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January 11, 1999

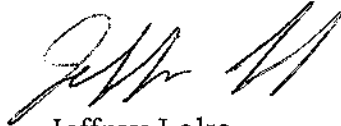
Sam Milam
479 E. 700 N.
Firth, ID. 83236

RE: Correspondence from Franchise Tax Board

Dear Mr. Milam:

Enclosed please find correspondence received addressed to you from the Franchise Tax Board. We are forwarding it to you for your information.

Very truly yours,



Jeffrey Lake

Enclosure





STATE OF CALIFORNIA
FRANCHISE TAX BOARD
MAIL STOP F-200 PFE
PO BOX 942840
SACRAMENTO CA 94240-0040

460000311198

TELEPHONE NUMBER (800)545-5009

01/06/1999
CODE: 9

SAM MILAM
131 GEORGE ST
SAN JOSE CA 95110-2116

Please make any name/address corrections
on the above lines

REQUEST FOR TAX RETURN- Tax Year 1997

We have reviewed our records and can not locate a 1997 California personal income tax return for you under the name and social security number shown on the top of this notice. However, we have information from the following organization(s) showing that a return may be required (*Please note that all income reporting sources may not be listed here*):

**REAL PROPERTY SALE REPORTED BY OLD REPUBLIC TITLE COMPANY
INTEREST PAID BY BANK OF THE WEST**

You must respond to the Franchise Tax Board on or before 02/05/1999 by filing a 1997 California state tax return or explaining why you are not required to file. Your prompt response will help us to quickly resolve this matter.

IF YOU HAVE ALREADY FILED:

Call our Interactive Voice Response (IVR) phone number (800) 545-5009, OR complete section A on the back side of this notice and return it to us at the address shown above.

IF YOU ARE NOT REQUIRED TO FILE OR ARE NOT SURE IF YOU ARE REQUIRED TO FILE:

Read "Who Must File" on the enclosed form titled *Additional Information* and complete Section B on the back side of this notice. If you find you are required to file, follow the instructions in the next paragraph. If you still believe you are not required to file, mail the completed section B to us at the above address.

IF YOU ARE REQUIRED TO FILE BUT HAVE NOT FILED YET:

This notice is a **formal legal demand** that you file a 1997 California personal income tax return. **You must file a return even if you believe that you are due a refund.** If we do not receive your return within **30 days** from the date we mailed this notice, we will assess the following:

- Tax based upon information available to us.
- A late filing penalty for not filing your return by the due date. This penalty is 25% of your unpaid tax.
- A demand penalty for failure to file a return after receiving this notice. This penalty is 25% of your total tax BEFORE applying any timely payments or withholding credits. **This means that you could receive a penalty even if you would have been due a refund.**
- Interest on the assessed tax and penalties.
- A cost recovery fee to cover the cost of taking action to enforce your filing requirement.

You will avoid the demand penalty and cost recovery fee if you resolve this matter within **30 days** from the date we mailed this notice. You can order tax forms by calling (800)338-0505 or from the Internet at <http://www.ftb.ca.gov>

A privacy notice is enclosed for your information. Thank you for your cooperation.

Filing Enforcement
Franchise Tax Board

A If you have already filed:

The quickest way to resolve this matter is by calling the Franchise Tax Board's automated Interactive Voice Response (IVR) system at (800)545-5009, which is available 6 a.m. to 8 p.m. PST daily. You should have a copy of the filed return with you when you call. If you call the IVR telephone system and we are unable to locate your tax return please complete the following:

The Social Security Number shown on your tax return. - -

Your correct Social Security Number - -

And, send:

- 1- A COMPLETE copy of your 1997 California income tax return with any wage and income statements (Form W-2, W-2G, etc.)
- 2- Proof of payment (such as a copy of the canceled check, cash receipt, canceled money order, etc.)

B If you are not required to file or are not sure whether you are required to file, please complete the following:

If you were a California resident for the entire 1997 tax year:

- 1. What was the total amount of wages you earned in 1997?
- 2. If you had a city business or occupational license, how much income did you derive from it during 1997?
- 3. What was the total of all other income (including partnership distributions from schedule K-1 and any other income not shown above) for 1997?

Note: If you were a resident of California and your income from all sources was more than \$10,384 (if filing status single), you have a requirement to file a California Income Tax Return. (For more information, see the enclosed pamphlet containing answers to frequently asked questions regarding our request for tax return.)

If you were NOT a full-year resident of California in 1997:

- 1. Number of months during 1997 that you were a California resident. ...
- 2. Total amount of income that you received from ALL sources?
- 3. Total wages earned while a California resident (attach W2s)
- 4. Income earned from a city business or occupational license while a resident of California
- 5. Income from Partnership(s) doing business in California
- 6. Amount of California-source pension income received during 1997
- 7. All other income from California sources (not listed above).

Note: If you entered amounts on line 3, 4, 5, or 7, and your total income from all sources was more than \$10,384 (if filing status single), or the income results in a tax due of \$1 or more, you have a requirement to file a 1997 California Nonresident Income Tax Return. (For more information, see the enclosed pamphlet containing answers to frequently asked questions regarding our request for tax return.)

If you sold real property located in California during 1997:

- 1. Gain on sale of California real property
- 2. Are you taking the one-time exclusion for the gain on the sale? Yes No
- 3. Are you rolling the gain over into the purchase of another home? Yes No

Note: If your gain on the sale of property was above the minimum requirements described in the "Notes" above, you must file a California income tax return even if you are taking the one-time exclusion or rolling the gain over.

Please explain why you believe you are not required to file: (Use additional sheets if necessary):

Please provide a telephone number where you can be reached on weekdays between the hours of 8 a.m. - 5 p.m. PST if we need more information. - -

I declare under penalty of perjury that the above statements are true and correct to the best of my knowledge and belief.

SIGNED _____ DATE _____

PRIVACY NOTICE

The Information Practices Act of 1977 and the Federal Privacy Act require the Franchise Tax Board to tell you why we ask you for information. The Operations and Compliance Branches ask for tax return information to carry out the Personal Income Tax Law of the State of California. We may request additional information if we audit your return or take collection action.

If you meet the income requirements, the California Revenue and Taxation Code (R&TC) requires you to file a return on the form we prescribe (Sections 18501 and 18621). When you file these or other documents, you must include your social security number for identification and return processing (Section 18624).

It is mandatory to furnish all information requested when you are required to file a return or statement. If you do not file a return, or do not provide the information we ask for, or provide fraudulent information, the law states you may be charged penalties and interest and, in certain cases, you may be subject to criminal prosecution. We also may disallow claimed exemptions, exclusions, credits, deductions or adjustments. This could make the tax higher or delay or reduce any refund.

We may give the information you furnish us to the United States Internal Revenue Service, the proper official of any state imposing an income tax or a tax measured by income, the

Multistate Tax Commission and California government agencies and officials, as provided by law. If you owe any monies, we may disclose the amount due to employers, financial institutions, county recorders, vacation trust funds, process agents and other payers.

You have a right to access records containing your personal information maintained by the Franchise Tax Board. The officials responsible for maintaining the information are: 1) Filing of returns—Chief, Filing Division; 2) Auditing of returns—Assistant Executive Officer, Audit Branch; and 3) Collection of monies—Chief, Collection Division. The address is: Franchise Tax Board, PO Box 942840, Sacramento CA 94240-1040; Telephone:

Within the United States, (800) 852-5711
Outside the United States, (916) 845-6500.

from all other sources, complete Section B on the back of the demand for tax return (FTB 4600 MEO) and return it to us.

If you are a nonresident of California, you must file a California return if you had any California-source income (such as a gain on the sale of real property) and your gross income from all sources is more than \$10,384 (single or not married) or \$20,768 (married), or if you owe \$1 or more of tax.

I sold my personal residence in California. Do I need to report this sale of real property?

If you are a California resident and had a gain on the sale (or are deferring a gain) of your personal residence of more than \$10,384 (single or not married) or \$20,768 (married status), you must file a tax return showing the gain. If your gain (combined with your taxable income from all other sources) is less than this amount, attach a completed IRS Form 2119 "Sale of Your Home" to our notice and return both to us.

If you are a nonresident of California, you must file a California return if you had any California-source income (such as a gain on the sale of real property) and your gross income from all sources is more than \$10,384 (single or not married) or \$20,768 (married), or if you owe \$1 or more of tax. If your gain was less than the above amounts and does not result in a tax liability, attach a completed IRS Form 2119 to our notice and return both to us.

I worked in California, but have retired and live in another state. Since I no longer live in California, why am I receiving this notice?

California-source pension income was taxable to California until the 1997 tax year. If your only source of California income is from a pension, and you were a nonresident of California for the entire 1997 tax year, you do not have a California filing requirement. You should return the demand for tax return (FTB 4600-MEO) and attach evidence to support that

- 1) you were not a California resident, and
- 2) the amount reported is pension income.

The taxpayer listed on the notice is deceased. How can a tax return be filed?

The tax return should be filed by the executor, administrator, or the surviving spouse if the person was required to file but died before filing the return.

I am in the military. Do I have to file a California income tax return?

In general, active duty military taxpayers that are domiciled in California and are stationed in California must file a California income tax return. However, active duty military taxpayers that are domiciled outside of California and stationed inside California generally do not have a requirement to file a California income tax return, unless they also received income from a source other than their military pay while in California. For more information, refer to FTB Pub. 1032, Tax Information for Military Personnel.

I have not filed my 1997 federal income tax return either. What should I do?

We will be providing your income information to the Internal Revenue Service (IRS). Please note that federal law requires, for each tax year, a return be filed by a U.S. citizen or a resident alien who has a specified minimum amount of gross income, as provided by Internal Revenue Code section 6012. You should file the appropriate income tax returns as soon as possible. Tax returns should be sent to:
INTERNAL REVENUE SERVICE
PO BOX 24026, FRESNO CA 93779.

Additional Information
and Frequently Asked
Questions About FTB's
Request for Tax Return

Tax Year 1997

FRANCHISE
TAX
BOARD

State of California

Why did I receive this notice from the Franchise Tax Board saying that I may need to file a California income tax return?

The Franchise Tax Board receives information from a variety of sources, such as the Internal Revenue Service, partnerships, S Corporations, financial institutions, occupational licensing boards, city business tax departments, the State Board of Equalization and the Employment Development Department.

We have information from the sources listed on the front of your notice that you received income in 1997. The amount that you received was high enough to require that you file a state income tax return for that year. However, we have no tax return in our files from you for 1997.

Who must file?

As a **Resident** of California you must file a return if:

- You were single or not married in 1997 and your gross income was more than \$10,384 or adjusted gross income was more than \$8,307. Your marital status on the last day of the year determines whether you are married or not; or
- You were married in 1997 and you and your spouse had a combined gross income of more than \$20,768 or adjusted gross income of more than \$16,614. You may file a joint return or each of you may file a separate return; or
- You were a child under 14 with investment income of more than \$1,300 and you had at least one living parent on December 21, 1997; or
- You owed alternative minimum tax or had to limit your credits; or
- You can be claimed as a dependent by another taxpayer and your gross income exceeds \$650.

As a **Part-year Resident** or **Nonresident** of California, you are required to file a Form 540NR if you have California-source income and:

- Your gross income from all sources is more than \$10,384 (if single or not married) or \$20,768 (if married); or
- If your adjusted gross income from all sources is more than \$8,307 (if single or not married) or \$16,614 (if married); or
- If you owe \$1 or more of tax.

I already filed the required tax return; why are you still requesting it?

If you have already filed a California tax return for 1997, please send a copy to us. If you made any payments with the return, please send us proof of payment (such as a copy of the front and back of the canceled check or canceled money order). Or, you can call our automated Interactive Voice Response system at (800) 545-5009 to verify whether or not we have a record of receiving the return.

Where can I get the tax forms I need in order to file?

- Prior and current year tax forms are available for downloading from the Internet at <http://www.ftb.ca.gov> or
- To order tax forms and publications from our toll-free number, call (800) 338-0505; or
- Write to: TAX FORMS REQUEST UNIT-FRANCHISE TAX BOARD, PO BOX 307, RANCHO CORDOVA CA, 95741-0307

What should I do if I cannot pay the amount due on my return?

Once your return is filed, you can request a monthly installment agreement by calling (916) 845-4470.

Will I be charged any penalties if I file within 30 days of this notice? What if I am due a refund?

Yes, you will be charged a late filing penalty if your completed return shows that you owe tax. The penalty is 25% of the tax due. However the minimum penalty is \$100 or 100% of your tax, whichever is less. If you are due a refund, no late filing penalty is charged.

Example 1:

Total tax	\$5,000
Total payments/withholding	\$4,000
Tax owed	\$1,000
Late filing penalty	\$ 250

Example 2:

Total tax	\$5,000
Total payments/withholding	\$5,100
Refund	\$ < 100 >
Late filing penalty	0

Will I be charged any additional penalties if I do not file within 30 days of this notice?

Yes, you will be assessed a demand penalty in addition to the late filing penalty. The demand penalty is 25% of your tax before any payments are applied.

Example 1:

Total tax	\$5,000
Total payments/withholding	\$4,000
Tax owed	\$1,000
Late filing penalty	\$ 250
Demand penalty	\$1,250

Example 2:

Total tax	\$5,000
Total payments/withholding	\$5,100
Refund per return	\$ < 100 >
Late filing penalty	0
Demand penalty	\$1,250

You can avoid the 25% demand penalty (\$1,250 in the above example) by either providing proof that there is no filing requirement or filing a return within 30 days.

I am not a resident of California; why am I getting this notice?

A tax return is required of all taxpayers with income from a California source, regardless of their state of residence. Examples of source income include the sale of real property located in California, income from a partnership doing business in California and/or income earned while working in California. Our inquiry also may have resulted because you hold an active occupational license or a city business license within the State of California, even though you do not live here.

I sold real property other than my personal residence. Am I required to file a state tax return?

If you are a California resident and had a gain of more than \$10,384 (single or not married) or \$20,768 (married) on the sale of real property, you must file a state income tax return (even if you are deferring the gain). If your gain is less than the above amounts, combined with your taxable income

Wednesday, July 21, 1999

Kevin Veltfort
% Carpenter & Mayfield
131 George Street
San Jose, California 95110

Dear Kevin

I recently started to sort and file the material that was returned to me by Carpenter & Mayfield after the conclusion of our case. I discovered that all of the correspondence from 1995 on is missing. This includes both letters written to me and letters written by me. Can you please check and see if it has remained in storage somewhere at Carpenter & Mayfield? I need those letters.

Sincerely,

Sam Aurelius Milam III
479 E. 700 N.
Firth, Idaho 83236
208 346-6983
Moonlight@ida.net