

Confessions of a Compliant Taxpayer

by Dwight R. Lee

Dr. Lee is Ramsey Professor of Economics at the University of Georgia.

There is a seemingly incredible argument raging between the IRS and members of the “patriot” and “constitutionalist” communities. Although there are scores of variations on that argument, the fundamental controversy boils down to this: is compliance with federal income tax laws “mandatory” or “voluntary” for average Americans?

The patriot community fairly screams that income tax compliance is almost universally voluntary -- and receives little or no media attention for its arguments. The IRS, on the other hand, seems unwilling to dignify (or publicly confront) the patriots’ “voluntary” arguments, but implicitly proves the income tax is mandatory by filling the media with stories of folks who are jailed for noncompliance.

The significance of the mandatory/ voluntary argument is enormous. First, if the patriots are correct and income tax is normally “voluntary”, then there is no legal requirement to file a 1040 and pay income tax and American “taxpayers” can choose not to “voluntarily” send their earnings to Washington.

Umm. Just imagine being paid your entire paycheck each

week, and not having to send all that withholding to Washington, not having to worry about paying more money on April 15th, or worse, being audited. The prospect of keeping all of your money for yourself is enticing, warmly seductive, and . . . nah, it’s just not possible! Besides, if the income tax were truly “voluntary”, it would mean our government has been intentionally deceiving us, falsely jailing us, terrorizing us with fraudulent IRS laws for half a century and nobody’s caught on. It would mean our government’s been intentionally robbing us for most of our lives.

From the public’s point of view, as attractive as the “voluntary” argument seems, it’s just not possible. Surely, the last fifty years of April fear could not be built on pure government fraud. The “voluntary” argument may be clever but --hey, it’s just not possible, right?

Of course not.

And so, convinced the income tax is “mandatory”, the public has “voluntarily” filed their 1040’s and paid their “fair share” for the past fifty years. Just the way government likes it.

Nevertheless, this issue of the AntiShyster will explore the patriots’ impossible claim that the income tax is voluntary. As bizarre as their claim may seem, there is supporting evidence and

stranger still, the IRS can’t quite refute their claims.

More importantly, the IRS admits there are 10 million non-filers and the number is growing by about 1.5 million per year. Other researchers claim the real number of non-filers may be between 30 and 40 million. It’s certain that virtually all of these millions of non-filers believe that compliance with income tax laws is “mandatory” -- but nevertheless, they are refusing to “voluntarily” comply.

Which brings us to a central ambiguity in tax law: even the IRS admits in its own documents that our “tax system is based on voluntary compliance.” Of course, the IRS hastens to add that the laws are still “mandatory”, but essentially unenforceable without the taxpayers’ voluntary compliance .

For example, although there were roughly 1.5 million new non-filers last year, the IRS only files about 3,000 criminal charges per year, nationwide. If you divide 3,000 into 1.5 million, you’ll see that it will take the IRS approximately 500 years to criminally prosecute last year’s new non-filers. Unfortunately, most of those non-filers will be long dead before the IRS gets to ‘em. Further, the IRS already has a backlog of at least 10 million non-filers who, at current criminal pros-

education rates, should all be indicted, prosecuted, jailed or fined by the year 5,300 A.D. (assuming no more non-filers join the stampede).

Clearly, as a practical and political matter, our tax system is "voluntary". Despite all the hype about IRS terror tactics, government simply lacks the resource to overcome large scale public resistance to income tax compliance.

The patriot argument deals with the law itself -- not the politics. Does the law specifically mandate compliance, or is our compliance truly, legally "voluntary"? In this issue, we'll consider some of the patriots' technical, legalistic arguments. But first let's look at the larger political issues of 1) whether our government deserves our tax money; and 2) deserving or not, whether we can afford to continue paying at current rates.

For example, does our government truly deserve our tax dollars if the fundamental enforcement mechanism is fear?

I'm afraid of the IRS, so I always pay at least as much, and probably more, than I owe in federal taxes. I confess this with apologies to my fellow taxpayers, particularly those who don't do as I do.

You have all heard, and most of you believe, that honest taxpayers are victimized by tax evaders. In an April 1995 *Money* magazine article, for example, Teresa Tritch tells us, "All told, individuals and corporations are expected to shortchange their fellow taxpayers by an estimated \$150 billion this filing season. That adds \$1,932 to the average tax bill of every honest taxpaying U.S. household." This sounds plausible enough at first glance, but it is based on two naive assumptions about how govern-

ment operates: first, that the government needs some fixed amount of money and so if it receives less from one taxpayer it compensates by taking more from another; second, that we are better off when the government spends more of our money. Neither assumption is supported by our experience with government, or by the logic of the political process.

If the government required only a fixed amount of money each year, we could hope to reduce the federal deficit by increasing tax revenues. Unfortunately, the federal government spends more than a dollar for every dollar it gets. The budget deficit fluctuates from year to year, but over recent decades it has tended to increase as federal revenues increase. So if some of my fellow taxpayers pay more taxes than required, my taxes are not reduced. Quite the opposite. The government would respond to the additional money by com-

mitting to new spending that will grow faster than anticipated, with yet more money and larger deficits being required, and I end up with a larger tax burden. Conversely, if some taxpayers underpay, my taxes will be lower, not higher, than they otherwise would be. And government spending will also be less.

But if I benefit from additional government spending, I might be worse off even if my taxes are lower because others underpay. What I gain in lower taxes might be more than offset in lost government benefits. But do I, or does anyone else, benefit from additional government spending?

This may seem like a silly question. Someone always benefits from a transfer, a subsidy, or a service when the government spends more money. But those benefits always have to be paid for by someone. So the important question is, are the benefits from additional government spending worth the costs? When

Have you been biochipped?

Learn how these biochips are being implanted into the general public through flu shots and childhood immunizations. **Learn** how these biochips are being "recharged" by the chemtrails. **Learn** how these biochips are utilized to alter the mind. **Learn** what the mainstream media won't tell you.

Order **PRISONERS OF PSYCHOPS**, a 70 minute seminar video with documents by Kurt Billings.

Order online at <http://www.psychops.com> with Visa or MasterCard or send \$25.00, which includes shipping & handling to

Psychops Inc.,
P.O. Box 6018, Spring Hill, Florida 34611

the government spends more money, are the additional benefits I receive from expansions in my favorite programs worth as much as I have to pay for expansions in the programs of others? For most Americans the answer is no.

Up to a point, federal spending for defense, law and order, and other necessities is worth more than it costs. But the logic of the political process suggests that we are well beyond that point. Consider that political decisions are far more responsive to relatively small groups, each organized around a common concern, than to the general public. For example, a water diversion project concentrates large benefits on relatively few farmers who are strongly motivated to form a coalition supporting the project. The cost of the project is spread so widely over the general public that few taxpayers know the cost, and almost no taxpayer sees any advantage in organizing opposition to the project. Politicians know that a vote favoring the project will be deeply appreciated by the few getting the benefits and ignored by the many paying the bill. Thus, government projects are funded beyond the point where they are worth what they cost. For example, in California water that costs taxpayers over \$200 per acre-foot to provide is sold to farmers for \$3.50 per acre-foot so they can grow rice in the desert.

Farmers are not alone in using the political process to capture benefits worth less than they cost taxpayers. Indeed, the fiscal relationship between local governments and the federal government causes everyone to support wasteful government spending. About 66 percent of our tax dollars now go to the federal government (up from about 33 percent in 1929), with most of these dollars being returned to states and localities

through federal spending on a variety of programs, projects, and transfers. Taxpayers everywhere want their political representatives to retrieve as many of their federal tax dollars as possible, and they are not particular about how those dollars are spent. They will accept almost any project, no matter how little it is worth relative to cost, since the benefits accrue primarily to them and the cost is paid primarily by others. Their tax burden will not be increased noticeably if more federal spending is secured locally, nor will their tax burden be reduced noticeably if it is not. No matter how much the public may oppose wasting tax dollars in general, each local constituency prefers that more be wasted in their district rather than in others.

In essence, taxpayers are caught in a perverse fiscal game in which it is individually beneficial to demand federal spending that is collectively harmful. The only possible winners are federal functionaries to whom taxpayers must pay tribute for the privilege of plundering one another. The government has become, in the words of the nineteenth-century French philosopher Frederic Bastiat, "that great fictitious entity by which everyone seeks to live at the expense of everyone else."

The only way to reduce the waste in this game of fiscal folly is by reducing the tax money pouring into the federal coffers. Except for a few who receive more benefits from their favorite government programs than they pay to support the programs of others, we are better off when the federal government has fewer dollars to spend. So most of us benefit when others don't pay their "fair share."

I want to emphasize that I am not advocating tax evasion. But we would be well served if law-enforcement resources were shifted away from the IRS and di-

rected against those whose criminal behavior victimizes law-abiding citizens. Let's do more to punish those who rob, assault, and murder, and less to punish those who want to keep more of the fruits of their labor.

Perhaps the fundamental question is not whether our income tax is "mandatory" or "voluntary", but whether our income tax is "affordable", "survivable", or "intolerable".

This article was first published in the March, 1997 issue of *The Freeman*, the monthly publication of The Foundation for Economic Education, Inc., Irvington-on-Hudson, NY 10533, and is reprinted with their permission. ■

When the alleged duty to pay income tax is challenged by Christians, IRS agents and even judges will remind the Christian of Mathew 22:21 where Jesus said:

"Render unto Caesar that which is Caesar's, and unto God that which is God's."

Historically, this passage has been used by government to confirm the Christian's duty to pay taxes to a nation's "Caesar" or ruling sovereign -- and rightly so.

However, here in the United States of America, that passage does not apply to private citizens but only to government employees. Why? Because the United States of America is the only country on Earth where the People are sovereign and government employees are public servants. Here, the duty to "render unto Caesar" falls on shoulders of the public servants, not the common people. Here, government is obligated to obey the People's laws and government employees are obligated to pay taxes to the People.