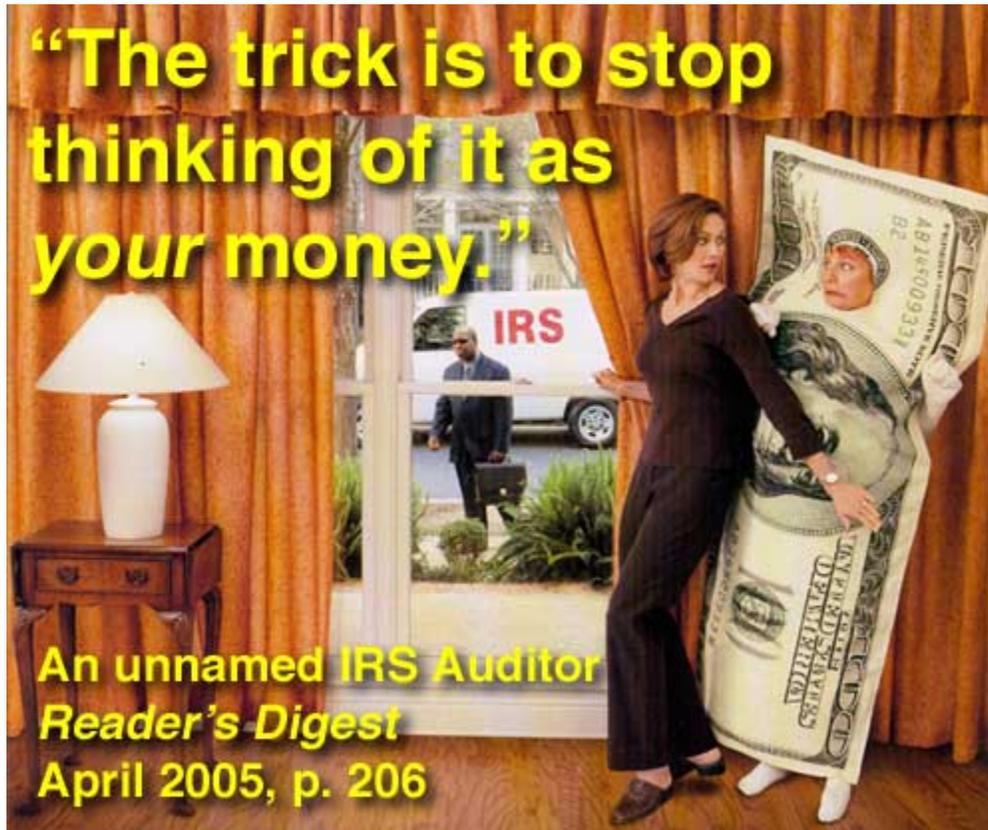


The Power To Tax Is The Power To Destroy:

*Why The Income Tax System, and the
Tax Protest Movements, Must Be Scrapped*

by: Peter Kershaw © 2004



Part 1

Tax protestors aren't the only Americans who hate the IRS and the federal income tax. Many tax-paying Americans also hate the income tax system. The IRS has *earned* the contempt of millions of taxpayers.

I recently took my wife to see Ray Stevens here in Branson (Ray Stevens pays more in taxes in a single year than I'll probably earn in my entire life). I can't recommend Ray's show (too much bathroom humor); but Ray did have one particularly good song that we appreciated about the income tax entitled,



"Ten-Percent." Ray Stevens offers up some valid theology in the chorus of his song when he sings:

"If ten-percent is good enough for Jesus, then it ought to be enough for Uncle Sam."

Because of my widely-known anti-501c3 stance, some folks have occasionally made the mistake of believing that my ministry is involved in a form of tax protest. Churches seeking IRS approval, in the form of 501c3 status, has become so commonplace that anyone like myself who speaks out against it runs the risk of being slandered as "anti-government" or a "tax protestor."

While I'm not a tax protestor, and I'm not anti-government (I'm anti-unconstitutional government), I do take pride in the Reformed "Protestant" traditions of my forefathers. There are millions of American Christians that identify themselves as "Protestants" who have never protested anything in their lives. "Protestant" has, by and large, lost its meaning as its members have abandoned their duty to exhort the culture and call the nation to repentance.

While I routinely protest against the 501c3, my protests have never been with the IRS. Protests should be directed toward the source of the problem, and the IRS isn't the problem. The IRS has never required any church to become 501c3, nor has the IRS ever threatened to tax a church if it didn't become 501c3. The IRS for many years has acknowledged ¹ that churches are "[automatically tax-exempt](#)" and "[automatically qualified](#)" to receive tax-deductible contributions, ² without ever having to apply for 501c3 status from the IRS. As far as I'm concerned, that's a big admission on the IRS' part; so my beef isn't with the IRS.

Not only does an occasional taxpaying Christian misconstrue my anti-501c3 stance as somehow fostering a tax protest movement within the church, many tax protestors have, likewise, assumed the same. Consequently numerous tax protest leaders have solicited me to join their movements (I use the plural "movements," rather than the singular because there is no organized, consolidated tax protest "movement").

Tax protest leaders seem to appreciate much of what I share. They've even occasionally asked me to speak at their conferences. If a tax protest conference runs over into Sunday, they'll usually also ask me to preach a sermon that morning. But if they suppose that my appearance at any of their conferences is a tacit endorsement of their practices, they'd be dead wrong. I speak at such functions because there's always a lot of lost people at "patriot" meetings, and my policy is that I will never pass up an opportunity to share the Gospel of the Lord Jesus Christ with the lost.

One of the few things that I do share in common with contemporary tax protestors is the insight that the income tax system is fundamentally, inherently and irreparably corrupt. The modern income tax system is inherently corrupt because it's based upon a Socialistic system of (in the words of Frederick Bastiat) "legalized plunder." Tax protestors see what most Americans don't -- the fact that no inherently corrupt system can be "overhauled" or "fixed" or "reformed." The only remedy is for the income tax

system (by "system" I mean not only the Internal Revenue Code, but also the Internal Revenue Service) to be scrapped, altogether.

"A heavy progressive or graduated income tax" is the second plank of the Communist Manifesto (crafted by Karl Marx in 1848). The stated agenda of an income tax, according to the Socialists who perfected it, is the "redistribution" of the people's wealth: "From each according to his abilities to each according to his needs." The income tax is the tax most-favored by oppressive, despotic governments to subjugate their citizenry. The income tax breeds government corruption and is the very lifeblood of tyrannical government.

The Agency of government tasked with collecting and enforcing any corrupt tax will inevitably become corrupt itself. The income tax system has no place in a free nation, and it's for good reason that President Ronald Reagan stated:

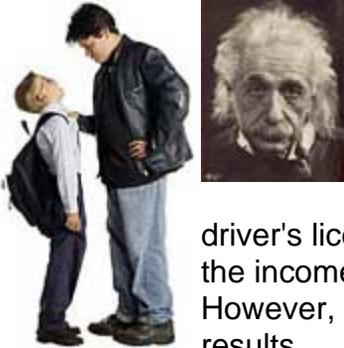
"Our federal tax system is, in short, utterly impossible, utterly unjust and completely counterproductive. The present system of taxation reeks with injustice and is fundamentally unAmerican. It has earned a rebellion and it's time we rebelled."

The obvious question then is what kind of a "rebellion" was Mr. Reagan speaking of, and what is the appropriate strategy for "rebellious" against this "utterly unjust" and "fundamentally unAmerican" system?

I wholeheartedly concurred with Mr. Reagan when he gave his tax rebellion speech in Williamsburg, Virginia in May, 1983. However, one thing we can safely assume is that Ronald Reagan was not giving a nod to the methods of the tax protest movement, when he spoke of a "tax rebellion." I've found very little to agree with in the tactics of tax protest leaders. Their worldviews are unbiblical and, as such, any solutions they develop will be equally unbiblical.

Tax protestors often presume that I make my living unlicensing churches and, therefore, that is the extent of my legal expertise. However, the fact of the matter is that I earn my living as a paralegal and I only work part-time in the ministry (as an unpaid volunteer). One of my legal specialties is fixing the IRS problems of tax protestors. I know considerably more about the tax protest movement than most tax protestors know about the tax protest movement. I've had considerable exposure to tax protestors, and I count myself uniquely qualified to serve as a cultural commentator on the tax protest subculture.

One of the biggest problems with the modern tax protest movement is the eagerness with which tax protestors embrace urban legends. There's a never-ending stream of urban legends that circulate rapidly and efficiently through the tax protest movement, and even more circulate through its big brother, the "patriot movement" (aka freedom movement, sovereignty movement, etc.). I refer to these urban legends as "patriot mythology."



The modern patriot movement advances a plethora of "personal liberty" issues above and beyond tax protest. These include SSN revocation, driver's license revocation, debt cancellation, New World Order conspiracies, etc. Like the income tax issue, there's a grain of truth to be found in many patriot issues. However, taking actions based upon a mere *grain* of truth can produce disastrous results.

This isn't to say that everything that patriots assert is bogus. Indeed, some of the issues that they've brought to light merit further investigation and discussion. However, experience tells me that the contemporary tax protest movement is not the paladin we seek for slaying the income tax dragon, and we'll need to look elsewhere for a champion. The income tax disaster needs to be addressed, so let's listen to what tax protestors have to say, while we remain cautious about following their example.

The vast majority of American taxpayers "voluntarily comply" with the federal income tax motivated largely by IRS intimidation. Americans fear the IRS as much as Russians fear the KGB; perhaps even more so. Former IRS Revenue Officer [Richard Yancey](#) describes the IRS as "the most frightening agency on the face of the planet!" No nation that calls itself "free" can truly be free when the people are afraid of their own government.

"When the people fear the government, tyranny has found victory."

Thomas Jefferson

Fear of the IRS may indeed prompt a high level of "voluntary compliance," but fear never breeds honesty. Most Americans view the IRS as a big bully. Even a child soon figures out how to avoid the bully's repeated *shakedown* for his lunch money. So it's little wonder that such a large percentage of taxpayers habitually [cheat on their taxes](#). As Will Rogers put it, "The income tax has made more liars of men than the game of golf."

The inequities of the income tax system, and how the IRS chooses to enforce it, cause intense resentment for millions of taxpayers. The middle-class believe they are "paying their fair share," while the wealthy often pay little or nothing. Middle-class perceptions are correct. The rich can readily afford to hire experts to assist them in avoiding most, if not all, of their tax liabilities. It's not uncommon that the wealthy pay no income taxes and, in some cases, [file no income tax returns](#) at all. The wealthy generally get away with it and hardly ever get challenged by the IRS. The wealthy have the *muscle* to stand up to the bully, so the bully moves on to a more vulnerable prey, the middle-class.

The income tax system is outrageously complex and frustrating. No nation can be free when that nation's laws have been deliberately crafted to be so complex that even the licensed professionals find it impossible to agree on what the laws say. There is no legal code in the world as complex, convoluted and confusing as the U.S. Internal Revenue Code:

"The hardest thing in the world to understand is the income tax."

Albert Einstein
(1879-1955)

"Any tax practitioner, any tax administrator, any taxpayer who has worked with the Internal Revenue Code knows that it is probably the biggest *mishmash* of statutes imaginable. Congress, various Administrations and all the special interest groups have tinkered with it over the years, and now a huge assortment of special interest and pet economic theories have been woven into the great *hodgepodge* that is today's Internal Revenue Code."

former IRS Commissioner Roscoe Egger, Jr. (Nov. 30, 1984)

"Eight decades of amendments to the code have produced a virtually impenetrable maze. The rules are unintelligible to most citizens. The rules are equally mysterious to many government employees who are charged with administering and enforcing the law."

former IRS Commissioner Shirley Peterson (2/92 - 1/93)

"The government has the nerve to tell the people of the country, 'You figure out how much you owe us, and we can't help you because our people don't understand it either; and if you make a mistake, we'll make you pay a penalty for making the mistake'."

President Ronald Reagan

There are several congressmen, numerous grass roots organizations, and even the [U.S. Treasury](#), all calling for "tax simplification." Unfortunately, the likelihood of ever achieving any *genuine* tax simplification is extremely remote. All previous attempts at tax simplification have failed miserably. Ronald Reagan's tax simplification efforts decreased the number of tax brackets to two, but it also resulted in adding thousands of additional pages to the tax code. Moreover, any sincere attempts at tax simplification will necessitate the [elimination of deductions](#) that millions of taxpayers have come to rely upon to mitigate their tax liabilities (e.g. Earned Income Tax Credit). That's a political hot potato that few politicians are willing to handle.

Then there are those who propose a "[flat tax](#)." In theory a flat tax could be, in itself, a form of tax simplification, which could make the process of filing tax returns more streamlined. Streamlining is certainly desirable, given that the costs of "voluntary compliance" under an obscenely complex tax code are immense: \$200 billion and 5.4 billion man-hours per annum. However, a flat tax comes at the expense of millions of taxpayers paying considerably more in taxes because of the elimination of big deductions, such as mortgage interest. Charitable contributions to 501c3 organizations would no longer be tax deductible under a flat tax. Not surprisingly, one of the strongest opponents to a flat tax (as well as the elimination of the income tax) is the National Council of Churches.



Then there are those who believe the solution lies in replacing the income tax with a [national sales tax](#). A national sales tax, as a replacement for the income tax, is as poor an option as the others, since it leaves the IRS in place to enforce the tax (this in spite of what its idealistic proponents claim). Those who laud the NST have failed to learn from the experiences of those countries who have already adopted it. As bad as the income tax is, the NST (known in Europe and elsewhere as VAT, GST, etc.) is even far more destructive to national economy than the income tax. Furthermore, the risk is great that rather than replacing the income tax, our Congress will *bait and switch* the deal, keeping the income tax (in some modified form) and also giving us a NST on top of it.

Regardless of what Congress does in the way of "reforming" the present tax system, any benefits derived are likely to only last a few years. Congress has an inability to leave laws as they are (the influence of lobbyists is just too great); so we can be confident that the week after the ink dries on a flat tax code, Congress will start messing it up all over again. Speaking of Reagan's tax reforms, [Martin Press](#), vice chairman of the ABA task force on federal tax reform stated, "It didn't take more than two years for Congress to fiddle with it. Lawmakers can't resist loading up the tax code with provisions to benefit special interests." Now the tax system is even more complex and confusing than it has ever been.

Ronald Reagan referred not just to the income tax as "unAmerican." Mr. Reagan was speaking of the entire rapacious D.C. bureaucracy whose voracious appetite and lust for plundering wage-earners is never satiated. The solution isn't to "simplify" it, "flatten" it, or "substitute" it for another unAmerican tax system. The solution is to abolish entirely the "un-American system," thereby ridding ourselves of the corrupt culture which it breeds. ³

There are those who call for various forms of increased [IRS accountability](#), as well as improving [congressional oversight](#). Accountability is certainly a good thing, if it's reasonable to expect that it can be made to work. The reason it can't work is because the IRS considers itself a law unto itself, and it refuses to be held accountable. Within the IRS is a deeply-entrenched rogue culture almost as nefarious and clandestine as the CIA. They get away with it only because everyone is afraid of the IRS, including Congressmen, and even federal judges.

The press, too, is fearful and intimidated by the IRS. As such, don't expect to but rarely see a story about the criminal activities of IRS agents on the evening news or in your newspaper or news magazine. The wire services (e.g. AP) have distributed numerous newsworthy stories of IRS abuse, but the mainstream press hardly ever publish them. One of those rare exceptions was the October 13, 1997 edition of Newsweek, the cover story being entitled, "Inside the IRS: Lawless, Abusive and Out Of Control."

The magnitude of IRS abuse warrants that several cover stories each year be devoted to its coverage. Yet, we can count on one hand the number of times the mainstream press has devoted their ink to exposing IRS abuse. The only income tax-related stories the mainstream press faithfully covers are those which serve to scare the people into

"paying their fair share." For all intents and purposes, the mainstream press is a lapdog of the IRS.

It would seem that the only people who aren't afraid of the IRS are IRS employees. Since the chief motivation for filing tax returns is usually fear of the IRS, and since many IRS employees don't fear the IRS (and they would certainly be in the ideal position to game the system), hundreds of [IRS employees don't file tax returns](#). How is the IRS to maintain any sense of credibility with the public when many of its own employees hold themselves above the same laws that they are charged with enforcing?

Several grass roots groups are doing some commendable work in [exposing IRS abuse](#) and corruption. However, the solutions they offer up are inadequate and short-sighted, or they've already been tried before and failed miserably. Their intentions are good, but their expectations are unrealistic because they fail to recognize the nature of the problem and its magnitude.

Increased congressional scrutiny and oversight of the IRS was last tried in 1997 with [Senator William Roth's IRS hearings](#). The testimony given by hooded witnesses in their electronically altered voices was truly shocking; but any resulting IRS changes were superficial and not long-lasting. Rather than Congress establishing substantive IRS accountability, it delegated that responsibility to the Treasury Inspector General's Office (TIGTA), which in turn created a program called [Employee Integrity](#). Every year TIGTA offers up a few token criminal prosecutions of IRS employees in order to pacify the public and Congress, and give the impression that they're doing something substantive; but TIGTA's Employee Integrity program is barely scratching the surface of IRS corruption.

Under the leadership of Bush-appointed IRS Commissioner, Mark Everson, the IRS has returned to a pattern of the same abuses that existed prior to Sen. Roth's hearings, perhaps even worse.

"Can the Ethiopian change his skin, or the leopard his spots? Then may ye also do good, that are accustomed to do evil?" (Jeremiah 13:23)

Identifying problems with the income tax system, and the injustices of its enforcement at the hands of a corrupt tax collection agency whose methods are the envy of the Mafia, have been [well documented](#). The hard work is in developing viable solutions. I have serious doubts that the contemporary tax protest movement is the answer. Nor has the tax protest movement proven itself to be an asset in providing credibility to the argument that the income tax system must be junked. Indeed, lack of credibility is one of the chief problems with the modern tax protest movement.

Many of the claims of tax protestors are gravely lacking in credibility, and are even absurd. Some tax protestors have gone so far as to claim that the IRS is incorporated in Puerto Rico. Others, like Lamarr Hardy, came up with the equally bazaar claim that the IRS was incorporated in Delaware in 1933. I long ago reviewed the "evidence" for these claims and found it to be entirely specious. Such "evidence" would be laughable if it

weren't for the fact that so many people have relied upon it, and had their lives ruined, as a direct result.

The number of bogus tax protest theories is limited only by the lack of objective thinking on the part of tax protest leaders. For example, some claim that the IRS is a wholly-owned subsidiary of the Federal Reserve Bank (while others claim that the Secretary of the Treasury is actually a foreign agent of the IMF). This seems to be based upon a confused version of the FRB not being a branch of the federal government. Federal Reserve banks have always asserted that they are not agencies of the U.S government, and have so argued in the courts; ⁴ but what does that have to do with the IRS?

The thinking of the tax protesters seems to be that if they can show that the IRS is not a branch of the U.S. government, but is actually owned by the incorporated and privately-held FRB, that would strengthen their position that they don't have to pay income taxes. Even if that were true (which it's not) it wouldn't change a thing in terms of the lawfulness, or lack thereof, of the federal income tax.

The [IRS refutes](#) the allegation that the IRS is not an agency of the United States government. The IRS asserts that it is a department of the U.S. Treasury (their logo alone should make that self-evident).



The U.S. Treasury, likewise, claims that the IRS is a department of the U.S. Treasury:

"The Internal Revenue Service (IRS) is the largest of Treasury's bureaus. It is responsible for determining, assessing, and collecting internal revenue in the United States." ([U.S. Treasury](#))

Both the IRS and the FRB deny that the IRS is a branch of the FRB. I don't know of any U.S. official who has ever claimed otherwise, including any U.S. Congressman who disdains the IRS (and there are more of those than most people realize) and who are working to see the personal income tax abolished, such as [Rep. Ron Paul](#).

Do claims by U.S. officials that the IRS is a branch of the U.S. government make it so? Not necessarily. However, attempting to argue otherwise without any hard evidence is not only an exercise in futility, it has cost many people dearly. Raising such issues with the IRS has invariably resulted in an ugly and costly battle that can't be won. Raising such arguments in court usually results in the court imposing a civil penalty in the range of \$5,000 to \$25,000 "for raising a frivolous tax protest argument" and "wasting court time with arguments that the courts have already settled."

Was the IRS ever lawfully constituted by the U.S. Congress? Was the 16th Amendment ever legitimately ratified? Many people have serious doubts over these issues, and I share some of those doubts. Unfortunately, the courts don't have such doubts and, whether we like it or not, when it comes to the legalities of the income tax, what counts

is the opinions of federal judges. The problem with 16th Amendment ratification, and the plethora of other tax protest arguments, is that people keep taking them into court and winding up in jail. No one has ever won "the 16th Amendment was never legally ratified" argument in any court (and certainly no one has ever won a tax protest argument of any kind with the IRS), so why do tax protestors keep bringing it up?

I'm not unwilling to listen to what the patriots have to say. Indeed, I've found many of their issues to be fascinating. However, I'm not willing to accept every unsubstantiated theory (urban legend) that gets thrown my way, especially when those making their claims refuse to produce any hard evidence to support their theories. Nor would I ever expect anyone else to believe anything I've asserted (e.g. 501c3, church incorporation, etc.) absent my ability and willingness to furnish the black-letter law to support my position.

Regardless of how unjust and corrupt the income tax system is, we must still take cognizance of the 9th Commandment. God draws no distinction, or makes any allowance, if we bear false witness only against our foes, and not against our friends. Either way it's still sin, and God will hold us accountable if we violate His Law against bearing false witness. While the IRS routinely violates the 9th Commandment (and certainly the 8th Commandment), we mustn't allow ourselves to be drawn into the same sinful conduct -- "Two wrongs don't make a right."

Unfortunately, far too many patriots view vengeance as their right, and even a patriotic duty. "Payback" is spoken of regularly at patriot meetings, and payback strategies are routinely taught. Patriots convene their own sham "common law courts" which issue bogus legal judgements. Patriots have filed thousands of baseless commercial liens against IRS agents, and even against federal judges, often for millions of dollars each. They file 1099's against IRS agents. They create bogus "commercial paper" and "certified money orders" to "pay off" mortgages, car loans and credit cards. They do so under the guise of "paying them back with what they paid me." They may view it as righting a wrong, but it's all vengeance, and it does little good to tell them:

"Dearly beloved, avenge not yourselves, but rather give place unto wrath: for it is written, 'Vengeance is mine; I will repay, saith the Lord'." (Romans 12:19)

While I don't agree with the vengeful spirit rampant in the patriot movement, I do understand why it happens. Virtually all tax protestors are former taxpayers. They usually become tax protestors because the IRS has provided them *strong encouragement* to do so. Most tax protestors got into the movement because their ox *got gored* by the IRS. It's IRS abuse that fuels the movement, and the tax protest leaders know it, and they play it up to the hilt. I've had several tax protest leaders tell me, "If the IRS would just stop abusing so many people the tax protest movement would shrivel up and die."

(continued)



CONTINUE ➔

Footnotes:

[1. Internal Revenue Code 508c1A and IRS Publication 557 \(see also this author's book, *In Caesar's Grip*.\)](#)

[2. IRS Publication 526 \(see also this author's book, *In Caesar's Grip*.\)](#)

[3. Witnesses Say IRS Agent Tried to Frame Ex-Senator](#)

[IRS agent admits helping dancers for sexual favors](#) (see also [Covenant News](#))

[2 Ex-I.R.S. Lawyers' Licenses Suspended for Misconduct \(IRS lawyers defraud courts to win 1300 tax shelter cases\)](#)

[IRS Agent charged with bribery, currency structuring](#)

[4. "Examining the organization and function of the Federal Reserve Banks and applying the relevant factors, we conclude that the Federal Reserve Banks are not Federal instrumentalities... but are independent and privately owned and controlled corporations... Federal Reserve Banks are listed neither as 'wholly owned' government corporations \[under 31 U.S.C. Section 846\] nor as 'mixed ownership' corporations \[under 31 U.S.C. Section 856\]... It is evident from the legislative history of the Federal Reserve Act that Congress did not intend to give the Federal government direction over the daily operation of the Reserve Banks... The fact that the Federal Reserve Board regulates the Reserve Banks does not make them Federal agencies under the Act." \[Lewis v. U.S. 680 F.2d 1239\]\(#\), No. 80-5905, 9th Circuit \(1982\)](#)

The creation of the "Fed" in 1913 under the Federal Reserve Act, and its consequent unconstitutional delegation of money creation powers to a privately-held banking cartel has, ever since that time, fabulously enriched bankers and plunged the nation into a state of perpetual debt. Congressman Ron Paul has [introduced legislation](#) to abolish the Fed and restore

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Part 2

The IRS has a long history of wrongdoing, abuse and outright tyranny against the American people, all of which is easy to substantiate. Just as easy to prove are the abuses of Congress in [squandering](#) the People's tax money. Ronald Reagan's [Grace Commission Report](#) well-proved it, and it was in that context that President Reagan spoke of a "tax rebellion." If a tax rebellion movement were launched, championed by men of such noble character as the tax protestors of the Colonial era, it could have a huge impact in issues of not only government taxation, but also government

stewardship of the People's taxes, the ultimate result of which would be to forever end the federal income tax.

Why, then, do contemporary tax protest leaders expend their time and energies promulgating illogical, implausible and untenable theories that no one has ever won in court (e.g. the IRS is a Puerto Rican corporation)? Why do they promulgate theories that border on science fiction (e.g. the IRS is a wholly-owned subsidiary of the FRB)? Why is their demeanor often so shrill, wild-eyed and belligerent? Why, rather than attempting to build credibility with the American people, is their every action, and many of their theories, guaranteed to undermine credibility?

It appears that they're not particularly serious about vanquishing the income tax system. It even seems as if they're deliberately sabotaging their own movement. Indeed, the methods of many tax protest leaders have caused me to often ask tax protestors: "Who's that guy you're following *really* working for?" ⁵ If that's not in doubt, then it's often been the case that tax protest leaders are delusional or just plain nuts. I say this not in a figurative sense, but the literal sense. In the trials of several prominent tax protest leaders their attorneys have moved to have them declared insane. The evidence for doing so has been quite compelling. ⁶

This isn't to say that all tax protest leaders exude the persona of nut jobs. If that were the case the only people who would follow them would be nut jobs. Some tax protest leaders are highly polished and professional. They know that image is important, so they put forth considerable effort in producing slick multimedia presentations, such as Larken Rose's [861 Evidence](#). Such presentations may even include the opinions of CPAs, attorneys and former IRS agents. Opinions about the income tax that are backed up by such apparently credible witnesses can, for the average viewer, be most convincing.

However, the very first people who should be shown such *evidence* are federal judges, and people like Larken Rose should be using themselves as guinea pigs, testing their theories in court prior to selling them to others. Instead, they use their own clients as cannon fodder. In the final analysis it is the opinions of federal judges which really matter. Anyone else's opinion, whether CPA, attorney or former IRS agent, is irrelevant and will do nothing to keep the IRS from ruining your life. In point of fact, relying on the advice of tax protestors, like Larken Rose, is a surefire method for gaining firsthand experience under the iron fist of government retaliation.

Many people have been convinced by Larken Rose's slick puff piece, *861 Evidence*, yet not a single person has ever prevailed with the IRS using the 861 argument, nor has anyone ever won in court, though many have tried. Indeed, people are having their lives ruined over the 861 argument, including some of the very people Larken Rose interviewed for his video presentation (e.g. [Robert C. Welti CPA](#), [Bryan Malatesta CPA](#)). Any apparent credibility left in the mind of the viewer of one of these tax protest promotional pieces is, in reality, just marketing fluff.

Update 08-05: [Larken Rose is convicted](#) in federal court of multiple counts of Willful Failure To File, and for filing false amended returns. Like so many other tax protestors,

Larken Rose denies being a tax protestor and says he's a part of the "tax honesty movement." Yet, like so many other "tax honesty" leaders, his own honesty is seriously lacking, particularly when it comes to how well his theories work. Even after he was criminally convicted over the 861 myth, he continues to push it on his web sites. Nor does he make any mention on his web sites that he was ever criminally indicted for Willful Failure To File and for Tax Fraud, and that he was convicted. So much for "honesty."

Undermining tax protest credibility further is the fact that it's difficult to find any two tax protest leaders that can agree on much of anything. The amount of bickering and mudslinging that takes place between tax protest leaders is unprecedented among protest movements. Tax protest leaders all claim to offer "the solution" for getting out of the income tax (and they all give the impression that no one has ever gotten into trouble for using their programs). Yet "the solution" of one tax protest leader often contradicts the others:

- [Irwin Schiff Debunks Larken Rose and the 861 argument.](#)
- [Larken Rose debunks Irwin Schiff.](#)
- [Larken Rose Debunks "Other Tax Protest Arguments."](#)
- [Convicted Tax Protestor Sues Irwin Schiff For Millions.](#)
- [Steven Swan debunks Irwin Schiff.](#)
- [Otto Skinner debunks "exempt W-4" promoted by Irwin Schiff.](#)
- [Otto Skinner responds to being called "a liar" by Irwin Schiff](#)
- [Otto Skinner questions motives and integrity of Joe Banister, Bill Conklin and other tax protest leaders.](#)
- [Bill Conklin's "tax protest weasels" Hall Of Shame.](#)
- [Thurston Bell's list of tax protest "snake oil peddlers and con-men."](#)

Tax protest leaders have a strong propensity toward, "I'm right and everybody else is wrong." So how is anyone to determine "the solution" when none of them can agree with any of the others? How can anyone determine if any of the tax protest leaders really know what they're talking about? This isn't to say that taxpayers shouldn't evaluate for themselves the issues that tax protest leaders are raising. I believe they should. Some of the issues and concerns they raise are valid. But I also believe that it's unwise to take any action based upon the advise of a cadre of self-styled "tax experts" who can't agree on much of anything, beyond the fact that they all hate the income tax system.

More important than the issue of whether or not tax protest leaders agree with one another is the issue of whether or not the courts agree with any of them. As I've told a number of tax protest leaders, "I'm not interested in your opinions. I'm interested in the opinions of federal judges. When any of your theories result in a win ^Z for any of your clients, give me a call. We'll have something to talk about then. Until then, don't plan on using me, or any of my clients, as your guinea pig."

"But the federal courts are corrupt," they say, "and the judges will never admit the validity of our position. They're not interested in justice. All they're interested in is protecting an unjust and unconstitutional income tax system." Perhaps so. But if that's

what tax protest leaders really believe, why do they keep engaging in conduct that practically guarantees that they and their clients will wind up in those "corrupt unjust courts"? My recommendation is you'd be wise to do all you can to avoid court.

"The curious thing about tax protesting is that it requires you to judge your government as immoral for attempting to tax your income, while at the same time counting on the morality of their courts to uphold your rights. This is a huge contradiction, but one that the tax protest people do not recognize or face." ([Tax Protesting](#), ScamDog.com)

For the record, it's not tax protesting that I am opposed to. America's Founding Fathers were, each and every one of them, tax protestors, and they used tax protesting as a means of redressing their grievances:

"The privilege of giving or withholding our moneys is an important barrier against the undue exertion of prerogative, and all history shows how efficacious its intercession for redress of grievances and reestablishment of rights, and how improvident would be the surrender of so powerful a mediator."

Thomas Jefferson

A great many of the Colonial clergy were also tax protestors, and they regularly expounded from the pulpit what the Word of God has to say on the subject of lawful taxation versus "legalized plunder." Our own history teaches us that unless the People periodically rise up to challenge their government, an unchecked government will inevitably become corrupt and tyrannical. It's wholly inadequate to, just once every four years, "throw the bums out." Civil government can never be trusted to check itself, especially when it comes to the temptation of stealing the People's wealth through confiscatory taxation and do-gooder government-nanny "redistribution" programs.

"What country can preserve its liberties if its rulers are not warned from time to time that the people preserve the spirit of resistance?"

Thomas Jefferson

The question then becomes, what are the best methods for checking government abuse and getting rid of socialistic confiscatory taxation? Today's tax protestors believe it's by announcing their intentions to the IRS, and then refusing to pay the federal income tax (most of them also refuse to pay any state income tax ⁸). That's their form of "throwing the tea into the harbor." It would be one thing if they *threw the tea into the harbor* quietly, covertly and unobserved; but that wouldn't give them the sort of visceral satisfaction they're looking for. So they write the IRS letters and mail impressive-looking legal documents, and put the IRS on notice that they won't be paying their taxes anymore.

In their idealistic wishful-thinking ignorance they somehow believe that the IRS will respond, "Thanks, Mr. Jones, for writing us and putting us on notice that you figured out that you have constitutional rights, and that you don't have to pay the income tax. We at the IRS respect and honor the Constitution and we would never trample on your rights. We can't find the law that makes you subject to the income tax, or filing tax returns, so

that must mean that you don't have to. This is the last you'll ever hear from us. Thanks, and have a nice life."

The IRS has never written such a response, or made such admissions, and they never will. Yet every month, hundreds (and perhaps thousands) of Americans become new converts to the tax protest movement, and they send off their own tax protest letters to the IRS, naively expecting there might be a happy outcome. If they really want to jab a sharp stick in the IRS' eye they'll even mail the IRS a 1040X amended return, demanding the IRS pay back their prior three years taxes (this is one of the best ways yet devised for getting handed a criminal indictment for tax fraud). It's for good reason that I say that there's a serious lack of common sense evident today in the tax protest movement.

The strategies, methods, and worldviews of modern tax protestors differ dramatically from the tax protestors of the Colonial era. Rather than being rooted in a biblical worldview, as were America's Founding Fathers, the worldview of modern tax protestors is frighteningly similar to the Libertine French Jacobins responsible for the bloodbath known as the French Revolution.

Today's tax protestors could learn a thing or two from history. Colonial-era tax protestors respected the power of the tyrant. Yes, they were willing to risk their, "lives, fortunes and sacred honor," but they never did so recklessly or naively. When they threw the tea into Boston harbor they first disguised themselves by dressing up as Indians and, thus, avoided prosecution and imprisonment.



Moreover, throwing the tea in the harbor was their last resort. For years prior they protested taxes by redress of grievance, in the form of "remonstrances" to the British king, the only legal authority who had the power to change the tax laws and to rein in the abuses of the British Parliament.

Today's tax protestors only rarely ever protest the income tax to the proper legal authority -- the U.S. Congress. The IRS itself has little contention with those who protest the income tax to Congress. However, the IRS gets very agitated with nonfilers who demand a redress of grievance with the IRS. Their attitude has always been, "We don't

write the tax laws, we just enforce them. We don't even write the tax enforcement laws. If you don't like the income tax, take it up with Congress." Such an attitude, on the IRS' part, is not particularly unreasonable or unjustified. ⁹

Rather than demanding a redress of grievances with the government body that writes the income tax laws, and the government body which has the authority to rein in IRS abuse, tax protestors take peculiar delight in protesting the income tax with mere tax collectors (IRS agents). What an exercise in futility! The IRS has no legal authority to change the tax laws, or to change the legal procedures used for collecting the income tax. For all intents and purposes IRS agents are little more than bean-counters with badges and guns (**WARNING:** bean-counters are easily agitated toward those who interfere with the process of getting their beans counted). Protesting against a branch of government which has no legal authority to change the tax laws will never result in the system changing.

In a very practical sense tax protestors provide job security to thousands of IRS Special Agents. Tax protestors are *grist for the mill* (or meat for the meat-grinder). As long as tax protestors continue engaging in futile protests with the IRS, they're just so much fresh meat for the meat-grinder. All they are doing is helping to maintain the status quo and giving the IRS Commissioner an excuse to hire more IRS Special Agents:

As IRS commissioner, Mr. Everson presides over the continued reorganization and modernization of the nation's tax administration agency. His priorities include strengthening enforcement of the tax laws... (irs.gov)

IRS Commissioner Mark Everson has already made good on his threats of "strengthening enforcement." Mr. Everson is probably the single most *aggressive* IRS Commissioner in IRS history. This is one *bad dude* that you don't want to mess with. Times for tax protestors were relatively good when former IRS Commissioner Charles Rossotti was in charge, but the *kinder and gentler* days of the IRS are long gone.

Protesting against the IRS has ruined the lives of many thousands of Americans. At the very least it's likely to cost you all your worldly wealth, and it could also cost you some time in jail. Worse yet, if the IRS confrontation involves a married person it will usually result in a divorce. It's reckless and foolhardy to put the IRS on notice that you're refusing to pay income taxes. The almighty IRS wields considerable power. They've destroyed the lives of countless "non-compliant" Americans, and they enjoy doing it.

The IRS refers to the personal income tax as a system of "voluntary compliance." Many tax protestors have reached the erroneous conclusion that if they don't want to "volunteer" they don't have to; but that's not how the IRS views it at all. If you don't "voluntarily comply" the IRS will use everything in their bag of tricks to *encourage* your compliance, and the IRS can be most *persuasive*.

The entire income tax system is automated, and is based upon a system of reporting -- you report your income to the IRS, or your employer reports your income to the IRS, and usually a combination of the two. Most Americans have their earnings reported as income to the IRS using their SSN, via IRS Forms W-2 (employee) or 1099

(independent contractor). That data is input into the IRS' Direct Data Entry System (DDES) and is stored at the IRS National Computer Center (NCC) in Martinsburg, West Virginia. Local IRS offices, including IRS auditors, have access to this data via the IRS Integrated Data Retrieval System (IDRS).

The IRS system of records is a huge accounting system based upon open/close entries. What typically creates an income "open" entry for individuals is your employee W-2, or your independent contractor 1099. Every "open" entry must subsequently get "closed." In most cases about the only thing that will "close" an income entry is your income tax return. If you don't file a tax return in a year in which you have reported income, the IRS will ultimately mail you a tax assessment. The IRS categorizes all tax assessments as "accounts receivables," and the IRS is very *aggressive* about collecting their accounts receivables.

Separate and apart from tax protestors are non-taxpayers. Nontaxpayers are those who have just stopped filing and paying. Several former IRS Commissioners have acknowledged that there are millions of nontaxpers. For example, IRS Commissioner Roscoe Egger resigned in April, 1986 after publicly acknowledging that, "35 million Americans no longer file personal income taxes."

Congress, too, is well aware that there are many millions of nontaxpayers. They refer to them as "the underground economy." Congress avoids categorizing nontaxpers as part of a "black market economy" because they know that the vast majority of nontaxpayers aren't drug dealers or mafiosos, but are in fact hard-working honest people. Among these are 20 million home-based businesses, many of which are "out of the system."

Nontaxpayers either have never filed a tax return, or they were once income tax payers but have since dropped out of the tax system quietly and (in many cases) unobserved. Accomplishing that successfully is no small feat. Not only must the non-taxpayer successfully stay off the IRS radar screen, they must stay off their state radar, as well. In many states one actually has more to fear from their State Department Of Revenue than they do from the IRS. Furthermore, state tax agents routinely [collaborate with the IRS](#). In fact, at present, the only states that do not have "[partnership agreements](#)" with the IRS are Wyoming and Nevada.

Most Americans receive W-2 or 1099 income statements, so relatively few Americans are good candidates for becoming nontaxpayers (not filing an income tax return in a year in which you have income reported is likely to have unpleasant consequences). Even relatively small income reports can draw unwanted IRS attention to the nontaxper. For example, having just \$10 or more in "interest income" paid by your bank to your interest-bearing account will generate a 1099.

Avoiding income reports can prove to be a big challenge, and this is especially true of certain professions. Licensed professions, such as doctor, attorney, etc., find it exceedingly difficult to drop out of the system because, by the very nature of their profession, they are deeply entrenched in the system. This is also true of most "professional" vocations, whether or not they are licensed professions.

Nevertheless, there are millions of working Americans who labor in hundreds of different vocations where they never have anything reported as "income." The vast majority of them are sole proprietors, and even some informal partnerships, engaged in non-commercial [10](#) work for non-commercial clients [11](#), such as lawn-care, landscaping, window washing, handyman, carpentry, auto repair, web site development, pressure washing, wedding photography, bee-keeping, etc. These, and many other "cash vocations" can be lucrative, the earnings of which are limited only by one's own entrepreneurial ambitions. I've known many folks engaged in these and other vocations who earn six-figures.

On the other hand, most tax protestors I've run across are experiencing serious financial woes (and this even long before the IRS starts seizing their assets). A major contributing factor is they often spend so much time "studying" tax protest issues, as well as the plethora of other "personal sovereignty" stuff that is part and parcel of the "patriot movement," that there is little time left to earn a respectable living. Furthermore, the average tax protestor is not one who can keep all that wonderful "truth" he's discovered to himself. He's likely to spend a great deal of time *evangelizing* his friends, family, and coworkers; and this too encroaches upon not only earning a living, but even being able to keep his job (most bosses aren't fond of tax protestors and their propensity for fomenting tax rebellions on company premises).

Nontaxpayers, on the other hand, can often be quite successful at making a comfortable living. They stay focused on their first priority, which is to provide for their families, and not engaging in futile protests with agencies of government who take delight in destroying people's lives.

Becoming a nontaxpayer is a very personal decision and, in my observation, is often made as a matter of conscience. Moral people often make that decision for moral reasons, such as the government's [pro-abortion](#), "safe sex" and pro-sodomy agenda. Paying taxes which pay for the slaughter of the preborn and sexual debauchery is morally repugnant and unthinkable for many Americans, and was certainly unthinkable for America's Founding Fathers:

"To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical."

Thomas Jefferson

Many Christians have had to take a similar stand in their own churches. I was once a member of a large denomination which started offering paid "family planning services" to denomination employees as part of their health care package. I went to my pastor and demanded assurances that not one penny of my tithe would ever go to pay for an abortion. He supported my position but was unable to secure any assurances from our denomination leaders. My pastor urged my continued membership, but encouraged me to find someplace else to contribute my tithe. With his blessing I started tithing to pro-life ministries.

Paying taxes to a government which uses tax revenue to shred the moral fabric of the nation is, for at least some Christians, as morally repugnant as tithing to a church which

uses tithes to pay for "family planning services." Making such a decision entails certain risks, and so, it should only be made with a great deal of care, evaluation and strategic planning.

For obvious legal reasons I can't specifically advise or recommend that anyone become a non-taxpayer ¹². However, I always advise folks not to become tax protestors. While it might "work" for some people to become nontaxpayers, becoming a tax protestor never works out.

The recklessness with which modern tax protestors pursue their agenda demonstrates how utterly naive they are. They usually have little regard for how their decisions and methods will undermine the lives of their own family members. One of the most important biblical responsibilities a man has is to protect and provide for his family. However, most modern tax protestors show a callous disregard for fulfilling the two most important roles God has ordained for them -- husband and father (I'm singling out men because the majority of tax protestors are men, and wives generally think their husbands are nuts for getting involved in tax protest).

Tax protestors frequently speak of "good government," as though the only form of government were civil government. Yet they are usually negligent in the first and most important of all governments -- family government. In my considerable exposure to tax protestors, and especially to tax protest leaders, it's clear to me that these are not people who are worthy of a following. If they can't even earn the confidence and respect of their own wife and children, why should anyone else respect them enough to follow them? The vast majority of tax protest leaders lost their wives and children a long time ago, and for good reason.

Most wives know that no good can come of their husband's tax protesting. They fully expect that their paychecks will be garnished, their bank accounts and investments will be levied, their house will be liened, and their husbands may even wind up in prison. But once a man has caught the tax protest *bug* most wives have little chance of talking any sense into *hubby*. He moves forward with reckless abandon and, eventually, all of her dire predictions come true.

Wives are "nesters," particularly if they're also mothers. They have a God-given compulsion to safeguard the family nest. When a husband engages in conduct that destroys the family nest he shouldn't be surprised when he gets served with divorce papers. I've confronted numerous tax protesting men, who claim to be Christians, with:

"But if any provide not for his own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel." (I Timothy 5:8)

Tax protesting has the net result of a man "providing not for his own." Husbands and fathers have a biblical obligation to ensure that the material needs of their families are met. If their reckless actions result in not fulfilling that obligation, "he hath denied the faith, and is worse than an infidel."

Tax protesting, and the numerous other "patriot" issues that inevitably get thrown into the patriot mix, often get cloaked in religious rhetoric. They often raise tax protesting to the level of a biblical imperative. They refer to the Constitution as though it were "holy," elevating it to a status virtually coequal with the Bible. The Constitution for the united States is a very fine document, and if the People knew it, and if the People held their public servants accountable to it, America would be a much better place to live. But to speak of the Constitution as "holy" is nothing less than idolatry.

Idolatry is a big problem within the modern patriot movement -- idolatry and even blasphemy. "Personal sovereignty" is widely spoken of, but again, this is the outgrowth of not the worldview of America's Founding Fathers, but the Jacobins of the French Revolution. The Jacobins were the product of the atheistic French "enlightenment" and "renaissance." So it was inevitable that in denying the existence and sovereignty of God these French "rationalists" would then refer to themselves, individually, as "sovereigns." Such a worldview inevitably results in antinomianism and anarchy.

None of America's Founding Fathers ever called themselves "sovereigns," ¹³ for they knew and understood that the only true Sovereign was the Lord Jesus Christ. They called themselves "freemen," apprehending that the liberty which was theirs was the gift of God, and came only as the result of their obedience and submission to *the* Sovereign Ruler and Lord of the Universe.

Until modern tax protestors adopt the worldview of America's Founding Fathers they have no chance, whatsoever, of becoming successful. In point of fact, far from being an asset, the modern tax protest movement has proven itself a liability in our efforts to abolish the federal income tax system.

As I've told scores of tax protestors over the years, there's much to be learned from the lessons of history. One of my favorite historical stories teaches a lesson about the influence that a single protesting constituent can have on his elected representative, and the consequent effect that representative can have on the entire Congress. It's the story of [Farmer Bunce and Davy Crockett](#). Read it and then follow the example of Horatio Bunce. Feel free to make copies of the article and circulate it among friends, family, coworkers, your pastor, and don't forget all those tax protestors.

If tax protestors redirected their efforts into becoming like Farmer Bunce, this country would soon be restored into a Constitutional Republic with a very small, limited, and checked federal government. The costs to run that small government would be so insignificant that we could then easily justify to everyone the abolishment of the federal income tax system.

 **PREVIOUS**



Footnotes:

5. It's naive to suppose that IRS Special Agents don't routinely infiltrate tax protest organizations and engage in undercover operations at tax protest meetings. It goes with their job description, and many of them are very effective at it (see Internal Revenue Manual, Part 9, Chapter 4, Section 8, "[Undercover Operations](#)"). The IRS also has a long history of using sting operations against tax protestors, and it's remarkable how easily many tax protestors can be entrapped into doing something blatantly illegal (e.g. money laundering), based upon their own greed.

It's easy to demonstrate that many tax protest groups are infiltrated by IRS agents, or civilian informants on the IRS dole (the IRS refers to them as "stakeholders"), and this is especially true of the larger tax protest groups. The case files in federal cases filed against prominent tax protest groups are chock-full of testimony given by "confidential informants." The government's most useful confidential informants are those which work right in the offices of the tax protest groups. Because tax protest leaders are usually reckless and cavalier, confidential informants find it especially easy to infiltrate their organizations. They either volunteer to "help out" or they might even become a paid staff worker, all the while also being paid by the IRS to gather evidence, as well as the names of that tax protest group's clients.

There are few tax protest groups that ever escape IRS attention. If you affiliate yourself with a tax protest group it's very likely that you'll attract IRS attention to yourself.

6. The mental problems of prominent tax protest leaders are legendary; but since tax protest followers typically do nothing in the way of due diligence, they would have no way of knowing that their tax protest leader might be delusional, psychotic, or a pathological liar. According to the IRS the single largest tax protest group in modern history was The Pilot Connection Society (later changed to "The Liberty Foundation"), founded by Phillip Marsh (aka Milton Pilot). For a time I personally knew Phillip Marsh. Phil tried to hire me to paralegal for him. After investigating his organization and his methods I refused his offer. Phil's followers described him as "a bit eccentric, but a genius." I've known plenty of eccentrics and geniuses, and Phil was neither. Phil Marsh was just plain nuts, and he was greedy.

When Phillip Marsh was tried for the second time under a superseding indictment in federal district court (San Francisco), everyone in the courtroom figured out the first day he was insane, including the judge, the jury, the prosecution, his friends, his expert witnesses, and even his wife, Marlene. I had breakfast with Marlene during the trial and she raised the issue with me of Phil copping an insanity plea. It had become obvious to her that her husband had *gone off the deep end*. At the very least Phil was delusional and, in all likelihood, probably psychotic. Marlene was worried that Phil's bazaar demeanor in court was prejudicing the jury not only against Phil, but also against her, her daughter and son-in-law, and the other TPCS co-defendants. Phil's attorney, Bill Cohan, and I discussed over a meal what was apparent to everyone -- Phil was crazy, and the only right thing to do, for the sake of Phil's co-defendants, was to convince Phil to cop an insanity plea. For that good advice Phillip Marsh fired his attorney and proceeded *pro se*. Phil Marsh then proceeded to sink his own ship and take everyone else down with him.

Phil Marsh [made millions of dollars](#) and got thousands of people to follow him in his untax agenda. Phil had known for many months that his untax program wasn't working, but He continued lying to thousands of people, telling them, "No one has ever gotten into trouble for using our untax program. We have a 100% success rate." I confronted Phil Marsh with the proof that his program was anything but a 100% success and, in point of fact, his untax program was an utter failure (a number of TPCS clients had hired me to *pull their bacon out of the fire*). Others had tried to prove the same but Phil had always claimed, "We didn't cause their IRS problems. They had preexisting IRS problems." However, the evidence I laid before Phil included their IRS Individual Master File (IMF), and the IMF proved these were folks who had no "preexisting IRS problems." When I laid that proof in front of him he finally admitted to me that he knew his program often didn't work. I asked him how he could justify lying to all those people. "We're at war, Peter. Those are just the casualties of war."

The strongest evidence for the failure of Phillip Marsh's untax program came out in trial. Phil Marsh had received numerous letters from dissatisfied untax clients demanding their money back (referred to in the [appellate court decision](#)), and accusing him of fraud. He ignored each and every client letter.

Other prominent tax protest leaders also have a history of mental problems. Perhaps most legendary of them all is Irwin Schiff. Mr. Schiff claims to be "the grandfather of the tax protest movement." Indeed, he's been at it a long time and has authored numerous books on the subject. Some of his earlier works contained some interesting and perhaps even insightful research. Unfortunately, Irwin Schiff never developed any workable solutions, and most of his strategies were seriously misguided. For example, Irwin Schiff has long operated his businesses as Nevada corporations, of which he serves as President. Yet he argues that, even as a corporate president, he's not legally obligated to pay incomes taxes or file tax returns. Just as absurd Mr. Schiff holds that the IRS doesn't have jurisdiction over him (even though he's a corporate officer). Little wonder Mr. Schiff keeps winding up in jail.

Irwin Schiff is not alone when it comes to his lack of appreciation for the fact that a corporation is "a creature of the State." I've explained this legal principle to numerous tax protest leaders, but many of them just don't get it. They continue operating their organizations as corporations. In the case of We The People Foundation, not only are they [organized as a corporation](#), We The People is also a [501c3](#). We The People founder Bob Schultz epitomizes the hypocrisy endemic in much of the tax protest movement. Schultz claims that, "there is NO legal or constitutional basis for the federal income tax," yet he goes to the IRS and asks their *permission* to not pay the income tax by securing a 501c3! Apparently Bob Schultz has little conviction for the legitimacy of his own position. I know I'm not the only one [who sees through](#) the mendacity of it all.

My attempt to debate Irwin Schiff, some years ago, during a panel discussion at a conference, proved to be a breathtaking experience in being led around in a line of circular reasoning and irrational argumentation. Mr. Schiff refused to acknowledge that a corporation is "a creature of the State," and that what the government creates the government may tax. This culminated with Schiff yelling and swearing at me. My comment to the audience, after Schiff stormed out of the room was, "I believe that what we have all just witnessed here are the rantings of a delusional man." The host of the conference later apologized and assured me, "This is the last time I'll ever invite Irwin Schiff to speak at any of my conferences."

On January 21, 2004 Mr. Schiff's Attorney, William Cohan, [filed a brief](#) in Mr. Schiff's case, supported by the expert testimony of [psychiatric hospital psychiatrist, Dr. Luis Orgega](#), stating that his client has long suffered from a "mental defect or disease." Attorney William Cohan and Dr. Luis Orgega are merely affirming what I and numerous others have known for a long time -- "Mr. Schiff has exhibited symptoms of a chronic and severe delusional disorder." Just like Phillip Marsh, Irwin Schiff has lied hundreds of times by saying, "No one has ever gotten into trouble using my methods." Irwin Schiff appears to actually believe his own lies, which means he's a pathological liar.

[7.](#) By "win" I mean not only winning criminally but also civilly. FedEx pilot Vernice Kuglin was acquitted in her federal tax case when she was criminally indicted under IRC 7203, for willful failure to file tax returns. Since that time [Vernie Kuglin](#) has become the *poster-child* for the tax protest movement. But tax protest leaders fail to mention that while Vernie Kuglin, Lloyd Long, and several other tax protestors have beat the IRS criminally, they still always lose civilly. The IRS is garnishing practically all of Kuglin's \$250,000 salary, and when Vernie retires from Federal Express in the near future the IRS will be garnishing her pension, as well. Vernice Kuglin managed to avoid jail, but considering she'll probably be destitute for years to come, it's hard to consider that much of a "win."

[8.](#) Few, if any, of the arguments that tax protestors use to justify nonpayment of federal taxes have any application to state tax laws. For example, the argument that the U.S. Constitution bars the imposition of direct federal taxation (such as an income tax) on individuals other than residents of Washington, D.C., Guam, Puerto Rico, and other U.S. territories is, even if it *were* true, irrelevant for state income tax purposes. Unless a state Constitution expressly prohibits a state income tax (e.g. Nevada, Texas, Tennessee, etc.) that state is free and unfettered to enact legislation imposing a state individual income tax. The preoccupation by tax protestors on the IRS, while usually ignoring their state income tax laws, is the result of their falsely believing that the federal Constitution serves as a prohibition against state income taxes. However, there is no such constitutional prohibition.

This serves to further demonstrate how woefully lacking most tax protestors are in legal acumen. There are states whose tax departments are actually far more aggressive in going after tax protestors than even

the IRS (I put the California Franchise Tax Board on the short-list). I'd actually much prefer having to deal with the IRS than many state tax authorities. State Department Of Revenue due process violations are even more commonplace in some states than IRS due process violations, and it's easier for the states to get away with it. Moreover, losing against the IRS could mean incarceration in a federal prison "camp" (it's for good reason that Martha Stuart wasn't terribly frightened about going to "camp fed"). But losing against a State Department Of Revenue could result in going to a state penitentiary and getting locked up with some really bad dudes. Many states are far tougher on tax protestors than the feds are.

9. For many years the IRS applied the term "illegal tax protester" or "ITP" to anyone who wrote the IRS with any questions of any kind that indicated they were about to bail out of the income tax system (e.g. "Show me the law that says I have to pay income taxes"). However, under the Internal Revenue Service Restructuring and Reform Act of 1998 ([Public Law 105-206](#)) the IRS can no longer classify someone as an "illegal tax protester" or even just "tax protester." So the IRS has simply substituted the old term for a new designation, "non-filer." However, none of that restricts the terms that we apply to those who argue over the legalities of the income tax with the IRS. "Tax protester" is the term most commonly used and understood by the public, and so it is the term I have used throughout this article.

Tax protestors often resent being called tax protestors. They're often heard to say, "I'm not a tax protester. I'm part of the *tax honesty movement*. I'm not protesting anything. I'm not opposed to the income tax laws. There's no reason I should protest the income tax because those laws don't apply to me. I just protest the IRS' illegal enforcement of those laws against me" (see [It's So Simple, It's Ridiculous: Taxing times for 16th Amendment rebels](#)). But, if they in any way communicate to the IRS, "The income tax laws don't apply to me," the IRS will immediately classify them as a non-filer and refer them to IRS CID (Criminal Investigation Division) for investigation and possible criminal prosecution. If you don't like the prospect of winding up on the IRS radar screen (i.e. becoming a "target of opportunity") don't write letters to the IRS.

If you're a non-taxpayer (as opposed to a tax protestor/nonfiler), be cautious what you say to whom about your tax status. Be prudent about expressing your opinions on the income tax system, especially at tax protest meetings. IRS agents routinely attend tax protest meetings, engaging in conversation (often for purposes of entrapment) and gathering names. It's not uncommon that I've seen suspicious characters in the parking lots of such meetings (and they're definitely not hotel employees), writing down license plate numbers.

Tax protest leaders often speak about "being at war with the tax system." But armed only with their irrational battle tactics it's not a war, it's a slaughter. Tax protest leaders are doing the equivalent of arming their troops with salad forks and ordering them, "Take that machine gun nest." They're not fighting a war that they have any reasonable expectation of ever winning. Furthermore, many of the tax protest leaders aren't willing to take the same risks they expect their followers to take. A large percentage of tax protest leaders actually pay income tax and file tax returns.

10. There are many things that working nontaxpayers do to unwittingly recharacterize their labors as "commercial business." For example, taking out an ad in the yellow pages often produces the unwelcome result of generating a letter of inquiry from your state business license office demanding to know why you haven't taken out a state business license. Working nontaxpayers avoid such problems by not engaging in "commercial" advertising, relying instead on word-of-mouth promotion and referrals.

11. Working for a "commercial business" will usually result in their sending you (and the IRS) a 1099, reporting what they paid you as "income." Most such commercial businesses are incorporated, and it would be imprudent of a nontaxpayer to think that they could work for a corporation and not have it reported. The filing of a 1099 is mandatory should that business wish to deduct what they paid you as a business expense from their own taxes, and the fact of the matter is they always want to deduct it. Non-commercial "residential" clients, on the other hand, cannot ordinarily deduct from their personal tax returns the kinds of expenses that commercial businesses can. For example, a business can deduct the cost of having their lawn mowed, whereas home law mowing is not deductible. As such, it would be rare that a residential client would even consider handing a worker a 1099.

[12.](#) My comments and observations here are just that, *mere* comments and observations, and nothing more. Nothing in this article should be construed as legal or tax advice or recommendation. Nor should anyone cease filing tax returns or paying income tax based upon anything contained herein. This article is strictly educational in nature and may not be relied upon for any form of legal advice or recommendation. If you require legal advice or recommendation regarding your personal tax liabilities, you may wish to consult with a tax professional.

[13.](#) Even the atheist Thomas Paine never referred to himself as a "sovereign," at least not until after he fled America for France. Being a "rationalist" and an atheist (Paine became the author of the blasphemous book, *Age Of Reason*), it was only natural that Thomas Paine wished to assist the French Jacobins in the French Revolution. After it became ridiculed around the world as an "anarchistic bloodbath," Thomas Paine wrote *The Rights Of Man* in defense of the French Revolution. Paine is today given far more credit than he deserves for his influence in the American Revolution, because of his publication, *Common Sense*. The fact of the matter is that, only a relatively short time after publishing *Common Sense*, Paine become a pariah in the American Colonies, branded as a heretic, an infidel and a blasphemer. He had little choice but to flee America and seek refuge amongst fellow "rationalists." After the French Revolution he returned to America where he had few friends and many enemies. Even his closest former friends abandoned him (no one of that era wanted anything to do with atheists). Little wonder the "rationalist" academia of our own day lionize Paine.

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