

Chick Citizens Nat'l Bank

102-766

REFERRAL REPORT FOR POTENTIAL FRAUD CASES

INS-FOI

TO Chief, Audit Div.	DATE	NAME AND ADDRESS OF TAXPAYER	SS OR E.I. NO.	TYPES OF TAX INVO
TO Chief, Intell. Div.	DATE 12/1/89	Church of Scientology of Cal	95-609954	Income
TO Chief, AER	DATE 12/1/89	2005 W. 9th Street		
TO Chief, Supervisor	DATE 12/1/89	Los Angeles, Calif. 90036		

This case has been reviewed by the Intelligence Division, and action indicated taken:

- Rejected Before Preliminary Investigation (Statement of reasons attached)
- Accepted for Preliminary Investigation
- Closed After Preliminary Investigation (Copy of closing report attached)
- Accepted for Full-scale investigation

Please Attach Copy of original 12/1/89

SIGNATURE, CHIEF INTELLIGENCE DIVISION

(SIGNATURE) DONALD E. BOWLER

1. REFERRAL REPORT CONCERNS:

UN understatement of taxable income FAILURE TO FILE RETURN FORM(S) 1120 OTHER (Specify) Understatement of income, transfer of funds outside of United States

FAILURE TO COLLECT AND PAY OVER TAX FAILURE TO MAINTAIN ADEQUATE RECORDS

2. PERSONAL HISTORY

APPROX. AGE 2000 4000

APPARENT HEALTH STATUS Single Married Home or House hold

EDUCATION (Highest level)

NO. OF EXEMPTIONS (See 26 CFR 1.1502-1)

SOURCES OF INCOME OF TAXPAYER AND SPOUSE (List principal occupations)

Sales of courses and training of a pseudo-psychiatry nature, books, equipment and other items for the promotion of the organization. Organization also has a minimal amount of contributions.

3. RECORDS WERE KEPT BY: TAXPAYER EMPLOYEE BOOKKEEPING SERVICE OTHER (Specify)

CASH RECEIPTS JOURNAL SALES JOURNAL SUBSIDIARY LEDGERS BANK STATEMENTS PURCHASE JOURNAL

CASH DISBURSEMENTS JOURNAL GENERAL JOURNAL RECORD OF INVENTORY DEPOSIT TICKETS SALES ORDERS

PURCHASES JOURNAL GENERAL LEDGER CANCELLED CHECKS SALES INVOICES SINGLE ENTRY

SINGLE ENTRY COMPLETE AGREE WITH RETURN CASH BASIS

DOUBLE ENTRY INCOMPLETE DO NOT AGREE WITH RETURN ACCRUAL BASIS

OTHER BASIS (Specify)

DATE ISSUED

4. TENTATIVE ADDITIONAL TAXABLE INCOME DISCLOSED BY EXAMINATION TO DATE. (If exercise - Additional taxable income)

TAXABLE PERIOD	RETURN FORM	PER RETURN	CORRECTED	ADDITIONAL	NET INCREASE (DECREASE)
		\$	\$	\$	

4a. Show portion of the tentative additional income which is due to purely technical adjustments (i.e. debits).

Taxable income will be from adjustments to income and expenses which may not have been taxable on Form 990A (Exempt Organization) and possible failure to report certain of the income due to interpretation.

5. Statement, if any, taxpayer has made regarding cash, unearned, gifts, inheritance and non-taxable sources of income.

None

45475

05976

6. Receipts of taxpayer

ALL DEPOSITED NONE DEPOSITED PART DEPOSITED NONE DEPOSITED

U.S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE

Ex. III-10-N

FORM 2797

AVOID THE LOSS OF TAXES due on income from business operations and the transfer of funds out of this country for the benefit of the Founder of the organization.

8. Name and address of person preparing return. Self (office help)		Were his work papers exam. <input type="checkbox"/> YES <input type="checkbox"/> NO
9. Has settlement of case been discussed with either the taxpayer or his representative? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Attach schedule showing specific items of omitted income	10. Schedule No. Attached
11. Has taxpayer or his representative been issued a district conference invitation and furnished with a statement of proposed adjustments or a PAR? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Attach schedule showing adjustments to prior year returns, if material	12. Schedule No. Attached
13. Date, by whom, and how taxpayer was first notified return or returns were being examined by the Internal Revenue Service <u>IR-100000-1000, examined and recommended revocation of exemption in June 1967</u>		
14. Information indicating intent to delinquency on the part of the taxpayer, and any other information not covered above (if necessary, attach separate sheets)		

The subject organization's exempt status was revoked and publication of the revocation was made in Internal Revenue Bulletin dated September 30, 1968, announcement No. 61. The revocation was made effective back to January 2, 1957. As a result of the revocation the organization is required to file Corporate tax returns Form 1120 for all open years not previously examined or open by statute, open years at present 1964, 1965, 1966, 1967 and 1968. As of this date no Form 1120's have been received from the organization and the 1968 return has not been filed.

The organization has received extensive publication in the newspaper and on other media of news presentation.

The taxpayer during the years 1963 - 1969 have transmitted various sums of money to Lafayette Ron Hubbard, for deposit in either a trustee or personal account in a Swiss or English account. The funds were either from the taxpayer or an affiliate. The Los Angeles Church of Scientology is the nominal headquarters in the United States.

The organization has at least seventeen (17) different bank accounts in the Crocker, Citizens National Bank. Four of the accounts extend back to March and April of 1968. Prior to 1965 the organization had accounts in Security First National Bank, Sixth and Oxford, Los Angeles, Calif. The organization during the period March 27, 1969 and April 21, 1969 transferred approximately \$115,000.00 in cash of large denomination and the transfers were presumably made to the Swiss bank accounts.

The organization has listed at the address ten different affiliates of which seven are in the telephone yellow pages. In addition to this listing in Los Angeles there are

15. Did taxpayer accept legal counsel after examination began? <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> NOT KNOWN		
SIGNATURE, EXAMINING OFFICER <i>[Signature]</i>	GROUP F/A Gp 405	DATE August 7, 1969
ADDITIONAL COMMENTS OF GROUP SUPERVISOR OR CHIEF, AUDIT DIVISION		

SIGNATURE, GROUP SUPERVISOR	DATE
SIGNATURE, CHIEF AUDIT DIVISION <i>[Signature]</i>	DATE 8-11-69

U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE FORM 2797 1-6-66

C.W. HANSEN

Church of Scientology

July 7, 1969

three other known locations in the Los Angeles area. There are forty-four (44) separate or related operations in the United States and cover approximately every District in some way, or other in operations.

The organization along with Hubbard owns a fleet of ocean going vessels which are reported to be armed. The crews are supposed to be carrying side arms. Information has been found to show that the vessels usually carry the name of a star.

The organization is known to move about and start various splinter franchises or change names of its operations as may suit or be of benefit to them.

The U. S. Court of Claims in the Founding Church of Scientology, Case No. 226-61 decided July 16, 1969 that it was operating as a business with the benefits inuring to and for the benefit of L. Ron Hubbard and his family.

At the present time there is nothing to disclose that Lafayette Ron and Mary Sue Hubbard have filed proper income tax returns beyond the year 1964.

William C. Sullivan