

FIRST CITY TAX & ACCOUNTS

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Dear Senator Stedman:

Last month I wrote a letter to the Governor about the massive collective and systematic tax fraud that has been perpetrated by many of the employees of the Alaska Marine Highway System for the last ten years. Many of your ferryboat employees have been writing off the meals and even the lodging provided on board and paid for by the state of Alaska. In the course of so doing they joined in the commission of the tax fraud known as the "Mariners Deduction," considered by the U.S. Government one of the top two or three tax frauds in this country, and one that has cost the U.S. Treasury at least tens of millions of dollars in unpaid taxes, and probably more.

At the time the relief I was asking for was very simple. (A copy of my letter to the Governor is enclosed.) I simply requested that state government employees cease participation in this tax fraud, and that they be re-educated so that they understand the honest accountants of Alaska (almost all Alaska accountants), who refused to participate in this scam, have been telling them the truth about the law throughout this past decade.

In the meantime I have been victimized by retaliation tactics on the part of your state employees, including spying and colluding with Martin A. Kapp, the primary instigator of this scam, to harass me and to threaten me with frivolous lawsuits, etc. This leads me to change my mind about the relief I am requesting from the state government. Enough is enough. The collective participation in a massive tax fraud by government employees is unacceptable. Even more unacceptable is the fact that the phony deductions they claimed were for items paid for on their behalf by the government. Finally, the government that pays their salaries is the outfit they defrauded.

When this is exposed, the response of your employees is to try to distort the truth about their involvement in a major tax fraud, and to discredit me. That will not stand, and the attitude thereby demonstrated indicates that government employees who collectively commit tax fraud need to be collectively fired.

It is possible, perhaps even probable, that by now Martin A. Kapp, the primary instigator of this tax fraud, has attempted to muddy the waters with his contentions that these are technical legal issues about which he will ultimately prevail in court. He has already lost in Tax Court, repeatedly, and he has also lost in the U.S. Circuit Court where he was enjoined from continuation of his fraudulent activities. He has also been stripped of all of

his Federal credentials. He is no longer even allowed in Court. Copies of the material documents are enclosed.

I need protection from your employees who are still colluding with this man, despite the fact that the effort to shut all of these operations down has been ongoing since August 2007. Almost two years have gone by, and still some of your employees are resistant to reality.

So that's about it. A simple problem, which should have a simple solution. We do not need crooks, particularly tax cheats who cheat their own employer, working for state government. You need to clean up some serious messes and establish some more serious standards for your employees.

Sincerely:

David G. Hanger  
Proprietor—1<sup>st</sup> City Tax & Accounts  
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