACTED]
 SCOTTRADE INC
 12800 CORPORATE HILL 5TH FL
 ST LOUIS, MO 63131-0000

Recipient:

Recipient's Identification Number: [REDACTED]
 KEVIN M KELLY
 [REDACTED]
 [REDACTED]

Submission Type:	Original document
Account Number:	[REDACTED]
Date of Sale or Exchange:	07-07-2004
CUSIP Number:	073325102
Gross Includes Commission:	No
Gross Excludes Commission:	Yes
Bartering:	0.00
Federal Income Tax Withheld:	0.00
Stocks and Bonds:	\$60.00
Aggregate Profit or (Loss):	0.00
Realized Profit or (Loss):	0.00

Unrealized Profit or (Loss) 12/31 Prior Year:	0.00
Unrealized Profit or (Loss) 12/31 Current Year:	0.00
Description:	10 BEA SYSTEMS INC.
Second Notice Indicator:	No Second Notice
Number of Shares Exchanged:	000000000000
Class/Classes of Stock Exchanged:	
Recipient Indicator:	Loss can be taken on tax return

Form 1099-B Proceeds From Broker and Barter Exchange Transactions

Payer:

Payer's Federal Identification Number [REDACTED] 6
 SCOTTRADE INC
 12800 CORPORATE HILL 5TH FL
 ST LOUIS, MO 63131-0000

Recipient:

Recipient's Identification [REDACTED]
 [REDACTED] KELLY
 [REDACTED]

Submission Type:	Original document
Account Number:	[REDACTED]
Date of Sale or Exchange:	07-07-2004
CUSIP Number:	599902103
Gross Includes Commission:	No
Gross Excludes Commission:	Yes
Bartering:	0.00
Federal Income Tax Withheld:	0.00
Stocks and Bonds:	\$367.00
Aggregate Profit or (Loss):	0.00
Realized Profit or (Loss):	0.00
Unrealized Profit or (Loss) 12/31 Prior Year:	0.00
Unrealized Profit or (Loss) 12/31 Current Year:	0.00
Description:	30 MILLENNIUM PHARMACTCLS INC
Second Notice Indicator:	No Second Notice
Number of Shares Exchanged:	000000000000
Class/Classes of Stock Exchanged:	
Recipient Indicator:	Loss can be taken on tax return

Form 1099-B Proceeds From Broker and Barter Exchange Transactions

Payer:

Payer's Federal Identification Number (FIN) | 94 [REDACTED]
MORGAN STANLEY DW INC
HARBORSIDE FINANCIAL CNTR PLAZA 3 6 FL
JERSEY CITY, NJ 07311-0000

Recipient:

Recipient's Identification Number [REDACTED]
KEVIN M KELLY
[REDACTED]
[REDACTED]

Submission Type:

Original document

Account Number:

[REDACTED]

CUSIP Number:

031162100

Gross Includes Commission:

No

Gross Excludes Commission:

No

Bartering:

0.00

Federal Income Tax Withheld:

0.00

Stocks and Bonds:

\$2,591.00

Aggregate Profit or (Loss):

0.00

Realized Profit or (Loss):

0.00

Unrealized Profit or (Loss) 12/31 Prior Year:

0.00

Unrealized Profit or (Loss) 12/31 Current Year:

0.00

Description:

AMGEN INC

Second Notice Indicator:

No Second Notice

Number of Shares Exchanged:

0000000000000

Class/Classes of Stock Exchanged:

Recipient Indicator:

Loss can be taken on tax return

Form 1098-E Student Loan Interest Statement

Borrower:

Borrower's Social Security Num [REDACTED] 21668 [REDACTED]
[REDACTED]
PSC/FMS/DFQ/DMB
PARKLAWN BLDG ROOM 2B60 5600 FISHERS LN
ROCKVILLE, MD 20857-0002

Recipient:

Recipient's Federal Identification Number (FIN) [REDACTED]
KELLY KEVIN
[REDACTED]
[REDACTED]

Submission Type:

Original document

Account Number (Optional):
Student Loan Interest Received by Lender:

\$3,841.00

Form 1099-G

Payer:

Payer's Federal Identification Number (FIN):
STATE OF CALIFORNIA
FRANCHISE TAX BOARD P O BOX 942840
SACRAMENTO, CA 94240-0040

Recipient:

Recipient's Identification Number:
KELLY KEVIN M

Submission Type:

Original document

Account Number (Optional):

Tax Withheld:

0.00

Taxable Grants:

0.00

Unemployment Compensation:

0.00

Agricultural Subsidies:

0.00

Prior Year Refund:

\$601.00

Year of Refund:

2003

1099G Offset:

Not Refund Credit, or Offset for Trade or Business

Form 1099-INT

Payer:

Payer's Federal Identification Number (FI
BANK OF AMERICA N.A.
TEFRA CONTROL AZ1 200 18 07
PO BOX 29961
PHOENIX, AZ 85038-9985

Recipient:

Recipient's Identification Number
KEVIN M KELLY

Submission Type:

Original document

Account Number (Optional):

Interest:

\$33.00

Tax Withheld:

0.00

Savings Bonds:	0.00
Investment Expense:	0.00
Interest Forfeiture:	0.00
Second Notice Indicator:	No Second Notice

This Product Contains Sensitive Taxpayer Data

Payer's Federal Identification Number [REDACTED]
DAVID GREENWALD & ASSOCIATES
WEST 23RD STREET
LOS ANGELES, CA 90018-0000

Recipient:

Recipient's Identification Number [REDACTED]
KEVIN KELLY



Submission Type:	Original document
Account Number (Optional):	N/A
Tax Withheld:	0.00
Non-Employee Compensation:	\$800.00
Medical Payments:	0.00
Fishing Income:	0.00
Rents:	0.00
Royalties:	0.00
Other Income:	0.00
Substitute Payments for Dividends:	0.00
Excess Golden Parachute:	0.00
Crop Insurance:	0.00
Attorney Fees:	0.00
Section 409A Deferrals:	0.00
Section 409A Income:	0.00
Direct Sales Indicator:	Not Direct Sales
Second Notice Indicator:	No Second Notice

This Product Contains Sensitive Taxpayer Data

PRINCIPAL RESIDENCE

- E. The one-sale-in-two-years test does not prevent a husband and wife from filing a joint return and excluding up to \$250,000 of gain from the sale or exchange of each spouse's principal residence, provided each spouse would be permitted to exclude up to \$250,000 of gain if they had filed separate returns (IRC Sec. 121(b)(2)).

EXAMPLE: Jerry and Pam lived in separate residences for more than two years before they married on August 1, 2007. After their honeymoon, they bought a new residence and sold the old houses in October. Jerry realized a \$175,000 gain and Pam realized a \$200,000 gain. On the joint return, the full \$375,000 gain can be excluded from taxable income. If Jerry had realized a \$290,000 gain on the sale of his residence, \$40,000 of gain must be included on their joint return, although Pam's gain of \$200,000 is excludible. Jerry cannot use the "excess" exclusion amount from Pam.

1. If a single taxpayer marries someone who has used the exclusion within two years, the taxpayer remains eligible for the \$250,000 exclusion, even though a joint return is filed.

EXAMPLE: On June 30th, 2005, Kirk and Diana marry and Kirk moves into Diana's home. He sells his home of the past 10 years for a \$90,000 gain on November 30th, 2005 and the gain is excluded under IRC Sec. 121. In May 2007, Diana sells her home for a gain of \$450,000. Diana meets the ownership test (only one spouse must meet the ownership test), but Kirk flunks the use and one-sale-in-two-year test. They may exclude \$250,000 as Diana alone meets all three tests.

TAX PLANNING: They should have been advised by their tax preparer to wait until December 2007 or later to sell and benefit from the full \$500,000 exclusion.

- F. The taxpayer can elect not to have the gain exclusion apply (IRC Sec. 121(f)). Simply reporting the sale on Form 1040, Schedule D, makes this election.

EXAMPLE: If Kirk met the use test, (moved in prior to May 2005) they could amend the 2005 return to include the gain on the sale of Kirk's home. By not using the exclusion in 2005 they can benefit from the joint exclusion on the \$450,000 gain in 2007.

- G. Other items to note regarding the use requirement include:

1. Short temporary absences such as vacations or other seasonal absences do not count as non-use. Such absences are counted as periods of use, even if the residence is rented during the absence (Reg. 1.121-1(c)(2)(i)).
2. Annual or regular vacations are temporary absences, even for significant periods of time (2-3 months).

KEVIN M KELLY
GRETCHEN KELLY

Statement Date: March 12, 2009

Important Information About Your Account

Your account earned \$.49 in interest this statement period. The Interest Paid shown above reflects interest earned since your last payment date.

Total interest paid to your account in 2008 : \$2.94

Account Activity

Date Posted	Description	Reference Number	Amount
03/10	Deposits and Credits Transfer from [REDACTED]	004354	\$200.00
02/27	Interest Paid Interest Paid from 02/01/09 Through 02/26/09		\$.44

ATM Information

This period, you visited the following ATM locations:

- Bank of America's ATM Network**
- #ICAD7918 Bank Of America, Moorpark, CA
 - #ICAN1012 Bank Of America, Thousand Oaks, CA
 - #ICAN4571 Bank Of America, Redondo Beach, CA

KEVIN M. KELLY DC
Doctor of Chiropractic
Spinal Specialist

November 4, 2008

IRS
AUR-PO Box 16336
Philadelphia, PA 19114-0436

Re: Kevin M & Gretchen L Kelly



1099 Letter from IRS

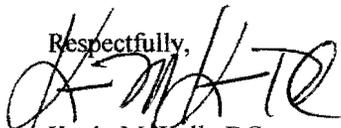
Attn: Laura Fulmer

Dear Ms. Fulmer:

Please find enclosed a copy of the information you requested.

I contacted the sender of this 1099. They claim the 1099 they sent you is the same one they sent me and is therefore accurate as initially reported. I have enclosed copies of the 1099 they sent me (which is the one I sent the IRS), a copy of my deposit slip and a copy of my bank statement pertaining to this 1099, showing this income has been reported to the IRS.

Please let me know if you need any further information.

Respectfully,

Kevin M. Kelly DC