

And So The Tax Shell Game Begins...

December 15, 2002

By Dave Champion

(Los Angeles) The dominant media recently revealed that President George W. Bush asked the Treasury Department to draft a detailed report on potential alternatives to the current income tax structure. That report should be on his desk sometime in 2003.

One might ask "Why now"? There have been complaints about an income tax since its very inception. Many of the issues that Americans complain about today were foreseen and raised as objections on the floor of Congress back in the early 1900's. What makes 2002 any more significant for this issue than 1992, or 1982, 1972, etc? Certainly tax rates have been higher in the past than they are today. If tax rates are relatively low right now, why is the President asking for alternatives at this particular point in history, and what does it mean for Americans in the future?

Let's be frank, the President is looking for alternatives because the Treasury Department has advised him that the income tax system will soon be coming apart at the seams. "What?" you say; how can that be so?

Most Americans, who are not asleep at the wheel, understand that the dominant media only reports on subjects that it feels are appropriate for you to know about. Certain subjects are blacklisted and may not be covered. The imminent destruction of the income tax is one of those blacklisted issues.

Only people who utilize alternative news sources would know the following facts:

- ?? Legal researchers have been exploring the Internal Revenue Code, and the constitutional limitations thereof, for nearly 50 years now.
- ?? The US Department of Justice and the Internal Revenue Service had agreed in writing to attend a public hearing on Capital Hill to answer questions constructed by 40 of the nation's top tax law researchers.
- ?? The organizers of the hearing, We The People Foundation, had contracted for a webcast of the hearing so that any American with \$25.00 and a computer could watch the hearing.
- ?? We The People Foundation was to make DVD copies of the hearing available to the public for about \$10.00.
- ?? The US Department of Justice and the Internal Revenue Service backed out of the meeting two weeks after receipt of the 250 questions that they had agreed to answer "on the record" and "under oath".
- ?? The truth about tax law is getting out (despite the media blackout) and the number of non-filers is growing every year.

Most Americans are not even aware of these facts because the dominant media has decided that you should not know about them. On the rare occasion that the dominant

media does report on the subject, they paint the Tax Honesty Movement as a group of crazed lunatics. The government and the dominant media have decided that you shouldn't know what the tax laws **really** say, and so you don't. Why does the government feel it's important that you don't know the truth about US tax law? It is important that you are kept in the dark about these events because you might come to the following conclusion:

The federal government has been telling us for years that people who say the average American doesn't owe income tax are delusional. Despite these government statements, the Tax Honesty Movement is significantly larger today than it was 10 years ago and the number of Americans not filing returns has jumped considerably in that time. If indeed the Tax Honesty Movement is a bunch of crazy off-base lunatics, why would the government not go before the American people, "on the record" and "under oath", and answer the questions of these purported nutballs and show the American people, once and for all, how stupid and misguided these pathetic people are? Certainly that would destroy the Tax Honesty Movement once and for all!

If you were thinking along those lines, congratulations, you're mental faculties are in fine working order. Of course not only could the government have put the issue to rest, but the public would have been watching on-line coverage of the event as well as DVDs being offered when the hearing was over. In short, if we are to believe the government's position, which is that the Movement is a bunch of mindless idiots, the DOJ and IRS had their adversaries in an incredible position to demolish them in front of cameras and a coast-to-coast audience! Can anyone in his right mind explain why the government backed out and then repeatedly refused to reschedule?

One must look at the timing of the events to clearly see the government's reasons for withdrawing. The government was planning to attend right up until they got a chance to review the questions! Within 14 days of receiving the questions, they gave notice that they were reneging on their written commitment! For more than 5 months they were "in", but within 14 days of getting the questions, they're "out". Even the most die-hard supporter of the government's confiscatory tax policies would be hard pressed not to admit that the government bailed out of the hearing because they couldn't answer the questions without collapsing their own house of cards.

Some might wonder if I'm making the point that the income tax system is collapsing merely because the hearing was cancelled. Nope; there's more.

Several years ago a little item was found in the internal revenue regulations that spawned what is today known as the "gross income" argument (also known as the "861" argument because of its regulation number, 26 CFR 1-1861-1). Researchers found that buried in one of the most dry, boring, and lengthy parts of the regulations was a nifty little part that limits the sources of "taxable income" from within the

United States. It took a number of years for the regulation and its implications to be fully examined, but over the last few years it has found a dynamic champion in the person of Larken Rose. Rose has detailed the history of the regulations for more than 60 years. He has produced a video tape that lays out the regulation, and its history, and proves that the limits on what constitutes taxable income from sources within the United States has always been consistent. In other words, while the regulation has moved around a bit, its essential elements have remained unchanged for more than six decades. The facts on the tape raise troubling questions about whether there has been intentional fraud perpetrated on the American people by the federal and state governments in regard to what income has really been taxable to the average working American.

Rose, who has not filed a personal income tax return since 1997, has publicly dared the US Secretary of the Treasury and the US Attorney General to prosecute him for not filing. They have declined his offer. This is yet another telling development (much like the withdrawal from the hearing), which clearly indicates that the government has to hide in the dark, like a vampire in daytime, when the light of truth is openly shined upon the legal issues. Are these the only significant developments? Nope.

It is speculated that the most likely form of replacement tax for a discredited income tax will be a national sales tax. Interestingly, just last week, a number of state governments sent representatives to a conference to discuss the issue of establishing uniformity in the sales tax laws of the various states. This was approached under the guise of trying to convince Congress that the states are doing the hard work necessary to motivate Congress to permit sales tax on e-commerce transactions. Since it is thoroughly unlikely that Congress will lift its restriction on taxing Internet transactions anytime soon, the far more likely (but unspoken) explanation is that the states are preparing to piggyback a national sales tax onto their own sales tax system. The states want the power that comes from having a federal sales tax linked to their own state sales tax but there's a small stumbling block; states can't qualify to co-administrate a state/national sales tax unless their tax statutes mirror federal law. Getting the picture now?

Now we also see Congress beginning to jump on the "end the income tax" bandwagon. HR 2525, entitled, "The Fair Tax Act" [ha!], begins with these words, "*Congress finds that the Federal income tax; (1) retards economic growth and has reduced the standard of living of the American public; (2) impedes the international competitiveness of United States industry; (3) reduces savings and investment in the United States by taxing income multiple times; (4) slows the capital formation necessary for real wages to steadily increase; (5) lowers productivity; (6) imposes unacceptable and unnecessary administrative and compliance costs on individual and business taxpayers; (7) is unfair and inequitable; (8) unnecessarily intrudes upon the privacy and civil rights of United States citizens; (9) hides the true cost of government by embedding taxes in the costs of everything Americans buy; (10) is not being complied with at satisfactory levels*

and therefore raises the tax burden on law abiding citizens; and (11) impedes upward social mobility. Well gee...there's a big news flash. It only took Congress 90 years to publicly admit what the American public has known all along.

Within the last few weeks former IRS Commission Rossotti has left office. Before he left office, Rossotti stressed to Congress that the IRS had inadequate funding and personnel to catch tax cheats and other tax scofflaws. I posit this question for your consideration: How much would it have cost to send some attorneys to the planned two-day hearing (to which the IRS had already committed itself in writing) to answer tax researcher's questions, and if the government is telling the truth, decimate the Tax Honesty Movement forever? I suspect that in terms of government expenditures, sending a whole fleet of attorneys to the hearing would not have created a blip in their spending radar. Let's see now...hmmm...what's the cost of sending a couple of DOJ and IRS attorneys to Capital Hill for two days, which if the government has the legal facts on its side would have scared millions of "tax protesters" back into the tax system. Gee, seems like a pretty good deal for the government (yet again). Why do you think Rossotti and Ashcroft didn't send their best attorneys? I think the answer is self-evident.

And if Rossotti was truly concerned with "compliance issues", why did he consistently refuse to prosecute Larken Rose during his tenure in office? Larken and his videotapes are well known to Rossotti, and the Service knows that the "gross income" position is compelling hundreds of thousands, if not millions, of people not to file. Even multi-millionaires like Wesley Snipe are relying upon the argument. It would seem that if Rossotti wanted to kill the "gross income" argument, the best and cheapest way would be to convict Rose of Willful Failure to File. Once again a plainly inexpensive way to increase compliance is left undone by Rossotti. Obvious Rossotti was unwilling to bring the "gross income" argument before the courts and a jury.

As the Tax Honesty Movement has grown and the information has been disseminated more widely (thanks primarily to the Internet), the IRS has been hit with some humiliating defections. Most notable among the IRS employees who could no longer pursue their careers in good conscience is Joseph Banister.

Banister was a badge-carrying, gun-toting, criminal investigator for the IRS. His job was to put those nasty Tax Honesty People (as well as others) in jail. His service record with IRS shows that he was an excellent agent for the Service. However, in the course of one of his investigations, he made the mistake of actually reading some Tax Honesty information. He thought he'd read the information, de-bunk it, and be ready to show the opposition how wrong they were. Problem was, he found that he couldn't de-bunk it; it all checked out!

Remember earlier in this article we discussed that the government attorneys pulled out of the Tax Honesty hearing because they couldn't answer the questions presented

by the researchers without bringing down their own house of cards? Well, Banister experienced the same thing on a smaller scale. After he found that significant parts of the Tax Honesty Movement's information were accurate, he compiled a 60-page report and submitted it to his boss (the regional director of CID) and the IRS Commissioner's office. He requested clarification of the issues that he'd discovered. Guess what? Not only did they refuse to respond to a single concern that he listed in his report, but they gave him a week off and told him he could either shut up and come back to work, or leave the Service, but under no circumstances would the Service respond to any of his questions.

Imagine that your job is to put people in jail for violating the law, but when you discover that it may be unlawful to apply the Code as you've been taught, no one in your chain of command will even consider having a discussion with you to clarify the issues. Hmm...doesn't seem to pass the smell test does it? Banister didn't think so either, so he resigned. And what does Banister do today? He represents people against the IRS and conducts speaking engagements all over the country on the unlawful actions of the IRS. His personal story and much more information is available on his website, <http://www.freedomabovefortune.com>.

So let's review our facts:

- 1) The Tax Honesty Movement is bigger today than it was just a few years ago.
- 2) There are more non-filers every year. Many people are not filing because of what they're learning from the Tax Honesty Movement. Non-filers are reaching a dangerous level in the eyes of the Treasury Department.
- 3) The US Department of Justice and Internal Revenue Service agreed, in writing, to attend a hearing on Capital Hill for the purpose of answering questions from the Tax Honesty Movement's legal researchers.
- 4) After reading the proposed questions, both DOJ and IRS pulled out of the hearing.
- 5) Efforts were made to get DOJ and IRS to honor their commitment, but they steadfastly refused.
- 6) Congress is now considering legislation that characterizes the income tax, with unusual candor, as an unfair form of taxation.
- 7) IRS criminal investigators and revenue officers are resigning as they discover the truth about US income tax laws.
- 8) Rossotti and Ashcroft have refused to prosecute Larken Rose for not filing income tax returns based on the "gross income" position.
- 9) Rossotti (one of the most popular IRS Commissioner with Congress) has resigned when the option to stay on was certainly open to him.
- 10) President Bush has asked the Treasury Department to report to him alternatives forms of taxation to the income tax. The leading option almost certainly being a national sales tax.
- 11) The states have begun to meet to make their sales tax laws uniform.

12) The states must have uniform sales tax laws, which mirror a federal sales tax, if they wish to “partner” with the federal government on the collection of sales tax.

As has been the case for many years now, the government is making a unilateral decision without involving their bosses – YOU! The decision has almost certainly been made to shift to a consumption tax (in the form of a national sales tax) and the only people who haven’t been told about it yet are YOU! How does it feel to live in a country where national decisions of momentous proportion are made, which affect the fabric of your daily lives in a significant manner, and you weren’t even asked about it?

This nation is supposed to be “by the people, and for the people”. The truth however is that the decision to change tax systems has already been made. While your Representatives and Senators will vote on the change, there is no question how they will vote. We have reached the point in this nation’s history where those who hold the true reins of power have no doubts as to their ability to control Congress. In short, our national legislature has been reduced to a footstool for the power elite.

The only thing that can derail a NST at this point is if the Treasury Department’s report to Bush states that a Congressionally mandated national sales tax is constitutionally questionable (which it is). [Possibly this is why O’Neill is “out” and Snow is “in” at Treasury. Possibly O’Neill wouldn’t write the report the way Bush wanted it written.]

So what is the good news in all of this? The good news is that what took researchers 50 years to unravel concerning the incredibly complex income tax laws, will take just a few short years for sales tax. Sales tax is an excise tax. An excise tax is a “privilege” tax. Most Americans don’t exercise any “privilege” when buying something (which becomes their own personal property) and then selling it to someone else. Buying and selling non-regulated items in the course of the ordinary affairs of life is a common law right of every American and is not subject to taxation by the government as an excise. That point is so self-evident, and is supported by so much well-established legal history, that the government’s shell game (kill one form of taxation and replace it with another) will likely only serve as a stopgap measure.

Another piece of good news is that well-informed “Mom and Pop” operations should see a significant increase in business once a national sales tax is implemented. If a major company like, say...Best Buys...is tacking on 27% in sales tax, but Bob’s Electronics down the road is not, you do the math. Many private businesses do not charge state sales tax. Nothing will change for them when Congress enacts a national sales tax.

Nevertheless, the tax shell game that the government is playing is a real threat and few understand why. The government is not proposing to repeal the 16th Amendment (which is the oft quoted “authority” for the modern income tax); the government is only

planning to repeal the laws pertaining to a graduated income tax and replace them with a national sales tax. So what happens when the government decides that the NST isn't bringing in enough revenue? What is stopping them from re-instituting a revised form of individual income tax (possibly a flat tax) **on top of** the national sales tax? If you say, "We won't stand for it", think again. Congress no longer listens to you; its marching orders come from elsewhere.