

Exhibit 39

complexity, pointing out that those costs include tax planning, compliance, litigation, and the expense associated with lost economic opportunity. "Current forecasts of compliance costs on taxpayers reveal a large and growing tax compliance surcharge over the next few years - from \$140 billion in 2001 to \$170 billion in 2006," he estimated.

Moody said the Tax Foundation supports fundamental tax reform that would institute a national sales tax or flat income tax - both seen as possible campaign issues for Bush in the 2004 presidential debate.

Other analysts said those reform ideas may look good on paper but would never pass muster in the legislative process. "A crucial caveat is that no country has successfully enacted or administered a high-rate national retail sales tax or a flat tax," said William Gale of the Brookings Institution. He suggested the proposals only appear simpler in part because they have not had to face real-world tests of revenue requirements, political pressures, lobbying, or responses to taxpayer avoidance and evasion. ■

Full Text Citations

- March 8 letter from then-chair of the Senate Finance Committee Charles E. Grassley, R-Iowa, to House Ways and Means Committee Chair William M. Thomas, R-Calif., on tax simplification. *Doc 2001-19567 (1 original page); 2001 TNT 139-45*
- Joint Committee on Taxation study (JCS-3-01) of the overall federal tax system and suggestions for simplification. *Doc 2001-12007 (473 original pages); 2001 TNT 90-39*
- Witness list for Ways and Means Committee Oversight and Select Revenue Measures subcommittees' joint hearing on tax simplification. *Doc 2001-19470 (1 original page); 2001 TNT 138-21*
- Testimony (JCX-60-01) of JCT Chief of Staff Lindy L. Paull on IRS tax code complexity. *Doc 2001-19463 (42 original pages); 2001 TNT 138-15*
- Ways and Means member Richard Neal's release on his introduction of a tax simplification bill. *Doc 2001-19472 (4 original pages); 2001 TNT 138-23*
- Testimony of David Keating, senior counselor, National Taxpayer Union. *Doc 2001-19474 (8 original pages); 2001 TNT 138-37*
- Testimony of Scott Moody, senior economist, Tax Foundation. *Doc 2001-19475 (15 original pages); 2001 TNT 138-38*
- Testimony of C. Eugene Steuerle, senior fellow, Urban Institute. *Doc 2001-19476 (9 original pages); 2001 TNT 138-39*
- Testimony of William G. Gale, Joseph A. Pechman fellow, Brookings Institution. *Doc 2001-19477 (42 original pages); 2001 TNT 138-40*

Free Speech vs. IRS: Taxpayer Kicks Down Previously Locked Doors

By Warren Rojas - warren@tax.org

A taxpaying citizen with questions about the validity of the Internal Revenue Code last week got two government agencies - which had previously rebuffed him - to apparently agree to participate in a public tax forum this fall.

Robert Schulz, founder and chairman of We The People Foundation for Constitutional Education (WTFPE), ended a 20-day hunger strike - a fast he said would continue until death if need be - on July 20 after claiming to have forged an agreement with officials at the Department of Justice and the IRS to hold a congressional briefing on the issues surrounding the validity of the code later this year. Before going on his hunger strike, Schulz maintains he got the runaround from President Bush, IRS Commissioner Charles O. Rossotti, and congressional leaders in his continuing efforts to have his tax questions answered.

With the help of a little congressional muscle from Rep. Roscoe G. Bartlett, R-Md., Schulz said he was able to setup a public conference on the tax issues that will likely span two days - September 18 and 19 - and at which, according to him, House Judiciary Chair Henry J. Hyde, R-Ill., has been invited to preside over.

"We're satisfied. We're ending our fast," Schulz said after emerging from a July 20 meeting with officials at Justice. While there is a possibility that Attorney General John Ashcroft could overrule the agreement, Schulz appeared confident that neither the IRS nor Justice would back out of the tentative conference.

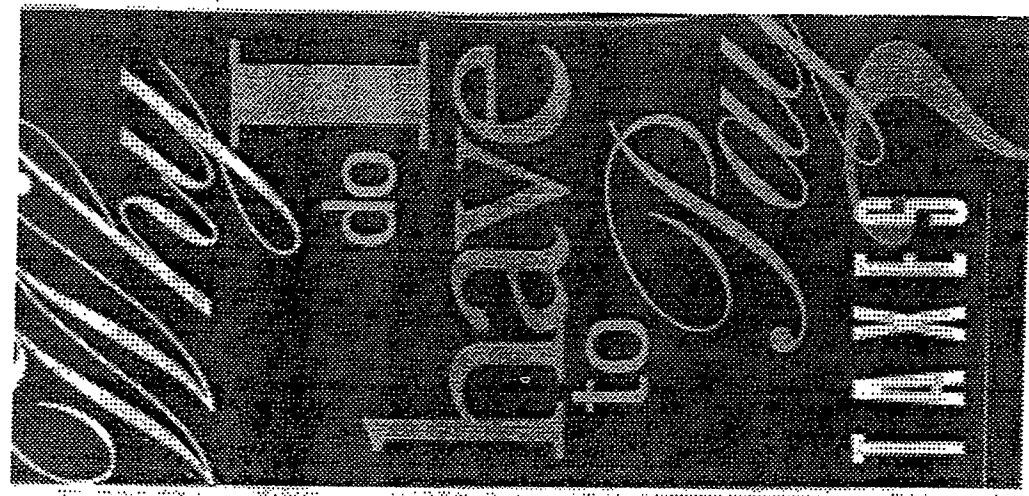
"We have it in writing," he stated. "It will occur."

The meeting came about after lawmakers and a handful of Schulz supporters at a July 17 Capitol Hill rally turned up the heat on the government to answer their questions about the code.

Schulz's arguments, one of which questions the legality of the Sixteenth Amendment (which established the income tax), are not at all unfamiliar to IRS officials or taxwriters, and while the Service has materials justifying its existence and the existence of income taxes (see pp. 456 and 457), administrators had up to this point been reluctant to sit down and debate any of the points with Schulz.

(Text continued on p. 458.)

IRS Publication 2105



Why I do have to pay TAXES

By Richard K. Effern
 Richard K. Effern is a partner in the law firm of Effern, Smith & Associates, P.C., a law firm in the Washington, D.C. area.

1. Most taxpayers believe that filing returns and paying taxes is a waste of time and money.

2. Legitimate deductions and credits are often overlooked, resulting in higher tax payments than necessary.

By your representative, you can take full advantage of the tax law. Call 1-800-829-1040.

Many taxpayers believe that filing returns and paying taxes is a waste of time and money. It is not. It is a necessary part of the American tax system. The IRS is here to help you understand the tax law and to ensure that you are paying the right amount of tax.



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 Internal Revenue Service
 Department of the Treasury
 Washington, D.C. 20224
 1-800-829-1040
 TDD: 1-800-829-4059
 Reliance Agency: 1-800-829-1040

What about those who believe they don't have to pay taxes?

There have always been individuals who have not paid taxes. They are often referred to as tax evaders. They are not the same as tax avoiders. Tax avoiders use legal means to reduce their tax liability. Tax evaders use illegal means to avoid paying taxes. The IRS is always looking for tax evaders and will prosecute anyone who is caught. The IRS is also looking for tax avoiders and will help you understand the tax law and ensure that you are paying the right amount of tax.

The penalties for tax evasion are severe. They include fines and imprisonment. The IRS is always looking for tax evaders and will prosecute anyone who is caught. The IRS is also looking for tax avoiders and will help you understand the tax law and ensure that you are paying the right amount of tax.

The State's Budget Commission, March 1.
Senator R. Clinton (D) says "The Commission will have the power to fix and adjust taxes, budget, benefits and I think we give the budget and present the citizens some guidance and general guidelines that they have."

The Business Association to the Statewide
started in February 1, 1993, says, "The Commission will have the power to fix and adjust taxes, budget, benefits, have advisory committees, without appointment among the state, firms, and without regard to any criteria or requirements."

Business and the State
and Business Association and trade laws regarding all individuals to pay for."

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The most necessary requirements
must be met in order to file a case where a person is not to be discharged and during the course of the case.

Business and the State
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Just
The Party

**Continuously Used
Provisions Amendments**

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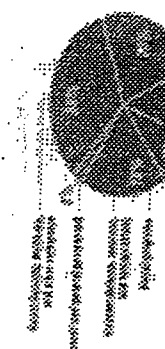
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NEWS

Senate Finance Committee ranking minority member Charles E. Grassley, R-Iowa, noted that the arguments Schulz presents are old and have been disproven in the courts time and time again. "I am aware of the argument he is using," he said. "Everyone's got somebody in their state that says that."

Bartlett, one of the 17 Republicans on the Liberty Committee, an unofficial group of lawmakers who watch out for constitutional issues, said earlier in the week that he decided to champion Schulz's constitutional right to be heard, regardless of what his message might be.

"I am very concerned that either wittingly or unwittingly our agencies of the government are currently violating the Constitution," Bartlett said, pointing to the First Amendment protections allowing citizens to petition the government for a redress of grievances. "They have petitioned the government and they have had no response. They deserve an answer to their question."

'They have petitioned the government and they have had no response. They deserve an answer to their question,' Bartlett said.

Rep. Ron Paul, R-Texas, chair of the Liberty Committee, stood behind Schulz's efforts as well, regardless of the weakness of his arguments. "I support Mr. Schulz's right to petition his government to have his petition heard and be taken seriously," he said. "His First Amendment petition should not be dismissed simply because his viewpoint is not shared by IRS officials."

Bartlett warned other lawmakers that if they did not stand up for Schulz's free speech rights, they might soon find some of their own rights being stripped away.

"If they can get away with violating this part of the Constitution, what next?" he asked.

A Slap in the Face

Schulz had sent multiple letters to Bush, Rosotti, House Speaker J. Dennis Hastert, R-Ill., former Senate Majority Leader Trent Lott, R-Miss., current Senate Majority Leader Tom Daschle, D-S.D., and former President Bill Clinton, regarding his questions on the tax code, all to no avail. The latest concern he has, however, stems from a perceived slighting and mischaracterization of him and his efforts by Grassley and his staff.

According to Schulz, when Grassley was Senate Finance Committee chair he showcased a WTP ad published in *USA Today* at an April 5,

2001 hearing on Internet tax avoidance scams, even though Schulz's ads and his Web site (givemeliberty.org) do not advocate not paying taxes. To add insult to injury, Schulz said, he was also denied the right to testify at a hearing at which his efforts were being held up for public scrutiny.

A Grassley aide admitted that while Schulz's questions of the legality of the tax system did not directly fall under the tax avoidance theme of the hearing, Schulz's ads were displayed during the hearing because lawmakers believed they were generally misleading and discouraged people from paying their taxes.

"It is illegal right now in the eyes of the IRS to not pay taxes," the aide said. "Whether anyone disagrees with the law, we are all obligated to comply with the law or else we face enforcement action against us."

The aide said Schulz was denied the opportunity to testify at the hearing because Grassley had decided that his group's message would detract from the message lawmakers were attempting to convey, a suggestion Schulz hotly contests.

"The message they were trying to convey at the hearing is that those people who have been raising these questions about the validity of the income tax law are in their words 'tax cheats, schemers, scammers, and cons' and need to be dealt with harshly and swiftly," Schulz charged.

An aide to current Finance Committee Chair Max Baucus, D-Mont., said Baucus was unaware of Schulz's efforts, but would more than likely be interested in examining his claims and providing him with whatever answers he could provide.

Shouting at a Brick Wall

According to an IRS pamphlet designed to address the issues raised by Schulz (Pub. 2105), there has been a long history of individuals who have attempted to use false, misleading, or unorthodox tax advice to dodge their taxes, and they have all suffered the same fate.

"The courts have repeatedly rejected their arguments as frivolous, and now routinely impose financial penalties for raising such meritless defenses," the pamphlet reads. "Courts have historically held that there are no Constitutional or legal grounds for failure to file tax returns and failure to pay taxes."

An IRS administrator said the agency was not at liberty to discuss the tax matters of any individuals and discounted Schulz's claims regarding the illegitimacy of the tax code. "The under-

(Text continued on p. 460.)

From www.givemeliberty.org

This Man Will Die Unless You

1 Hunger Fast Until Death or IRS Answers

On July 1st, Bob Schmitz, a constitutional scholar, begins a hunger fast which will continue until his death or until IRS Commissioner Charles Rowstell agrees to send government tax experts to a public meeting on September 18th to confront legal researchers who contend the IRS has no legal authority to collect income taxes.

Despite the 1st Amendment to the Constitution which clearly requires the government to answer petitions from the people for redress of grievances -- the IRS, Congress and the Courts have repeatedly refused any direct response to the well documented and specific legal allegations of fraud and illegal operations of the Federal income tax system. The IRS and dominant media have avoided and suppressed detailed and open discussion of these claims.

2 Show Us the Law ! The Specific Legal Charges :

- There is **NO** law that requires most Americans to file a return, pay income taxes or have any taxes withheld.
- The 16th (Income Tax) Amendment was ratified by **BRAID**.
- If you file, you have **WAIVED** your 2nd Amendment (Inheritance) rights.

Act.



Now.

3 How You Can Help . . .

Contact President Bush :

- Phone the White House: 202-456-3000
- Write the President: The White House, Washington, D.C., 20500, Fax: 202-456-3444
- E-mail the President: president@whitehouse.gov

Copy This Handout & Tell Your Friends, Coworkers and Neighbors !

Contact Your Representatives Contact the Media... Be Heard !

- Call, Fax or Write your Congressman. Info at: www.senate.gov/james/congress
Toll Free to Congress: 800-646-3816 or 202-224-3421

- Send multiple e-mails to ALL your congressmen OR the media in your area.

<http://congress.com/webtimes/home/>

Remember, e-mails are easy, but letters, phone calls and Express Mail are what gets heard !

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NEWS

lying issues are not open to debate," the official said.

IRS spokesman Frank Keith said the overwhelming majority of taxpayers understood that the tax code was a legal necessity and therefore did not question the validity of its origin.

Another IRS employee said the idea of challenging the code or the obligation to pay taxes never even crosses the minds of most taxpayers. "It's like questioning why the sun comes up," the employee said.

'It's like questioning why the sun comes up,' an IRS staffer said.

Bartlett, however, suggested there was obviously something wrong if so many taxpayers had burning questions about the code. "We need the debate," he said. "The law is unclear or these folks wouldn't be here."

Schulz said he has attempted to behave in an "intelligent, rational, and professional" manner by going through the proper channels, but noted that he has been forced to resort to extremist tactics just to elicit a response from his government.

According to Schulz, after Bartlett's initial calls the IRS informed him that any questions concerning the ratification of the Sixteenth Amendment and the waiving of Fifth Amendment rights fell under the jurisdiction of the Department of Justice, so Schulz would need to contact them. IRS officials also agreed to send tax experts from the Office of Chief Counsel to meet with Schulz to answer his remaining concerns, but only in private, an offer Schulz refused.

We The People spokesman Mike Bodine said July 20 that Rossotti had spoken directly with Bartlett and had orally agreed to the general conditions of having a public meeting.

Schulz maintains that any meeting with administration officials should take place in a public forum so that he and his supporters can present their case, hear the government's responses, and then challenge those replies. What he did not want, Schulz said, was another closed door meeting where agents shuffled their token 1996 Congressional Research Service report by John Luckey entitled "Frequently Asked Questions Concerning the Federal Income Tax" across a table and then headed for the door.

"These are not responsive responses," he said of the CRS answers to the inquiries about the code. "We need to ask them the tough questions; they need to respond; we need to reply."


Bartlett seconded that motion. "If the IRS, the government believes that this answers his ques-

tions then they need to say that," he said. "They need to sit down across a table from him so that there can be a dialogue. What we don't want is the sterile exchange of legal documents."

According to Bartlett, the First Amendment problems illustrated by Schulz's situation reach far beyond the validity of the income tax and should be a priority for all freedom-loving Americans.

"If we don't insist that the Constitution be honored, then all of the great guarantees of rights and freedoms in this Constitution could one by one be denied us through some rationalization that this is an irresponsible request and that the answer is very obvious," he said. "If the answer is obvious all they [the government] need to do is state that obvious answer."

90-00



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