

Internal Revenue Districts

The US government has decided to play a little trick on you. But don't worry, it only allows them to scour the country for so-called "tax evaders" (who aren't actually evading anything), summons people for books and records the IRS has no right to see, assess taxes that aren't really owed, create liens they have no legal right to exist, and levy upon your property without any legitimate right to do so.

All of the activities listed above begin with "canvassing" and "examination", which requires you or your business to be within an internal revenue district. Of course that would lead us to ask where such revenue districts are located. Although that's a reasonable question, the first question we need to ask should actually be, "Who is authorized by law to establish internal revenue districts and has that person actually established any"?

There are several legal documents that speak to this subject, but one should start with the tax code. Section 7621 authorizes the President to establish internal revenue districts:

The President shall establish convenient internal revenue districts for the purpose of administering the internal revenue laws. The President may from time to time alter such districts.

Has the President actually done that? Well, sort of. While the President hasn't actually created any internal revenue districts, he delegated that particular job to another member of the government. The note at the bottom of 7621 states:

For delegation to Secretary of the Treasury of authority vested in President by this section, see section 1(g) of Executive Order No. 10289

So we know that the President delegated this task to one of his cabinet officers – the Secretary of the Treasury. The next prudent question is; has the Secretary actually established internal revenue districts, and if so, where?

The answer to that question is "yes", the Secretary has established internal revenue districts. He has done so in Treasury Order 150-01. In T.O. 150-01 we find that the Secretary has created 33 internal revenue districts that span the nation and cover every state in the Union. O.K., so what's the problem?

Although many Americans are aware of it, all written authorities (except Acts of Congress) that purport to have "general applicability" upon any person or group of persons, must have corresponding "regulations", and these regulations must be published in the Federal Register. There are however a few exceptions.

Section 7621 does not require regulations for two reasons. First, the statute is so short and clear that no regulations are required; additionally it has no impact on the public generally because it simply “authorizes” the President to do something and does not lay any duty upon the public.

However, once the President delegated that authority to the Secretary, the Secretary needed to create regulations to let the public know exactly what he was doing and how it would (or might) affect the public. Accordingly, the Secretary created regulations associated with the authority delegated to him by the President in Executive Order 10289.

The regulations the Secretary created for EO 10289 are found in Title 19 of the Code of Federal Regulations (CFR), Part 101. We know this because the nice folks at the National Archive and Records Administration (NARA) have very kindly provided us with a cross-reference index that shows us which regulations correspond to which statutes or Executive Orders (EO). This index is known as the “Parallel Table of Authority and Rules”. Here is the entry for EO 10289:

E.O. 1028919 Part 101

So, what does 19 CFR, Part 101, say? Here is the opening statement that defines the scope of the Part 101:

Scope. *This part sets forth general regulations governing the authority of Customs officers, and the location of Customs ports of entry, service ports and of Customs stations. It further sets forth regulations concerning the entry and clearance of vessels at Customs stations and a listing of Customs pre-clearance offices in foreign countries. In addition, this part contains provisions concerning the hours of business of Customs offices, the Customs seal, and the identification cards issued to Customs officers and employees. [underlines added]*

As you can see, the Secretary has not chosen to create internal revenue districts for general tax purposes, but has created said districts **only** for certain matters pertaining to the customs laws of the United States – including the collection of customs duties (taxes).

This dovetails perfectly with the CFR’s Parallel Table of Authority and Rules entries for “canvassing” and “examinations”. According to the National Archive and Records Administration (the nice folks who compile and publish the CFR and the Federal Register) the only “implementing regulations” for 26 USC 7601 and 7602 are for issues pertaining to alcohol importation:

7601—760627 Part 70
760227 Parts 170, 296

Since the Secretary's regulations designate only certain "places" as internal revenue districts, I have underlined the phrases (in "Scope" above) that designate the places the Secretary has established as U.S. internal revenue districts.

In short, the internal revenue districts named in T.O. 150-01 do not cover the entire area of a county, or part of a state, named as a district. These revenue districts are limited to the boundaries of "Customs ports of entry", "service ports" and "Customs stations".

As an example: the internal revenue district referred to in T.O. 150-01 as the "Los Angeles district" only embraces the Long Beach and Los Angeles harbors and the Los Angeles International Airport. A complete list of ports designated by the Secretary of the Treasury for customs purposes can be found in the 19 CFR, Part 101, pages 314 through 323 (1998 Ed.) Airports so designated can be found in regulations promulgated by the Secretary of Commerce.

In other words, while most IRS officers blindly believe that when they are assigned to the Los Angeles District Office they have authority to "canvass", and conduct "examinations", ***anywhere*** in the Los Angeles area, the law says something entirely different. The law says that such activities may only take place within "internal revenue districts" and that those "internal revenue districts" are specifically designated locations within the broad area known as the Los Angeles district.

Now that we know what the law actually says, let's look at the impact.

Internal Revenue Code, section 7601 - *The Secretary shall...cause officers or employees of the Treasury Department to proceed...through each internal revenue district and inquire after and concerning all persons therein who may be liable to pay any internal revenue tax...*

If you only read T.O. 150-01, you'd think that is a blanket authority to canvass the entire country for people who may owe a tax. Having read the regulations for EO 10289 (which authorizes T.O. 150-01) we now know that such canvassing (and its associated "examinations") can only take place in a designated customs area, because those designated customs areas ***are*** the internal revenue districts, as established by the Secretary of the Treasury on behalf of the President.

An argument might be possible in which, because 19 CFR, Part 101, also establishes the general authority of customs officers, internal revenue districts exist wherever a customs officer is executing his official duties. However, even if that is so, the significance is still evident – places that might be considered an internal revenue district would be such place as where a customs officer is conducting his official duty. That still means that there are no internal revenue districts established for any other tax purpose.

Ed Note: Within the last few years it appears that Executive Order 10289 has been cancelled, as was Treasury Order 150-01 in March of 2001. This information is provided solely to educate people concerning the limited jurisdiction of the IRS in most matters. Researchers are currently attempting to determine where these "authorities" can be found now. Interestingly, the statutes that rely on these important authorities have not been amended since the underlying E.O. and T.O. disappeared.