Exhibit 3

TAX AND CREDITS ▶

OTHER TAXES ▶

PAYMENTS ▶

AMOUNT YOU OWE ▶

INVESTIGATING THE FEDERAL INCOME TAX

SIGN HERE ▶

▶ A PRELIMINARY REPORT

BY JOSEPH R BANISTE

INVESTIGATING THE FEDERAL INCOME TAX

▸ A PRELIMINARY REPORT

BY JOSEPH A BANISTER

FIRST EDITION

This report is intended to assist citizens and public servants alike in understanding the U.S. Constitution, specifically as that document relates to the federal tax, banking, and monetary systems. No assurance is given by the author that this report is comprehensive in its coverage of the subject matter or that it provides a complete analysis of the subject matter presented. This report is offered as a vehicle for discussion and debate and for general informational purposes only. It does not constitute legal or professional advice and it should not be relied upon as a substitute for proper research and inquiries into original sources of authority.

contents

introduction

In late 1996, the author of this preliminary report was listening to a radio program in which a woman alleged a number of serious flaws, both constitutional and otherwise, with the federal income tax system as well as the federal banking and monetary systems. Since the author had made his living in the accounting and tax professions for over 10 years, he believed that, at a minimum, the ethics of his profession and his duty as a citizen and law enforcement officer required that he investigate the allegations further. This preliminary report documents the process taken and the evidence examined during a two year investigation into the validity of these allegations.

The investigation concentrated on three primary allegations:

Allegation 1: Due to Limitations Imposed By The U.S. Constitution, Filing of Federal Income Tax Returns and Payment of Federal Income Tax Is Voluntary, Not Mandatory

Allegation 2: The 16th Amendment To The U.S. Constitution, The Amendment Which Precipitated The Federal Income Tax, Was Never Legally Ratified

Allegation 3: The U.S. Government Finances Its Operations From The Unconstitutional Creation of Fiat Money, not With Revenue From Income Taxes

The reader will notice that this report is referred to as "preliminary." This reference is intentional. These allegations are very serious. However, during the investigation, the author encountered a recurring reluctance on the part of individual officials from each of the three branches of both the federal and state governments to investigate or address these allegations. The purpose of this preliminary report is to bring these allegations to the attention of American citizens and government officials alike in order to generate discussion and debate.

This report was prepared by Joseph R. Banister, who graduated in 1986 from San Jose State University with a Bachelor's Degree in Accounting. He spent three years at KPMG Peat Marwick on their professional staff as a senior tax specialist and staff auditor. He then spent nearly two years in the venture capital industry during which time he became a licensed Certified Public Accountant (CPA) in the State of California. Mr. Banister left public practice as a CPA in 1993 when he accepted appointment as a Special Agent (criminal investigator) in the Department of the Treasury, IRS Criminal Investigation Division (IRS-CID).

Mr. Banister began this investigation as an attempt to satisfy his curiosity about certain allegations regarding the federal income tax - allegations that he initially considered outrageous and unbelievable. The investigation was conducted on his own time and at his own expense. Based on his many years of experience with the federal income tax from both the compliance and enforcement perspectives, he fully expected that these allegations would prove to be false. However, after gathering and evaluating all of the evidence, Mr. Banister learned that most, if not all, of the allegations had merit. This report will explore the process that led Mr. Banister to this evidence as well as the evidence itself.

background

How These Allegations Came To My Attention

One day in December 1996, I was listening to a talk radio program on KSFO "Hot Talk 560," a San Francisco based radio station. The host of the program, Geoff Metcalf, was interviewing a guest named Devvy Kidd. Mrs. Kidd spoke about a number of different topics but she made some allegations about the federal income tax that astonished me. Kidd alleged, among other things, that the federal income tax was voluntary. Since I made my living investigating criminal violations of the federal tax laws, I listened very intently to what she had to say.

Up to that point, I had always considered Geoff Metcalf to be a very reputable and honest talk show host who could back up everything he broadcasted with facts and evidence. I found it odd that he would invite a guest like Kidd on his show and allow her to make such an outrageous claim. At the end of the show, Mrs. Kidd gave out an address where listeners could send for more information. My belief in Metcalf's credibility coupled with incredible curiosity prompted me to write to Kidd for the information she offered.

In January 1997, I received a package from Mrs. Kidd that contained two books approximately 50 pages in length. One was entitled Blind Loyalty and the other was entitled Why A Bankrupt America?. The books were filled with very shocking claims about the United Nations, the federal income tax system, and the federal banking and monetary systems, among other topics. I read both of Kidd's booklets thoroughly and I found a more detailed explanation of the allegations she had made on the radio. There were three allegations that I found the most profound and unbelievable:

Allegation 1: Due to Limitations Imposed By The U.S. Constitution, Filing of Federal Income Tax Returns and Payment of Federal Income Tax Is Voluntary, Not Mandatory

Allegation 2: The 16th Amendment To The U.S. Constitution, The Amendment Which Precipitated The Federal Income Tax, Was Never Legally Ratified

Allegation 3: The U.S. Government Finances Its Operations From The Unconstitutional Creation of Fiat Money, not With Revenue From Income Taxes

Kidd's allegations were so shocking and contrary to everything I had been taught that I spent many months simply thinking and meditating about what I had read. In the latter part of 1997, I read the book, The Creature From Jekyll Island, authored by G. Edward Griffin. Griffin's book shared some of the same subject matter as Kidd's books, which prompted me to pick them up a second time. During this second review, I noticed an unusual aspect about Kidd's books that I had paid little attention to the first time through. Kidd had a practice of including telephone numbers of the people responsible for the evidence she provided. It was at this point that I realized I could simply telephone these men and make direct inquiries about the evidence supporting their allegations. In December 1997, I decided to contact them personally in order to determine the truth.

allegation 1

Filing Federal Income Tax Returns and Paying Federal Income Tax Is Voluntary, Not Mandatory

As I said previously, I had read and re-read Devvy Kidd's booklets and found the contents beyond belief. Still, I couldn't be sure until I found out for myself, and personally telephoning the people who made these allegations seemed like the best approach. I was tempted to call Kidd first but I decided that since the income tax issue was my area of expertise, I would start with those directly responsible for the allegations regarding the federal income tax.

I took some time off work and called the first man on my list - a man named Bill Conklin who claimed that no one was required to file federal income tax returns. Kidd had included in her book, BLIND LOYALTY, a press release issued by Conklin on December 10, 1994, in which he announced a decision by the 10th Circuit Court of Appeals. The appeals court ruled in Conklin v. United States that filing federal income tax returns was not required. Conklin included his telephone number on the press release.

You have to understand that at this point I was not only skeptical about Conklin's allegation that filing federal income tax returns was voluntary but I was also skeptical about being able to discuss his allegations in a logical manner. The reason for this skepticism was based on a belief largely influenced by my previous IRS training - a belief that people like Conklin, commonly referred to as "illegal tax protestors" by the IRS, were not to be taken seriously. According to what I had been taught in training, illegal tax protestors were kooks whose arguments against the federal income tax made no sense and had no basis in fact or law. Perhaps the animosity between so-called tax protestors and IRS agents has resulted, in part, because these two factions regularly meet face to face as they somehow reconcile our American income tax laws with our American tradition of liberty. When the two factions collide, sparks often fly.

During my criminal investigator training, the Internal Revenue Service emphasized that there were two types of tax protestors - legal and illegal. Legal protesters were the largest group because they consisted of just about everybody - from the complainers, marchers, and sign waivers to loophole seekers and those who tried to effect changes in the tax law. Illegal protestors were a much smaller category of those who, according to the IRS, refused to obey the law or had corrupted its meaning. Protestors in the illegal category were known to risk jail for their beliefs.

There is no doubt that some so-called tax protestors have corrupted the meaning of the federal income tax law to swindle innocent people. For example, some groups, for a large up front fee, have convinced others to join a tax scheme which eventually led to heavy penalties, interest, and, for some, jail time. These groups promised a "silver bullet" approach that would do away with income taxes forever. I wasn't sure whether Conklin would offer the silver bullet approach or some other alternative.

Conklin could not have had a more skeptical caller. When I first decided to call him directly, I thought that perhaps the phone number on the press release would have been disconnected or no longer in service. After all, the press release was dated December 1994 and I was calling three years later. I honestly did not expect anyone to answer but I dialed the number anyway. After a few rings, I connected to an

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December 10. 1994

NEWSRELEASE FOR IMMEDIATE RELEASE

The Tenth Circuit Court of Appeals has ruled in Conklin v. U.S.A. (94-1213) that filing tax returns is not required.

Their decision is unpublished.

I discovered about fifteen years ago that a requirement to file 1040 tax returns would be unconstitutional to the extent that it requires individuals to waive their Fifth Amendment Rights.

About 10 years ago I started offering a $50.000 reward to anyone who could show me:

(1) What Statute in the Internal Revenue Code makes me liable to pay the income tax?

(2) How I can file a 1040 tax return without waiving my Fifth Amendment Rights?

Although many people have applied for the reward: no one has answered the question. The famous attorney Melvin Belli applied for the reward and he backed down when I explained the law to him. Another man in Seattle sued me in Federal Court for the reward and I won and got costs against him.

About eight years ago I raised this issue and filed suit in Federal Court. The judge sat on the case for five years before ruling against me. He told me in open court that if he ruled in my favor he would overturn the income tax system. He ruled that the Fifth Amendment does not apply because filing returns is not required. The Tenth Circuit upheld his decision.

By the way. the Fifth Amendment to the United States Constitution is the Amendment that says that citizens do not have to give the government information that can be used in criminal cases. The IRS consistently uses information on tax returns in criminal cases. I have worked on many criminal cases with different attorneys and I have witnessed this phenomenon many times. myself.

I have won six published wins against the IRS on my case alone. The cites are:

U.S. v. Church of World Peace. 878 F.2d 1281.
Tavery v. United States. 897 F.2d 1032.
Conklin v. C.I.R.. 897 F.2d 1027.
Church of World Peace. Inc. v. IRS. 715 F.2d 492.
United States v. Church of World Peace. 775 F.2d 265.
Conklin v. United States. 812 F.2d 1318.

If you type my name into any legal data base computer. you will see dozens of cites to my cases. As you can see. I am quite serious and successful in my challenge to the Internal Revenue Service and the Federal Income Tax.

My story is very interesting and I can prove beyond the shadow of a doubt that the IRS has been lying to the American public about the Nature of the Federal Income Tax for eighty years.

It is time to bring the truth to the American Public and let them decide what to do with the Income Tax. For the last ten years I have traveled this Nation speaking about this problem. People like to hear what I have to say.

I have written a book that has been published about this issue. The book is: The Freedom Book: A Manual in Fighting the Usurpation of Unconstitutional Government.

I hope to hear from you.

Sincerely.

Bill Conklin

answering machine and a voice identifying itself as "Bill Conklin" gave a short greeting and invited the caller to leave a message. I left a message telling Conklin my name and that I was looking for information regarding voluntary tax returns. In order to increase the chances of a returned call, I also told Conklin that he might be a little surprised at what I did for a living.

Within an hour, Conklin called me and I proceeded to tell him that although I was calling as a private citizen, on my day off and from my home telephone, I was employed as a Special Agent in the IRS Criminal Investigation Division. I then told him that his allegation that no one is required to file federal income tax returns seemed too incredible to be believed and I was admittedly skeptical. After talking a little more about what I did for a living, I sensed that Conklin believed I really was an IRS Special Agent (after all, I had no way of proving it over the telephone.

I told Conklin that I did not have an ax to grind nor did I have a hidden agenda. I told him his allegations and court victories genuinely intrigued me and I wanted to learn more. I further told him that I was interested only in the truth, and that I intended to call others in Devvy Kidd's booklets about the federal income tax issue. Conklin admitted to me that he had never received a call from an IRS criminal investigator attempting to satisfy his curiosity and he considered my telephone call a pleasant surprise.

We spoke for a while and Conklin restated much of what I had read in Devvy Kidd's materials but he also filled in additional details. Conklin offered to send me some additional information, including his book, WHY NO ONE IS REQUIRED TO FILE TAX RETURNS and what you can do about it. He also made a unique gesture by offering to send me $50.00 to offset long distance charges that I might incur as I investigated the issue further. Since it was a thoughtful gesture to begin with, and since I was doing this little investigation on my own time and at my own expense, I accepted his $50.00 offer. Conklin suggested that I speak with one of his trusted friends, a man named Peymon Mottahedeh. Within a half-hour, I received a call from Peymon (pronounced pay-mon).

Like Conklin, Peymon was surprised that an IRS agent was calling to research these tax issues for himself instead of simply taking the agency's word for it. I repeated to Peymon that I was still very skeptical about these allegations but that I was willing to receive any evidence he could provide. Peymon went on to explain how he was a patriotic American who had emigrated to the U.S. from Iran. He also told me his family was something of a rarity in Iran - they were Jews. So much for the myth that patriots and so-called illegal tax protestors are anti-Semitic! We traded telephone numbers and Peymon said he would send me some additional information.

Within a few days, I received a Priority Mail package from Conklin. In it I found a $50.00 bill and a 66 page booklet entitled, WHY NO ONE IS REQUIRED TO FILE TAX RETURNS and what you can do about it. Also inside were various flyers and announcements including one for a $50,000 reward payable to anyone who could show Conklin what statute makes him liable to pay federal income tax and how he could file a tax return without waiving his 5th Amendment rights. As soon as I found some time, I began reading Conklin's book WHY NO ONE IS REQUIRED . . . which described the process by which Americans waive their 5th Amendment rights when they file federal income tax returns. Conklin explains the process as follows:

Since the population is generally ignorant as to the nature of their rights and their constitutional protections, the federal government continues to get away with the biggest scam in United States history; they've done so for over 80 years. The government of the United States of America, through its agency the Internal Revenue Service, supported by a court system that deliberately ignores the law in tax cases, is requiring individuals to waive their Fifth Amendment protected rights to provide information on April 15, that may be used against them criminally. Such a situation makes a complete mockery of the Fifth Amendment. Through the IRS and the Department of Justice the government, by carefully orchestrated trials and outrageous fines and criminal penalties, instills fear and thus perpetuates a tax system which is not only un-American in that it taxes an individual's industriousness and productivity, but unconstitutional in that Americans must waive their constitutionally protected rights in order to comply with it. In this manner, they essentially beat confessions out of 100 million Americans each year, and make a mockery of our Bill of Rights. It is time for us to wake up, assert our rights again, and reveal the truth to others.

In order to provide a better understanding of Conklin's court victory, a review of the 5th Amendment to the U.S. Constitution is appropriate:

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; **nor shall be compelled in any criminal case to be a witness against himself**, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation. (Emphasis added)

Conklin court victories focused my attention on the fact that American taxpayers, without realizing it, apparently waive their 5th Amendment rights every time they submit information on their federal income tax returns. I was fairly familiar with the 5th Amendment since, as a criminal investigator, I was required to read criminal suspects their Miranda [5th Amendment] rights whenever I questioned them. I never considered that the information submitted on an income tax return could just as readily be used against someone. I never considered that when a taxpayer files an income tax return or is audited, they "answer questions" and "submit information" to IRS agents just as they might do when talking to me after I had given them the warning below. I am sure few Americans realize that as they bare their financial souls on their federal income tax returns, they are volunteering information that can be and will be used against them in criminal prosecutions.

I thought about the Miranda style warnings given to those questioned by IRS Special Agents prior to questioning. The following statement was required to be read before speaking to anyone who was the potential subject of an investigation:

As a special agent, one of my functions is to investigate the **possibility** of criminal violations of the Internal Revenue Laws, and related offenses. In connection with my investigation of your **tax liability** (or other matter) I would like to ask you some questions. However, first I advise you that under the **5th Amendment** to the Constitution of the U.S. I **cannot compel** you to answer any **questions** or to **submit any information** if such answers or information might **tend to incriminate you in any way**. I also advise you that **anything** which you **say**

and **any documents** which you **submit** may be **used against you** in any criminal proceeding **which may be undertaken**. I advise you further that you may, if you wish, seek the assistance of any attorney before responding. (Emphasis added)

If federal income tax return filers realized they were voluntarily waiving a very precious 5th Amendment right each time they filed, I expect they might consider doing what many people did when I read them their rights - keep their mouths shut and not hand me any documents or financial information. But why is it that citizens who file income tax returns and those subjected to an income tax audit aren't warned that anything which they say and any documents which they submit can, and do, end up being used against them in a criminal investigation?

Is there any difference, as far as your 5th Amendment rights are concerned, between an IRS special agent (criminal investigator) asking you questions and an IRS auditor asking you questions? Answers to questions from an IRS auditor or information you provide on your federal income tax return can be used against you in a criminal case just as readily as answers to questions from a special agent. I know this from personal experience. When I assisted prosecutors from the U.S. Department of Justice in preparing to prosecute a taxpayer who had been charged with an income tax crime, it was accepted and quite common for the prosecutor to use statements that the taxpayer had made on their income tax return, as well as any statements the taxpayer made to the IRS auditor, against them.

The preamble to the U.S. Constitution's Bill of Rights, which includes the 5th Amendment, says the following about why these rights are so important:

> The conventions of a number of the States having at the time of their adopting the Constitution, expressed a desire, **in order to prevent misconstruction or abuse of its powers**, that further declaratory and restrictive laws should be added: And as extending the ground of **public confidence in the Government**, will best insure the beneficent ends of its institution. (Emphasis added)

This preamble clearly indicates that the 5th Amendment and the rest of the Bill of Rights were created to curb government abuse, not to provide some loophole for criminals to escape punishment.

The courts also recognize the meaning and importance to the average citizen of the 5th Amendment. In Counselman v. Hitchcock, 142 U.S. 547; the U.S. Supreme Court said:

> . . . We are clearly of opinion that no statute which leaves the party or witness subject to prosecution after he answers the criminating question put to him can have the effect of supplanting the privilege conferred by the constitution of the United States . . .In view of the constitutional provision, a statutory enactment, to be valid, must afford absolute immunity against future prosecution for the offense to which the question relates.

In United States v. Sharp, 920 F.2d 1167, the 4th Circuit Appeals Court said:

> . . . The fifth amendment's protection against self-incrimination applies in any type of proceeding whether civil, criminal, administrative, investigatory, or adjudicatory . . . And it applies not only to evidence which may directly support a criminal conviction,

but to information which would furnish a link in the chain of evidence that could lead to prosecution, **as well as evidence which an individual reasonably believes could be used against him in a criminal prosecution**. . . . Accordingly, it may apply in the context of an IRS investigation into civil tax liability, **given the recognized potential that such investigations have for leading to criminal prosecutions**. (Emphasis added)

In United States v. Argomaniz, 925 F.2d 1349, the 11th Circuit Court of Appeals said:

...There can exist a **legitimate fear of criminal prosecution** while an IRS investigation remains in the civil stage, before formal transfer to the criminal division...

Another example is Garner v. United States, 424 U.S. 648, 96 S.Ct. 1178 (1976), in which the U.S. Supreme Court held that the information in an income tax return is the "testimony of a witness." Since the 5th Amendment guarantees that a citizen can not be compelled in any criminal case to be a witness against himself, and information on a return is routinely shared with prosecutors in the Department of Justice and other law enforcement agencies in the United State and around the world, wouldn't any law requiring a citizen to file a return be unconstitutional?

Many of us probably have some familiarity with the 5th Amendment to our U.S. Constitution, but we're clearly not as familiar with it as we should be. During my five years in law enforcement, it was quite common for me to read someone their Miranda rights (see above) before questioning them. However, as I said before, I often thought of the 5th Amendment as a protection used by criminals. I have come to to. I' know many citizens have grown weary of the government telling them that they have to give up more and more of their rights so that they can be better taken care of. Unfortunately, it's as if more and more of our rights are given up year after year and the government never keeps its end of the bargain!

Bill Conklin has had his own battles with the IRS about whether or not filing tax returns is required and whether or not our 5th Amendment rights are waived every time we file an income tax return. But what specifically did Conklin learn that made him realize that filing income tax returns was voluntary? Here's a brief summary:

Conklin has determined three flaws with the federal income tax

First, there is no statute that makes a person liable or responsible to pay the income tax. Individuals only become liable to pay the income tax when they voluntarily file a tax return, or when the IRS follows its assessment procedures as outlined in the Internal Revenue Code.

Second, If there were a statute which clearly and unequivocally required the filing of tax returns, such a statute would be unconstitutional under the present income tax system to the extent that it would require individuals to give the government information which could be used against them criminally.

Third, The Internal Revenue Service, under our U.S. Constitution, cannot legally require

information on 1040 returns from individuals-that is why the IRS continually refers to the income tax as "voluntary."

In 1986, Conklin filed an unsigned federal income tax return with a cover letter pointing out that he had discussed with several attorneys his perceptions of the 5th Amendment conflict with the requirements of filing returns, and none of the attorneys had been able to show Conklin how he could file a return without waiving his 5th Amendment rights. Conklin included copies of the opinion letters drafted by the attorneys with his unsigned return. Conklin even gave the Internal Revenue Service a power of attorney to sign the return for him if they could do so without waiving his 5th Amendment rights. According to Conklin, the IRS never filed his return for him.

However, the IRS, after receiving Conklin's unsigned return and attachments, did fine him $500 for filing a "frivolous return." Conklin fought back by suing the IRS in federal court over the issue. After five years of battle in federal court, Judge Nottingham of the 10th Circuit U.S. District Court told Conklin that if he were to rule in Conklin's favor, he was afraid that he would overturn the federal tax system. Notice that the judge didn't say Conklin was wrong, he just said he couldn't rule in Conklin's favor because it would overturn the federal tax system.

Judge Nottingham did eventually rule against Conklin, but the predicament Conklin put Judge Nottingham in was readily apparent. Nottingham took the position that Conklin's 5th Amendment rights were not at issue because in order for the 5th Amendment to be applicable, Conklin's testimony (on the income tax return) would have had to be "compelled." Since filing returns is voluntary, ruled the judge, Conklin's testimony (on the tax return) was not compelled and 5th Amendment protection is not available when the testimony is volunteered. Unfortunately, Judge Nottingham's ruling was in direct contradiction with the U.S. Supreme Court's 1976 Garner decision mentioned above. In Garner, the Supreme Court also said:

> . . . [I]t cannot fairly be said that taxpayers are "volunteers" when they file their tax returns. The Government compels the filing of a return much as it compels, for example, the appearance of a "witness" before a grand jury...

Are you thoroughly confused about whether filing returns is required or not? Don't be too hard on yourself. As you can see, the income tax law and the way it is administrated and enforced appears to have a confounding effect on the judiciary too!

Conklin commented on Judge Nottingham's ruling in his book WHY NO ONE IS REQUIRED TO FILE INCOME TAX RETURNS:

> As the judge had mused out loud earlier during one of the hearings, either way he ruled, I win! For example, if he were to have ruled that the $500 fine be abated, he would have to decide that the unsigned return and my contentions were not frivolous. But he couldn't do that, because then other folks might start submitting unsigned returns. That would pull the IRS' teeth–they could no longer fine folks for submitting a "frivolous" return, but more importantly, how then could the IRS use anyone's return information against them criminally if they hadn't signed it "...under the pains and penalties of perjury?"
>
> On the other hand, his upholding the $500 fine would mean that he was ruling against the written, professional opinions of six attorneys whom I was relying on, and would underscore the uncomfortable fact that their opinions brought into sharp focus; namely,

that the IRS could use the club of a fine to force me to sign and submit a return, forcing me to waive my rights not to be a witness against myself.

Either the 5th Amendment applies because filing returns is compelled, or the 5th Amendment does not apply because filing returns is voluntary...The IRS, in an obvious attempt to deal with the problem, continually refers to the income tax system as voluntary.

Is The Federal Income Tax Voluntary?

Conklin provided other information that expanded on Kidd's allegation that the federal income tax system is voluntary as opposed to mandatory. Conklin's analysis was so compelling that it prompted me to conduct my own personal investigation. Conklin pointed out a number of examples contained in actual IRS documents that show that the IRS does continually refer to the federal income tax system as voluntary. Despite five years spent working for the IRS and eight years complying with the income tax law, I never realized how much the IRS used the word voluntary when referring to the federal income tax and the filing of returns.

Conklin sent me a copy of portions of the Internal Revenue Manual (IRM) that he received via a Freedom of Information Act (FOIA) request. Notice the use of the word voluntary in the following IRM passages and see for yourself:

SEC. 4022.65 **Place and Time for Appearance**

(3) When a person indicates he/she will **voluntarily** comply but requests that he/she be served with a summons as evidence of his/her legal duty to produce records or testify . . . (Emphasis added)

SEC. 5535.4

(b) BMF accounts-

1. Advise taxpayers that the return(s) may be processed under IRC 6020(b) if not filed **voluntarily**. . .(Emphasis added)

SEC. 4022.41

(2) Notwithstanding the privilege against self-incrimination, information or evidence furnished **voluntarily** by a person summoned **may be used even though of an incriminatory nature.** (Emphasis added)

As you can see from actual passages from the IRS's own mxanual above, the IRS clearly emphasizes that information given on tax returns and information given subject to an IRS summons is done voluntarily. Conklin says the IRS purposely uses the word voluntary because the IRS knows that for it to require information (legally referred to as "testimony") would be illegal and unconstitutional. Is filing a tax return voluntary? Read the following passages from the Internal Revenue Manual as written and then read them again removing the word voluntary to see how voluntary is included over and over again without it being necessary to the meaning of the sentence:

IRS POLICY STATEMENTS: P-4-84 (Approved 7-6-83)

The purpose of criminal tax investigations is to enforce the tax laws and to encourage **voluntary** compliance. (Emphasis added)

Chapter 100 - Purpose and Instructional Use of Handbook
Section 110
INTRODUCTION
(1) The primary mission of Taxpayer Service is to promote voluntary **compliance** through education and assistance to taxpayers. (Emphasis added)

Section 13(91) (8-15-89)
INTRODUCTION
(1)....
(2).... The purpose of this program is to assess the correct tax liability by either:
(a) securing a valid **voluntary** income tax return from the taxpayer and/or
(b) Computing...(Emphasis added)

Part VI - Taxpayer Service
(13)31 (8-15-89)
INTERVIEW PROCEDURES
(1) (f) In walk-in areas, accept and/or assist in preparation of delinquent tax returns **voluntarily** submitted by taxpayers...(Emphasis added)

Now take a close look at the preceding Internal Revenue Manual sections. Why does the IRS manual use the word voluntary in these phrases and sentences when the word serves no apparent purpose? If filing tax returns, reporting income, and paying income taxes is mandatory, why the constant use of the word voluntary? Or does the word voluntary serve a purpose? The purpose being that, as Conklin and others allege, the IRS knows that they can not require you to file income tax returns and give them information because the 5th Amendment prevents them from doing so. It is something to think about. Why does the IRS instruct its employees to "promote **voluntary** compliance through education and assistance?" Why doesn't the IRS just instruct its employees to "promote compliance?" Why does the IRS instruct its employees in "securing a valid **voluntary** income tax return from the taxpayer?" Why doesn't the IRS just instruct its employees in "securing a valid income tax return?"

The standard explanation the IRS gives for their use of the word "voluntary" (as in voluntary compliance) is that, due to limited personnel and budgets, it is necessary for taxpayers to bear the responsibility of voluntarily complying with the federal income tax laws. This explanation makes little sense when one considers the ridiculous way other laws would be written if the same logic was applied.

For example, how often have you heard your local police department asking for you to voluntarily comply with the laws outlawing murder? There are certainly a limited number of homicide detectives and the budgets to pay for them. These budgetary limits make it crucial that people voluntarily comply with laws outlawing murder, don't they? Well, maybe murder is too harsh a crime to be compared with paying income taxes. What about a crime which more people commit? How about speeding? Have you ever been pulled over and told that you failed to voluntarily comply with the speed limit? No? Surely the state highway patrol personnel budget is limited. Does the state highway patrol rely on drivers voluntarily complying with the speed laws or do they simply rely on drivers complying with the speed laws? The point is that you have a **mandatory** duty to comply with every law prohibiting murder.

speeding, or any other illegal activity - you can not be forced to comply with a voluntary duty. Maybe now you have a better idea of why the IRS explanation regarding their use of the word voluntary doesn't make any sense, unless, of course, it serves another purpose.

Homeowners across the country know what paying property taxes is all about. Surely the various counties across the country have "limited personnel and budgets." Yet, I have never heard of a county advising its residents to voluntarily comply with the property tax laws because of limited personnel and budgets to administer the tax. Instead, the county assessor assesses (fixes the amount of) your property, making you liable for the tax, and sends you a bill. You pay the bill you are made liable for or the county will place a lien (legal claim) on your house until it is paid.

The use of the word voluntary is very prevalent whenever the federal income tax is described or discussed by government officials. For example, Dwight E. Avis, Head, Alcohol and Tobacco Tax Division (today's A.T.F.) of the Bureau of Internal Revenue (today's I.R.S.) testified before the House Ways & Means Committee in 1953 regarding administration of the internal revenue laws:

Let me point this out now. Your income tax is 100 percent voluntary tax, and your liquor tax is 100 percent enforced tax. Now, the situation is as different as day and night. Consequently, your same rules just will not apply, and therefore the alcohol and tobacco tax has been handled here in this reorganization a little differently, because of the very nature of it, than the rest of the overall tax problem.

There are many other examples. In A Note From The Commissioner in the 1991 Instructions For Form 1040 booklet, IRS Commissioner Fred T. Goldberg, Jr. stated:

As countries around the world embrace our way of life, it is a reminder that government in a free country can only be financed through **voluntary** compliance . . . (Emphasis added)

In A Note From The Commissioner in the 1992 Instructions For Form 1040 booklet, IRS Commissioner Shirley D. Peterson stated:

You are among the millions of Americans who comply with the tax law **voluntarily.** (Emphasis added)

In A Note From The Commissioner in the 1993 Instructions For Form 1040 booklet, Margaret Milner Richardson, in A Note From The Commissioner, stated

Thank you for making this nation's tax system the most effective system of **voluntary** compliance in the world. (Emphasis added)

Senator Bob Kerrey co-chaired the National Commission on Restructuring the IRS. In an interview conducted by Anne Willette published in USA Today on March 5, 1997, the following exchange took place:

Q: The commission's goal is to "ensure the American public's faith in its government to collect revenue in a fair and courteous manner." Why does being fair and courteous matter?

Kerrey: It's a **voluntary** system. If people don't perceive it to be fair, people will not **voluntarily** comply. We are struggling to maintain ground on **voluntary** compliance. (Emphasis added)

Why The Repeated Use Of The Word Voluntary?

During my investigation into why the word voluntary is repeatedly used in conjunction with the federal income tax, I discovered a large volume of constitutional research supporting the conclusion that the creators and curators of the federal income tax system have been **forced** to construct it and administer it as a so-called "voluntary" system, in order to avoid running afoul of the U.S. Constitution. In other words, a way had to be found to pound the "square peg" known as the federal income tax into the "round hole" of the U.S. Constitution. The research shows that this forcing of a "square peg" into a "round hole" has plagued administration and enforcement of the federal income tax since the day it was born. The problem is that the implication of this research is not known or understood by the vast majority of American taxpayers.

The Evolution of Our Contemporary Federal Income Tax

Most Americans are probably unaware that a federal income tax similar to our contemporary system was passed by Congress and became law in 1894. In 1895, that income tax was declared unconstitutional by the U.S. Supreme Court in the case, Pollock v. Farmers' Loan & Trust Co., 157 U.S. 429, 15 S.Ct. 673, aff. ref., 158 U.S. 601, 15 S.Ct. 912 (1895). The Pollock Court said:

> ... The tax imposed by sections 27 to 37, inclusive, of the act of 1894, so far as it falls on the income of real estate, and of personal property, being a direct tax, within the meaning of the constitution, and therefore unconstitutional and void, because not apportioned according to representation, all those sections, constituting one entire scheme of taxation, are necessarily invalid. (Emphasis added)

Not only did this decision by the U.S. Supreme Court invalidate the 1894 income tax act, it re-emphasized the meaning of the constitutional restrictions on direct taxation, namely that direct taxes must be apportioned according to representation to be legal. Supporters of the 1894 income tax act had been defeated in the highest court in the land. Less than 20 years later, supporters of

the federal income tax attempted to neutralize the Pollock decision by amending the U.S. Constitution. Their efforts to institute such an income tax culminated in the passage and alleged ratification of the 16th Amendment.

Although the 16th Amendment has clearly been used as both the basis for implementation and basis for continuance of our contemporary federal income tax system, the truth is that the 16th Amendment, by the U.S. Supreme Court's own admission, did not eliminate constitutional limitations of federal taxing power (i.e. representational apportionment of direct taxes or uniformity of indirect taxes). In Brushaber vs. Union Pacific R.R., 240 US 1, 36 S.Ct. 236, decided on January 24, 1916, the Supreme Court said:

> [T]he proposition and the contentions under it [the 16th Amendment], if acceded to, would cause one provision of the Constitution to destroy another; that is, they would result in bringing the provisions of the Amendment exempting a direct tax from apportionment into irreconcilable conflict with the general requirement that all direct taxes be apportioned. Moreover, the tax authorized by the [16th] Amendment, being direct, would not come under the rule of uniformity applicable under the Constitution to other than direct taxes, and thus it would come to pass that the result of the Amendment would be to authorize a particular direct tax not subject either to apportionment or to the rule of geographical uniformity, thus giving power to impose a different tax in one state or states than was levied in another state or states. This result, instead of simplifying the situation and making clear the limitations on the taxing power, which obviously the [16th] Amendment must have been intended to accomplish, **would create radical and destructive changes** in our constitutional system and multiply confusion. (Emphasis added)

In other words, the Pollock decision, decided prior to the 16th Amendment, clearly and unequivocally stated that direct taxes (such as an income tax) are unconstitutional unless apportioned according to representation. The Brushaber decision, decided subsequent to the 16th Amendment, reinforced the earlier Pollock decision. A direct tax not apportioned would still be unconstitutional and void. But if the Brushaber decision, which occurred after the 16th Amendment, supported the Pollock decision, which occurred before the 16th Amendment, why hasn't the truth about the constitutionality of the federal income tax become apparent to the average American? Not surprisingly, the reason seems to be that, as courts have been known to do, traditional interpretations of words and law were lost or misinterpreted. But how did this occur?

Before this question is answered, it is necessary to provide a more detailed explanation about what forms of taxation are legal under the U.S. Constitution. There are only two types of taxation authorized by the U.S. Constitution - indirect taxes and direct taxes. Indirect taxes such as excise taxes, which are required by the U.S. Constitution to be uniform (Article 1, Section 8, clause 1), are generally added to the price of a product and included in the price of that product (like wine, beer, distilled spirits, cigarettes, and gasoline) or when an event takes place (like gambling/wagering or the purchase or ownership of certain firearms). One of the most important characteristics of an indirect tax, such as an excise tax on whiskey, cigarettes, or gasoline, is that it is avoidable. If you don't buy whiskey, for example, you don't have to pay the tax. Direct taxes, which the U.S. Constitution requires to be apportioned according to representation (Article 1, Section 2, clause 3 and Article 1, Section 9, clause 4), are generally paid directly by the taxpayer to the government and are unavoidable. Income taxes have traditionally fallen into the category of

direct taxes.

During my investigation into these issues, I contacted a Huntsville, Alabama attorney named Lowell H. (Larry) Becraft, Jr. It turned out that Becraft also knew Devvy Kidd and Geoff Metcalf, the KSFO radio talk show host who first exposed me to these various income tax allegations.

Becraft is incredibly knowledgeable about the legal and constitutional issues surrounding the federal income tax. I was fortunate to have been introduced to him because, not surprisingly, the legal and constitutional issues relating to the federal income tax are very complex. Like a master sleuth, Becraft has pierced that complexity and maneuvered his way through complex and often contradictory laws, court rulings, and other documentation. He has documented evidence which not only supports the contention that the federal income tax system is voluntary, but calls into question the very constitutionality of the way the federal income tax is administered, especially the legality of fining or prosecuting taxpayers who refuse to volunteer.

On the issue of prosecuting taxpayers for violating the federal income tax laws, Becraft points out that, legally, a citizen can not be found guilty of violating a law that is so **unsettled** and/or **complex** that the taxpayer could not possibly have formulated the intent to violate it. In other words, one can not be held responsible for violating an unclear legal duty. The primary reason one can not and should not be found guilty of violating an unclear legal duty is that the 5th Amendment to the U.S. Constitution, in addition to those protections discussed previously, also protects us from "be[ing] deprived of life, liberty, or property, without due process of law."

Becraft points to at least a dozen court cases which illustrate this point, but one case is particularly good at defining alleged violations of unclear legal duties. The case is United States v. Critzer, 498 F.2d 1160 (4th Cir. 1974). The Critzer case addressed whether or not the conviction of Mrs. Critzer for income tax evasion was proper. Mrs. Critzer had been informed by the Bureau of Indian Affairs that money she had received from some property located on a reservation was not taxable. Mrs. Critzer relied on the advice of the Bureau officials and did not report the income. The Internal Revenue Service took the opposite position of both the Bureau of Indian Affairs and Mrs. Critzer, had her indicted and prosecuted, and she was later convicted of income tax evasion. The appeals court reversed her conviction because of the complexity of the law Mrs. Critzer was alleged to have violated. The court said:

> While the record amply supports the conclusion that the underreporting was intentional, the record also reflects that, concededly, whether defendant's unreported income was taxable is problematical and the government is in dispute with itself as to whether the omitted income was taxable . . .
>
> We hold that defendant must be exonerated from the charges lodged against her. As a matter of law, defendant cannot be guilty of willfully evading and defeating income taxes on income, the taxability of which is so uncertain that even co-ordinate branches of the United States Government plausibly reach directly opposing conclusions. As a matter of law, the requisite intent to evade and defeat income taxes is missing. The obligation to pay is so problematical that defendant's actual intent is irrelevant. Even if she had consulted the law and sought to guide herself accordingly, she could have had no certainty as to what the law required.
> It is settled that when the law is vague or highly debatable, a defendant - actually or imputedly - lacks the requisite intent to violate it.

The court clearly comprehended the severe due process problems of expecting a person to comply with a law so complex and contradictory.

Although the history of the income tax is complicated, Becraft's analysis is very helpful in understanding it better. It is not possible to replicate the entire complicated legal history here in these pages. However, suffice it to say that the courts, both federal and state, are divided over what kind of tax the federal income tax even is. Becraft has made the following comments on this inability of the courts to agree:

The problems created by the failure of American courts to determine what is the nature of an income tax are very broad. Any particular federal tax must fit within one of the two constitutional tax categories and once the category is known, it may be determined whether the tax in question complies with the constitutional regulation for imposition of that type of tax. A direct tax which is uniformly imposed would still be unconstitutional as one imposed in the absence of apportionment. An indirect tax imposed via apportionment would likewise be unconstitutional since it would not be uniform. But if it is impossible to determine which class any given tax falls within, then it is likewise impossible to determine which constitutional regulation, if any, applies to that tax. If the courts of this nation hold that an income tax is both an excise tax and a direct one, it cannot with any degree of certainty be determined what constitutional restrictions might or might not apply to this tax or what is even the meaning of the 16th Amendment.

Mr. Becraft has described a profound problem with our federal system of income taxation. Remember the analogy of forcing a square peg into a round hole?

The contradictory opinions of the courts in this country and their inability to place the federal income tax into one of two proper constitutional categories only reinforces the argument that the federal income tax must be, in fact, voluntary. Once the evidence has been reviewed, no other explanation seems possible. During the early days of the income tax, I think it is entirely possible that legislative and bureaucratic attorneys were fully aware of the constitutional problems with the federal income tax and knew they had to craft the income tax laws in a way that did not violate the U.S. Constitution. Hence, it is entirely plausible that they wrote the law with language that did not indicate mandatory compliance yet didn't explicitly indicate voluntary compliance either in order to avoid constitutional problems.

In fact, in 1920, seven years after the alleged ratification of the 16th Amendment, the U.S. Supreme Court gave an early warning to lawmakers to use caution in exercising their ability to tax in its case, Eisner v. Macomber, 252 U.S. 189, 40 S.Ct. 189, where the court said,

The Sixteenth Amendment must be construed in connection with the taxing clauses of the original Constitution and the effect attributed to them before the amendment was adopted. (Emphasis added)

Government officials were certainly on notice from that day forward that they had to steer clear of violating the U.S. Constitution. One way of doing so would be to write the income tax laws in a non-mandatory way. After all, it is not possible to violate a person's constitutional rights if they voluntarily waive them. It is clear that through decades of gradualism, the non-mandatory nature of the income tax laws has obviously
been obscured.

The Internal Revenue Service, which administers the federal income tax laws, and the U.S. Department of Justice which prosecutes violations of the federal

income tax laws, have relied on Supreme Court cases such as Brushaber v. Union Pacific R.R. Co., among other cases, to justify the constitutionality of the federal income tax. However, it appears these agencies have used the "green light" given them by the Supreme Court permitting them to collect an excise tax on "income" while ignoring the "red light" restrictions by the same court as to what "income" consists of and how much of it is subject to an excise tax.

As stated above, the Brushaber case and a related case called Stanton v. Baltic Mining Co., 240 U.S. 103, 112-13, 36 S.Ct. 278 (1916), considered the income tax we have today to be an excise tax. Therefore, the next logical step would be to find out how that same U.S. Supreme Court defines an excise tax. In its decision Flint vs. Stone Tracy Co., 220 US 107, the Supreme Court defined excise taxes as "taxes laid upon the manufacture, sale, or consumption of commodities within the country, upon licenses to pursue certain occupations, and upon corporate privileges."

Therefore, if the Supreme Court placed the federal income tax in the category of an indirect/excise tax, and the same Supreme Court defined an excise tax as "taxes laid upon the manufacture, sale, or consumption of commodities within the country, upon licenses to pursue certain occupations, and corporate privileges," and few of the millions of Americans who pay income taxes actually fall into any of the categories listed by the Supreme Court, then how can the Internal Revenue Service justify collecting income taxes on, for example, wages earned by a mechanic, grocery store clerk, engineer, teacher, or police officer?

Interestingly enough, I discovered that the Internal Revenue Service uses the same terminology as the U.S. Supreme Court. In their very own manuals, the IRS defines excise taxes the same way the Supreme Court does.

For example, in Internal Revenue Manual section 9781, subsection 451, The IRS defines an excise tax as follows:

> An excise tax is a duty or impost levied upon the manufacture, sale, or consumption of commodities within the country, and upon certain occupations (Emphasis added)

and at subsection 452.1, the IRS states . . .

> Income taxes **are based on net income or net profits**, and are graduated. Excise taxes are **not graduated**, and they can be based upon any of the following factors: selling price of merchandise or facilities; services sold or used; number, weight, or volume of units sold, and nature of occupation (Emphasis added)

and at subsection 453.2, the IRS states . . .

> The excise tax categories of interest to Criminal Investigation include:
> a) manufacturers excise taxes [gasoline, recreational equipment, coal]
> b) occupational taxes [wagering, brewers of beer]
> c) facilities and services [toll telephone service]
> d) heavy truck and trailers
> e) miscellaneous excise taxes [seabed mining, liquor, and tobacco]

and at subsection 457.2, the IRS states...

...excise tax is based on specifically enumerated articles or services, whereas income tax is based strictly on income

As you can see from the above excerpts in the IRS's very own procedures manual, the IRS is very clear on what an excise tax is. In short, the Supreme Court knows exactly what an excise tax is, and has defined it accordingly, and the IRS knows exactly what an excise tax is, and has defined it accordingly. If the constitutional justification for retention of our contemporary federal income tax was to place it in the excise category, and both the U.S. Supreme Court and the Internal Revenue Service are very clear about what excise taxes are and who is subject to them, then it seems abundantly clear that most Americans, unless they fall into the narrow categories listed above, are not subject to the federal income tax, that is, of course, unless they voluntarily comply.

Put another way, if the U.S. Supreme Court had to classify the federal income tax as an excise tax in order for it to remain constitutional, and, by the Supreme Court's own definition, excise taxes are "laid upon the manufacture, sale, or consumption of commodities within the country, upon licenses to pursue certain occupations, and corporate privileges," then how can the IRS require that people not engaged in these activities pay federal income tax? This is the reason why those who have studied the issue believe that despite the penalties, fines, seizures, and jail sentences, the federal income tax system truly is voluntary. The publicity of those enforcement actions leads people to believe that the federal income tax is mandatory even though, on closer inspection, all indications are that it is voluntary. Apparently, the reason the U.S. Government continues to operate the system in its present form is because of a lack of understanding about basic constitutional rights on the part of government officials and the American people. In summary, the reasons the federal income tax had to evolve as a voluntary system are because:

1) Despite many contradictory court decisions throughout the years, our contemporary federal income tax most closely resembles a direct tax - a direct tax not apportioned by population as required by the U.S. Constitution.

2) Our contemporary federal income tax, as administered, is really not an indirect excise tax. Even if it were an excise tax, by the U.S. Supreme Court and the Internal Revenue Service's own definition of an excise tax, most Americans are not subject to it.

3) Since the federal income tax, as currently implemented, does not fall into either the direct/apportioned or indirect/uniform categories delineated in our U.S. Constitution as legally acceptable taxes, it must fall into some other class of taxation which is not even mentioned in the U.S. Constitution.

4) The federal income tax is therefore being administered and collected outside of constitutional authority and must therefore be voluntary in order to pass constitutional muster.

What happens to those who refuse to volunteer? Things can get very difficult for them. Later, Devvy Kidd will describe her own experience with the Internal Revenue Service.

Any Volunteers?

As you read further, keep in mind that whenever I describe a particular law, regulation, practice, or procedure, I am not gratuitously "bashing" the Internal Revenue Service or any other government agency or official. I am simply trying to emphasize the potential danger in having citizens, professionals, and government officials alike who are ignorant of the requirements of the U.S. Constitution and the law. It is elected and appointed officials who are responsible for creating, interpreting, and enforcing these laws. Ultimately, however, the citizens of this country are responsible for the existence of this maze of laws and regulations because they have, and have always had, the power to change them. First, however, citizens must understand them.

In all of the years I have spent complying with and enforcing the federal tax laws, I never would have imagined that those laws are limited to promoting voluntary rather than mandatory actions by payers of the income tax. For instance, I applied for a social security number when I was a teenager just like millions of other Americans. I applied for it because I was led to believe I was required to have one in order to work. Based on my research, I have discovered that I was wrong. I filled out a Form W-4 so that taxes would be withheld from my check because I was led to believe I was required to have one in order to work. Based on my research, I was wrong about that also. I filed an income tax return not so much because I was told to file one but because everyone else was filing one and because each year the bottom of my tax return showed that the federal government owed me money (a tax refund).

And so it went, year after year. Like millions of Americans, I joined the federal income tax system not knowing what I was getting into. Rather, I relied on others to show me the way. It appears that the "others" on whom I relied were relying on others who were relying on still others. Apparently, few, if any, researched which law required them to submit these forms and pay this money - it's as if they did it because everyone else was doing it. It would be a shame if the federal income tax system turns out to be like a herd of cattle led to the cliff by a few confused bulls in the front of the herd - those in back have no idea where they are going - they are simply following the herd.

With those thoughts in mind, it is time to explain the process by which people are lead to believe they (and their tax return preparer if they use one) think they are required to withhold federal income taxes from their paychecks, file a U.S. Individual Income Tax Return, and pay federal income tax. The process used to seize bank accounts, cars, and houses without the apparent legal authority to do so will also be described.

Withholding

During World War II, a man named Beardsley Ruml, one-time chairman of the Federal Reserve Bank of New York, devised a system of withholding for a temporary "Victory Tax" to pay the expenses of the war effort. Americans felt it was their duty to support soldiers during the war and were apparently content with this temporary measure to collect federal taxes. Unfortunately, contemporary Americans

can testify to the fact that the withholding system begun over 50 years ago with the "Victory tax" has been anything but temporary.

The average American might think that there must be a good reason to have kept the temporary withholding system in place permanently. Many of us have been conditioned to think that for the good of our nation and for the smooth running of our country's revenue stream, withholding of income taxes at the source is a necessary task. Unfortunately, those so conditioned would be wrong. Wrong, in part, because Mr. Ruml, the man who created the system in the first place, admitted that the reasons for withholding of taxes have nothing to do with the good of our nation or the smooth running of the country's revenue stream. On the contrary, Ruml, in an article entitled Taxes for Revenue Are Obsolete, which he read in a speech before the American Bar Association and which was published on pages 35-39 of the January 1946 issue of American Affairs, said:

The necessity for a government to tax in order to maintain both its independence and its solvency is true for state and local governments, **but it is not true for a national government**. Two changes of the greatest consequence have occurred in the last twenty-five years which have substantially altered the position of the national state with respect to the financing of its current requirements. (Emphasis added)

The first of these changes is the gaining of vast new experience in the management of **central banks**.

The second change is the **elimination**, for domestic purposes, of the convertibility of the currency into gold.

Later in the report, I will explain more about what Ruml meant by "elimination, for domestic purposes, of the convertibility of the currency into gold." But, for purposes of this section, suffice it to say that the withholding system he devised was not meant to permit the smooth running of a revenue stream to fund federal government operations.

There is another myth about the contemporary federal tax withholding system. The myth is that the withholding of federal taxes from most people's paychecks is mandatory. Yes, I know people are fined and sometimes even jailed for not withholding taxes but, just as with the federal income tax system as a whole, the capacity of our government to point guns at us or put us in jail can not be the sole justification for compliance with these laws - that is, unless we live in a police state and the government does whatever it pleases. The simple fact is that when one researches the laws and regulations relating to the withholding of taxes from our paychecks, the language clearly indicates that, except for a small class of taxpayers, the withholding of taxes is a voluntary exercise.

How do citizens get caught up in this voluntary tax withholding system? The following scenario will help illustrate the process. Be aware that the following explanation refers to many sections of the Internal Revenue Code and federal regulations and can be very confusing. If you have trouble following the explanation, try presenting it to a friend or advisor with more experience and training in this area of the law.

Let's say that in January 1998, Mr. Tommy Smith, a high school student and resident of San Francisco, California, decides he is going to find his first job. He already has a social security number because his parents were falsely led to believe that such a number was required in order to claim a dependency exemption for him on their own tax return and applied for a number on his behalf years ago. Little did Tommy's

parents know that they could have still taken an exemption for Tommy even without a social security number. Tommy's parents, by getting their son a social security number, unknowingly took the first step in volunteering their son into the federal taxing system.

Tommy learns that ABC Company is looking for a dependable office clerk and is given an interview. Tommy does well in the interview and is hired. ABC Company's personnel manager, having been dutifully informed by the company's tax advisor that one is "required," gives Tommy a Form W-4, Employee's Withholding Allowance Certificate to fill out. Tommy, who assumes the form is "required" for employment, fills out the Form W-4. What he doesn't realize is that completion of the Form W-4 is not "required" for his employment at ABC Company. Further, Tommy does not realize that the Form W-4 represents a voluntary agreement between Tommy and his employer to have income tax withheld from his paycheck.

Now if ABC Company's tax advisor had researched the actual law and regulations governing withholding income tax from Tommy's paycheck, rather than simply following the herd, the advisor may have been able to advise ABC Company of an alternative treatment for Tommy's withholding. Guidance for the treatment of Tommy's withholding can be found in the Internal Revenue Code, Subtitle C, Chapter 24 - Collection of Income Tax at Source on Wages.

Section 3403 of Chapter 24 reads, in part, as follows:

> SEC. 3403. **Liability for tax**
>
> The employer **shall be liable** for the payment of the tax **required to be deducted** and withheld under this chapter, and shall not be liable to any person for the amount of any such payment. (Emphasis added)

As with most sections of the Internal Revenue Code, the language of Section 3403 is very confusing. Section 3403 is not only confusing but it seems to be a contradiction in terms. It gives little guidance as to what amount, if any, should be withheld from Tommy's paycheck. Rather, it only directs that for those taxes "required to be deducted," "the employer shall be liable." Perhaps Section 3402 of Chapter 24, entitled Income Tax Collected At Source will help determine Tommy's withholding situation. It reads, in part:

> SEC. 3402. **Income tax collected at source**
>
> **(a) Requirement of withholding.** -
>
> **(1)** In general. - Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall-
>
> **(A)** apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and
>
> **(B)** be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods.

At first glance, one might think that Section 3402 is the law that requires withholding of income taxes from Tommy's paycheck. After all, Section 3402(a)(1) specifically states that "every employer making payment of wages shall deduct and withhold upon such wages a tax ..." Does "every employer" mean every employer?

Does "wages" mean the money most Americans receive in their paychecks? Fortunately, Chapter 24 also includes Section 3401 - Definitions. Let's see if Section 3401 will shed some light on what amounts, if any, are required to be withheld from Tommy's paycheck. Section 3401 reads as follows:

SEC. 3401. Definitions

(a) Wages.-For purposes of this chapter, the term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer . . . (Emphasis added)

Section 3401(a) describes what we all can understand to be wages, namely "all remuneration for services performed." But Section 3401(a) also says that the "remuneration" comes from services performed by an "employee" for his "employer." At Section 3401 (c) and (d), the terms "employee" and "employer" are defined:

(c) Employee.-For purposes of this chapter, the term "employee" includes an officer, employee, or elected official of the United States, a State, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term "employee" also includes an officer of a corporation. (Emphasis added)

(d) Employer.-For purposes of this chapter, the term "employer" means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person . . .

One would think that the terms "United States" or "State" wouldn't have to be defined but, again, because we are dealing with the Internal Revenue Code, nothing should be taken for granted. There is no definition of "United States" or "State" in Chapter 24 of the Internal Revenue Code. However, those terms are defined in Chapter 79 - Definitions, as follows:

SEC. 7701 Definitions

(a) When used in this title [Title 26, The Internal Revenue Code], where not otherwise distinctly expressed or manifestly incompatible with the intent thereof- . . .

(9) United States.-The term "United States" when used in a geographical sense includes only the States and the District of Columbia. (Emphasis added)

(10) State.-The term "State" shall be construed to include the District of Columbia, where such construction is necessary to carry out the provisions of this title. (Emphasis added)

Tommy was hired as an office clerk for ABC Company in San Francisco. He is clearly not an "officer, employee, or elected official of the United States" "or any political subdivision thereof" especially if, according to Section 7701(a)(9), the United States includes "only the States and the District of Columbia. Tommy clearly is not an "officer, employee, or elected official" of a "State" or "any political subdivision thereof" if, according to Section 7701(a)(10), a State "shall be construed to include the District of Columbia."

Many people might assume that the term "include," as used in Section 7701(a)(9) and (10), is used to better define which employers and employees are subject to federal income tax withholding. In other words, which specific employers are required by law to withhold federal income taxes and which specific employees are required to have federal income tax money withheld. Unfortunately,

the opposite is true.

Whenever the words "include" or "includes" appear in the Internal Revenue Code (IRC), extreme caution should be exercised. The reason for caution is that there is a consistent pattern of confusion, murkiness, and lack of specifics whenever "include" or "includes" is used. Here are a couple of examples. Remember Section 7701(a)(9) above? It says:

> **United States.**-The term "United States" when used in a geographical sense includes only the States and the District of Columbia. (Emphasis added)

Although our friend Tommy doesn't live in the District of Columbia, he might have assumed that his home state of California was one of the "States" in the definition. As I said, however, extreme caution should be used and nothing should be assumed. As I explained above, Section 7701(a)(10) isn't much help in clarifying Section 7701(a)(9) since it refers right back to the District of Columbia:

> **State.**-The term "State" shall be construed to include the District of Columbia, where such construction is necessary to carry out the provisions of this title.

Tommy, let alone the average taxpayer, should be concerned with this lack of clarity in the withholding law. They should be even more concerned that the IRC seems to get murky and confusing when the subject of income taxes comes up yet the IRC is **very clear when the subject of excise or other clearly constitutional taxes is addressed**. For example, notice how "United States" is defined in Chapter 38, Section 4612 of the IRC - Environmental Taxes:

> SEC. **4612 Definitions and special rules**
>
> (a) **Definitions.**-For purposes of this subchapter-
>
> (4) **United States.**-
>
> **(A) In general.**-The term "United States" means the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, any possession of the United States, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. (Emphasis added)

Notice how the term "United States" is defined in Section 4612(a)(4)(A) with crystal clarity when it relates to an environmental excise tax that is beyond constitutional question. It is plainly evident from this section that lawmakers considered it necessary and prudent to clearly define "United States" as "the 50 States" in this section about definitions and special rules. However, as the first few words from Section 4612 advise, this definition of "United States" is only "for purposes of this subchapter." Why didn't those same lawmakers think it was necessary and prudent to clearly define "United States" in Section 7701(a)(9), which helps define who is required to have federal income taxes withheld from their check under Section 3402?

Another example is the definition of the word "State." Notice how the term "State" is defined in Chapter 61, Section 6103 of the IRC - Information and Returns:

SEC. 6103 Confidentiality and disclosure of returns and return information

(b) Definitions.-For purposes of this section-

(5) State.-The term "State" means (A) any of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, the Canal Zone, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands . . . (Emphasis added)

It is plainly evident from this section that lawmakers considered it necessary and prudent to clearly define a "State" as "any of the 50 States" in this section about confidentiality and disclosure of returns. However, as the first few words from Section 6103 advise, this definition of "State" is only "for purposes of this section." Why didn't those same lawmakers think it was necessary and prudent to clearly define "States" in Section 7701(a)(10), which helps define who is required to have federal income taxes withheld from their check under Section 3402?

Based on this analysis, it is clear that none of the sections mentioned so far require that income taxes be withheld from Tommy's paycheck. I searched through all of Chapter 24 of the IRC - Collection of Income Tax at Source on Wages, for any other law, which might require Tommy to have income taxes withheld from his paycheck. I only found Section 3402(q), that dealt with withholding of gambling winnings, and Section 3405 that dealt with pensions, and Section 3406 that dealt with interest and dividends. None of these sections applied to Tommy employment situation, an employment situation replicated millions of times across the United States by people who have money withheld from their own checks.

I also found Section 3402(f)(2)(A), which, at first glance, looked like it might have been the section that required Tommy to have income taxes withheld from his paycheck. It reads, in part:

(2) Exemption certificates.-

(A) On commencement of employment.-On or before the date of the commencement of employment with an employer, the employee shall furnish the employer with a signed withholding exemption certificate relating to the number of withholding exemptions which he claims, which shall in no event exceed the number to which he is entitled.

However, this section suffers from the same problem as the others. It refers to an "employee" and an "employer" which I have already shown you should not be applicable to Tommy's situation because he does not reside in the District of Columbia and therefore does not fall within the definition of "employee."

The only section that I did find which would apply to Tommy's situation is Section 3402(p) Voluntary Withholding Agreements, which states:

Voluntary Withholding Agreements. - The Secretary [of the Treasury] is authorized by regulations to provide for withholding -

(1) from remuneration for services performed by an employee for his employer which (without regard to this subsection) does not constitute wages, and

(2) from any other type of payment with respect to which the Secretary finds that withholding would be appropriate under the provisions of this chapter, if the employer and the employee, or in the case of any other type of payment the person making and the

person receiving the payment, **agree to such withholding. Such agreement shall be made** in such form and manner as the Secretary may **by regulations** provide. (Emphasis added)

The applicable Federal regulation 31.3402(p)-(1)(a), provided by the Secretary of the Treasury, further explains the withholding agreement:

> **(a) In general.** An employee and his employer **may** enter into an **agreement** under section 3402(b) to provide for the withholding of income tax upon payments of amounts described in paragraph (b)(1) of 31.3401(a)-3, made after December 31, 1970. An agreement **may** be entered into under this section only with respect to amounts which are includible in the gross income of the employee under section 61, and must be applicable to all such amounts paid by the employer to the employee. The amount to be withheld pursuant to an agreement under **section 3402(p)** shall be determined under the rules contained in **section 3402** and the regulations thereunder. (Emphasis added)

Since no one told Tommy that completing and signing this agreement with his employer to have income taxes withheld from his paycheck was voluntary, Tommy filled out the Form W-4 agreement, signed it, and joined millions of other wage earners who witness the ever increasing gap between their gross pay and their net pay, believing he had no other choice.

In late January or early February of 1999, ABC Company sends Tommy a Form W-2, Wage and Tax Statement, which shows how much gross pay Tommy received during 1998 and how much taxes were withheld from his paycheck. Tommy, an "A" student in math, is amazed at how much money has been taken out of his paycheck throughout 1998. When Tommy complains to his parents about how much has been taken, his parents tell him not to worry. They tell him that if he files a federal income tax return, he will probably get a "refund" of some of the taxes he paid. Liking the sound of getting some of his money back, Tommy takes the next step down the yellow brick road of the voluntary income tax system without even realizing the consequences of his actions. Understandably, all this teenager is thinking about is the few hundred dollars he will get refunded to him. Unfortunately, young Tommy has no idea what he will have to give up in order to get his money back. The following sections will illustrate just what Tommy and millions like him get themselves into as they are drawn deeper and deeper into the voluntary system.

Filing of Federal Income Tax Returns

Previously, I explained the issues relating to the 5th Amendment to the U.S. Constitution and how it relates to the filing of federal income tax returns. But what specific law does the Internal Revenue Service (as well as most CPAs, attorneys, and judges) rely on to make the American people believe they are required to file federal income tax returns? Exhibit 1 illustrates the three Internal Revenue Code (IRC) sections which purport to require the average American to file U.S. Individual Income Tax Returns - Internal Revenue Code, Subtitle F, Chapter 61 - Information and Returns, Sections 6001, 6011, and 6012. The Internal Revenue Service refers to these sections in the income tax booklet sent to taxpayers in the mail each year. You will find it under the

exhibit 1

SEC. 6001 Notice or regulations requiring records, statements, and special returns

Every person liable for any tax imposed by this title, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe. Whenever in the judgement of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such

SEC. 6011 General requirement of return, statement, or list

(a) General rule.-When required by regulations prescribed by the Secretary any person made liable for any tax imposed by this title, or with respect to the collection thereof, shall make a return or statement according to the forms and regulations prescribed by the Secretary. Every person required to make a return or statement shall include therein the information required by such forms or regulations.

SEC. 6012 Persons required to make returns of income

(a) General rule.-Returns with respect to income taxes under subtitle A shall be made by the following:

(1)(A) Every individual having for the taxable year gross income which equals or exceeds the exemption amount, except that a return shall not be required of an individual-

(i) who is not married (determined by applying section 7703), is not a surviving spouse (as defined in section 2(a)), is not a head of household (as defined in section 2(b)), and for the taxable year has gross income of less than the sum of the exemption amount plus the basic standard deduction applicable to such individual,

(ii) who is a head of household (as so defined) and for the taxable year has gross income of less than the sum of the exemption amount plus the basic standard deduction applicable to such individual,

(iii) who is a surviving spouse (as so defined) and for the taxable year has gross income of less than the sum of the exemption amount plus the basic standard deduction applicable to such individual, or

(iv) who is entitled to make a joint return and whose gross income,

exhibit 2

1993 Rates

Section 1 Tax imposed

(a) Married individuals filing joint returns and surviving spouses.-There is hereby imposed on the taxable income of-

(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and (2) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $36,900	15% of taxable income
Over $36,900 but not over $89,150	$5,535, plus 28% of the excess over $36,900
Over $89,150 but not over $140,000	$20,165, plus 31% of the excess over $89,150
Over $140,000 but not over $250,000	$35,928.50, plus 36% of the excess over $140,000
Over $250,000	$75,528.50, plus 39.6% of the excess over $250,000

(b) Heads of households.-There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $29,600	15% of taxable income
Over $29,600 but not over $76,400	$4,440, plus 28% of the excess over $29,600
Over $76,400 but not over $127,500	$17,544, plus 31% of the excess over $76,400
Over $127,500 but not over $250,000	$33,385, plus 36% of the excess over $127,500
Over $250,000	$77,485, plus 39.6% of the excess over $250,000

(c) Unmarried individuals (other than surviving spouses and heads of households).-There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 7703) a tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $22,100	15% of taxable income
Over $22,100 but not over $53,500	$3,315, plus 28% of the excess over $22,100
Over $53,500 but not over $115,000	$12,107, plus 31% of the excess over $53,500
Over $115,000 but not over $250,000	$31,172, plus 36% of the excess over $115,000
Over $250,000	$79,772, plus 39.6% of the excess over $250,000

(d) Married individuals filing separate returns.-There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

If taxable income is:	The tax is:
Not over $18,450	15% of taxable income
Over $18,450 but not over $44,575	$2,767.50, plus 28% of the excess over $18,450
Over $44,575 but not over $70,000	$10,082.50, plus 31% of the excess over $44,575
Over $70,000 but not over $125,000	$17,964.25, plus 36% of the excess over $70,000
Over $125,000	$37,764.25, plus 39.6% of the excess over $125,000

section entitled Privacy Act and Paperwork Reduction Act Notice.

Note that Section 6001 begins, "Every person liable for any tax imposed under this title . . . shall keep such records . . . make such returns . . . and comply with such rules and regulations as the Secretary may prescribe." [be aware that whenever the law refers to the "Secretary," it is referring to the U.S. Secretary of the Treasury, who delegates his power and authority down the chain of command to the employees of the Treasury agencies - therefore, when the law says "The Secretary," simply substitute "IRS"].

At first glance, you might assume that Section 6001 is the section that requires you to file a U.S. Individual Income Tax Return, but is that a correct assumption? Section 6001 says that "every person liable . . . shall . . . make such returns." It is clear from the language of the law that only persons made liable must file returns pursuant to Section 6001. Who is every person liable? Unfortunately, the Internal Revenue Code (IRC) isn't very helpful in telling us who every person liable is, at least when it comes to the average American taxpayer. The IRC defines a "person" not as "people" but rather as "partnerships," "trusts," "corporations," and "individuals." You would think that the millions of Americans who file U.S. Individual Income Tax Returns and pay income taxes every year are the "individuals" who are liable, right? This is not necessarily so.

Not only does the IRC never define what an individual is but it also does not specify how, when, where, or why an individual becomes liable for the income tax. Look at Internal Revenue Code, Subtitle A, Chapter 1, Subchapter A - Determination of Tax Liability, Section 1 (Exhibit 2). First, notice that the title of the Subchapter says "Determination of Tax Liability. Keep in mind, however, that the title of the subchapter is not the law. The law is the words contained in Section 1, which never uses the word "liable" or any word resembling it. Second, notice how Section 1 says it "imposes" a tax on "taxable incomes" of certain listed individuals, not persons.

Not only does the IRC never define what an individual is, it never defines what income is. In U.S. v. Ballard, 535 F2d 400, 404 (1976); cert. denied, 429 U.S. 918 (1977), the 8th Circuit Court of Appeals said, "The general term income is not defined in the Internal Revenue Code." Therefore, if Section 6001 states that every person liable must file a return but there exists no IRC section which specifically makes you liable for the income tax, then Section 6001 certainly can't be the section that requires you to file a U.S. Individual Income Tax Return.

What about the next section - Section 6011? Section 6011 has the same type of problems. It says in part, ". . .When required . . . by the Secretary any person made liable for any tax imposed by this title . . . shall make a return." As I explained above, there are no IRC sections specifying that the average American citizen is a person who has been made liable. If the law doesn't tell you when you are required and when or how or where you are made liable, then Section 6011 certainly can't be the section that requires you to file a federal income tax return.

What about the final section - Section 6012? Again, the same type of problems exist. Section 6012 says in part, "Returns with respect to income taxes . . . shall be made . . ." Did you know that the word shall means must if it refers to duties of the government but shall means may when used to define the legal duties of a "natural person" such as the average American taxpayer when their constitutionally protected rights are involved? Again, we can turn to the courts for guidance:

The word "shall" will be made to read as the equivalent of "may" if such construction is necessary to avoid the unconstitutionality of an act . . . As against the government, it has been held that "shall" is not mandatory unless the Legislature clearly intended it so to be . . . If a different interpretation is sought, it must rest upon something in the character of the legislation or in the context which will justify a different meaning.
Gow v. Consolidated Coppermines Corp., 165 Atlantic 136

It is true that the mandatory word "shall" is used rather than the permissive word "may" or "has authority to" commit the relator. But the instances are many in which courts have treated the mandatory word as merely permissive when necessary to sustain an act or accomplish the purpose which was clearly intended.
People ex rel. Barone v. Fox, 129 N.Y.S. 646; App.Div. 611

As against the government, the word "shall," when used in statutes, is to be construed as "may," unless a contrary intention is manifest.
Cairo and Fulton R.R. Co. v. Hecht, 95 US 170

Steffan M. Bertsch, an attorney from Washington State who has researched this issue thoroughly, describes the legal meaning of the word shall in Section 6012 this way:

A reading of Section 6012 seems to say that every individual with "gross" income in excess of a certain amount "shall" make a return. Herein lies the real constitutional stickler. If "shall" is mandatory, the IRC [Internal Revenue Code] is a frontal assault upon the Bill of Rights. To avoid this constitutional inconsistency, "shall" is properly used to mean "may." . . . Section 6012(a) says that every individual shall make a return. If "shall" means "must," then Congress by passing 6012(a), has superseded the Constitution of the United States. If shall is obligatory in this case, then people are required to file returns that may be later used against them in court as evidence to convict them of crimes. This cannot be the case and it is not the case. In order for Congress to get around this nasty item attached as the fifth article of the amendment to the Constitution, they give the job to their faithful agent, the IRS. The IRS then either tricks people into entering contracts of obligation, such as 1040 returns, or forces the people to pay through raw power even though the IRS lacks the lawful authority to make them. The deception occurs when the IRS then provides "alleged taxpayers" with a Privacy Notice that is a veiled Miranda warning. The tax filer is supposed to interpret this notice to say, "Anything you tell us could land you in jail, so make certain that what you tell us is true." However, it requires a most strained reading of the notice to glean this from it.

As Mr. Bertsch so eloquently points out, Section 6012 also can not be the section that requires you to file a U.S. Individual Income Tax Return.

Now that a brief explanation has been presented as to the language of the law itself and whether or not those laws require you to file U.S. Individual Income Tax Returns or make you "liable" for the federal income tax prior to filing, it is important to understand the process by which taxes of any kind become your legal obligation to pay.

Assessment Of And Liability For Federal Taxes

Taxes must be assessed by a tax collector before a taxpayer becomes liable for (owes) the taxes. For example, anyone who owns a house or votes in local elections should be familiar with the "county assessor." The county assessor is responsible for determining the "assessed value" of real property (real estate) and certain personal property in order to assess (fix the amount of) a property tax on the property. Property taxes are not due and payable (owed) until that assessment has been made and a liability has been established.

The U.S. Supreme Court defined the process of taxation, assessment, and amounts due and payable in Bull v. United States, 295 US 247, 55 S.Ct. 695, 79 LEd. 1421, as follows:

A tax is an exaction by the sovereign [government], and necessarily the sovereign has an enforceable claim against every one within the taxable class for the amount lawfully due from him. The statute [law] prescribes [defines] the rule of taxation. Some machinery must be provided for applying the rule to the facts in each taxpayer's case, in order to ascertain the amount due. The chosen instrumentality for the purpose is an administrative agency **whose action is called an assessment**. The **assessment may be a valuation of property subject to taxation**, which valuation is to be multiplied by the statutory rate to ascertain the amount of tax. **Or it may include the calculation and fix the amount of tax payable**, and assessments of federal estate and **income taxes are of this type. Once** the tax is **assessed**, the taxpayer **will owe** the sovereign the amount when the date fixed by law for payment

As you can see by the opinion of the U.S. Supreme Court, a tax can not be owed by a taxpayer until it has been assessed.

Just as a county assessor is given statutory authority to assess local property taxes, the U.S. Secretary of the Treasury is given statutory authority to assess federal taxes. How does the Secretary of the Treasury assess federal taxes? Statutes (laws) giving the Secretary authority to assess and collect payment of federal taxes are found in the Internal Revenue Code, Subtitle F, Chapter 63 - Assessment, Sections 6201 and 6203, and Chapter 64 - Collection, Section 6303 (see Exhibit 3).

Let's look at the statutes (laws) the Secretary of the Treasury uses to assess excise taxes and income taxes, and then look at enforcement measures he is authorized to take when those taxes (both excise and income) are not paid. Exhibit 3 shows the actual language of the laws the Secretary of the Treasury uses to assess federal taxes. Notice in Section 6201(a) that "The Secretary is authorized and required to make . . . assessments of all taxes which have not been duly paid by stamp at the time and in the manner provided by law." Alcohol and tobacco taxes are paid by stamp but I have never encountered an income tax that was paid by stamp.

The law continues at Section 6201(a)(1),

Taxes shown on return.-The Secretary shall assess all taxes determined by the taxpayer or by the Secretary as to which returns or lists are made under this title. (Emphasis added)

What do most Americans do by April 15th of each year? They "determine" their own taxes by filling out a Form 1040 U.S. Individual Income Tax Return, signing it under penalty of perjury, and sending it in to the Internal Revenue Service. Once the IRS has those returns, they accept the taxpayer's "determination" of federal income taxes due, unless, of course, there is a subsequent audit or other re-determination.

exhibit 3

SEC. 6201 Assessment authority

(a) Authority of Secretary

The Secretary is authorized and required to make the inquiries, determinations, and assessments of all taxes (including interest, additional amounts, additions to the tax, and assessable penalties) imposed by this title, or accruing under any former internal revenue law, which have not been duly paid by stamp at the time and in the manner provided by law. Such authority shall extend to and include the following:

(1) Taxes shown on return. The Secretary shall assess all taxes determined by the taxpayer or by the Secretary as to which returns or lists are made under this title.

(2) Unpaid taxes payable by stamp. (A) Omitted stamps.- Whenever any article upon which a tax is required to be paid by means of a stamp is sold or removed for sale or use by the manufacturer thereof or whenever any transaction or act upon which a tax is required to be paid by means of a stamp occurs without the use of the proper stamp, it shall be the duty of the Secretary, upon such information as he can obtain, to estimate the amount of tax which has been omitted to be paid and to make assessment therefor upon the person or persons the Secretary determines to be liable for such tax. **(B) Check or money order not duly paid.**-In any case in which a check or money order received under authority of section 6311 as payment for stamps is not duly paid, the unpaid amount may be immediately assessed as if it were a tax imposed by this title, due at the time of such receipt, from the person who tendered such check or money order.

SEC. 6203 Method of assessment

The assessment shall be made by recording the liability of the taxpayer in the office of the Secretary in accordance with rules or regulations prescribed by the Secretary. Upon request of the taxpayer, the Secretary shall furnish the taxpayer a copy of the record of the assessment.

SEC. 6303 Notice and demand for tax

(a) General rule.-Where it is not otherwise provided by this title, the Secretary shall, as soon as practicable, and within 60 days, after the making of an assessment of a tax pursuant to section 6203, give notice to each person liable for the unpaid tax, stating the amount and demanding payment thereof. Such notice shall be left at the dwelling or usual place of business of such person, or shall be sent by mail to such person's last known address.

Now look back at Exhibit 3, "Section 6203 Method of Assessment." It says, "The assessment shall be made by recording the liability of the taxpayer in the office of the Secretary..." Then look at "Section 6303 Notice and Demand for Tax." It says, "the Secretary shall . . . after making of an assessment of tax pursuant [according] to section 6203, give notice to each person liable for the unpaid tax, stating the amount and demanding payment thereof . . ." Have you or any of your friends or relatives ever received a notice or federal income tax bill from the Secretary of the Treasury or any of his agencies telling you that you are liable for the federal income tax? I haven't. In fact, in all my years in the tax profession, I never witnessed anyone else receiving such a notice either. Could it be that there is no need for the Secretary/IRS to send us such a notice because he simply waits for us to determine our own federal income tax "liability" voluntarily?

Is it possible for the Secretary to assess an income tax on someone who hasn't filed an income tax return? There is a code section (law) that the Secretary sometimes uses when taxpayers don't file a U.S. Individual Income Tax Return - it is found at Section 6020(b) of the Internal Revenue Code (IRC). Whether that section is used in appropriate circumstances is another matter. Section 6020(b) reads as follows:

> **(b) Execution of return by Secretary.-**
> **(1) Authority of Secretary to execute return.**-If any **person** fails to make any return **required** by any internal revenue law or regulation made thereunder at the time prescribed therefor, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise. (Emphasis added)

Notice how the language of the law refers to "any return required." As discussed previously, there is no law requiring American citizens (natural persons) to file a U.S. Individual Income Tax Return. Thus, the Secretary's authority to "make such return" for a taxpayer should exist only for those who are "required" to file. If you are not "required" to file a U.S. Individual Income Tax Return in the first place, as I have repeatedly shown you to be the case, the Secretary should not legally be able to use section 6020(b) to file a return for you.

As described above, the Secretary of the Treasury, after making an assessment of tax according to section 6203, is required to give notice to each person liable for the unpaid tax, stating the amount and demanding payment thereof. You may have noticed the term "liability" used over and over again. Liability is a very important word because, legally, you can not be made liable for a tax unless some law specifically imposes a tax and makes you liable for it. Read what the following appellate court decision has said on the subject of liability:

> Moreover, even the collection of taxes should be exacted only from persons upon whom a tax **liability** is imposed **by some statute**. (Emphasis added)
> Botta v. Scanlon, 288 F2d. 504 (1961)

Is it possible there is some mistake? Do the words written in the various sections of the Internal Revenue Code (IRC) mean something different than what they appear to mean? Is there something implied in the language of the law that is not readily apparent? Well, again, let's look at what the courts say. In connection with the federal bankruptcy laws, the U.S. Supreme Court said:

> The task of resolving the dispute over the meaning of [section] 506(b) begins where all such inquiries must begin: with **the language of the statute itself** . . . In this case, it is also where the inquiry should end, for where, as here, the statute's language is plain, "the sole function of the courts is to enforce it according to its terms." (Emphasis added)
> United States v. Ron Pair Enterprises, Inc. (1989), 489 U.S. 235 at 241, 103 L.Ed.2d 290

In connection with the liability of a beneficiary for federal estate taxes, the Eighth Circuit Court of Appeals said:

> In such a situation the beneficiary is entitled to a favorable construction because **liability for taxation** must **clearly** appear. (Emphasis added)
> Higley v. Commissioner, 69 F2d. 160

In connection with liability for federal income taxes, the U.S. Supreme Court said:

> In the interpretation of statutes levying taxes it is the **established rule not** to extend their provisions, **by implication**, beyond the clear import of the language used, or to enlarge their operations so as to embrace matters **not specifically pointed out.** In case of doubt they are construed most strongly **against the government**, and in favor of the citizen. (Emphasis added)
> Gould v. Gould, 245 U.S. 151 (1917)

The courts have very clearly ruled that Americans have every right to read the clear language of the law and conclude that unless they are specifically made liable for a tax, any tax, they have no legal requirement to pay it.

Collection of Federal Income Taxes

There are also some questionable issues relating to the collection of federal income taxes in that collection actions are carried out with laws that have no connection to the income tax. I first learned about these issues from Devvy Kidd, who had personal experience with income tax collection activity.

After Devvy and her husband John satisfied themselves regarding the actual requirements of the law, for example, that filing a federal income tax return is not required, they wrote a letter to the IRS requesting that they provide the statute (law) in Title 26 of the U.S. Code (the Internal Revenue Code) that made it mandatory to file an income tax return. That letter, sent April 15, 1993, in lieu of an income tax return, received no response from the IRS. Since the Kidds had done their homework regarding tax return filing requirements, they felt it wasn't asking too much for the IRS to answer a simple question - were the Kidds required to file U.S. Individual Income Tax Returns?

The Kidds sent follow-up letters requesting clarification on filing requirements that the IRS also did not respond to. On April 15, 1994, the Kidds again did not file an income tax return. By September of 1994, they had received numerous "Notices of Deficiency" for a tax they contended they did not owe under any federal law.

With the assistance of attorney Bernard Baker, a retired Colorado district judge, the Kidds filed an Order To Show Cause in Federal District Court in Denver, Colorado.

After some legal maneuvering by the U.S. Attorney, the District Court dismissed the Kidd's case. This dismissal prevented the government from having to answer, in open court, whether or not the Kidds were required to file an income tax return. Soon after dismissal of the Kidd's case, the IRS sent them a "Notice of Federal Tax Lien."

The tax lien stated that Sections 6321, 6322, and 6323 of Title 26 (the Internal Revenue Code) provided justification for the lien. The following is an excerpt from Devvy Kidd's September 1995 newsletter The Power Educator:

After some legal maneuvering by the U.S. Attorney, the District Court dismissed the Kidd's case. This dismissal prevented the government from having to answer, in open court, whether or not the Kidds were required to file an income tax return. Soon after dismissal of the Kidd's case, the IRS sent them a "Notice of Federal Tax Lien."

The tax lien stated that Sections 6321, 6322, and 6323 of Title 26 (the Internal Revenue Code) provided justification for the lien. The following is an excerpt from Devvy Kidd's September 1995 newsletter The Power Educator:

...Since Title 26, the IRS Code is prima facie law, I had to go to the Index to the Code of Federal Regulations (CFR), Parallel Table of Authorities, to find out what's called the implementing regulations, that is, the regulations created by the agency in charge of implementing the statute(s) passed by the Congress. This [Parallel Table of Authorities] told me that those previously identified sections of the IR Code [6321,6322,6323] were implemented by Title 27, Part 70. What did I discover?

I discovered that John and I had a lien placed against us by the IRS for not paying an excise tax allegedly owed for engaging in the sale and manufacture of alcohol, tobacco, and firearms! That's right. John is a retired bird-Colonel, U.S. Army, currently a construction-management engineer and I have had no income since 1991. My efforts in the movement to Take Back America are given freely without financial compensation.

I next looked in the IRS Special Agents Handbook, Sections 451 & 452 [see above]. An excise tax is levied for certain commercial activities, none of which my husband and I are or ever have been involved with.

Now Mr. Walker and Mr. Jones of the IRS placed a lien against us for not paying an excise tax on the manufacture and sale of certain commodities - for which we do not have any involvement with at all. They demanded money from us for a debt we did not owe. They threatened with this legal document to freeze our assets if we did not give in to this fraud. As I said, this lien document is a form that goes out to millions of Americans...

Did we pay this extortion money? Yes. Have they lifted the lien? Not as of this date. Why should they bother, they'll get around to it in their own sweet time. A free nation with open, honest government? Where? Do we have any legal recourse? None, and the reason why is the nauseating corruption in our federal and state judiciary...

Does Congress know what's going on? Yes...I have written, begging members of Congress - including the current presidential candidates - to allow hearings. I will bring in retired judges. Experts and I will prove beyond a shadow of a doubt that there is no law that requires anyone to file a 1040. The whole system is based on fraud, period.

Steffan Bertsch, the attorney I quoted previously who has exhaustively studied the Internal Revenue Code, told me that he has many clients who have been treated similarly by the Internal Revenue Service - classified as coal miners or distillers or firearms dealers in order to be subject to collection of the federal income tax. Kidd, Bertsch, and Bertsch's clients have been unable to determine what legal authority the

Internal Revenue Service has in classifying them as coal miners, distillers, or firearms dealers when they have never engaged in those activities. Further, they have been unable to determine why collection and enforcement laws relating to fuel, distilled spirits, and firearms, which clearly fall into the category of excise taxes and which have nothing to do with federal income taxes, are used to take their money and property.

allegation 2

The 16th Amendment to the U.S. Constitution Was Never Ratified

The next unbelievable allegation that Devvy Kidd included in her book was that a man named Bill Benson had proven that the 16th Amendment to the U.S. Constitution, the amendment that purportedly legalized the federal income tax, was fraudulently ratified, making the federal income tax null and void. Is it any wonder such an allegation wouldn't catch my eye? Benson was alleging that the very basis for today's federal income tax was a fraud. As I have previously stated, the people who brought this issue to my attention had enough credibility to encourage me to at least listen to what Benson had to say. After all, I gave Bill Conklin a chance to convince me and he presented compelling evidence. I believed I had nothing to lose by checking to see what Bill Benson had to say.

As with Conklin, I took Benson's telephone number directly out of Kidd's book and gave him a call. I greeted Benson, told him my name, and told him I had read about his allegation that the 16th Amendment had never been ratified in Devvy Kidd's book, Why A Bankrupt America?. I also told him that, although I was calling him as a private citizen on my day off, I was employed as a Special Agent in the IRS Criminal Investigation Division. I further told Benson that I wanted to find out more about his evidence; that I had no ax to grind and that I was sincere in wanting to learn the truth. Benson proceeded to give me a brief synopsis of how he discovered that the 16th Amendment had not been legally ratified. As he told me his story, I was prepared for him to tell me one of the oft-repeated tax protestor arguments alleging some arcane little glitch in the amendment process such as that Ohio wasn't a State when it ratified the 16th Amendment.

Rather, his statement was quite bold. He told me, "Not a single State legally ratified the 16th Amendment!" Benson continued by explaining the process by which an amendment legally becomes part of the U.S. Constitution and how that process was not followed in the case of the 16th Amendment.

As Benson continued his explanation, I wondered how it could be that a college educated certified public accountant, with over a decade of taxation education and experience, whose current job it was to investigate and arrest income tax evaders, would never have heard of this serious allegation. I told Benson that I didn't want him to take offense but I was very skeptical of his claims. I asked him if he would mind sending me some documentation to back up his claims, such as his book, The Law That Never Was and he agreed. In closing our conversation, I asked Benson if he had ever received an genuine inquiry about his evidence from someone who actually worked for the IRS. Benson replied, "You're the first!"

I received Benson's book The Law That Never Was, Vol. I on December 30, 1997. The book, which Benson co-authored with M.J. "Red" Beckman in 1985, summarized the results of years of research detailing how every State in the United States failed to legally ratify the 16th Amendment, the amendment that purportedly made the federal income tax system constitutional.

Benson's book included samples of certified copies of the actual documents he had obtained from the various State archives as well as archives from the nation's capital in Washington, D.C. Being that I made my living by examining documents and putting evidence together, my eyes got wider with the turn of each page. Benson provided a detailed analysis, on a State by State basis, that the legally acceptable

process of ratification was not followed and, further, that there was fraud involved at the highest levels of the U.S. Government during the ratification process.

By this point, the allegations about the origin and administration of the federal income tax system supplied by Kidd, Conklin, Benson, and others was beginning to overwhelm me. This information was beginning to shake my belief system to its very foundations. I was determined to acquire all the evidence available to get to the bottom of these allegations. I suppose at this point I could have just put blinders on and pretended that I had never talked to these people. However, I believed I had a moral, ethical, legal, and professional obligation to find out the truth. My whole belief system was at stake. My values were being put to the test.

Over the next few months, I continued to review materials sent by Kidd, Conklin, Benson, and others. At one point, Benson sent me one of two original certified copies of the actual journals of the Kentucky State Legislature that he had in his possession. These certified copies showed one of the most extreme examples of the lack of 16th Amendment ratification. Namely, that U.S. Secretary of State Philander Knox had declared that the Kentucky legislature had ratified the 16th Amendment when in fact it had not.

While discussing the 16th Amendment issue with Bill Benson, I was surprised to learn that the evidence of the lack of ratification of the 16th Amendment to the U.S. Constitution (the so-called income tax amendment) has been available to the public since approximately April of 1985. I was also surprised to learn that Benson spent his own money to inform every member of Congress in 1987.

The following background information and evidence will further explain Bill Benson's claim that the 16th Amendment to the U.S. Constitution was never legally ratified:

Constitutional Requirements

The U.S. Constitution has been referred to as a "living document." It is called such because it was designed to be changed (amended), if necessary, to reflect the will of the people address contemporary issues that may not have been foreseen by our founding fathers (abolition of slavery, expansion of voting rights, etc.). It is for this reason that the U.S. Constitution contains the following language in Article V:

The Congress, whenever two-thirds of both Houses shall deem it necessary, shall propose Amendments to this Constitution, or, on the Application of the Legislatures of two-thirds of the several states, shall call a Convention for proposing Amendments, which in either Case, shall be valid to all Intents and Purposes, as Part of this Constitution, when ratified by the Legislatures of three-fourths of the several States, or by Conventions in three-fourths thereof as one or the other Mode of Ratification may be proposed by the Congress; Provided that no Amendment which may be made prior to the Year One thousand eight hundred and eight shall in any Manner affect the first and fourth Clauses in the Ninth Section of the first Article; and that no State, without its Consent, shall be deprived of its equal Suffrage in the Senate.

[U.S. Constitution, Article V]

Although our Constitution can be amended, the requirements for doing so are strict: two-thirds of Congress must propose an amendment and three-fourths of the states must ratify it, otherwise the amendment does not become law. The framers did this intentionally to prevent abuses of the amendment process by simple majorities or the ebb and flow of public opinion.

Some amendments to the U.S. Constitution have been proposed wholly or partly because of decisions by the U.S. Supreme Court. One particular Amendment so proposed was the 16th Amendment to the U.S. Constitution, the amendment meant to legalize a federal income tax.

In 1894, a federal income tax known as the Income Tax Act of 1894 was passed into law. However, the opponents of this act put up quite a fight. One opponent of the 1894 Act scorned it on the floor of the Senate as "an attempt to array the rich against the poor, the poor against the rich . . . socialism, communism, devilism" yet the 1894 tax act was not nearly as drastic as it we know it today. It was only 2 percent on all income over $4,000.[1]

In 1895, the 1894 tax act was declared unconstitutional by the U.S. Supreme Court in the case Pollock v. Farmers' Loan & Trust Co., 157 U.S. 429, 15 S.Ct. 673, aff. ref., 158 U.S. 601, 15 S.Ct. 912 (1895). The Pollock Court found that the federal income tax was a direct tax that could only be imposed if the **tax was apportioned according to the population, as required by the Constitution**. Since the 1894 income tax was not apportioned according to the population, the Supreme Court found the act unconstitutional.[2]

The Constitutionality of Various Taxes

The U.S. Constitution authorizes Congress to utilize two types of taxes: direct and indirect. Article 1, Section 8, clause 1 empowers the Congress "to lay and collect Taxes, Duties, Imposts and Excises . . . but all Duties, Imposts and Excises shall be uniform throughout the United States." (Emphasis added) Duties, imposts and excises are called indirect taxes because indirect taxes are not paid directly to the government. Rather, indirect taxes are paid via intermediaries such as importers, distributors, manufacturers, and others who, in turn, remit the taxes to the government. Even though these entities collect the taxes, the tax is ultimately paid by the consumer because it is added to the price of the products sold.

The most important attribute of indirect taxes is that they are avoidable. In other words, a consumer can avoid paying a duty, impost, or excise tax by simply refusing to buy the product carrying the tax. Although not fond of taxation, our nation's founders knew some taxation was necessary, so they took care to provide for the federal government's ability to tax (although with restraint). Indirect taxes had a built in ability to restrain the government's ability to tax, so indirect taxes were the most popular with our nation's founders. In Federalist Paper Nº21, Alexander Hamilton, the first Secretary of the Treasury, described how indirect taxes accomplished this restraint:

[1] James MacGregor Burns, J.W. Peltason, Thomas E. Cronin, Government By The People, Twelfth Edition, p.545

[2] Lowell H. Becraft, Jr., Uncertainty of the Federal Income Tax Laws, p.2-3

It is a signal advantage of taxes on articles of consumption that they contain in their own nature a security against excess. They prescribe their own limit, which cannot be exceeded without defeating the end proposed-that is, an extension of the revenue. When applied to this object, the saying is as just as it is witty that, "in political arithmetic, two and two do not always make four." If duties are too high, they lessen the consumption; the collection is eluded; and the product to the treasury is not so great as when they are confined within proper and moderate bounds. This forms a complete barrier against any material oppression of the citizens by taxes of this class, and is itself a natural limitation of the power of imposing them.

Impositions of this kind usually fall under the denomination of indirect taxes, and must for a long time constitute **the chief part of the revenue raised in this country.** (Emphasis added)

Note that the drafters of the U.S. Constitution included an additional requirement that indirect taxes be uniform. Uniformity means that if a duty of $200.00 is charged on one ton of coffee imported into California, $200.00 must also be charged for one ton of coffee imported into New York. If Californians paid $300 per ton of coffee in duty taxes and New Yorkers only paid $200, that geographical discrepancy would make the tax contrary to the requirements of the U.S. Constitution.

The second category of taxes authorized by the Constitution are direct taxes. Article 1, Section 2, clause 3 and Article 1, Section 9, clause 4 of the U.S. Constitution respectively state:

...Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers . . .

[and]

...No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration herein before directed to be taken.

Unlike indirect taxes, there is no escape from direct taxes (at least no legal escape). Direct taxes are so-named because they are paid directly from a person to a government entity without an intermediary. The U.S. Supreme Court, in the Pollock vs. Farmers' Loan & Trust Co. decision, described the difference between direct and indirect taxes this way:

Ordinarily, all taxes paid primarily by persons who can shift the burden upon someone else, or who are under no legal compulsion to pay then, are considered indirect taxes; but a tax whether real or personal, or of the income yielded by such estates, upon property holders in respect of their estates, and the payment of which cannot be avoided, are direct taxes.

Because direct taxes are unavoidable and, therefore, more painful to the taxpayer than indirect taxes, and because our nation's founders were well aware that collection of direct taxes gave the government a great deal more power to pry into citizens' lives, they created even stricter requirements for direct taxes. As stated above, the Constitution requires that direct taxes "shall be apportioned among the several States . . . according to their respective numbers" and that no "capitation, or other direct tax shall be laid unless in proportion to the census . . ."

What this means is that for any direct tax to be imposed, the tax would have to be allocated based on the population of each State or perhaps by the number of representatives allocated to each State. The allocation is supposed to work like this. Assume the U.S. Government determined that it needed $100 billion

dollars to fund its annual operations but indirect taxes such as tariffs and excises only funded $75 billion. As described above, indirect taxes have their own built-in constitutional limitations so the U.S. Government would realize it would have to resort to direct taxes for the other $25 billion. Assume further that at the time this $25 billion determination was made, the U.S. census had determined that California's population was twenty percent of the total U.S. population (or, alternatively, that twenty percent of the representatives in the U.S. House of Representatives were from California). The Constitution does authorize the U.S. Government to implement a direct tax of $25 billion on the citizens of the United States but the Constitution only authorizes a direct tax of $25 billion if it is apportioned.

Therefore, the only way the U.S. Government could mandate a direct tax on the citizens and be in compliance with the U.S. Constitution would be if it sent a tax bill to each State in an amount equal to its apportioned share of the total. Thus, California would get a bill from the U.S. Government for $5 billion (20 percent of $25 billion) and the other 49 States would be issued tax bills totaling $20 billion (80 percent of $25 billion). Each State would decide how best to collect the taxes (according to their own Constitutions) and once collected, submit the payment to the U.S. That is how a direct tax implemented in compliance with the U.S. Constitution is supposed to work. G. Edward Griffin, in a report adapted from articles appearing in the April 13, 1987 and February 29, 1988 issues of the New American Magazine, highlighted the genius of requiring oppressive direct taxes to be apportioned:

> To the Founding Fathers, the primary purpose of apportionment was to block the central government from using the power of direct taxation - except in times of great national emergency. The barrier was not in the formula of distributing the tax load among the states, but in the procedure for doing so. To lay a direct tax, Congress had to do certain things that no government wants to do. Since each tax is a separate project, each would have to be written into a revenue act. The purpose and the amount of the tax would have to be clearly stated, and then debated and voted upon. When the tax was collected, the revenue act would expire, and the door to more money would be closed.
>
> How different this is from the ongoing power of general taxation, under which the purpose is seldom known, the amount is always in doubt, and the process is endless. The rule of apportionment, therefore, was the greatest restraint on the power and reach of government that had yet been devised by man, and it is little wonder that it became a thorn in the side of federal politician's in the years to follow.

As you can see, the framers of the Constitution were careful to draft the document in such a way that the power to tax was severely limited. Indirect taxes had to be uniform and direct taxes had to be apportioned according to population. They were all too familiar with King George III's ease of imposing taxes on the citizenry without their consent. As James Madison, one of the chief framers of the U.S. Constitution, said:

> When, therefore, direct taxes are not necessary, they will not be recurred to . . . It can be of little advantage to those in power to raise money in a manner oppressive to the people . . . Direct taxes will only be recurred to for great purposes . . . If this country should be engaged in a war - and I conceive that we ought to provide for the possibility of such a case - how

would it be carried on? . . . How is it possible a war could not be supported without money or credit? And would it be possible for a government to have credit without the power of raising money? No; it would be impossible for any government, in such a case, to defend itself. Then I say, sir, that it is necessary to establish funds for extraordinary exigencies, and to give this power to the general government.

The only other option our founders left to the government, should they decide to manipulate the government's ability to tax, was to amend the Constitution- and that's exactly what they tried to do in the early 1900s—but, according to Bill Benson's research, they weren't as successful as the American people have been led to believe.

The 16th Amendment

The supporters of the 1894 income tax act, after being told by the U.S. Supreme Court that the income tax they had passed had to be apportioned according to population in order to be constitutional, proposed an amendment to the U.S. Constitution to remedy the problem. Again, there was passionate debate about amending the Constitution to provide for an income tax. Congressman Christopher Cox, in an article entitled End the Tyranny of the Income Tax which appeared in the Los Angeles Times on June 20, 1995, recounted some of that debate and his own thoughts:

The chief Republican sponsor of the 16th Amendment, Rep. Sereno Payne of New York, supported it only because he believed that the country should have the option of taxing income in time of war. "As to the general policy of the income tax," he said, "I am utterly opposed to it. I believe, with Gladstone, that it tends to make a nation of liars . . .It is, in a word, tax upon the income of honest men and an exemption, to a greater or lesser extent, of the income of the rascals."

The leading Democratic sponsor, Minority Leader Champ Clark of Missouri, offered his support for the amendment in the context of the income tax bill that was being debated. The bill contained a $5,000 exemption, meaning that nobody who earned this amount paid any income tax at all. I've adjusted these figures for inflation, so you can understand what it was like to hear Clark's remarks on the floor:

"I do not believe that the [$82,000] exemption is too much . . . I certainly would increase it rather than diminish it, and for this reason: $82,000 is not an unreasonable amount for a man to support a family on and educate his children; $99,000 would not be an unreasonable amount; $115,000 would not be an unreasonable amount. But I say that when a man's net income rises above $1.65 million a year, it does not make any difference to him, practically, whether you take 1%, 2%, 5% or 25%."

It is easy to see why the income tax law was passed: Everyone believed that someone else would pay. As recently as the eve of Pearl Harbor, only one in seven Americans was even required to file an income tax return. The last time we had a Republican Congress, in 1954, the federal tax burden on the average American family was one tenth of what it is today.

But today, if you're like most people, you pay several hundred percent more in

income taxes than your parents did. More than 95% of all taxpayers who are forced to file income tax returns are people who were promised by the sponsors of the 16th Amendment that they would never be taxed at all.

Despite the debate, the 16th Amendment to the U.S. Constitution was eventually passed by two-thirds of the U.S. House of Representatives on a vote of 318 to 14, passed by two-thirds of the U.S. Senate on a vote of 77 to 0, and sent to the States for ratification, of that there is no debate. It is what happened to the 16th Amendment during the ratification process where the problem exists.

As you will recall from above, the U.S. Constitution requires that three-fourths of the "several States," which means the States in the Union at the time the amendment is passed by Congress, must ratify an amendment to the Constitution for it to become part of the Constitution. As with the passage of any amendment by the Congress, there is a process that dictates how each individual state may legally ratify an amendment to the U.S. Constitution. Benson has gathered overwhelming evidence that the 16th Amendment was never legally ratified.

You will also recall from above that prior to the passage of the 16th Amendment, the U.S. Supreme Court declared the federal income tax unconstitutional and it is for that reason that supporters of the income tax proposed the 16th Amendment in the first place. This point should be kept in mind as the following information is read.

On July 31, 1909, a step was taken towards legalizing the federal income tax. The first session of the 61st Congress of the United States passed the following resolution that was deposited in the U.S. Department of State:

Sixty-first Congress of the United States of America:

At the First Session,

Begun and held at the City of Washington on Monday, the fifteenth day of March, one thousand nine hundred and nine

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JOINT RESOLUTION
Proposing an amendment to the Constitution of the United States

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Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which, when ratified by the legislatures of three-fourths of the several States, shall be valid to all intents and purposes as a part of the Constitution:

"ARTICLE XVI. The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

Speaker of the House of Representatives.

Vice-President of the United States and
President of the Senate

On July 27, 1909, the following concurrent resolution was passed by Congress

"Resolved by the Senate (the House of Representatives concurring), That the President of the United States be requested to transmit forthwith to the executives of the several states of the United States copies of the article of amendment proposed by Congress to the State legislatures to amend the Constitution of the United States, passed July twelfth, nineteen hundred and nine, respecting the power of Congress to lay and collect taxes on incomes, to the end that the said States may proceed to act upon the said article of amendment; and that he request the executive of each state that may ratify said amendment to transmit to the Secretary of State a certified copy of such ratification."

There is no disagreement that the U.S. House of Representatives and the U.S. Senate passed the 16th Amendment authorizing a federal income tax. However, an equally important constitutional requirement is that three-fourths of the States ratify any amendment passed by Congress.

In order to understand what the legal process for amendment ratification is, I consulted a number of sources that are presented below.

The first source was authored by Michael V. Seitzinger, Legislative Attorney, American Law Division, Congressional Research Service, Library of Congress entitled Amending The Federal Constitution–Procedures Of The General Services Administration And Of The State Legislatures. Pages 8 and 9 of this document state the following:

After an amendment is adopted and enrolled by both Houses, Congress sends the original of the proposed amendment to the Administrator of General Services for publication in the United States Statutes at Large.

The Administrator of General Services, by letter of transmittal, sends a certified copy of the proposed Amendment to the Governor of each State. The letter requests the Governor to have the proposal introduced in the State legislature and to have the legislature certify the action taken by it to the Administrator.

The proposal is then introduced in the State legislature, usually in the form of a joint resolution, where it goes through the usual legislative process and is eventually either ratified or rejected.

If the proposed amendment is ratified, a signed copy of the State resolution effecting ratification, along with the date of adoption by each house of the State legislature, is prepared and certified by the appropriate State certifying official, usually the Secretary of State, and sent to the Administrator of General Services. The actual transmittal is often made through the Governor, although his approval is not required...

Ratification by the State legislature is often by means of a joint resolution. The requirements as to what must be set forth in the ratification resolution are not enumerated either in Art. V [of the U.S. Constitution] or in statutory law and, thus, are determined from custom and practice. Arguably, two requirements seem to be legally indispensable in a valid ratification resolution. The first is that the resolution contain in full the exact language of every section of the proposed amendment as it appears in the enrolled joint resolution proposing the amendment. This requirement is derived from the seeming impropriety of attaching conditions or reservations to the ratification. As a matter of historical fact, some States attempted to impose conditions upon the original ratification of the Constitution, but such leaders as Hamilton and Madison objected that this would be equivalent to rejection; as a result, each State accepted the Constitution with no reservations, "the obligation to adopt the Bill of Rights being wholly moral." (Orfield, supra., p. 68) In any event, GSA has rejected ratification resolutions containing the language of the proposed amendment in incorrect or changed form or omitting certain sections. Precedent for such action seems to have originated when the ratification resolutions of the states of Kansas and Missouri for the 15th Amendment were considered void because the second

section of the proposed amendment was inadvertently left out. Both States subsequently ratified the amendment.

The second requirement is that the ratification resolution should contain a clear, unequivocal ratification clause. The Office of the General Counsel of GSA will not look behind the ratification resolution as submitted by the State to determine the intent of the State legislature in passing the resolution. Resolutions incorrectly or incompletely setting out the proposed amendment or resolutions not clearly expressing intent to ratify the amendment are likely to suffer rejection by GSA. On the other hand, GSA would probably not reject a ratification resolution solely because the State legislature "jumped the gun" by a few hours in passing the resolution before final passage of the proposal by Congress, so long as the language of the proposed amendment correctly appeared in the ratification resolution and the ratification occurred on the same day as the adoption by Congress of the amendment. The State of Minnesota reportedly acted prematurely in ratifying the 18-year-old voting amendment shortly before final passage of the proposal in the United States House of Representatives. However, the date on the Minnesota resolution was the same as the date on the enrolled joint resolution passed by Congress; the Office of the General Counsel of GSA would not look behind the State resolution to determine the hour of passage. Therefore, the ratification was not rejected on the grounds of being premature.

The above passage, authored by no less than an expert from the federal agency charged with assuring proper ratification, makes it quite clear what proper ratification is. To repeat, summarize, and emphasize from above:

"The proposal [constitutional amendment] is then introduced in the State legislature, usually in the form of a joint resolution, where it goes through the usual legislative process and is eventually **either ratified or rejected**."

"Arguably, two requirements seem to be **legally indispensable in a valid ratification resolution**. The first is that the resolution contain in full **the exact language of every section of the proposed amendment as it appears in the enrolled joint resolution proposing the amendment**."

"In any event, GSA **has rejected ratification resolutions** containing the language of the proposed amendment **in incorrect or changed form or omitting certain sections**."

"GSA would probably not reject a ratification resolution solely because the State legislature "jumped the gun" by a few hours in passing the resolution before final passage of the proposal by Congress, **so long as the language of the proposed amendment correctly appeared in the ratification resolution** and the ratification occurred on the same day as the adoption by Congress of the amendment."

Another source for guidance on the legal process of ratifying the U.S. Constitution is none other than the Solicitor of the Department of State, Joshua Reuben Clark, who worked for the U.S. agency responsible at the time of the 16th Amendment's passage (circa 1913) for seeing to it that the amendment was properly ratified. In a letter authored by the Solicitor [primary legal counsel] of the U.S. Department of State himself, dated February 15, 1913, he said:

...Furthermore, under provisions of the Constitution a legislature is not authorized to alter in any way the amendment proposed by Congress, the function of the legislature consisting merely in the right to approve or disapprove the proposed amendment...

The above passage, authored by no less than the primary legal counsel for the federal agency charged with assuring proper ratification in 1913, makes it quite clear what proper ratification is. To repeat, summarize, and emphasize:

...a legislature **is not authorized to alter in any way** the amendment proposed by Congress...

...the function ...consisting merely in the right to **approve** or **disapprove** the proposed amendment...

It is absolutely clear from the above passage that alteration of even an act of Congress is forbidden if the act is to have force of law. Can anyone reasonably argue against applying at least the same standard to a Constitutional Amendment?

The legal significance of changes, errors, additions, or deletions to legislation and the legal importance of "concurrence" can not be overemphasized. In 1981, Edward F. Willett, Jr., Esq., Law Revision Counsel for the United States House of Representatives, revised and updated How Our Laws Are Made, Document No. 97-120, in which he said in Chapter XII. Engrossment And Message To Senate,

"Each amendment must be inserted in **precisely** the proper place in the bill, **with the spelling and punctuation exactly the same** as it was adopted by the House. Obviously, it is **extremely important** that the Senate receive a copy of the bill in the **precise** form in which it has passed the House." (Emphasis added)

In a 1989 revised and updated edition of How Our Laws Are Made by Mr. Willett, it states,

"A bill that has been agreed to **in identical form** by both bodies becomes the law of the land only after–1. Presidential approval; or 2. failure by the President to return it with objections to the House in which it originated within 10 days while Congress is in session; or 3. the overriding of a Presidential veto by a two-thirds vote in each House." (Emphasis added)

It is clear that precision and exactness in the language of bills and proposed amendments to the U.S. Constitution are crucial and absolutely required when passing laws in this country and are even more important when amending the "supreme law of the land."

It is necessary to explain the legal process of ratification of amendments to the U.S. Constitution as well as the reasoning behind proposal of the 16th Amendment in order to understand the significance of the evidence of non-ratification of the Amendment.

In Bill Benson's book, The Law That Never Was, Volumes I and II, he published the results of his own investigation of the 16th Amendment's ratification, or lack thereof. Mr. Benson traveled to each and every one of the 48 contiguous states to determine whether or not those states legally ratified the 16th Amendment.

When the 16th Amendment was proposed, there were 48 states in the Union; thus a minimum of 36 states would need to ratify the amendment for it to become part of the U.S. Constitution. Remember, again, that the supporters of the federal income tax believed a **ratified** 16th Amendment would negate the 1895 Supreme Court ruling which had outlawed the previous federal income tax. It would likewise be a reasonable presumption that an **unratified** 16th Amendment would not have legal force to overturn the Supreme Court's 1895 ruling. [See the previous discussion of the federal government's authority to tax, whether or not the 16th

Amendment was ratified]. Notwithstanding these facts, Philander C. Knox, U.S. Secretary of State at the time, proclaimed on February 25th, 1913 that the 16th Amendment to the U.S. Constitution had been ratified.

How Bill Benson Became Involved In Researching The 16th Amendment

Benson was employed as an investigator for the Illinois Department of Revenue (IDOR). As an investigator, he was responsible for investigating and assisting in the prosecution of those violating the revenue and tax laws of the State of Illinois.

Benson spent approximately 5 years with the IDOR from 1971-1976. In 1974, he began performing most, if not all, of the tasks that IDOR's regular investigators performed. Benson's job consisted primarily of investigating violations of Illinois' cigarette tax laws but he also was involved in enforcing retailer occupation taxes, motor fuel oil taxes, and bingo and lottery activities.

In the latter part of 1971, the IDOR placed certain cigarette stands under surveillance where it could observe individuals purchasing cigarettes and then transporting them into Illinois without paying the appropriate tax. Benson was involved in arresting violators and confiscating their vehicles. Benson also took photographs of the individuals he observed violating the cigarette tax laws. Among those photographed were Chicago police officers, Chicago firemen, and other state, county, and city employees. Benson kept negatives of those he photographed.

From 1974 until the time of his termination, Benson was ordered not to enforce the cigarette tax laws against state, county, and city employees, especially Chicago police officers. He discussed this matter extensively with his supervisors and co-workers. During these discussions, he criticized the IDOR's tax collection policy because, although only the IDOR Director and Associate Director were authorized to settle collection matters, these matters were being settled by lower officials for unacceptably low amounts. Benson also informed his supervisors that he knew certain taxpayers were making payoffs to IDOR personnel in order to escape prosecution. He also told his supervisors and co-workers that he had retained negatives of the photos he took while on surveillance.

After Benson discussed his grievances with his supervisors in the late 1975 and early 1976, his duties at the IDOR were changed. He was assigned to an investigation into the improprieties he had alleged were taking place within the IDOR. Benson's supervisors told him to report only to them, and not to come to the IDOR office in Chicago.

Benson's supervisors instructed him not to reveal any investigatory information to the public. Since Benson was dissatisfied with the manner in which his supervisors were handling his allegations, he notified reporters at the Chicago Tribune and Hammond Times in February or March of 1976. Benson also turned over some of his photographs to a reporter in June 1976. As a result of these contacts, several stories regarding his allegations appeared in the press in March and August of 1976.

After Benson had contacted the press, his supervisors tried to keep a closer eye on him. He was again warned not to discuss the tax matters with anyone outside the IDOR. Despite these warnings, Benson and other IDOR employees discussed his selective

enforcement allegations with the Internal Affairs Division of the Chicago Police Department. On June 24, 1976, Benson's employment with the IDOR was terminated.

During this same period, Benson and other IDOR personnel had become involved in federal litigation challenging the IDOR's enforcement of the Cigarette Use Tax Act. Benson was named as a defendant in several of these civil-rights actions. In addition, an Illinois state trial court in April 1974 had enjoined enforcement of the tax act at the Illinois-Indiana border against persons who purchased cigarettes for their personal consumption and not for resale. The IDOR continued its enforcement activities, and as a result was held in contempt in December 1975 by the Illinois state trial court. Benson had testified on behalf of the IDOR at the 1975 contempt proceedings. On July 21, 1976, after he had been terminated, Benson filed an affidavit with the state court trial judge. In the affidavit, he stated that he had been told by his superiors at the IDOR to disregard the April 1974 injunction and to distort his testimony at the contempt hearing. Benson claimed further that IDOR records had been destroyed and that others had been withheld or altered in violation of the state court's production order. His affidavit also included the alleged selective enforcement problem.

The Illinois Attorney General sent a letter to Benson's superiors that indicated that the State of Illinois, because of conflicts of interest, was withdrawing its representation of the IDOR defendants, including Benson, in eight civil-rights lawsuits pending in federal district courts. Benson's supervisors decided to provide representation, at the IDOR's expense, to all the IDOR defendants except Benson. In addition to withdrawing legal representation for him, Benson's supervisors maintained a campaign of harassment against him. For example, they caused information to be sent to the Social Security Administration (SSA) and the Internal Revenue Service (IRS) to encourage investigations of Benson. The reason for the adverse actions against Benson was his superiors' dissatisfaction with Benson's disclosures within the IDOR, to the press, and to the judiciary.

In the early 1980s, Benson was employed as a paralegal working for an attorney named Andrew Spiegel. In June 1983, Spiegel represented a man named Allen Lee Buchta, who was accused of criminally violating the federal income tax laws. Buchta's trial was held in Federal District Court in Hammond, Indiana and presided over by District Court Judge James T. Moody.

As part of Buchta's defense, Spiegel called M.J. "Red" Beckman to testify. Beckman, who later co-authored The Law That Never Was, Vol. I with Bill Benson, was asked to testify regarding evidence researched by a group called the "Montana Historians." The Montana Historians had discovered that many of the States in the U.S. had not properly ratified the 16th Amendment. The evidence they had gathered raised doubts about whether the 16th Amendment and the personal direct federal income tax that was allegedly sanctioned by that amendment was valid.

Spiegel attempted to offer the actual documents proving the non-ratification into evidence at trial. Judge Moody, relying on the Federal Rules of Evidence, refused to allow the documents or Beckman's testimony to be used because the documents were not certified. Although the documents submitted were never used in the trial, the judge never returned them to the Montana Historians. Benson, a paralegal on Buchta's defense team, observed this going on. The jury was not able to use the 16th Amendment evidence and, eventually, Buchta was convicted of the tax charges leveled against him.

It was at this point that Benson realized that ratification or non-ratification of the 16th Amendment had to be determined regardless of the outcome of Buchta's trial. Benson knew that the only sure way to accomplish this was to travel to each and every

State that had purportedly ratified the 16th Amendment, gather the relevant documents, certify them, and determine once and for all whether or not ratification took place.

In order to research the ratification issue, Benson realized that a great deal of time and money would be needed to get the job done. Benson had a friend named George Sitka (now deceased) who was a successful businessman. Benson informed Sitka that recovering the evidence would require travel to every state in the continental United States as well as Washington, D.C. Sitka agreed to fund the project and Benson set out to travel to every state and Washington D.C. to gather the documents that would prove that the 16th Amendment was never legally ratified.

As discussed previously, the legal requirements for ratification of an amendment to the U.S. Constitution are quite clear. State legislatures are not allowed to make changes to a constitutional amendment as passed by Congress for the reasons previously listed.

Benson did travel to all the States that had supposedly ratified the 16th Amendment. He also made sure each and every document gathered at each State capitol was properly certified and authenticated. Before discussing the results of Benson's search, additional information regarding U.S. Secretary of State Philander Knox and his chief legal counsel, the Solicitor for the Department of State, Joshua Reuben Clark should be discussed since it was Knox and Clark who gave the final "blessing" to ratification of the 16th Amendment.

Philander Knox, U.S. Secretary of State at the time ratification of the 16th Amendment was sought, was in charge of seeing to it that Senate Joint Resolution (S.J.R.) 40, the proposed 16th Amendment, was distributed out to the states for ratification in a manner consistent with the law. As such, Knox sent certified copies of S.J.R. 40 to the Governor of each State for consideration (ratification) by each State's legislature and he requested that each State's governor send back a certified copy of the results of their ratification activity.

Why was it important for Knox to send certified copies of S.J.R. 40 out to the governors of each State for possible ratification of the 16th Amendment and to request that each governor return a certified copy of such ratification? It was important because, as with any legal or legislative process, certification ensures authenticity and enables the links in the chain of the legal process to be joined together.

Earlier, the legally acceptable methods turning a bill into a law as well as amending our U.S. Constitution were described. I will repeat the highlights of those requirements so that you can see why it was so important for Knox to send everything certified as well as how this certification process helps to explain the allegation of fraud on Knox's part.

Here, again, are excerpts from Amending The Federal Constitution–Procedures Of The General Services Administration And Of The State Legislatures by Michael V. Seitzinger, Legislative Attorney, American Law Division, Congressional Research Service, Library of Congress:

> Ratification by the State legislature is often by means of a joint resolution. The requirements as to what must be set forth in the ratification resolution are not enumerated either in Art. V [of the U.S. Constitution] or in statutory law and, thus, are determined from custom and practice. Arguably, **two requirements seem to be legally indispensable in a valid ratification resolution.** The first is that the resolution contain in full **the exact language** of every

section of the proposed amendment as it appears in the enrolled joint resolution proposing the amendment. This requirement is derived from the seeming **impropriety of attaching conditions or reservations to the ratification**. As a matter of historical fact, some States attempted to impose conditions upon the original ratification of the Constitution, but such leaders as Hamilton and Madison objected that this would be **equivalent to rejection**...In any event, GSA has **rejected** ratification resolutions containing the language of the proposed amendment in **incorrect** or **changed form**...Precedent for such action seems to have originated when the ratification resolutions of the states of Kansas and Missouri for the 15th Amendment were **considered void** because the second section of the proposed amendment was **inadvertently left out**...(Emphasis added)

Another important excerpt is from Joshua Reuben Clark, Knox's Solicitor of the Department of State, the U.S. agency responsible in 1913 for seeing to it that an amendment to the U.S. Constitution was properly ratified. In a letter authored by the Clark himself, dated February 15, 1913, he said:

...Furthermore, under provisions of the Constitution a legislature is **not authorized to alter in any way** the amendment proposed by Congress, the function of the legislature consisting merely in the right to approve or disapprove the proposed amendment...(Emphasis added)

The last important excerpt is from How Our Laws Are Made, Document No. 97-120, authored by Edward F. Willett, Jr., Esq., Law Revision Counsel for the United States House of Representatives, revised and updated, in which he said in Chapter XII. Engrossment And Message To Senate,

"Each amendment must be inserted in **precisely** the proper place in the bill, **with the spelling and punctuation exactly the same** as it was adopted by the House. Obviously, it is **extremely important** that the Senate receive a copy of the bill in the **precise** form in which it has passed the House." (Emphasis added)

The reiteration of the above passages is done to illustrate just how important using the exact language is when making law. The legal significance of changes, errors, additions, or deletions to legislation and the legal importance of "concurrence" between bodies of legislatures and bodies of branches of government is well documented.

Clearly, Secretary of State Knox and Solicitor Clark knew the importance of using exact language in the amendment process. It is for this reason that they requested and received certified copies of the ratification of S.J.R. 40 (the proposed 16th Amendment). If Knox and Clark required and received certified documents from each State during the amendment process, then what is the problem with the ratification of the16th Amendment?

The problem is that many of the certified ratification documents received from the States purporting to ratify S.J.R. 40 (the 16th Amendment) were in direct conflict with the above exactness/preciseness requirements - requirements that, by Knox and Clark's own admission, they were familiar with and, by their own admission, the States did not comply with. How could Knox and Clark possibly justify changes made by the States to the wording, punctuation, sentence structure, and meaning of S.J.R. 40 (the proposed 16th Amendment) despite their admitted knowledge of the requirement that States not make those changes?

Incredibly, Knox and Clark justified the more than one hundred and fifty modifications made by the States to the language of S.J.R. 40 as being "errors" in a lengthy memorandum dated February 15th, 1913. They wrote:

It should, moreover, be observed that it seems clearly to have been the intention of the legislature in each and every case to accept and ratify the 16th Amendment as proposed by Congress. Again, the incorporation of the terms of the proposed amendment in the ratifying resolution seems in every case merely to have been by way of recitation. In no case has any legislature signified in any way its deliberate intention to change the wording of the proposed amendment. The errors appear in most cases to have been merely typographical and incident to an attempt to make an accurate quotation.

Contrast the above statement with another statement made in the same memorandum:

Furthermore, under the provisions of the Constitution a legislature is not authorized to alter in any way the amendment proposed by Congress, the function of the legislature consisting merely in the right to approve or disapprove the proposed amendment...

Then Clark and Knox's words contradict themselves again in the same memorandum by stating:

...Moreover, it could not be presumed that by a mere change of wording probably inadvertent, the legislature had intended to reject the amendment as proposed by Congress where all parts of the resolution other than those merely reciting the proposed amendment had set forth an affirmative action by the legislature. For these reasons it is believed that the Secretary of State should in the present instance include in his declaration announcing the adoption of the 16th amendment to the Constitution the States referred to notwithstanding it appears that errors exist in the certified copies of Resolutions passed by the Legislatures of those States ratifying such amendment...

How can Clark and Knox, both experienced in the law, admit that "a legislature is not authorized to alter **in any way** the amendment proposed by Congress" and yet announce, despite all the trouble they went through to get certified copies of every link in the chain of documentation, that "it could not be presumed that by a mere change of wording probably inadvertent, the legislature had intended to reject the amendment as proposed by Congress"?

The ease with which these high government officials quote the law verbatim (i.e. that legislatures are not authorized to alter in any way the amendment) and then ignore a multitude of changes by excusing them as "errors" is certainly suspicious. According to Clark's memorandum, inadvertent errors made by the States were acceptable but intentional errors were not. It is also suspicious that Clark and Knox would declare that the "errors" were "probably inadvertent" yet they found no reason to investigate the "errors" to make absolutely sure they were inadvertent.

Apparently, no investigation was done - Clark and Knox's presumption was enough. They decided no investigation was necessary even though (by their own admission) only four states (Arizona, North Dakota, Tennessee, and New Mexico) "quoted absolutely accurately and correctly the 16th Amendment" and the resolutions of thirty-three states "all contain errors." Despite the conflict between what constituted lawful ratification (by their own admission) and what the States submitted to Knox, Knox declared the 16th Amendment ratified on February 25th, 1913.

Of course, information did not travel as fast in 1913 as it does today. Worse yet, the ability to research or check up on government activities was a much slower process because of difficulty of travel, communication, access to information, etc. As such, there were probably few officials who were even aware of Clark and Knox's contradictory declaration of 16th Amendment ratification, let alone an expedient way for those officials

to rally support for an investigation of that declaration.

Some 70 years later, Bill Benson conducted the investigation Clark and Knox never did. By traveling to Washington, D.C. as well as the capitals of the States involved in ratifying the 16th Amendment, Benson discovered ample evidence that Knox may have known he was not telling the truth when he proclaimed the 16th Amendment ratified on February 25, 1913. Whether or not Knox purposely deceived the American people by falsely declaring the amendment ratified is not as important as Benson's proof that the individual States did, in fact, make significant changes to, and in some cases voted against or didn't vote at all for, S.J.R. 40, the proposed 16th Amendment, invalidating any ratification action.

For purposes of this report, Mr. Benson has given his permission to include some of the more serious modifications and other breakdowns in the ratification process detailed in his book, The Law That Never Was, to illustrate how serious these flaws are. Remember the "exactness" and "preciseness" requirements listed previously as you review these flaws in the ratification process.

In 1913 there was a total of forty-eight States in the Union. As Article V of the U.S. Constitution required, ratification by three-fourths of those States, or thirty-six, was necessary to make the proposed 16th Amendment part of the U.S. Constitution. Of the forty-two States who responded to Secretary Knox, the legislatures of 36 States, Alabama, Kentucky, South Carolina, Illinois, Mississippi, Oklahoma, Maryland, Georgia, Texas, Ohio, Idaho, Oregon, Washington, California, Montana, Indiana, Nevada, North Carolina, Nebraska, Kansas, Colorado, North Dakota, Michigan, Iowa, Missouri, Maine, Tennessee, Arkansas, Wisconsin, New York, South Dakota, Arizona, Minnesota, Louisiana, Delaware, and Wyoming, allegedly ratified the 16th Amendment. Knox further reported that the legislatures of New Jersey and New Mexico also ratified the 16th Amendment, although their ratification was not needed to meet the 36 State requirement. There were four States, Connecticut, New Hampshire, Rhode Island, and Utah, which rejected the 16th Amendment. The remaining six States did not participate.

As previously discussed, the modifications to the proposed 16th Amendment ranged from changes in capitalization and punctuation to changes in words and sentence structure and even deletion of whole paragraphs. To categorize certain changes to the proposed 16th Amendment made by the States as mild and categorize other changes as severe would not only fall into the trap of excusing mild changes as if they didn't count, but it would be inconsistent with the very clear legal requirements for ratification already described. Exactness and preciseness in the constitutional ratification process are required - and Benson's research shows that those requirements were clearly not met.

The following are examples of the most severe discrepancies in resolutions submitted by the States during the ratification process:

Kentucky - As previously mentioned, Secretary of State Knox included Kentucky in the group of States ratifying the 16th Amendment. However, Benson's research found a far different result. Benson found that there were two documents sent by the State of Kentucky to Secretary Knox which depicted the votes taken by the Kentucky legislature: an "extract" of the journal of the Kentucky State Senate and an "official published journal" of the Kentucky State Senate. The "extract" sent to Knox showed a vote by the Kentucky Senate of 27 in favor of ratification and 2 opposed. The "official" journal showed a vote by the Kentucky Senate of 9 in favor of ratification and 22 opposed. Remember, Benson found documentary proof that both of these documents were received by Knox in Washington. Benson also found that, although Knox was presented with these extracts

and journals, Knox never received a certified copy of a validly passed ratification resolution from the State of Kentucky.

Benson found no evidence of any investigation by Knox as to why an unofficial vote summary listed a 27 to 2 ratification acceptance vote yet an official vote summary listed a 22 to 9 ratification rejection vote. More importantly, Knox never received a certified copy of a ratification resolution - favorable or unfavorable. Clearly, Knox had every reason to investigate such a glaring discrepancy, but apparently he did not. He proclaimed that Kentucky ratified the 16th Amendment even though the evidence shows that Kentucky had rejected it.

South Carolina - In addition to numerous changes in capitalization, changes in punctuation which caused whole paragraphs to be incorrectly added, and the South Carolina Legislature's insertion of a word not even included in S.J.R. 40 (the proposed 16th Amendment), the most notable violation of the exactness/preciseness requirement in the ratification process was the changing of the operative word "lay" to "levy" and later changing the word "levy" back to "lay."

As described previously, the proposed 16th Amendment, as contained in Senate Joint Resolution (S.J.R. 40) read as follows:

> **Article XVI.** The Congress shall have power to **lay** and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration. (Emphasis added)

The ratification resolution passed by the South Carolina House of Representatives, on the other hand, read as follows:

> **ARTICLE XVI.** The Congress shall have power to **levy** and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration, therefore, (Emphasis added)

Notice the serious modification the South Carolina Legislature made by substituting the word "levy" for the word "lay." I consulted Webster's Third New International Dictionary to determine the difference in meaning between "levy" and "lay." Webster's defines "levy" as the imposition or collection of an assessment, tax, tribute, or fine: the taking of property or execution to satisfy a judgement" and "seize in satisfaction of a legal claim or judgement." Webster's defines "lay" as "to impose a tax on: assess" and "to impose as a duty, burden, or punishment."

It is evident that levy and lay have distinctly different meanings. Levy refers to taking some kind of action against an object or item to enforce a legal claim or judgement that already exists. Lay refers to the act of administering a demand or requirement upon someone - like paying a tax. For example, the Collection Division of the Internal Revenue Service may levy a bank account to satisfy a tax debt but they do not lay a bank account. Likewise, the U.S. Government may lay a tax on taxpayers but they do not levy a tax on taxpayers. The bottom line is that the words levy and lay are not interchangeable.

Notwithstanding the other modifications described above, if the U.S Congress used the word lay in the proposed 16th Amendment and the South Carolina Legislature removed the word lay and replaced it with the word levy before ratification, then, the South Carolina Legislature did not ratify the 16th Amendment to the U.S. Constitution because "under the provisions of the Constitution a legislature is not authorized to alter in any way the amendment

proposed by Congress."

Illinois - The Illinois Legislature may have achieved the distinction of creating a new word in the English language during its ratification process. Not only did the Illinois Legislature completely delete the preamble from the official Congressional Joint Resolution (S.J.R. 40), it changed the word "enumeration" to "renumeration" in its own ratification resolution.

You'll recall that the body of the proposed 16th Amendment (S.J.R. 40), read as follows:

Article XVI. The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or **enumeration.** (Emphasis added)

The body of the ratification resolution passed by the Illinois Legislature, called Senate Joint Resolution No. 7, read as follows:

Article XVI. The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or **renumeration.** (Emphasis added)

Notice the serious modification the Illinois Legislature made by substituting the word "renumeration" for the word "enumeration." I again consulted Webster's Third New International Dictionary to determine the difference in meaning between "renumeration" and "enumeration." Webster's defines "enumeration" as "the act of counting" and "a count of something (as a population)." Webster's does not define "renumeration." In fact, the word "renumeration" does not appear in the dictionary. The fact that the word does not appear in such a respected dictionary is a fair indication that the word does not exist. The Illinois Legislature sent a ratification resolution to Secretary of State Knox that contained a key word that does not even exist, and again, Secretary Knox did not even investigate.

Mississippi - The Mississippi Legislature was responsible for creating a whole new phrase during their attempt at ratification of the 16th Amendment. Not only did the Mississippi Legislature also completely delete the preamble from the official Congressional Joint Resolution (S.J.R. 40) and make unauthorized changes to capitalization and punctuation, it changed the word "or" to "of" in its own ratification resolution, which caused a significant change in its meaning.

You'll recall that the body of the proposed 16th Amendment (S.J.R. 40), read as follows:

Article XVI. The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census **or** enumeration. (Emphasis added)

The body of the ratification resolution passed by the Mississippi Legislature, called House Joint Resolution No. 14, read as follows:

Article XVI. Congress shall have power to lay and collect taxes on incomes from whatever source derived without apportionment among the several states, and without regard to any census **of** enumeration. (Emphasis added)

Notice the serious modification the Mississippi Legislature made by substituting the word "of" for the word "or." It isn't necessary to consult Webster's dictionary on this one since I am quite sure there is no such thing as a census of enumeration. This

seemingly insignificant modification illustrates how changes to capitalization, punctuation, letters, words, and phrases can have a significant influence on meaning. It is for this reason that exactness and preciseness in the language of laws is so important and so mandatory.

Worse yet for the reputation of the Mississippi Legislature was an investigation conducted by the Mississippi House of Representatives in March, 1910, which disclosed some interesting activities at the time the Mississippi House had taken up consideration of the ratification of the proposed 16th Amendment:

> First. We believe that undue influence by the improper use of liquor was used upon at least one member of the House. This member was changed from his original conviction and, being unfortunately addicted to the use of strong drink was, by his improper influence, overpersuaded (sic) to vote against his convictions.
>
> Second. The evidence shows further that in other instances other members of the Legislature were approached and asked if money or political position would persuade them to change their vote, and this, we believe, was very improper.
>
> Third. Even the patronage **of the Federal government** is shown to have been brought into play and used in the caucus . . . (Emphasis added)
>
> Fourth. We submit that the executive patronage of Mississippi was used with telling effect . . . the Governor conferred and advised continually - and this was well known to every member of the caucus - with all the "opposition" candidates, their friends and members of the caucus as to the best methods to solidify the "opposition" and to persuade some members supporting ex-Gov. Vardaman to change their vote, was highly improper (sic)
>
> * * *
>
> Seventh. Whiskey was used excessively during the caucus. But there is no proof that any intoxicants were dispensed in the headquarters of any candidate.

Oklahoma - The Oklahoma Legislature was responsible for even more unauthorized changes than the other States. Not only did the Oklahoma Legislature make unauthorized changes to capitalization and punctuation of the proposed 16th Amendment (S.J.R. 40), and fail to even send Secretary Knox a copy of the true resolution passed, it changed the words "without regard to" to "from" in its own ratification resolution, which caused a significant change in its meaning.

You'll recall that the body of the proposed 16th Amendment (S.J.R. 40), read as follows:

> **Article XVI.** The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and **without regard to** any census or enumeration. (Emphasis added)

The body of the ratification resolution passed by the Oklahoma Legislature, called House Joint Resolution No. 5, read as follows:

> **Article XVI.** The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and **from** any census or enumeration. (Emphasis added)

Notice the serious modification the Oklahoma Legislature made by substituting the word "from" for the words "without regard to." Again, there is no need to consult Webster's dictionary on this one. Clearly, the words without regard to have an entirely different meaning than the word from, once again illustrating how changes to capitalization, punctuation, letters, words, and phrases can have a significant influence on

meaning of a law and why exactness and preciseness in the language of laws is an absolute requirement, especially when those laws are amending the U.S. Constitution.

Georgia and Missouri - Like the South Carolina Legislature, the lawmakers in Georgia and Missouri changed the word "lay" to "levy" in the proposed 16th Amendment. They also changed the word "source" to "sources" and the word "incomes" to "income."

Idaho - Like the Mississippi Legislature, Idaho lawmakers changed the word "or" to "of" creating the new phrase "census of enumeration."

Kansas, Maine, and South Dakota - The legislatures of Kansas, Maine, and South Dakota failed to include the preamble from the proposed 16th Amendment (S.J.R. 40) in their own ratification resolution. In addition, and contrary to Knox's assumption, it is evident from the official journals that the South Dakota Senate "carefully compared" the House ratification version to its own version, signifying that their actions were deliberate and not mistakes.

Michigan - In addition to the all too common modifications of punctuation and capitalization, Benson found an interesting letter dated January 18th, 1984, from Gay Meese, Great Seal & Registration Section, Michigan Department of State, dated January 18th, 1984, in which she stated:

I have reviewed the Michigan Public Acts books for the years 1909 through 1913 and can find no concurrent resolution adopted by the Legislature ratifying the 16th Amendment to the U.S. Constitution.

In another letter dated January 4, 1985 from Martin McLaughlin, Local Records Specialist, Michigan Department of State, referring to a search performed by Mr. McLaughlin to find documents related to the resolution sent by Michigan officials to Washington, D.C. as official notice of ratification of the proposed 16th Amendment, he stated, "The search uncovered no documents related to House Joint Resolution 1, 1911... [House Joint Resolution 1 was Michigan's 16th Amendment ratification resolution]

A reader of this report might wonder whether the above-described modifications are severe enough to warrant rejection by the Secretary of State. Perhaps it is commonplace for similar State modifications to be acceptable To address this point, analysis of the ratification process of the 17th Amendment (which occurred at about the same time as the 16th) will serve to illustrate how the 16th Amendment "errors" were more than enough to reject ratification by the States who made the "errors."

In a letter dated May 3rd, 1913, sent from the U.S. Department of State to the State of Wisconsin, it is clear that Wisconsin's ratification of the 17th Amendment was initially rejected by the U.S. Department of State. The letter, addressed to that State's Governor, advised that "**a comparison of the last mentioned Resolution with the one passed by the Wisconsin legislature shows that certain clauses and paragraphs have been added in the latter Resolution which were not contained in the Resolution passed by Congress.**" (Emphasis added).

The Governor of the State of Wisconsin, in a letter dated May 5, 1913, responded to the U.S. Department of State as follows:

"Thank you very much for calling **the error** to our attention before the Wisconsin legislature has adjourned. I immediately transmitted copies of your letter and the Joint Resolution of Congress, to both branches of our legislature, and recommended the adoption of the Joint Resolution in the **exact form** in which it was submitted to the states." (Emphasis added)

These letters between Wisconsin Governor Francis E. McGovern and acting U.S. Secretary of State John B. Moore prove that even "errors" are not acceptable when States

are ratifying an amendment to the U.S. Constitution and even Knox's successor in the U.S. Department of State, John B. Moore, knew they weren't.

In summary, taking only the actions of these 12 states into consideration, the 36 State ratification threshhold was clearly not met. Notwithstanding the inability of the 12 States mentioned here to ratify the 16th Amendment, Benson's book, The Law That Never Was, points out in minute detail how not a single State of the 48 legally met the ratification threshhold.

Andrew Spiegel, a Chicago attorney, authored a rebuttal to The Ripy Report which had been prepared by the Congressional Research Service to rebut Benson's research analyzing the 16th Amendment's lack of ratification. Spiegel's rebuttal included an interesting analysis of the 16th Amendment proposal:

> If one considers only the wording and punctuation changes, it becomes apparent that Secretary Knox and his Solicitor knew that thirty of the forty-eight States had agreed to only a portion of the proposed amendment, which would have read as follows:
>
> _____ Congress shall have power to _____ and collect taxes on _____ from whatever _____ derived without apportionment among the

The Federal Prosecution and Incarceration of Bill Benson

Bill Benson's research clearly supports the contention that a severe defect in the ratification process of the 16th Amendment has taken place. As mentioned earlier, Benson's problems began when the Illinois Department of Revenue (IDOR) encouraged U.S. officials to investigate Benson regarding alleged social security and income tax violations, and Benson's problems were compounded when, on April 5th, 1985, he and M.J. "Red" Beckman published their thesis on the non-ratification of the 16th Amendment, The Law That Never Was, Volume I.

On April 15, 1986, Paul J. Petit, who had represented one of Benson's Illinois Department of Revenue (IDOR) superiors in Benson's successful $350,000 wrongful termination lawsuit against the IDOR, precipitated an investigation against Benson by sending a letter to Chicago Deputy U.S. Attorney Joan Safford[3], in which he stated:

> I would be more than happy to provide additional background information that I believe may facilitate your investigation. As I said, I have been litigating with these characters for almost ten years.

In addition to the letter, Petit forwarded to Safford a motion that had previously been filed (under seal) in Benson's wrongful termination lawsuit. The motion detailed allegations that Benson and his attorney, Andrew Spiegel, had colluded to submit false invoices to an insurance company for $85,000 in claimed investigator expenses, and then to allegedly avoid income taxes on the money.

On May 13, 1986, less than a month after Petit's letter to Deputy U.S. Attorney Safford, a grand jury investigation was commenced against Benson. By April 13, 1987, the grand jury had indicted Benson for violating Title 26, U.S.Code, Section 7203 (failure to file a return) and Title 26, U.S. Code, Section 7201 (income tax evasion). The

[3] the U.S. Attorney for each district in the U.S. ultimately reports to the Attorney General Of The United States

indictment, which closely matched the previously sealed motion given to Safford by Petit, alleged that in 1980 and 1981, Benson failed to declare as income money received as compensation for investigative services performed for attorney Andrew Spiegel, and that in 1981 Benson fraudulently received Social Security disability benefits. [Since Benson's troubles with the IDOR continued well into the late 1970s, he was no longer getting a paycheck from the IDOR and it was necessary to find other ways to make a living. Because of his past investigative and legal experience, Benson began to work assisting attorneys as an investigator and paralegal. It was Benson's work with attorney Andrew Spiegel in the early 1980s, which I mentioned previously, that opened Benson's eyes to the possibility that the 16th Amendment to the U.S. Constitution was never ratified.]

At some point during the investigation of Benson, the IRS learned that he had researched and proven the non-ratification of the 16th Amendment. Instead of recommending prosecution for tax years in which Benson could have presented evidence of the non-ratification of the 16th Amendment to the jury, they recommended prosecution for earlier tax years when Benson was still in the "research stage" of his 16th Amendment investigation.

Benson's indictment alleged that he was required to file an income tax return because he had income exceeding the $3,300 income tax return filing requirement. Benson has always maintained that he was the victim of "selective prosecution" and even the federal judge who handled Benson's criminal case, U.S. District Judge Paul E. Plunkett, made comments that were in agreement with that allegation. Judge Plunkett said, "I have never seen a criminal case like this in all my life;" and "I'm telling you, I've never seen a case like this ever. It is the most incredible series of wandering through mazes of tunnels and documents. It's like a treasure hunt."

Eventually, a trial took place and Benson was convicted on all counts. Although the jury that convicted Benson was never able to hear his evidence regarding the 16th Amendment, the power of Benson's proof that the 16th Amendment was never ratified was not lost on Judge Plunkett, who presided over Benson's criminal trial. At one point in the proceedings, without the jury being present, the following dialogue took place:

THE COURT (Judge Plunkett): What about Mr. Dickstein's [one of Benson's attorneys] statement that there is language in a case that says this question of the Sixteenth Amendment has not been developed, we don't have a record on it, and I refused to allow him to create a record on it? What about that issue?

MR. STONE (the prosecutor): It's not – well, the Sixteenth Amendment issue wasn't adjudicated in this case, because it wasn't a proper defense. It had nothing whatsoever to do with why taxes weren't paid in 1980 and 1981. Mr. Benson by his own testimony –his remarks again today – said his research began in 1984 and he wrote his book in 1985, and even he says, if you can believe him, he went into it with an open mind. He couldn't possibly have been guided by his views on the Sixteenth Amendment back in 1980 and '81.

THE COURT: But that's not the point. The point is that if his entire thesis is correct, there was no law to violate. (Emphasis added)

After Benson's conviction at the trial court level, he appealed his conviction to the United States Court of Appeals for the Seventh Circuit. The Court of Appeals reversed Benson's conviction because trial court District Judge Paul E. Plunkett abused his discretion in admitting much of the testimony of an Internal Revenue Service agent named Gary Cantzler. The appellate court could have declared Benson's case to be "reversed and remanded" meaning that although his conviction was reversed, the appellate court was

sending the case back to the trial court for another trial. However, the Seventh Circuit Court of Appeals did not reverse and remand Benson's conviction, it only reversed it. Normally, the U.S. Attorney's Office would probably have accepted this reversal and moved on to other prosecutions. Spending time in court on "small fish" like Benson would be a waste of prosecutorial time and effort. Based on my own experience, that would normally be the case. But apparently the U.S. Attorney's Office did not consider Bill Benson to be a small fish.

The appellate court reversal meant that Benson was a free man. Soon, however, the U.S. Attorney's office appealed to a "three judge" federal appellate panel and motioned for a remand order. They lost. Next, the U.S. Attorneys office appealed to the Seventh Circuit's "en banc" panel, which is comprised of all of the judges in the Seventh Circuit. They lost. Next, despite being rebuffed by two different appellate panels, the prosecutors went to the Clerk of the Court back at the district court (where the first trial was held) and requested that Benson's case be set for a new trial. The Clerk refused to set the case for a new trial because the appellate court's order said reversed, not reversed and remanded. The U.S. Attorney's Office made one more attempt. They went back to Judge Manion, the original judge who ordered Benson's conviction reversed and convinced him to change the order to reversed and remanded. After expending an incredible amount of effort against someone whose conviction for not filing an income tax return had originally been reversed, they returned to the Clerk of the Court with Judge Manion's modified reverse and remand order.

There are a number of clues pointing to the unprecedented nature of the treatment Benson received:

Clue Number 1 - While Benson was in prison awaiting the outcome of his appeal (the appeal which eventually reversed his conviction), the federal Bureau of Prisons took away his anti-seizure medications and gave him a drug called valporic acid, which has the unfortunate side effect of making you suicidal. Due to the absence of his own medication and the introduction of the valporic acid, Benson spent the next two years in a wheelchair and his health became extremely poor.

Clue Number 2 - After the U.S. Attorney obtained an order from Judge Manion modifying his original reversal of Benson's conviction, a date for a second trial was picked. Joan Safford, the Deputy/First Assistant U.S. Attorney mentioned previously, was picked to be in charge of Benson's second trial. It is interesting that in a federal district as large as the one the Chicago U.S. Attorneys office handles, Benson's case would merit handling by the First Assistant to the U.S. Attorney.

Clue Number 3 - Prior to most every trial, the defense and the prosecution get together to talk about a "deal" - in other words, a plea bargain. Benson's second trial was no exception. Deputy U.S. Attorney Safford offered to leave Benson alone and even offered to give him a job paying "real big money" if he would plead guilty. But she made one additional request. Benson would have to stop traveling around the country talking about the non-ratification of the 16th Amendment and give up the 17,000 certified documents which proved that the 16th Amendment had not been ratified. Benson pointed out the window to Lake Michigan and told Safford to go jump in it. He further told her he would never plead guilty to a crime he did not commit.

Clue Number 4 - After Benson refused Safford's "deal," she found a way to put him back in prison. Safford convinced a federal judge that Benson had 22 days left to serve on the sentence from his first trial. Soon, Benson was on his way to a federal prison in Texas to serve 22 days, allegedly the remainder of his original sentence. While Benson was in the Texas prison, he sat in the office of a Bureau of Prisons (BOP) official who

called the secretary of the Judge who had ordered him back to prison. Apparently, after reviewing all of Benson's paperwork, the BOP official knew something was wrong when a man who lives in Chicago, free on an overturned conviction, is sent all the way to Texas for a twenty-two day sentence. The BOP official told the Judge's secretary neither he nor the Bureau of Prisons wanted any part of what he observed to be grounds for a false imprisonment lawsuit. Benson served eighteen of the twenty-two days and was released.

Clue Number 5 - After the Justice Department obtained a guilty verdict in the second trial against Benson, the U.S. Attorney himself, James B. Burns, came to the courtroom and personally congratulated each of the prosecutors. When Benson asked one of the prosecutors why the U.S. Attorney would make such a rare personal appearance for a "failure to file" income tax case, the prosecutor denied that the man shaking hands was the U.S. Attorney. Benson told the prosecutor that he (Benson) had seen the U.S. Attorney's face and picture many times and there was no question that it was the U.S. Attorney himself who shook the prosecutors' hands.

Clue Number 6 - After being tried, convicted, and sentenced a second time, Benson, upon his release, was told orally and in writing by his probation officer that permission to travel would not be granted if the travel was for the purposes of speaking about the non-ratification of the 16th Amendment.

Clue Number 7 - To this day, the U.S. Department of Justice has not prosecuted Bill Benson for a tax year later than 1980 and 1981. The U.S. Attorney could have picked any of the last 16 years to charge him with another income tax crime for failing to file an income tax return or paying federal income tax. But they have not. Benson believes that prosecuting him for any year subsequent to 1985, the year his book, The Law That Never Was was published, would mean that Benson would be able to present, in open court, his evidence of the non-ratification of the 16th Amendment. Benson would also be able to call witnesses in his defense - witnesses such Assistant U.S. Attorney Joel D. Bertocchi who, while prosecuting Benson, admitted on the record that there was no question that Mr. Benson was relying on his 16th Amendment research in various court proceedings. Benson would also be able to call Judge Plunkett, who, as described previously, admitted on the record that if Benson's evidence regarding non-ratification of the 16th Amendment was correct, then there was no law for Benson to violate.

allegation 3

The U.S. Government Finances Its Operations From The Unconstitutional Creation of Fiat Money, not With Revenue From Income Taxes

In addition to the numerous allegations relating to the federal income tax, Devvy Kidd made numerous references to the banking and monetary system of the United States. Initially, I was baffled as to why she considered the banking system to be such an important topic. I also had no idea how intricately involved the federal banking and monetary system was with the federal income tax system. I returned to her book Why A Bankrupt America? to search for additional clues as to why it was such an important topic. While reading her book, I found that Kidd had listed as many allegations against an organization called "The Federal Reserve" as she had against the Internal Revenue Service. She included a quote from Congressman Ron Paul that not only fascinated me but also helped begin my journey into understanding how the federal government actually finances it operations. He said:

> Strictly speaking, it probably is not necessary for the federal government to tax anyone directly; it could simply print the money it needs. However, that would be too bold a stroke, for it would then be obvious to all what kind of a counterfeiting operation the government is running. The present system combining taxation and inflation is akin to watering the milk: too much water and the people catch on.

I had heard of Congressman Ron Paul before. However, I didn't know much about him. When I first read this quote, I had trouble understanding how a U.S. Congressman could say it "is not necessary for the federal government to tax anyone directly." I had trouble understanding what he meant when he said the federal government "could simply print the money it needs." Congressman Paul's words and other information provided by Kidd and others led me to some shocking realizations about our banking and monetary system and how it relates to the federal income tax system. My investigation revealed to me that the U.S. banking and monetary system is not only constitutionally flawed, but it effectively operates as a system of taxation which takes people's hard earned money more swiftly than any conventional tax ever could.

If I was an experienced police officer and I was giving you "tips" about how to keep from being burglarized, robbed, or mugged, you would probably pay close attention to my advice despite the fact that being the victim of one of those crimes is statistically rare. Although I am not a police officer, I am an experienced financial investigator. Alerting you to the allegations regarding the federal income tax system without alerting you to the literal confiscation of your money and rights from the federal banking and monetary systems would be like telling you to watch out for sunburn during your ocean swim while failing to warn you about the sharks. The "tips" I am going to give you will explain how our hard earned money is taken from each and every one of us every day of our lives.

Most everyone complains about paying taxes. But at least there is an opportunity to hold elected officials accountable when they raise taxes. After lawmakers vote for a particular tax increase, they can be voted out of office if the people so desire. Unfortunately, the passage of the Federal Reserve Act of 1913 [coincidentally the same year the contemporary income tax went into effect] created a system in which your hard earned money can be taken right out of your pocket or bank account more swiftly than

any tax and no one elected official can be blamed or held accountable. How does this occur?

Previously, I described how Beardsley Ruml, one-time chairman of the Federal Reserve Bank of New York, devised the first U.S. withholding system in connection with the "Victory Tax" to pay debts from World War II. I also hinted that you would learn more about what Ruml meant by "elimination, for domestic purposes, of the convertibility of the currency into gold." This section of the report will help you to understand how our contemporary federal income tax system exists, as Congressman Ron Paul suggests, more to mask the ravages of inflation and to control and redistribute our wealth than to provide the U.S. Government with funds to operate.

Prior to reading Kidd's books, I had never really considered how the U.S. monetary system affected people's pocketbooks on a daily basis. Despite my experience in accounting, finance, taxation, and law, I was astounded at how little I knew about the subject. Fortunately, however, not everyone is in the dark about the issue. For example, the 1996 Texas Republican State Platform called for:

the United States monetary system to be returned to the Gold Standard. Since the Federal Reserve System is a private corporation, has no reserves, and is not subject to taxation or audit, we call on the Congress to abolish this institution and reassume its authority, enumerated by Article I, Section 8 of the U.S. Constitution, for the coinage of money.

Despite years spent in college, years spent as a private sector tax professional, and years spent as a criminal investigator for a taxing authority, the subject of the U.S. monetary system and how it works was mysteriously absent. Apparently, there have been some famous, even wealthy people who have commented on the banking and monetary system. For example, Henry Ford, Sr. said:

It is well enough that the people of the nation do not understand our banking and monetary system for, if they did, I believe there would be a revolution before tomorrow morning.

In order to explain how the combination of the federal banking, monetary, and income tax systems places a "hidden" tax on you, it is necessary to provide a brief explanation of what the U.S. Constitution says about money and explain why it is even mentioned in the Constitution at all. I will also explain what money is, how it is created, and give a historical perspective which will illustrate why the above-mentioned systems have the potential for turning us all into indentured servants.

What does the U.S. Constitution say about money?

The Congress shall have Power . . . To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures.
United States Constitution, Article 1, Section 8

No States shall . . . coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts.
United States Constitution, Article 1, Section 10

Why would those who drafted the U.S. Constitution bother to specify these requirements about money? Isn't money just money? Is there a need to regulate money? Can money be manipulated for political purposes? Can manipulating the money supply cause harm to a free society? Can the manipulation of money be used to cheat people? Can money be used as a weapon? What were the framers of our Constitution

afraid of? Well, according to my research, there was plenty for them to fear.

To understand their fear, we must learn what our nation's founders experienced first hand. But, before doing that, we must have a better understanding of what the money in our wallets, purses, and checking accounts really is and how the increase or decrease in the supply of that money affects each and every one of us. I've included a little cartoon on the adjoining pages to illustrate the process.

Brief History of Money

Before there was paper money, and before precious metals were circulated in commerce, people exchanged things of value that they possessed for things of value that others possessed. This process is commonly referred to as "barter." If you were a hunter, you might trade some of the meat from your kill with a farmer who had no meat. In return, the farmer might trade some of his crops with you. In this manner, both the hunter and the farmer had both meat and crops to sustain them even though the hunter didn't farm and the farmer didn't hunt. The meat and crops both had an "intrinsic" value, meaning they were valuable just for being what they were (i.é. crops and meat are valuable because they fill your stomach and keep you alive).

As technology continued to advance, the work people did became more and more specialized. As time went on, people increased production and barter which enhanced the quality of their lives. People relied more and more on the labor and goods of others for their survival and comfort. This process has been commonly referred to as the "division of labor." As society evolved further, trading the goods one produced became more complex and people had to deal with issues such what to do with their surplus goods and other wealth.

It became a little cumbersome to carry around a surplus of 100 bushels of wheat or a surplus of 50 head of cattle everywhere. Eventually, precious metals such as gold and silver were mined, melted down, and coined, and people began to trade their surplus goods and/or services for these coins. Although gold and silver could not fill one's stomach or sustain life like crops and meat could, its rarity, purity, stability, divisibility, and ease of measurement nonetheless made it intrinsically valuable and it eventually was exchanged just as readily as traditional commodities like grain, meat, coal, etc.

Once precious metals began to be traded commonly, two deceitful practices developed which served to cheat people and destroy their wealth. One involved a practice called "coin clipping" and the other involved the practice of printing "paper money."

As gold coins became the medium of exchange between buyers and sellers, it was only a matter of time before greedy kings began shaving minute portions of gold off the coins they received in taxes. The kings would accumulate the gold shavings until they had enough to melt them into new gold coins. The new coins, of lesser weight and lesser value, would eventually be reintroduced into the economy.

As I said before, one of the things which makes gold valuable is its ease of measurement. Thus, it didn't take long for the citizenry to figure out that, after the greedy kings had taken their shavings, the gold coins in circulation were not as heavy as they used to be. This decrease in weight obviously made each coin worth less. With each coin

FARMER

HUNTER

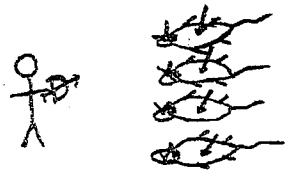
1 _____

Farmer grows crops

Hunter hunts game

2 _____

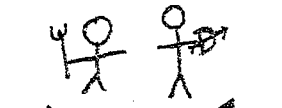
Farmer has surplus crops



Hunter has surplus game

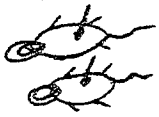
3 _____

Crops



Barter
Farmer needs meat
Hunter needs grain

Crops



Game

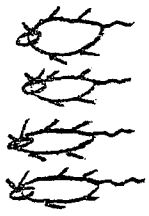
4 _____

Gold

=

Crops

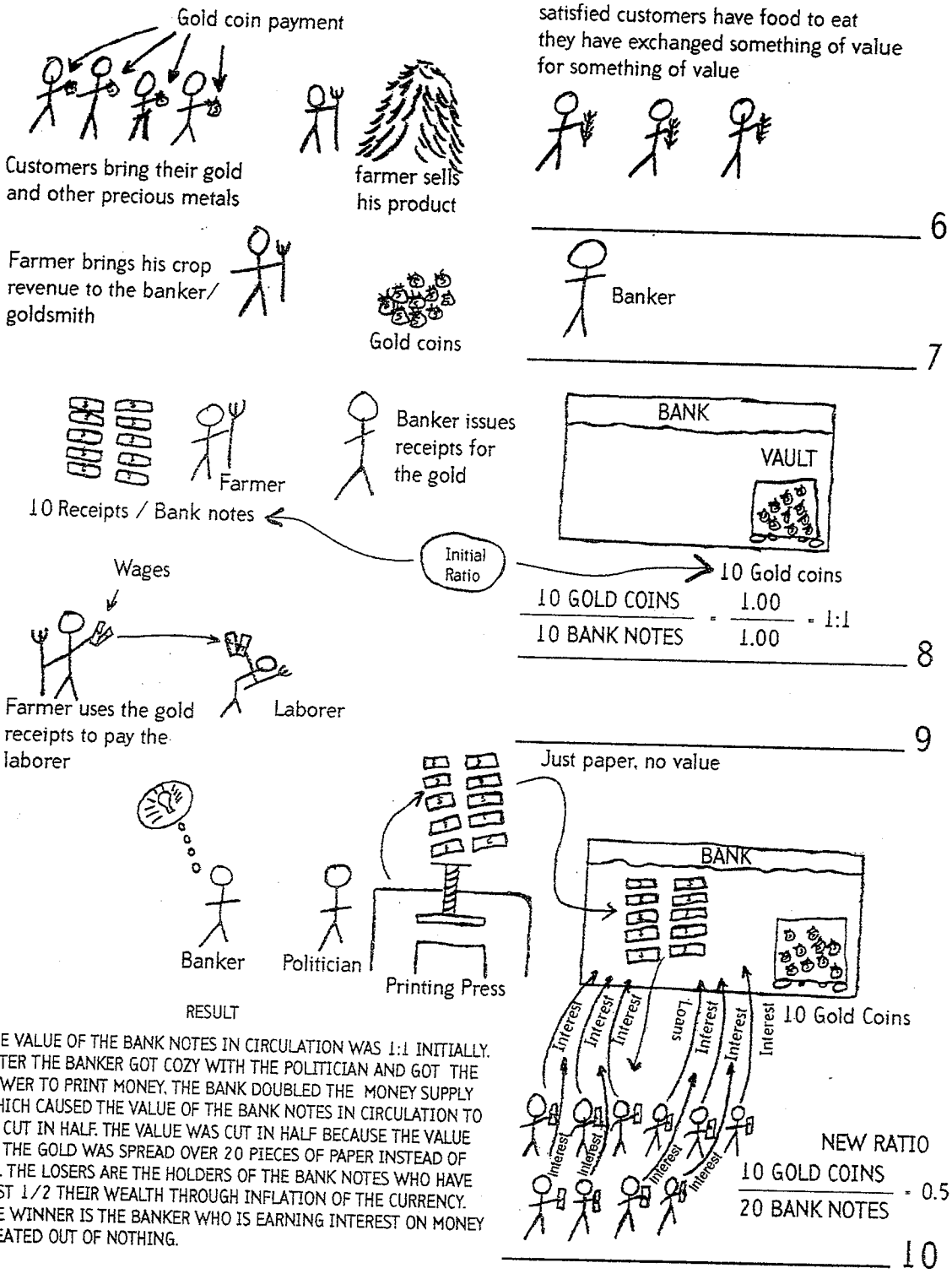
=



Game

Throughout history,
A certain amount of gold equals a certain
amount of crops equals a certain amount of meat

5 _____



RESULT

THE VALUE OF THE BANK NOTES IN CIRCULATION WAS 1:1 INITIALLY. AFTER THE BANKER GOT COZY WITH THE POLITICIAN AND GOT THE POWER TO PRINT MONEY, THE BANK DOUBLED THE MONEY SUPPLY WHICH CAUSED THE VALUE OF THE BANK NOTES IN CIRCULATION TO BE CUT IN HALF. THE VALUE WAS CUT IN HALF BECAUSE THE VALUE OF THE GOLD WAS SPREAD OVER 20 PIECES OF PAPER INSTEAD OF 10. THE LOSERS ARE THE HOLDERS OF THE BANK NOTES WHO HAVE LOST 1/2 THEIR WEALTH THROUGH INFLATION OF THE CURRENCY. THE WINNER IS THE BANKER WHO IS EARNING INTEREST ON MONEY CREATED OUT OF NOTHING.

being worth less, more coins were required than before in order to purchase needed goods and services. [Keep in mind that although the kings' coin clipping scheme resulted in more individual gold coins in circulation, the total weight of gold in circulation remained virtually unchanged.] Where before one gold coin may have purchased 10 bushels of wheat, the shaved gold coin (which contained less gold) would only purchase 8 bushels of wheat. The value of the wheat didn't change because it took just as much labor as it ever did to grow and harvest 10 bushels of wheat. What changed was the value of each piece of gold, which decreased because the amount of gold in each coin decreased (thanks to the kings' little coin-clipping scheme). Adjusting the quantity of goods and services to the actual value of each shaved gold piece effectively neutralized the scam run by the kings. The shaved coins the kings had created weren't buying any additional goods or services for their royal coffers because the citizenry caught on to the scam and adjusted prices accordingly.

When the kings realized that their coin shaving scam wasn't having the desired effect, they had to come up with a new plan. They found a way to force people to accept the scam. They passed laws known as "legal tender laws" which prohibited anyone from accepting the shaved money at less than face value. If anyone broke these legal tender laws, they were fined, imprisoned, and even executed. By the end of this chapter, you will understand that we Americans have our own greedy "kings" who have passed legal tender laws which have forced us to accept money at its face value, even though its true value is constantly diminishing or non-existent.

The second deceitful practice, that of printing additional paper money, was much more profitable than shaving gold from coins, and, best of all, it was much harder for the citizenry to detect or understand.

As people acquired more gold coins than they could carry or keep safe, they enlisted the help of people known as "goldsmiths." The goldsmiths, who already had vaults to keep their own gold safe, began keeping other people's gold and gold coins for a fee. When someone deposited their gold in the vault, they were issued a paper receipt for it. Whenever the depositor wanted to withdraw his gold, he simply presented his receipt to the goldsmith and received his gold back. Eventually, the practice of issuing these receipts for gold became so prevalent that people began to trade the receipts in place of the gold. It made sense that people would accept the paper receipts in place of the actual gold because everyone trusted that the paper receipt was "backed" by the exact amount of gold held by the bank that had issued the receipt. This gold backing gave the paper receipts intrinsic value just as the gold traded for the paper receipts had intrinsic value and the crops and meat traded for the gold had intrinsic value.

As you can see in the cartoon illustration, the important point is that the ratio of receipts to gold or silver coins was 1:1 (i.e. a one hundred gold piece paper receipt was equal in value to one hundred pieces of gold). This ratio, or fraction, of one gold piece to one paper unit is important as you will see later. The system of keeping gold with the goldsmiths and using the gold receipts as money worked fine until some of the goldsmiths got greedy.

The greedy goldsmiths, like the coin-clipping kings before them, got the bright idea to try a new twist on the vault system. They realized that all the gold they were holding for others was just sitting in the vaults. Not only was it not earning any additional money for the depositor or for the goldsmith, but the depositors rarely withdrew the gold. The goldsmiths realized that the few who did withdraw their gold never amounted to more than fifteen to twenty percent of the total gold in their vaults. Thus, they figured out they could lend out up to eighty percent of the total gold, charge interest on the money lent,

and then share a portion of the interest charged with the rest of the depositors. The goldsmiths of yesterday eventually evolved into the bankers we know today.

The problem was that the goldsmiths, whom we'll now call bankers, performed a little sleight of hand unbeknownst to the depositors and the depositors weren't financially savvy enough to catch on. The scheme the bankers dreamed up, with the help of government officials, was to issue additional receipts (paper money) which were not backed by the gold in the vaults. In other words, they began creating "paper money" which had no intrinsic value (i.e. not traceable back to valuable commodities such as gold, crops, meat, etc.). As you can see from the cartoon illustration, this allowed more paper money out into circulation than there was value to back the paper money. The government officials helped the scheme along by passing legal tender laws that forced the citizenry to accept the paper money. The common term for this practice is called "fractional reserve banking."

If, for example, an additional 1,000 units of paper money, not backed by gold, were put into circulation with the 1,000 units of paper money, (bank receipts) backed by gold, that were already in circulation, the ratio (fraction) of gold coins to bank notes is now 1:2 or 1 gold coin for every 2 bank receipts. Do you see what the scheme does to the value of the 1,000 bank receipts already in circulation? It cuts their value in half! The owners of those original 1,000 bank receipts just lost 50% of their purchasing power because the banker was allowed to put additional paper money with no intrinsic value into circulation. If that isn't theft, I don't know what is!

Now that you've had a basic explanation of the effect on purchasing power when 1,000 units of "money" is added to the money supply, imagine the effect on the American people when billions, even trillions, of units are added to the U.S. money supply over a period of years. According to Dr. Robert Batemarco, who teaches economics at Marymount College, Tarrytown, New York:

> The quantity of U.S. money has increased year in and year out every year since 1933. The narrow M1 measure of the quantity of U.S. money (basically currency in circulation and balances in checking accounts) stood at $19.9 billion in 1933. By 1940, it had doubled to $39.7 billion. It surpassed $100 billion in 1946, $200 billion in 1969 ... $400 billion in 1980, $800 billion in 1990, and today it stands at almost $1.2 trillion. That is over 60 times what it was in 1933.

So exactly what does "inflation" of the money supply by these huge amounts mean to the average American? The American Institute for Economic Research, in an article entitled Government by Default, explains it this way:

> Virtually all savers and investors who held dollar-denominated assets have suffered enormous losses due to the decreased purchasing power of the dollar. According to our most recent calculations, the total of Americans' savings embezzled through the inflating process since 1939 amounts to almost $11 trillion in today's dollars.

Is there a word to describe the kind of worthless money that the partnership between the bankers and politician's has created? Yes, there is such a word and that word is "fiat." No, not the Italian sports car. "Fiat" money, as defined by The American Heritage Dictionary, is "paper money decreed legal tender, not backed by gold or silver." Not backed by gold or silver is another way of saying that fiat money has no intrinsic value. Decreed legal tender means that there is a law requiring everyone to accept the currency in payment for debts, goods, services, etc. Just in case no one ever told you, the U.S. currency that we all have in our wallets and purses is fiat money. Notice the inscription on the face of every dollar bill - THIS NOTE IS LEGAL TENDER FOR ALL DEBTS,

PUBLIC AND PRIVATE. Our currency has not been backed by a fixed gold standard for a long time, despite the constitutional provision against removing such a standard.

So what specifically happened prior to and during the lives of our nation's founders that caused them to include protections in the U.S. Constitution against the manipulation of money in this way?

The best summary I've read of the problems experienced by the colonists who founded this nation was written by G. Edward Griffin, in his book The Creature From Jekyll Island: A Second Look At The Federal Reserve. Griffin writes:

THE COLONIAL EXPERIENCE

Unfortunately, the present situation is not unique to our history. In fact, after China, the next place in the world to adopt the use of fiat money was America; specifically, the Massachusetts Bay Colony. This event has been described as "not only the origin of paper money in America, but also in the British Empire, and almost in the Christian world."[4]

In 1690, Massachusetts launched a military raid against the French Colony in Quebec. She had done this before and, each time, had brought back sufficient plunder to more than pay for the expedition. This time, however, the foray was a dismal failure, and the men returned empty handed. When the soldiers demanded their pay, Massachusetts found its coffers empty. Disgruntled soldiers have a way of becoming unruly, so the officials scrambled for some way to raise the funds. Additional taxes would have been extremely unpopular, so they decided simply to print paper money. In order to convince the soldiers and the citizenry to accept it, the government made two solemn promises: (1) it would redeem the paper for gold or silver coin just as soon as their was sufficient tax revenue to do so, and (2) absolutely no additional paper notes would ever be issued. Both pledges were promptly broken. Only a few months later, it was announced that the original issue [of paper money] was insufficient to discharge the government's debt, and a new issue [of paper money] almost six times greater was put into circulation. The currency wasn't redeemed for nearly forty years, long after those who had made the pledge had faded from the scene.

A CLASSIC PATTERN

Most of the other colonies were quick to learn the magic of the printing press, and the history that followed is a classic example of cause and effect: Governments artificially expanded the money supply through the issuance of fiat currency. This was followed by legal tender laws to force its acceptance. Next came the disappearance of gold or silver coins which went, instead, into private hoards or to foreign traders who insisted on the real thing for their wares. Many of the colonies repudiated their previous money by issuing new bills valued at multiples of the old. Then came political discontent and disobedience. And at the end of each cycle there was rampant inflation and economic chaos . . .

Mr. Griffin's excerpt illustrates just a small sample of the deceitful monetary practices that occurred prior to and contemporaneously with the founding of our country. Whether we are talking about the year 1690 or 1990, the ability of a government or central bank like the Federal Reserve to increase the money supply without any value to back it up is a virtual theft of the purchasing power of those holding the existing money supply.

How does the preceding explanation about money and monetary systems tie in to the relationship between the U.S. Government, the Federal Reserve, and the Internal Revenue Service? I think the best way to describe the process is to provide a couple of possible scenarios from "real life" to illustrate how it works.

Imagine you have an uncle named Sam, who, unbeknownst to his family, has a gambling habit. Sam justifies his gambling habit by convincing himself that if he can someday win "the big one," then his family will have everything they desire and everyone

[4] Ernest Ludlow Bogart, Economic History of the American People, page 172

will be happy. Sam starts out with small bets which are funded from his "spending" money. His wife, Cindy, has no idea that her husband is placing these bets because there is still enough money to pay the bills of the household. Unfortunately, Sam's gambling activity picks up steam and more money is required to fund it. Although Sam has convinced himself that his gambling habit is for the good of his family, he is also painfully aware that his wife won't stand for spending money in such a risky manner. Sam decides to turn to a "friend" of his bookmaker who has money to lend.

Filled with good intentions for the future of his family, Sam reasons that borrowing money from the "friend" to finance his gambling activity will pay off someday when he wins "the big one" and happiness and contentment will have been achieved. Sam meets with his "friend," whom we'll call Freddie, to ask for a loan. Freddie is glad to accommodate Sam and an agreement is reached to borrow some money at a rather high rate of interest. Despite the rumors Sam has heard about Freddie's method of collecting his loans, Sam takes the money and begins to spend it.

After a period of time, Sam still hasn't won "the big one." In fact, he has continued to spend not only the money he earns at work, but all of the money borrowed from Freddie. Eventually, Sam gets so far behind that he can barely make the interest payments to Freddie. Freddie meets with Sam and tells him he is falling behind in his payments. Freddie further advises Sam that that he (Freddie) doesn't care how Sam gets the money, only that he gets the money. Sam, who had never before put himself into such a predicament, begins to panic. Sam knew he was already working two jobs to pay the bills and he couldn't think of any legal way to get the money.

In desperation, Sam decided to turn to the process which Freddie seemed to use so well - fear and intimidation. Sam, knowing full well that doing so is unethical, immoral, and illegal, begins to harass, intimidate, and threaten others into paying him money so that he can, in turn, repay Freddie.

Sam's slide from hard working father to intimidating thug is very much like the predicament that the U.S. Government finds itself in. Despite the possibility that the original intentions of government officials were good, all the good intentions in the world can't stop the downward spiral of spending borrowed money in the hope that "the big one" will pay off our debts and lead to us to eternal happiness. Sam represents, of course, Uncle Sam, the United States. Cindy represents the citizens of the U.S., who possess a general lack of understanding of the process by which the bills get paid, as well as an inability to see how the bread winner, the U.S., is helping to finance its own destruction. Freddie represents the Federal Reserve banks, all too willing to lend money to those who want to borrow. With all the financial pressures inherent in excessive borrowing, Sam becomes his own tax collector, taking money from others, with little or no regard for the morality, ethics, or the law, in order to repay his debts.

The following scenario will further explain the relationship between the U.S. Government, the Federal Reserve, and the Internal Revenue Service. It should also help destroy the myth that the federal income tax money paid to the Internal Revenue Service pays the "bills" of the United States.

Imagine you have a brother named Carl. Carl works very hard but he isn't paid very much because he has been in a dead end job for quite a while. Carl's main problem is that he has never been very sophisticated about financial matters. You begin to notice that Carl is driving around in a car that is much nicer than yours is. Carl also is wearing clothes that are much newer than yours and buying household items that are much fancier than yours. You make significantly more money than your brother Carl and you wonder where he found the money to buy all these nice things.

You decide to confront Carl about his newfound "wealth." He explains to you that he received a series of credit card and loan applications in the mail telling him that he had "excellent credit" and had been "pre-qualified" to borrow money. Carl felt very proud that he had earned such a good credit rating and, not knowing better, quickly filled out the applications. Within a few weeks, Carl received a number of different credit cards. Each card gave Carl the opportunity to get a "cash advance" by simply cashing a check. Carl cashed all the cash advance checks up to his credit limit - $15,000. He used the money from the cash advances to buy a used car for $10,000 and spent the remaining $5,000 on new clothes and household appliances.

After you catch your breath, you tell Carl what a terrible mess he has put himself in. You explain to him that in a very short time, his buy now and pay later spending practices will lead him to financial ruin. You explain to Carl that, before he was in debt, his paycheck was his to spend as he pleased. He could pay the bills necessary to keep food on his table and a roof over his head. Any leftover money could be spent on "luxuries." You ask Carl where he is going to get the money to pay the interest on his debts and he tells you he has no idea. You tell Carl that he will be working overtime just to afford to pay the interest on the material things he has purchased. His purchases are going to get old, wear out, and break down yet he will be paying off the debts for years to come. His free time will virtually disappear. Worse yet, based on his earning potential, there is virtually no possibility of paying back the original debt itself, let alone keep up with the interest payments.

This somber talk with your brother Carl is, again, very much like the predicament that the U.S. Government is in. Contrary to popular belief, federal income taxes do not pay the "bills" of the United States. Like Carl, the U.S. Government has taken "cash advances" by selling government bonds to the Federal Reserve. In exchange for those government bonds, which are really nothing more than a promise made by the U.S. Government that your taxes will pay the debt, the Federal Reserve System issues "checkbook" money which the government uses to pay for its programs. Like Carl, the U.S. must pay these bonds (cash advances) back with interest. The U.S., which consists of tens of millions of citizens with earning potential, is responsible for paying back these cash advances with interest. The finite earning potential of the citizens of the U.S. means that, like Carl, the best citizens can hope for is to pay interest on the bonds (cash advances) of the U.S., but never the principal (the debt itself).

When the effects of the Sam scenario and the Carl scenario are analyzed together, the precarious position of the average American comes into clearer view. Officials of the U.S Government, in power at the turn of the century, with intentions we may never be sure of, instituted a process whereby the U.S. Government could "borrow" an almost endless supply of "fiat" money to finance its operations. In order to pay the interest on the debt resulting from this endless supply of fiat money, the labor and future earning potential of the American people was put up as "collateral" for the loan. Now is a good time to repeat the words of Beardsley Ruml, one-time chairman of the Federal Reserve Bank of New York

The necessity for a government to tax in order to maintain both its independence and its solvency is true for state and local governments, but it is not true for a national government. Two changes of the greatest consequence have occurred in the last twenty-five years which have substantially altered the position of the national state with respect to the

financing of its current requirements. (Emphasis added)

The first of these changes is the gaining of vast new experience in the management of central banks.

The second change is the elimination, for domestic purposes, of the convertibility of the currency into gold.

What Ruml is saying, in effect, is that with an endless supply of borrowed funds, it is not necessary to tax in order to run the government. Put another way, the Federal Reserve's ability to create fiat money and the U.S. Government's ability to borrow it provides all the money the government could need to operate. Upon reviewing Congressman Ron Paul's quote at the beginning of the chapter, you will see that both men are saying virtually the same thing. But where does this "endless supply of money" come from, how does the process work, and how did the U.S. Government get so far in "debt?"

The "endless supply of money" available to the U.S. Government comes from a central bank commonly known as the Federal Reserve. Unfortunately, due to economic realities that have existed since the beginning of civilization (the realities of intrinsic value discussed previously), each time the U.S. Government accesses this money supply, every holder of U.S. dollars feels the inflationary pinch. Worse yet, the government repeatedly comes back to borrow more. Each time it does, the pressure to collect more taxes to pay interest on the debt increases. How does the U.S. Government and the Federal Reserve win and the American people lose when this endless supply of money is tapped?

Simple. The U.S. Government wins because it can spend money almost without limit and it doesn't have to immediately raise taxes to do it. The Federal Reserve wins because it can charge interest on money it literally creates "out of nothing." The American people lose in the following way. As more dollars (pieces of paper, checkbook money, savings account money) are pumped into the monetary system via government spending or other bank borrowing, the value of each dollar becomes worth less. Think of it like a pie. If a pie is worth $10.00 and it is split into 4 pieces, each holder has a slice worth $2.50. But if a pie is worth $10.00 and it is cut into a 1000 pieces, each holder has a slice worth one penny. No matter how many times you slice the pie, the value of the whole pie never exceeds $10.00, but the value of the individual slices depends on how many slices have been cut.

Our monetary system is very similar, although the numbers go into the trillions and beyond (the pie has been sliced too many times). Money, when backed by something of value like gold, should generally be equal to the value of goods and services produced, just as it was in the olden days when people hunted and farmed for their own food. If two people are trading goods or services, they will accept something of equal value in trade - that concept is timeless. If someone has two horses and the going rate for a horse is ten ounces of gold, someone who wants a horse will have to pay ten ounces of gold for the horse. Would the seller of the horse prefer to receive ten paper notes backed (redeemable) by gold, or would the seller just accept ten paper notes hot off the printing press not backed by anything? Given the choice, any intelligent person would accept the paper notes backed by gold.

As mentioned previously, our nation's founders had experienced how the ability to print paper money with no value cheated the citizenry. Did the political leaders in colonial times know that printing worthless paper money cheated the citizens and taxed them deceitfully by reducing the purchasing power of each of their dollars? One U.S. Congressman from the late 1700s had this to say about the process:

Do you think, gentlemen, that I will consent to load my constituents with taxes, when we can send to our printer, and get a waggon [sic] load of money, one quire of which will pay for the whole![5]

Are you beginning to understand the concept of fiat money and how the creation of more of it (inflating the amount in circulation) is a hidden tax on you? Each time there is a net increase in the money supply due to government (or bank) borrowing, each dollar buys a little bit less. Consumers are under the false impression that prices continue to rise because someone is gouging consumers by overcharging them and keeping the profit. However, the primary reason that prices continue their upward trend is because, over time, inflation of the money supply has eaten away at the value of each dollar and, thus, it takes more dollars to produce a product or service than it did before.

If it takes more dollars to produce, say, a loaf of bread, the seller of that loaf of bread must ask for more dollars when he sells it or he will go out of business. The value of the labor and materials needed to produce the loaf of bread didn't change; only the value of the money that paid for the labor and materials changed. In our contemporary banking and monetary system, prices don't generally increase because the intrinsic value of the product increases, prices increase because the value of the money used to buy the product decreases.

Some may recall the $40 billion Mexican "bailout" a few years ago. How many Americans remember the $2.3 billion New York City bailout, or the $9 billion Continental Illinois bailout? How about the estimated $500 billion cost to American taxpayers for bailing out the savings and loan industry? There are hundreds and hundreds of billions more spent on bailouts, foreign aid, and other government programs too numerous to list here. Where does the money to pay these staggering costs come from? Does it come from taxes? Would the American people knowingly and willingly foot the bill for these staggering expenditures?

The "money" to pay these outrageous expenditures comes from a "printing press," or more accurately, from the ability of the Federal Reserve System to create money and the willingness of the U.S. Government to borrow it. However, with the magic of the Federal Reserve System, technology has replaced the printing press with computerized entries in bank ledgers. The Federal Reserve has the ability to expand (inflate) or contract (deflate) the money supply with a key stroke on a computer terminal.

The Federal Reserve expands or contracts the money supply in the same way that a water faucet might be used to increase or decrease the flow of water. Using the "discount window" at each of the twelve Federal Reserve Banks located throughout the country, the Federal Reserve or "Fed" acts as the "lender of last resort" lending billions of dollars created literally out of thin air to commercial banks to make up for temporary shortages in the "reserves" of those commercial banks. As the money supply increases, the purchasing power of each dollar in a wallet, mattress, or savings account decreases.

Another way that the Fed increases or decreases the flow of money into our economy is via the "open market desk" at the Federal Reserve Bank of New York. On a daily basis, the Fed buys and sells government bonds and other securities on the open market. The Fed usually buys these government securities from a securities dealer or another bank. When the government securities are purchased, the Fed credits the dealer/bank's account much the same way as if the Fed made out a check payable to the dealer/bank that was later deposited into the account of the dealer/bank. The crediting of the dealer/banks account instantaneously increases the money supply. Conversely, if the Fed sells government securities, the dealer/bank pays the Fed for the securities

[5] William M. Gouge. A Short History of Paper Money and Banking in the United States. Part II. p. 27. Philadelphia. T.W. Ustick. 1833

instantaneously decreasing the money supply.

Hopefully, you are beginning to comprehend how the ability of the Federal Reserve to, as G. Edward Griffin says, "create money out of nothing" affects you and your ability to make ends meet or to save for your retirement. Your purchasing power and ability to accumulate wealth are constantly under attack.

As George Jackson Eder states in his book, What's Behind Inflation and How to Beat It, "An inflationary rate of 3 percent a year means that the dollar one saves at the age of twenty will be worth 25 cents when he retires at the age of sixty five." Remember my comparison to the cop giving you tips about how to avoid being burglarized, robbed, or mugged? If being deprived of three-fourths of your savings over a lifetime isn't a crime, I don't know what is!

I am sure most everyone has heard the media or the government refer to the word "inflation" and they often trumpet that "inflation is low" or "inflation is the lowest its been in years." Everyone, including me up until recently, seemed to celebrate the announcement that inflation is "low." But, I've come to learn that (1) low inflation on an annual basis still adds up to high inflation over a period of years, (2) the system that enables this type of inflation to exist is not provided for in the U.S. Constitution, and (3) the primary reason the money supply is constantly inflated is because of greed and thirst for power.

As the previous quote from the colonial legislator points out, our government can just borrow (print) the money it uses to finance all the programs it conceives of - money is no object. Our government doesn't have to raise taxes (or even collect taxes) to operate the necessary functions of the government as long as the Federal Reserve has the power to create fiat money. The creation of additional fiat money spreads the value of the money supply to more units (dollars) making each of our dollars worth less (remember the pie?).

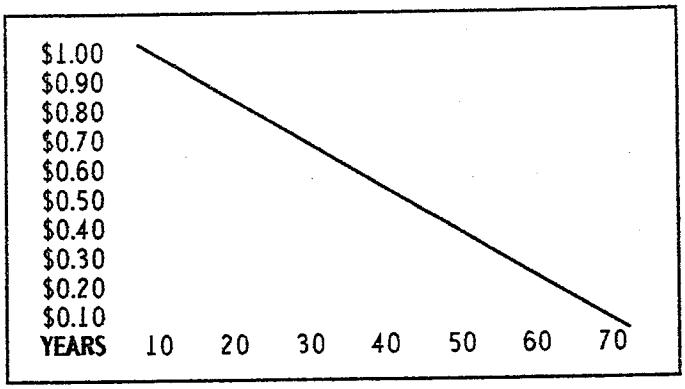
In The Creature From Jekyll Island, Griffin points out how "low" inflation robs us slowly[6], slow enough that we won't notice, but it robs us just the same:

> But now we have arrived, and extreme inflation rates-at least in the absence of war- would cause public dissatisfaction and be counterproductive. Inflation, therefore, has now been institutionalized at a fairly constant 5% per year. That has been determined to be the optimum level for generating the most revenue without causing public alarm. Five per cent, everyone agrees, is "moderate." They can live with that. But we tend to forget that it is 5% per year, forever.
>
> A 5% devaluation applies, not only to the money earned this year, but to all that is left over from previous years. At the end of the first year, the original dollar is worth 95 cents. At the end of the second year, it is reduced again by 5 % leaving its worth at 90 cents, and so on. After 20 years, the government will have confiscated 64% of every dollar we save at the beginning of our careers. After working 45 years, the hidden tax on those dollars will be 90%. The government will take virtually all of them over our lifetime. Earned interest will partially offset this effect but it will not alter the underlying reality of government confiscation.

EFFECT OF "MODEST" 5% INFLATION

For the past forty years, all the published charts illustrating the decline of the dollar from such-and-such a date to the "present" show the following type of curve.

[6] The Creature From Jekyll Island, pp.550-551



The information I have included in this report is barely a snapshot of the information available on the subject of inflation and fiat money and it is not new. As I have shown you, the creation and use of fiat money has been around for centuries. One of the most famous founding fathers, Thomas Jefferson, author of the Declaration of Independence and second President of the United States, in a letter he wrote over 180 years ago, could just as easily have been describing our contemporary taxation, banking, and monetary systems:

We must make our election between economy and liberty, or profusion and servitude. If we run into such debts as that we must be taxed in our meat and in our drink, in our necessities and our comforts, in our labors and our amusements....our people...must come to labor sixteen hours in the twenty-four, give our earnings of fifteen of these to the government....have no time to think, no means of calling our mis-managers to account; but be glad to obtain sustenance by hiring ourselves out to rivet their chains on the necks of our fellow sufferers...And this is the tendency of all human governments...till the bulk of society is reduced to be mere automatons of misery...And the forehorse of this frightful team is public debt. Taxation follows that, and in its train wretchedness and oppression.

I find it incredible that Jefferson could utter such a statement so many years ago and, yet, so closely describe the impact of the relationship between the banking system, the monetary system, and the federal income tax. When Jefferson refers to being "taxed in our meat and in our drink, in our necessities and our comforts", I think about how the hidden tax of inflation consumes my purchasing power, "taxing" my meat, my drink, and my comforts. When Jefferson refers to laboring "sixteen hours in the twenty-four" and giving "our earnings of fifteen of these to the government," I think about how, in order to pay federal income tax bills and keep pace with the ever dwindling purchasing power of federal reserve notes (also known as dollars), two income families have become the norm, whether those families like it or not.

When Jefferson refers to having "no time to think, no means of calling our mis-managers to account," I think about the growing apathy of the American citizen, unable to find the time to contact their elected representative, cast a vote, or remedy their frustration with the system, as they grow more and more weary struggling to stay ahead of the oppressive hidden tax of inflation. When Jefferson refers to the "automatons of misery," couldn't he be describing the average American citizen living near the end of the 20th century, wondering why the cost of everything they depend on for survival keeps going up, up, up?

I was always under the impression that anything having to do with our most basic constitutional rights or any system having a profound affect on the property of each

and every American would have some oversight. Based on the congressional testimony[7] of William Greider, author of a book on the Federal Reserve entitled Secrets of the Temple: How the Federal Reserve Runs The Country, I'm not so sure:

> The veil of secrecy certainly does enhance the mystique surrounding the Fed [Federal Reserve System] - and the general ignorance about it. Otherwise confident and intelligent people - including members of Congress - defer to the Fed's wisdom mainly because they do not understand it. They are understandably intimidated by its mystery and power

"Intimidated by its mystery and power?" Our Congress? Can someone tell me why our Congress, whom we pay to represent our interests, whom we pay to support and defend our Constitution, and whom we pay to keep an eye on government operations and threats to our freedom, should be intimidated by anything in this country? Our Congress is not even supposed to be intimidated by the Communist Chinese, by Russia, by terrorists, drug lords, or dictators. But Greider tells us in sworn testimony that the U.S. Congress is intimidated by the Federal Reserve. Should our Congress be intimidated by an organization which, in concert with U.S. Government agencies, has the power to take the money in our bank accounts? If the U.S. Congress is intimidated by a powerful organization like the Federal Reserve, which has no constitutional basis for its existence, shouldn't we be concerned?

Greider's testimony continues...

> . . . And, as every governor freely acknowledged to me, the Fed also makes mistakes - just like the rest of us mortals. The difference is that the Fed's mistakes can have devastating impact on the lives and fortunes of millions. It can sink viable business enterprises and force debtors to the wall and put millions of people out of jobs. It can reward some investors and punish others...
>
> Given these vast powers, it is fatuous to pretend that the Federal Reserve can somehow be insulated from politics. And, indeed it is not. As any candid governor will tell you, the institution is bombarded constantly with pleas and demands and unsolicited advice from selected interests. As a matter of style, lobbying the Fed is done more delicately and discreetly than, say, lobbying Congress or the White House, but the private and semi-private dialogues surrounding monetary policy go on continuously - between the Fed and financial markets, banks and brokerages and other major players, both foreign and domestic.

Lobbying the Fed? Perhaps a re-reading of the U.S. Constitution is in order. Where does the Constitution even mention the Federal Reserve, or provide for any central bank to finance the operations of the U.S. Government? The Constitution doesn't because, as I have told you previously, the partnership between governments and central banks have led countries down the road to ruin and the founding fathers knew better, correctly stipulating that Congress "shall have Power To coin Money, regulate the Value thereof..." (United States Constitution, Article 1, Section 8).

Greider's testimony continues...

> The only players who are left out of this conversation are **the American people** and, to a large extent, their elected representatives. Instead, they are provided a frustrating stream of evasive euphemisms and opaque jargon and platitudinous generalities and, sometimes, **even downright deception**. As more than one Federal Reserve governor confided to me, it

[7] Testimony before the House Banking Committee, U.S. House of Representatives, October 7, 1993

would be difficult - perhaps impossible - for the Fed to have an honest discussion of monetary policy with Congress or the public because the level of ignorance is so profound.

In other words, if you are serious about reforming the Federal Reserve, you will necessarily have to think about changing more than the institutional behavior of the Fed. The **lack of accountability** is not simply a function of Fed mystique. Among elected politicians, there is also a widespread willingness not to know or understand. In fairness to Congress, the news media encourages this deference by promoting the conventional wisdom about the institution. Any politician who dares to become a critic can count upon damaging attacks from both editorial writers and news reporters . . .

Frankly, the Fed **does not even have to confront intelligent scrutiny from those the people have elected to represent them.** That is, the Congress. In my experience, congressional oversight hearings are usually a dispiriting mixture of posturing and bile and trick questions that the Federal Reserve governors find quite easy to fend off. It is hard to take most of the congressional questioning seriously and not surprising that many at the Federal Reserve do not. (Emphasis added)

Wright Patman [former member of the House of Representatives who was poisoned in 1974] once referred to the existing arrangement as "a car with two drivers." One driver has a foot on the gas, the other on the brake. He meant that the fiscal policy of spending and taxation is controlled by Congress and the Executive, while the money and credit policy is controlled by the central bank. These two levers interact powerfully with one another - sometimes with contradictory results . . .

In 1981, when Congress passed the Reagan economic program, the massive tax cuts and defense build-ups were powerfully stimulative to the economy. But the Federal Reserve was simultaneously embarked on the opposite course: suppressing economic growth with extraordinarily high interest rates in order to squeeze out price inflation . . . The stark fact is that the government was pushing the national economy in opposite directions at once. The car with two drivers wound up in a ditch - first deep recession, then an awesome accumulation of debt - and we are effectively still in it.

The Federal Reserve "does not even have to confront intelligent scrutiny from those the people have elected to represent them?" Remember, Greider wrote a book consisting of almost 800 pages about the Federal Reserve and part of the title says "How The Federal Reserve Runs The Country." I tend to think he knows what he is talking about when it comes to the power of the Federal Reserve. Perhaps it is clear to everyone but the average American who it is that runs the economic show in Washington, D.C.

What drives me crazy is that banks, financial advisors, authors, and the media are constantly advising us about "staying ahead of inflation" or investing in a way to minimize the "effects of inflation." Why do these "experts" talk about inflation as if it is a foregone conclusion? Rather than tell us how to minimize the ravages of inflation, why don't they help rid us of inflation - at least the massive inflation caused by the U.S. banking and monetary system?

Will the American people wake up and realize that inflation of the money supply is not meant to benefit them? Will the American people realize that inflation operates to exploit them by taking their property (hard earned money) without their consent? Remember the 5th Amendment? It was meant to protect Americans from being "deprived of . . . property, without due process of law."

Like millions of Americans, I have felt the constant pinch of inflation but never really understood why it existed. What I've learned thus far about fiat money and the Federal Reserve System has educated me as to why millions of Americans have felt that pinch so painfully. Read what a recognized expert on monetary policy, Alan Greenspan,

said in a July 1966 article in The Objectivist entitled Gold and Economic Freedom, years before becoming the Chairman of the Federal Reserve System:

> The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit...
>
> The law of supply and demand is not to be conned. As the supply of money (of claims) increases relative to the supply of tangible assets in the economy, prices must eventually rise. Thus the earnings saved by the productive members of the society lose value in terms of goods. When the economy's books are finally balanced, one finds that this loss in value represents the goods purchased by the government for welfare or other purposes with the money proceeds of the government bonds financed by bank credit expansion...
>
> In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value. If there were, the government would have to make its holding illegal, as was done in the case of gold... The financial policy of the welfare state requires that there be no way for the owners of wealth to protect themselves.
>
> This is the shabby little secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the "hidden" confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasps this, one has no difficulty in understanding the statists' antagonism toward the gold standard.[8]

Apparently, Mr. Greenspan was not successful in holding on to the opinions he expressed in the late 60s. As the current Chairman of the Federal Reserve, he knows, only too well, the "shabby little secret."

Incredibly, one of the "benefits" touted by supporters of the central banking in general, and the Federal Reserve System in particular, is its ability to "control" inflation. Unfortunately, this "benefit" is just another one of those long forgotten promises that was soon broken. Just in case you thought Alan Greenspan was the only Federal Reserve Chairman to spell out the downside of creating money without any intrinsic value (fiat money), read what Paul Volcker, Federal Reserve Chairman appointed by President Carter, said about the subject:

> It is a sobering fact that the prominence of central banks in this century has coincided with a general tendency towards **more inflation, not less.** By and large, if the overriding objective is price stability, we did better with the nineteenth-century gold standard and passive central banks, with currency boards, or even with free banking." The truly unique power of a central bank, after all, is the power to create money, and **ultimately the power to create money is the power to destroy."**[9] (Emphasis added)

If we simply stop and think about it, we really don't need Federal Reserve chairmen to tell us what we have experienced throughout our lives. Each year, prices inch a little higher, more spouses must enter the workforce to pay the bills, breadwinners must work longer hours just to keep up, we all must go deeper into debt to afford the same standard of living, and those of us who desire children must opt for only one or two because of the ever increasing cost of raising them. As we work more hours and go deeper in debt, we are able to spend less time watching our own children as well as the neighborhood children - and society continues to unravel.

As society continues its downward spiral, politicians, either clueless to the root cause of the problem or lacking the courage to address it, pass more laws to "protect" us. Unfortunately, the politicians, as representatives of the mostly apathetic and uninformed constituents they "serve," are only too willing to attack the symptoms (breakdown of society) rather than the disease (the banking, monetary and taxation systems which make it impossible for us to keep up). Where does that process lead us? Simple. To a

[8] Gold and Economic Freedom, by Alan Greenspan, in Capitalism: The Unknown Ideal, ed. Ayn Rand, New York, Signet Books, 1967, p. 101

[9] Marjorie Dean and Robert Pringle, The Central Banks, Viking Penguin, Forward p.1

police state - and we've gone a long way towards that police state.

The American people have given up a great deal of freedom and privacy in the war on income tax evasion, the war on drugs, the war on money laundering, and the war on guns. Is there a pattern? The good people are consistently "asked" to sacrifice their freedoms and liberties to fight "wars" against these various evils. Despite those sacrifices, the evils continue to worsen. The end result is that the evils remain, our freedoms are gone, and the United States of America becomes a country future generations read about in the history books under "lost civilizations."

A superb way has been created, via the Federal Reserve Act of 1913, to tax you in a way you don't understand, without sending you a tax bill, without receiving a tax return, without passing proper tax increase legislation, and without putting a gun to your head. The Federal Reserve Act of 1913 has enabled banks to essentially collect interest on money they took from your pocket (without your permission) via the decreased purchasing power of your money! Unfortunately for the American people, each and every time the U.S. Government "borrows" from the Federal Reserve it causes inflation of the money supply which diminishes the value of each of our dollars, hence the term hidden tax. The U.S. Government gets an endless supply of money which indirectly comes out of your pocket and because few Americans understand the process, the process continues unabated.

conclusion

As I stated in the introduction, the purpose of this preliminary report is to bring these allegations to the attention of American citizens and government officials in order to generate discussion and debate. As this 1st Edition goes to publication, I can only hope that citizens who read this report will use this information to better educate themselves about the law so that they will be better equipped to obey it without waiving any of their constitutional rights. Citizens must also educate themselves, their friends, and their relatives about the U.S. Constitution and the timeless protection it offers against tyranny -protection that is only effective if it is understood and utilized. I can only hope that local, state, and federal government officials, who have taken an oath to support, defend, preserve, and protect the U.S. Constitution will also educate themselves about the law and the Constitution so that they will be better equipped to administer it without violating constitutional rights.

During my investigation into these issues, I encountered many freedom loving, patriotic Americans and groups who possess a great deal of knowledge about the U.S. Constitution, State Constitutions, the federal income tax, state income tax, and other important subjects. If the information contained in this preliminary report has increased your desire to learn more about the U.S. Constitution, your rights, and other related topics, please refer to the appendix to this report which lists each person or group and how you can get in touch with them. I encourage you to contact them! The information they can provide is invaluable to preserving your freedom.

appendix

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URL: www.freeenterprisesociety.org
Information available: Wide range of books, seminars, and tapes, on taxation and other constitutional topics, legal defense fund membership

Name: Dewy Kidd
Organization: Project On Winning Economic Reform (P.O.W.E.R.)
Mailing address: 4260 Dymic Way, Sacramento, CA 95838
Telephone:
URL: www.dewy.com
Information available: Books Why A Bankrupt America? and Blind Loyalty

Name: Dewy Kidd / Larry Becraft, Attorney at Law
Organization: The Wallace Institute
Mailing address: P.O. Box 60543, Sacramento, CA 95860
Telephone: (916) 925-3430 or (205) 533-2535
URL:
Information available: Organization fighting unconstitutional laws in the courts; donations welcome and encouraged

Name: Officer Jack McLamb, Ret.
Organization: Aid & Abet (Police/Military Periodical Newsletter)
Mailing address: HC11, P.O. Box 357, Kamiah, Idaho 83536
Telephone: (208) 935-7852
URL: none **email:** e-mail welcome but volume of mail precludes response Jack@cybrquest.com
Information available: Operation Vampire Killer 2000 (Police/Military Against The New World Order); Aid & Abet periodical newsletter, Jack's motto is that tyranny will come to your door wearing a uniform.

Name: Geoff Metcalf
Organization: Talk Show Host, daily 9:30-12:00, KSFO Radio, San Francisco (560AM)
Mailing address:
Telephone:
URL: www.geoffmetcalf.com or www.ksfo560.com
Information available: Facts and opinion from a great American talk show host concerned with what is right or wrong, not who is right or wrong

Name: Peymon Mottahedeh
Organization: Freedom Law School
Mailing address: 13211 Myford Road №332, Tustin, CA 92782
Telephone: (714) 838-2896
URL: www.freedomlaw.org **email:** freedomlaw@home.com
Information available: Various live and correspondence courses, tapes, and books on the U.S. Constitution, taxation, fully informed juries, procedures on how to defend yourself from corrupt government agencies

Name: Thomas Price
Organization: Bluefire Trust
Mailing address: P.O. Box 151903, Cape Coral, FL 33915
Telephone:
URL: none **email:** pro_per52@hotmail.com
Information available: Mr. Price, who holds a doctorate degree in law offers an opinion/reliance letter regarding the federal income tax. He is a former member of the U.S. Army Special Forces, Pentagon Liaison, and Judge (cost $50.00).

Name: (former Arizona State Judge) John J. Rizzo
Organization: Freedom Career Institute
Mailing address: P.O. Box 3378, Freedom, CA 95019
Telephone: (831) 722-3566
URL: www.geocities.com/CapitolHill/Lobby/8269/ ustaxes@juno.com
Information available: Tax Expert, Bankruptcy Expert, offers 28 page opinion letter on liability for the income tax (cost $50.00), offers courses on filing for and dealing with bankruptcy.

Name: Tom Shauf
Organization: Bank Freedom Books & Cassettes
Mailing address: 745 N. Gilbert Road, Suite 124-191, Gilbert, Arizona 85234
Telephone:
URL: www.bankfreedom.com
Information available: Shauf's book, America's Hope: To Cancel Bank Loans Without Going to Court, The American Voters Vs. The Banking System: The Technical Guide To America's Hope

I am aware of a few members of the U.S. House of Representatives who have expertise in the area of constitutional law, taxation, banking, and the monetary system. Discussion of the issues addressed in this report with these representatives as well as your own personal congressional representative may assist you in learning more about their understanding of the law and your obligations under the law. They are

Congressman Tom Campbell, 15th District, California
Mailing address: 2442 Rayburn House Office Building Washington, D.C. 20515
Telephone: (202) 225-2631 (408) 371-7337
Fax: (202) 225-6788
URL: www.house.gov
Committee on Banking and Financial Services, Financial Institutions and Consumer Credit Subcommittee, Domestic and International Monetary Policy Subcommittee, Ph.D. in Economics, Stanford University Law Professor

Congressman Christopher Cox
Mailing address: 2402 Rayburn House Office Building Washington, D.C. 20515
Telephone: (202) 225-5611 (949) 756-2244
URL: http://cox.house.gov **email:** Christopher.Cox@mail.house.gov
Chairman, House Policy Committee, House Leadership Steering Committee, Former Harvard Business School Federal Income Tax Instructor

Congressman Ron Paul, 14th District, Texas
Mailing address: 203 Cannon House Office Building Washington, D.C. 20515
Telephone: (202) 225-2831
URL: http://www.house.gov/paul/
Banking and Finance Committee, Financial Institutions and Consumer Credit Subcommittee, Domestic and International Monetary Policy Subcommittee, Constitutional Expert

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