

**From:** Greg Shepard <greg@rapower3.com>  
**Sent:** Saturday, November 9, 2013 9:29 AM  
**To:**  
**Subject:** Ra3 Audit/Appeal Info & Update  
**Attach:** IRS Business Activities (1).docx

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**CONFIDENTIAL UPDATE:**

We are doing great down in Delta. Saturday was a gorgeous day at the site. The dual axis hydraulic tracking systems were working with the new Ram. The lenses heated up our molten salt storage container to over a thousand degrees. The insulation is only about an inch or two thick and you can actually put your hand on the outside of the storage container and have a thousand degrees on the inside.

There is the main tower that is fully completed with another ten satellite towers nearly completed. The remaining four are ready to have the solar discs raised to their approximate 50-foot height. These fifteen towers will complete the first project.

Probably in two weeks, the 2nd project will begin. It will consist of 150 towers. All towers and trusses have already been delivered. All the lenses have been framed and many other components have already been made.

By months end, we should be able to show that we can take the brackish water at the Delta site and run it through our turbine and have pure distilled water come out. Won't that be something.

All this progress will make it very tough on the IRS to maintain their position.

**IF THE IRS ASKS YOU TO SIGN FOR AN EXTENSION:** I have been advised that in most cases it is to your advantage to do so.

**THANKS TO JOHN HOWELL, OUR ASTUTE TAX PREPARER FROM TEXAS:** He sent me the attached business document that should help you in your audit or appeal.

Regards, Greg

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Gregg\_P&R-003343

## Business Activities

### Trade or Business

A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit. The facts and circumstances of each case determine whether or not an activity is a trade or business. The regularity of activities and transactions and the production of income are important elements. You do not need to actually make a profit to be in a trade or business as long as you have a profit motive. You do need, however, to make ongoing efforts to further the interests of your business.

### Part-time Business

You do not have to carry on regular full-time business activities to be self-employed. Having a part-time business in addition to your regular job or business also may be self-employment.

**Example:** You are employed full time as an engineer at the local plant. You fix televisions and radios during the weekends. You have your own shop, equipment, and tools. You get your customers from advertising and word-of-mouth. You are self-employed as the owner of a part-time repair shop.

A trade or businesses is a passive activity if the taxpayer does not materially participate. The taxpayer materially participates *if and only if* he or she meets **one** of the following seven tests provided in Reg. § 1.469-5T(a). See checksheet and log at end of chapter.

1. The taxpayer works 500 hours or more during the year in the activity.
2. The taxpayer does substantially all the work in the activity.
3. The taxpayer works more than 100 hours in the activity during the year and no one else works more than the taxpayer.
4. The activity is a significant participation activity (SPA), and the sum of SPAs in which the taxpayer works 100-500 hours exceeds 500 hours for the year.
5. The taxpayer materially participated in the activity in *any* 5 of the prior 10 years.
6. The activity is a personal service activity and the taxpayer materially participated in that activity in *any* 3 prior years.
7. Based on all of the facts and circumstances, the taxpayer participates in the activity on a regular, continuous, and substantial basis during such year. However, this test only applies if the taxpayer works at least 100 hours in the activity, no one else works more hours than the taxpayer in the activity, and no one else receives compensation for managing the activity.<sup>[9]</sup>
8. **Substantially All**
9. Stated simply, if the taxpayer does most of the work, income or loss will be non-passive. The involvement in the activity of an employee or non-owner could cause the taxpayer to fail this test.
10. **Note:** There is no specific number of hours associated with this test. In addition, the term "substantially" is not defined in the regulations.