



**The IRS and the  
Renewed Money  
Grab in 2012**

*Five Audit “Red Flags” for  
the Independent Taxpayer*

By James L. Paris &  
Robert G. Yetman, Jr.

Remember some years back when we were told that the Internal Revenue Service had changed...had morphed into some kinder and gentler version of its previous self, where taxpayers would no longer be treated as hardened criminals at first blush and the agency would now engage in a more humanitarian approach to dealing with John Q. Public in its revenue-collection efforts? Sure you do...but those days have apparently disappeared as quickly as they first appeared...if they were ever really here at all.

As the current administration pushes us further toward a de facto socialist government, and the financial crisis continues to worsen as the “powers that be” become more entrenched in the idea that your

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**SOPA & PIPA at Bay...For Now**

*What is the Future of Government-  
Controlled Internet?*

By Robert G. Yetman, Jr.

Those of us who have been especially welcoming of the Internet age on the basis that it has, both directly and indirectly, put more power back in the hands of the citizenry have recently watched the government do what it can to wrest back some of that freedom.

Perhaps the most threatening step that has been taken thus far to that end comes in the form of the proposed bills known as the Stop Online Piracy Act (SOPA) and its cousin, the PROTECT IP Act (PIPA). Initially received with strong measures of support from many circles, the considered pieces of legislation are now basically on fumes as more and more clear-headed citizens and corporations are strongly registering their displeasure. The source of this strong wave of discontent is the firm belief in the ability of the government, should this legislation or anything much like it become law, to essentially shut down websites with no due process on the purported basis that the site(s) are in violation of copyright infringement laws.

No one disputes the importance of protecting intellectual property rights, which is the ostensible justification for creating these bills in the first place, but most impartial observers agree that the powers that would be granted to the government through these pieces of

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## SOPA & PIPA at Bay...For Now

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legislation could far too easily be subject to abuse.

As it stands presently, the backlash against SOPA is so strong that the House of Representatives has shelved further consideration of the legislation for the foreseeable future, until, as bill sponsor Rep. Lamar Smith (R-TX) said, "there is wider agreement on a solution." As for the Senate version, PIPA, the test vote that was set for January 24 was postponed and now the bill's status remains undetermined at this time.

SOPA and PIPA are like so many other things – they seem like good ideas when you give them a cursory once-over, but when you look at the implications therein, they do not stand up to scrutiny. The bottom line is that freedom-loving Americans remain highly concerned as to just how benevolent the government would be in actually utilizing the power to censor and shut down websites in the name of fighting piracy and copyright infringement.

### **Chris Dodd**

Former U.S. Senator Chris Dodd, one of the more scandalous senators that body has had in some time, has been rightly taking a pounding from free speech advocates who have found some elements of his advocacy for these kinds of bills particularly worrisome. Dodd now works as chairman of the Motion Picture Association of America (MPAA), one of the many interests from corporate America that is seeking stronger copy-

right and trademark protections. Dodd said in an interview with *Variety* back in December that "when the Chinese told Google that they had to block sites or they couldn't do [business] in their country, they managed to figure out how to block sites." Some have had a particularly strong reaction to Dodd invoking the example of China as an apparent "OK" to all of this, and I cannot blame them.

Other bills are fumbling their way around various parts of the congressional structure now, as an effort is made to address this in a way that does not trample on *cyberfreedom*. However, we are not convinced that the sincere genesis of SOPA and PIPA is simply the matter of copyright infringement; there already exists on the books the Digital Millennium Copyright Act, passed in 1998, which exists to address the very concerns supposedly addressed by these more recent pieces of legislation...and yet, mysteriously, it is not enough.

SOPA and PIPA, in the heavy-handed way they are allowed to address the crime of copyright infringement, are prime examples of the kinds of *preventive law* that totalitarian regimes favor so strongly - with preventive law, entire groups are prevented from having certain freedoms at all so that no one in the group has even the chance to break the law individually; for example, passing a law that requires all automobiles to be installed with engine regulators that would keep anyone from driving faster than 70 MPH would be another example of preventive law. How-

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## **SOPA & PIPA** (Cont. from page 2)

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ever, that is not how law is supposed to work in free and just societies; in free and just societies, the law is *reactive* and is used to punish individual transgressors *after* they have committed an offense. Handling things in this way ensures (theoretically, at least) that only the actual lawbreakers are brought to the bar of justice, while the rest of society is free to live its life, well, *freely*.

Preventive law, on its own, is bad enough, but preventive law that would have, as its foundational support, the ability of the government to throw the “kill switch” on any Internet outlets it deems appropriate to silence would be downright frightening. No reasonable person would dispute the idea that copyright infringement is a bad thing, but there are far worse things, to include jeopardizing the very essence of free speech in the name of fighting it.

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money is *their* money, the pressure is greater than ever on the government to find as many ways as it can to take what you earn in the name of the greater good; consider it a widespread, federally-instituted version of eminent domain, used to take money away from private citizens for the benefit of “society,” not unlike the way that private real property is also taken away from the citizenry every day no recourse available to the homeowner. As we know, the mechanism of taxation is the best billy club Uncle Sam has with which to clobber you in the head and take your money.

What follows are some important IRS red flags of which you should be completely aware so that you can make appropriate changes in your overall tax planning to lower

## **IRS** (Cont. from previous column)

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your audit exposure.

### **Make a Lot of Money**

Perhaps the biggest red flag of all that can lead to an “invitation” from the IRS to further discuss your tax profile is to make a lot of money. It is hardly a secret that there’s a war on the wealthy in this country, much of it foisted on the public by the government in an effort to both grab as much money as directly as possible, as well as help perpetuate the class war that keeps totalitarians in power. According to IRS statistics, the audit rate for those Americans who earn \$200,000 per year or more is one out of roughly 25 returns – one out of every 25! Translated, this means that while the overall audit rate is about 1% of all returns filed, the \$200,000-plus per year folks see that rate jump to 4%.

Does this mean you should try to make less if this is a problem for you? Ultimately, that decision is yours, and quite obviously, the benefits of making more money can far outweigh the disadvantages, including greater audit risk, but given the statistics and the identifiable problematic threshold, splitting the difference by living more simply while still generating a perfectly-good-but-still-lower-profile income may be the best answer all the way around.

### **Claim the Home Office Deduction**

We know more than a few people who choose not to claim this deduction, even though they each absolutely qualify for it – it’s that big of an audit red flag, and this red flag knows no income threshold; regardless of what you make, this one can pique the curiosity of Uncle Sam’s Collection Agency.

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# **The Jim Paris Perspective**

## ***Notes and Thoughts on the Realization of Bible Prophecy in the Current Day***

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### ***Austerity And The Mark Of The Beast***

The Bible is clear in Revelation 13 that no one will be able to buy or sell without the Mark Of The Beast. We believe that this clearly indicates some type of *new financial system* that will be implemented in the end days. It appears that austerity measures being taken by European countries such as Greece give us a keen insight as to how a new financial system would be ushered in.

### ***Greece Burns While Politicians Try To Find Ways to Cut Their Budget***

The truth that you will not likely read in many places is that Greece has literally no chance of being able to live up to its most recent round of agreements with the European Union (EU). The apparent window dressing of a Greek deal appears to be nothing more than a way to “kick the can” down the road for a few months. The reality is that the idea of the EU bailing out Greece is, on its face, ridiculous. Most of the EU countries are in no more than slightly better financial shape than Greece itself, which currently has a triple C rating from Standard and Poor's, making it the lowest rated government debt on the planet.

The citizens of Greece have resorted to violent protests to make clear their disapproval of the budget cuts that the government is making. One commentator I heard this week is predicting a literal armed revolution in many of the EU countries. The protests have become so militant that widespread, violent uprisings appear to be a real possibility.

Many of my conservative colleagues have sided with the Greek government while dismissing the Greek citizenry as a group of spoiled brats living in a socialist bubble. There is no doubt room to criticize those expecting to retire in their fifties on a public pension. On the other hand, what do we expect to happen when people suddenly learn they will have to work 7 to 10 more years than they were planning on? I assure you that when these kinds of cuts take place here in the United States, we will see even more violence than is occurring overseas. That type of news would be taken in no more stride here than it has been in Greece.

How many people would go along with a mere 10% cut of their Social Security benefits? How many would be willing to push out their retirement 10 years? How many of those on welfare would start burning buildings if just one check was missed? A full one-fourth of the citizens of Greece cannot even afford food and shelter under the current economic conditions. Unemployment is 20.9% among the general population and 50% among the teenage population.

### ***I Am The Antichrist And I Am Here To Give You Your Social Benefits Back***

I guarantee you that, in its current state, the Antichrist could show up with a new financial sys-

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tem and have no problem getting virtually the entire population of Greece to take his Mark. I believe that once the entire world reaches complete financial collapse, even *large numbers of Christians* will forsake their faith to join his financial system. I know of many “believers” today that vote for political candidates that support all matters of ungodly policy simply because those candidates represent the best option for their own personal financial pictures.

### ***Obama And The Coming Class War***

I was disturbed to read recently that the campaign theme for President Obama this time around will be *fairness*. This is the mantra of the Occupy movement and a theme that I believe will catch fire. As much as I cringe in writing this, I firmly believe that Barack Obama will be elected to a second term. The financial damage that will be done in this second term will dwarf what he has already done in just over three years as president. The President's new budget, being called by critics a roadmap to Greece, projects \$8 trillion in new deficit spending. While it is unlikely that the President's budget would be enacted in its current form, it is simply remarkable how he seems to have the ability to suspend reality with his economic plans.

### ***Is The President Deliberately Destroying The Economy?***

The so-called Cloward-Piven strategy was widely discussed right after Obama was elected. The idea, however, that the President would deliberately destroy our economy was a bit much for me to buy into. By all accounts, Obama is a very intelligent man and I have no reason to think otherwise. You don't graduate from Harvard Law and then become the President of the United States without being a very smart guy. Why would an intelligent person lay out a plan that will essentially guarantee the destruction of the U.S. economy? What could his endgame be on this?

What perhaps is the most annoying to me is that we see no reduction of government on a year to year basis. So, as the rest of us cut back, the government continues to grow larger and larger.

### ***More States Going Broke***

The Governor of California, Jerry Brown, recently announced that the state has less than one month of expenses in its operating account. He followed up this comment with assurances that the state will be just fine. California will simply delay tax refunds and send out IOU's to its creditors (no kidding; this is the plan, and the reason Californians should not be worried). California and Illinois are both on the brink with really no hope. There are about ten other states following just behind them.

### ***Russia's Looking For Its Own Way Out***

Russian Prime Minister Vladimir Putin recently proposed a one-time 10 percent tax on the as-

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sets of the rich. He justified his idea by pointing out that many of these individuals made a significant windfall during the 1990's. Does this sound familiar? It seems like the concept of *fairness* is catching on well beyond our own shore. Could the writer of *Atlas Shrugged*, Ayn Rand, have been any more accurate?

### ***The Math Is Simple For U.S. Politicians***

There are now enough people on the public dole to represent a political majority. I honestly see no way out at this point, which is why I decided to take on what I believe could be the most important assignment in my professional career...writing this newsletter. The welfare state that has been warned about by countless conservative thinkers has arrived.

### ***No Crystal Ball Needed - Just Turn On Your TV***

What is happening in Greece will spread throughout Europe and soon be on our own shore. If you want to see how our own future appears to be shaping up, just turn on cable news coverage of what is happening in Europe. One frightening element of these bailouts is what appears to be the accompanying bloodless coup. Elected leaders are either stepping down or ceding power to EU financial overseers as a condition of being bailed out. Trading freedom for security? We know all too well that those who do end up with neither.

My friends, I wish I could be wrong about all of this, but the facts speak for themselves. This is why I have felt so strongly about starting this newsletter and informing of you of what is really happening, and also using it to provide useful advice on how to prepare for the inevitable while there is still time.



***James L. Paris***  
***Editor-In-Chief***

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The reason the IRS likes dogging taxpayers so much on this deduction is because it's easy for them to disqualify. The problem is that in order to claim it, you have to use the designated space both exclusively and regularly for business purposes, and the IRS has found that, upon closer examination (no pun intended), a lot of filers simply can't prove that they meet that standard; spare bedrooms, sitting rooms, playrooms, and other similar kinds of spaces that normally become home offices also manage to continue to find use as other, non-business-related functions, and the IRS knows that.

### **Keep Assets Offshore**

This is another one of the newest "pet projects" in the world of IRS money-grabbing activities. Offshore accounts have always been a red flag, but the government has decided that the problem warrants even greater scrutiny, so greater scrutiny it shall have. First of all, in the eyes of the government, if you're keeping money somewhere other than in the United States, you're doing so for the express purpose of avoiding paying your "fair share" to your Uncle. So, right from the get-go, you're considered a bad guy (or gal, as the case may be). The IRS's specific concern is supposedly not the existence of the offshore account, per se, but, rather, the taxpayer's disinclination to report same. That said, even if you do the reporting you're supposed to, the fact that you even have such accounts will raise your audit profile. The IRS has added hundreds of new employees recently for the express purpose of going af-

ter taxpayers with offshore accounts, and, from their standpoint, with good reason: since they have made this more of a priority, they've added over \$4 billion to federal coffers.

### **Operate Your Business on a Mostly-Cash Basis**

The IRS loves this one, and it is mentioned here because of the propensity of many, more individualistic-minded folks to run businesses in this fashion. Obviously, the IRS knows of the tendency of many who operate businesses on a heavily cash basis to be less than 100% accurate when reporting what they made for the year. A lot of people who consider themselves to be part of the survival community will try, as much as possible, to live off of the radar screens of any automated/computerized systems whatsoever, particularly when it comes to banks and other financial institutions. This frequently means that they will thrive by making a living at the kinds of work that lends itself to being conducted on a cash basis as much as possible. The IRS uses agents who are specially-trained when auditing businesses that are very "cash-friendly," and they have great skill at uncovering unreported income.

### **Underreport Your Income**

This one is a close cousin to the cash-only business, in that a lot of people who take great offense to even the very existence of the IRS can also be the kinds of people who

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are inclined to being less than forthright when it comes to declaring everything they made during the year. Historically, the IRS has always been very good about monitoring the tax profiles of those people who receive wage income, interest, and dividends during the year, but what's changed is that they are now also focusing more heavily on Form 1099. All of this monitoring is done by computers, through something called the Automated Underreporter Program (AUR). Specifically, what the computers watch for in this case are discrepancies between the W-2s, 1099s, and other tax disclosure forms filed by the people and companies that paid you during the year, and what YOU show you were paid on your return. The "Tax Gap," which is the amount the government believes

it could collect if all income was reported as it should be, is currently hundreds of *billions* of dollars. The significance of increased focus on Form 1099 reporting is that a lot of individuals who are trying to make the break from traditional, daily society work for themselves as independent contractors, and independent contractors generally receive 1099s from the people and businesses for which they work during the year as the tax document that reflect their earnings. Our advice: Don't underreport your income, regardless of how you may feel about the IRS. Those folks have returned to an aggressive posture of tax collecting, and their system has, for all intents and purposes, unlimited resources to go after those who are non-compliant.

### *Precious Metals Update*

While the activity in the precious metals markets has been relatively quiet as of late, there has been no change that we've seen recently that would suggest anyone with a strong position in metals should seek to weaken it any.

As for prices, while there has been a lot of "sideways" price action over the past six months, the last 30 days have seen some not-insignificant gains in spot prices. Gold and silver prices have risen about 6.5% over the last month, and palladium has matched that movement fairly closely with a 6% positive move. Platinum has actually been the biggest winner of those four during this time period, moving from a price of 1548 to a close yesterday at 1773, which represents a positive move of almost 11%.

While gold and its "friends" have clearly not been on the same, seismic growth path they

had been traveling into last fall, we believe that conditions remain favorable for the continued growth of precious metals through the near term. Some have questioned the wisdom of continuing to hold gold and other precious metals in substantial amounts going forward, but while there is no question that there has been a bit of a lull in price movement (in comparison to the extraordinary price action we had been seeing a while back), the important fact of which to take note is that there has been no material change in domestic or global economic conditions to warrant a strong move away from precious metals at this time. Jim referred earlier to Greece's "kick the can" solution of dealing with its present debt crisis, and that kind of lack of resolve on the part of nation-states, including the United States, in dealing with the matter of returning to sound fiscal policy should preserve a bullish precious metals climate for some time to come.