

Right to Labor

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MR. SCHULZ: Sherry Jackson, would you stand and take the Bible, please. Do you swear to tell the truth, the whole truth, and nothing but the truth so help you God?

MS. JACKSON: Yes, I do.

MR. SCHULZ: Thank you. I will remind MR. Becraft he's still under oath. Ms. Jackson, would you, for the record, state your name, where you're from, where you live and what your profession has been and what you're doing now?

MS. JACKSON: Yes. Thank you, MR. Schulz. My name is Sherry Jackson, I am a certified public accountant. I've been a CPA since 1987. From 1988 to 1995 I was an Internal Revenue agent with the Atlanta district and I am currently a CPA with my own firm in the Sown Mountain (phonetic) area and a certified fraud examiner as of the year 2001. I am married for just about 15 years now, have an 11-year-old son and a 9-year-old daughter.

MR. SCHULZ: Thank you. We heard from the previous panel that there is no section of the Internal Revenue Code that makes most Americans liable to file an income tax return or to pay the tax; that it is in fact voluntary. One reason for this might be the fact that the tax -- a direct tax on labor is a slave tax. We have a right to labor and the income tax is a slave tax. It forces us to work for the government in effect. Would the panel agree that it was the intent of Congress to require individuals to make income tax returns based upon receipt of more than a threshold amount of gross income even if the individual ends up not liable for a tax on that gross income?

MR. BECRAFT: That's correct, MR. Schulz. And the authority for that is Section 6012 of the Code which I was informed would be displayed but it isn't right now.

MR. SCHULZ: This is question 122. What is the basis for your answer, MR. Becraft?

1 **MR. BECRAFT:** The Internal Revenue Code Section 6012. There we have it.

2 **MR. SCHULZ:** I'm going to ask Chris Hansen to continue with the line of inquiry. Chris.

3 **MR. HANSEN:** Is it true that gross income mentioned in Section 6012 of the Internal
4 Revenue Code is the same gross income as set forth in Section 61(a) of the Internal Revenue Code?

5 **MR. BECRAFT:** That's correct.

6 **MR. HANSEN:** Question 124. Is it true that Section 61(a) of the Internal Revenue Code
7 defines the term gross income as "all income" from whatever source derived, but does not define
8 "income"?

9 **MR. BECRAFT:** That is correct and it is displayed on the monitors right now.

10 **MR. HANSEN:** Question 125. And is it true that the Supreme Court in "Eisner v.
11 Macomber" held that the Congress cannot by any definition it may adopt conclude what "income"
12 is, since it cannot by legislation alter the Constitution from which alone it derives its power to
13 legislate and within whose limitations alone that power can be lawfully exercised?

14 **MR. BECRAFT:** That is a correct summary of a quote from Eisner which unfortunately is
15 not on the screen right now.

16 **MR. HANSEN:** Question 126. And is it true that the definition of income as it appears in
17 Section 61(a) is based upon the Sixteenth Amendment and that the word is used in its constitutional
18 sense. House Report number 1337; Senate Report number 1622; U.S. Code Congressional and
19 Administrative News, 83rd Congress, 2nd Session, pages 4155 and 4802, respectively, 1954?

20 **MR. BECRAFT:** When the 1954 Code was being adopted there were two Senate and
21 House Reports and those Senate and House reports -- which we do have some exhibits to show --
22 do say what you have said here in this particular question.

23 **MR. HANSEN:** Thank you, MR. Becraft. Question 127. Admit that the United States

1 Supreme Court has defined the term income for purposes of all income tax legislation as the gain
2 derived from capital, from labor or from both combined, provided it includes profit gained through
3 a sale or conversion of capital assets?

4 **MR. BECRAFT:** Those cases do say that.

5 **MR. SCHULZ:** And which cases are those?

6 **MR. BECRAFT:** Well, "Doyle against Mitchell Brothers; Southern Pacific against Lowe;
7 Eisner against Macomber; Merchant's Loan & Trust against Smietanka." They should be displaced
8 on the screen. I know that they are exhibits. I know I highlighted those sections of the cases.

9 **MR. SCHULZ:** And would those cases include "Stratton's v. Howbert"?

10 **MR. BECRAFT:** Yes.

11 **MR. HANSEN:** Question 127(a). Is it true that the United States Supreme Court defined
12 income to mean the following: Whatever difficulty there may be about a precise scientific
13 definition of income, it imports, as used here, something entirely distinct from principal or capital
14 either as a subject of taxation or as a measure of the tax; conveying rather the idea of gain or
15 increase arising from corporate activities?

16 **MR. BECRAFT:** That is a correct quote from the case.

17 **MR. SCHULZ:** And which case is that?

18 **MR. BECRAFT:** "Doyle against Mitchell Brothers," 247 U.S. at page 179.

19 **MR. HANSEN:** And is it true the Supreme Court also claimed in "Stratton's Independence
20 v. Howbert" in 1913 the following: This court had decided in the Pollock case that the income tax
21 law of 1894 amounted in effect to a direct tax upon property, and was invalid because not
22 apportioned according to populations as prescribed by the Constitution. The act of 1909 avoided
23 this difficulty by imposing not an income tax, but an excise tax upon the conduct of business in a

1 corporate capacity, measuring, however, the amount of tax by the income of the corporation, "Flint
2 v. Stone Tracy"?

3 **MR. BECRAFT:** That is a correct quote from "Stratton's Independence and the case that's
4 cited there, "Flint against Stone Tracy," dealt with the constitutional questions regarding the
5 corporate excise tax of 1909, that's correct.

6 **MR. HANSEN:** Question 127(b). Is it true that the term Corporation as used above infers a
7 federally chartered and not a state chartered corporation?

8 **MR. BECRAFT:** You know, the word corporation -- it let's you have some words that
9 modify and explain it. I mean just use the word corporation. It could be either a federally chartered
10 corporation or a state corporation.

11 **MR. SCHULZ:** But as used above in the Stratton -- by the Supreme Court in its case?

12 **MR. BECRAFT:** No, I don't think Stratton's Independence dealt with that particular
13 question as to whether it must be federally chartered or state chartered.

14 **MR. HANSEN:** Question 127(c). Is it true that the United States government is defined as
15 a federal corporation in Title 28, Section 3002 as follows: Definitions. United States means,
16 subparagraph A, a federal corporation?

17 **MR. BECRAFT:** Well, the Fair Collection Practices Act deals with the collection activities
18 and there are federal corporations as defined in the act that do engage in the collection of debts.

19 **MR. HANSEN:** Question 127(d). Is it true that individuals as defined in Subtitle A of the
20 Internal Revenue Code and in the regulations found at 1.144-1 are not federal corporations and,
21 therefore, cannot have profit or gain as constitutionally defined above? That is in the earlier cases
22 we cited.

23 **MR. BECRAFT:** I think the point that was being raised by this line of questions is an

1 effort to limit the applications of the federal income tax to federal corporations which is, you know,
2 difficult to do that when the Code sits there and talks about natural human beings, citizens,
3 residents.

4 **MR. HANSEN:** Question 128. Is it true that in the absence of gain there is no income as in
5 the case of "Stratton's Independence v. Howbert; Doyle v. Mitchell"; et cetera?

6 **MR. BECRAFT:** Not only do these cases say that, but I think later on we will be getting
7 into the exhibits that will deal with Section 64 of the Code. And Section 64 of the Code dealing
8 with ordinary income certainly uses the word gain. So besides these cases you have statutory
9 authority.

10 **MR. SCHULZ:** MR. Becraft, is it true that in the absence of gain there can be no income?

11 **MR. BECRAFT:** Well, I would merely refer you to what the cases had to say. The
12 definition of income is what's in the statute. If we had Section 64 displayed on the screen it might
13 be beneficial for our audience. I think displayed on the screen right now, the first yellowed part of
14 the case at the top of the screen says that for income may be defined as the gain derived from
15 capital or from labor or from both combined. And here we have combined operations of capital and
16 labor. The second yellowed portion of the case says as to what should be deemed income within the
17 meaning of Section 38 is, of course, need not be such an income as would have been taxable as
18 such before the time of the Sixteenth Amendment not having been as yet ratified. Income was not
19 taxable as such by Congress without apportionment according to the population and this tax was
20 not so apportioned. In that section they're really talking about, you know, the Pollock decision and
21 its effect upon the income tax.

22 **MR. SCHULZ:** At 129 is it true that there is a difference -- common knowledge, I believe,
23 that there is a difference between gross receipts and gross income?

1 **MR. BECRAFT:** That's true. There's also a case on that point.

2 **MR. SCHULZ:** And the case, do you recall it?

3 **MR. BECRAFT:** I would have to dig through it here, but I think it's an exhibit.

4 **MR. SCHULZ:** Let's move on.

5 **MR. HANSEN:** Question 130. Is it true that the United States Supreme Court recognizes
6 that one's labor constitutes property?

7 **MR. BECRAFT:** So true.

8 **MR. HANSEN:** And what cases are the bases for that belief, MR. Becraft?

9 **MR. BECRAFT:** I believe that the later questions are going to bring that up.

10 **MR. HANSEN:** Question 131. Is it true that the United States Supreme Court stated in
11 "Butchers' Union Company v. Crescent City Company," concurring opinion of Justice Fields in
12 1883, that -- and I quote it -- "It has been well said that the property which every man has is his
13 own labor, as it is the original foundation of all other property, and so it is the most sacred and
14 inviolable."

15 **MR. BECRAFT:** That's a correct quote from that part of that decision, although I think that
16 the sentences before and after that should be added to this quote.

17 **MR. SCHULZ:** Do they contradict this quote?

18 **MR. BECRAFT:** No, it illustrates it better than one sentence.

19 **MR. HANSEN:** And is it true that the United States Supreme Court recognizes that
20 contracts of employment constitute property?

21 **MR. BECRAFT:** No doubt about that.

22 **MR. SCHULZ:** And what case do you rely on for your answer there, MR. Becraft?

23 **MR. BECRAFT:** I do believe that we're coming up to them in the next exhibits.

1 **MR. SCHULZ:** Is that "Stratton's Independence"?

2 **MR. BECRAFT:** "Stratton's Independence against Howbert."

3 **MR. SCHULZ:** "Doyle v. Mitchell"?

4 **MR. BECRAFT:** "Doyle against Mitchell Brothers; Southern Pacific against Lowe; Eisner
5 against Macomber; Merchant's Loan & Trust. But particularly Coppage against Kansas, cases that
6 we're getting ready to discuss.

7 **MR. HANSEN:** Question 133. Is it true that the United States Supreme Court stated in
8 Coppage v. Kansas in 1914 "that the principle is fundamental and vital. Included in the right of
9 personal liberty and the right of private property -- partaking in the nature of each -- is the right to
10 make contracts for the acquisition of property. Chief among such contracts is that of personal
11 employment, by which labor and other services are exchanged for money or other forms of
12 property"?

13 **MR. BECRAFT:** That's a correct quote from the case which should be on the screen but
14 petulantly we're getting these pages not displayed.

15 **MR. SCHULZ:** At this point let me -- for the benefit of the people in this office and for the
16 benefit of the thousands of people that are at home watching this event as the live webcast, let me
17 state this: It's unprecedented what we're doing here today. Never has there been a multimedia
18 webcast live presented before. People at home are not only watching the witnesses and the
19 questioners, but they have a split screen. And on that screen is appearing the question and the
20 evidence being drawn. It's not a camera focusing on a screen here but it's electronic retrieval of
21 evidence and questions that are being presented on a split screen at home. There are obviously just
22 a few bugs that we're being faced with here. We'll iron those out as we go along. We do have -- let
23 me assure you that every question has evidence in support of an affirmative answer of that

1 question. And in our electronic data base for this event will be found, if it's not there already and 99
2 percent of the evidence is there now. It will be there. It's there for those folks watching this at
3 home. So we appreciate your patience as we work through this unprecedented electronic event here
4 today. Thank you very much.

5 **MR. HANSEN:** Question 134. Is it true that the United States Supreme Court recognizes
6 that a contract for labor is a contract for the sale of property?

7 **MR. BECRAFT:** So true and I do believe that we have exhibits coming up to prove that.

8 **MR. SCHULZ:** And what cases do you rely on? Does your answer rely on?

9 **MR. BECRAFT:** Well, I will look into Adair, which is the next question, number 135.

10 **MR. HANSEN:** Question 135. Is it true that the United States Supreme Court has stated in
11 "Adair v. United States in 1908 that, "In our opinion that section, in the particular mentioned, is an
12 invasion of the personal liberty, as well as the right of property, guaranteed by that Amendment,
13 that is the Fifth Amendment. Such liberty and right embraces the right to make contracts for the
14 purchase of the labor of others and equally the right to make contracts for the sale of one's own
15 labor"?

16 **MR. BECRAFT:** It should be up on the screen now and the yellowed part of the case is
17 right there.

18 **MR. HANSEN:** Question 136. Is it true that Congress recognizes in Section 64 of the
19 Internal Revenue Code that ordinary income is the gain from the sale or exchange of property?

20 **MR. BECRAFT:** It says that. And I hope we can get it up on the screen right here now. It
21 is on the screen right now and let me quote. "Section 64, ordinary income defined for purposes of
22 this subtitle the term ordinary income includes any gain from the sale or exchange of property."

23 **MR. SCHULZ:** MR. Becraft I would like to return to question 131 for a moment. You

1 were asked if the Supreme Court recognizes that a contract for labor is a contract for the sale of
2 property. And you've answered in the affirmative. Is your answer based on the cases -- the Supreme
3 Court cases "Stratton, Doyle, South Pacific v. Lowe, Eisner, Merchant's Loan, Butchers' Union"?

4 **MR. BECRAFT:** Well, those cases that are cited there are primarily for the definition of
5 the word income. The cases that I rely upon for equating one's labor with property or of that nature,
6 is "Coppage against Kansas, Adair," that line of authority which are the exhibits in the questions
7 that followed 130.

8 **MR. SCHULZ:** Thank you.

9 **MR. HANSEN:** Question 137, is it true that the Internal Revenue Code in Sections 1001,
10 1011 and 1012 provide the method Congress has set forth for determining the gain derived from the
11 sale of property?

12 **MR. BECRAFT:** That's correct. And it's on screen at the current time.

13 **MR. HANSEN:** Question 138. Is it true that Section 1001(a) states that "The gain from the
14 sale or other disposition of property shall be them excess of the amount realized there from over the
15 adjusted basis provided in Section 1011 for determining gain"?

16 **MR. BECRAFT:** That's correct.

17 **MR. HANSEN:** Question 139. Is it true that Section 1001(b) states that "The amount
18 realized from the sale or other disposition of property shall be the sum of any money received plus
19 the fair market value of the property (other than money) received?"

20 **MS. JACKSON:** Yes, that is true from 26 U.S.C. 1001.

21 **MR. HANSEN:** Question 140. Is it true that Section 1011 states that "The adjusted basis
22 for determining the gain or loss from the sale or other disposition of property whenever acquired
23 shall be the basis that is determined under Section 1012 adjusted as provided in Section 1016"?

1 **MS. JACKSON:** Yes. Under Section 1011.

2 **MR. HANSEN:** Question 141. Is it true that Section 1012 states that "The basis of property
3 shall be the cost of such property"?

4 **MS. JACKSON:** Yes.

5 **MR. HANSEN:** Question 142. Is it true that the cost of property purchased under contract
6 is its fair market value as evidenced by the contract itself, provided neither the buyer nor the seller
7 were acting under compulsion in entering into the contract, and both were fully aware of all of the
8 facts regarding the contract"?

9 **MR. BECRAFT:** If you pull up Exhibits 77, 78, 79, 80 and 81, those cases, that general
10 subject matter that you inquire about in the question manifests itself or you can see it in the cases.

11 **MR. SCHULZ:** And what cases are --

12 **MR. BECRAFT:** I don't know which one is pulled up on the screen right now -- well,
13 "Willett Terrance Development Company." If you go down the page there in yellow you see this
14 quote. This highlighted part. It says "The standard for determining fair market value under Sections
15 1001 is well established. It is the price at which property will change hands between a willing
16 buyer and a willing seller, neither being under any compulsion to buy or sell and both have
17 reasonable knowledge of the facts." Now, I don't think it is essential for us to refer to the other
18 cases because they all say the same thing.

19 **MR. SCHULZ:** Thank you, MR. Becraft.

20 **MR. HANSEN:** Question 143. Is it true that in the case of the sale of labor, none of the
21 provisions of Section 1016 of the Internal Revenue Code are applicable?

22 **MR. BECRAFT:** There is one exception to the fair market value exchange of property
23 computation of income, and that deals with the sale of labor wherein the government does contend

1 that; whereas, if you bought and sold a car you would take into consideration basis, when you buy
2 and sell labor there is a presumption that the basis for labor is zero. That's the government's
3 position. Does that need some explaining?

4 **MR. SCHULZ:** Yes.

5 **MR. BECRAFT:** Chris, I can see the puzzlement on your face. Let me go into it in this
6 fashion. If I buy a car for \$10,000 and I hold it a week and I run across someone in the following
7 week and say well I'll sell you my car for 12,000 and he says yeah, I want that car and he pays me
8 12 --(Video technical problem occurred)

9 **MR. SCHULZ:** I pay a company to deliver fuel to my house, early winter -- not as much
10 this winter in New York as in past winters -- but nonetheless he shows up, he was there yesterday,
11 and I need that fuel to stay warm so that I can go out and perform my labor, I'm not allowed to
12 deduct that fuel bill?

13 **MR. BECRAFT:** That's correct.

14 **MR. SCHULZ:** I go to the supermarket every week and restock the pantry so that I can
15 have the energy to go out and work. I cannot deduct what I spent at the supermarket every week?

16 **MR. BECRAFT:** That's correct.

17 **MR. SCHULZ:** I get in my automobile and I commute to my job, if I had one --

18 **MR. BECRAFT:** You do.

19 **MR. SCHULZ:** And I stop at the gasoline station and I fill up my car and I work -- I'm an
20 employee of some company and they don't reimburse me those expenses, I'm not allowed to deduct
21 the cost of transportation --

22 **MR. BECRAFT:** That's true.

23 **MR. SCHULZ:** -- of getting to and from my job so that I can get that paycheck that is then

1 taxed?

2 **MR. BECRAFT:** In essence your costs for staying alive are not factored in any way in
3 determining the basis for labor. In fact, there is a presumption that the basis -- that it takes nothing
4 to provide labor. There's a zero basis for labor.

5 **MR. SCHULZ:** Is that also true of corporations? When corporations perform their work,
6 their services, they provide their products, services, and it costs them to fill up their oil tank in the
7 basement of their office building, are they allowed to deduct that fuel bill?

8 **MR. BECRAFT:** That fuel bill would be considered the cost of doing business and,
9 therefore, constitutes a deduction.

10 **MR. SCHULZ:** It's a deduction from the tax -- the income tax?

11 **MR. BECRAFT:** Well, in determining the gain you subtract off from your receipts the cost
12 of doing business. And those specific costs of doing business are a wide variety, depending on the
13 nature of the business. You know, business activities -- costs that relate to those business activities
14 are deductible, including the money that's paid to employees.

15 **MR. SCHULZ:** Thank you.

16 **MR. HANSEN:** Question 144. Is it true that when an employer pays the employee the
17 amount agreed upon by their contract there's no excess amount realized over the adjusted basis and
18 thus no gain under Section 1001 of the Internal Revenue Code?

19 **MR. BECRAFT:** Again to properly answer that I think you need to acknowledge there's
20 two basic positions. The government sits there and says -- this is what this whole issue is addressed
21 to. The government's got a basic position that there's a zero basis of labor and there's other people
22 that have a different position. Why is that the case? Why shouldn't labor have a 100 percent basis?
23 That's the big issue.

1

MR. HANSEN: Question 145. Is it true



1 that if one has no gain, one would have no income in a constitutional sense?

2 **MR. BECRAFT:** Well, you know on a statutory sense, let's get back to -- we had Section
3 64 displayed on the screen at one moment. It's not there now, but just direct yourself to the
4 definition of ordinary income.

5 **MR. SCHULZ:** Are you familiar, MR. Becraft -- rhetorical question. Are you familiar with
6 the plain language in the spirit and the intent of the Constitution?

7 **MR. BECRAFT:** I have my own views. I don't know that they're necessarily synonymous
8 with the views of the government.

9 **MR. SCHULZ:** So to ask the question 145 again. Given your own personal views, is it true
10 that if one has no gain one would have no income in a constitutional sense?

11 **MR. BECRAFT:** Relying on those Supreme Court cases that we have covered in the
12 previous questions that define income. Income defines the gain derived from capital or labor or
13 from both combined. And you will see even in later cases the courts referring to gain. And that I
14 would again direct your attention to Section 64. It uses the word gain. I think the government tells
15 us that.

16 **MR. HANSEN:** Question 146. Is it true that if one has no income one would also have no
17 gross income as defined in Section 61 of the Code?

18 **MS. JACKSON:** Yes.

19 **MR. HANSEN:** Question 147. Is it true that in the absence of gross income one would not
20 be required to make a return under Section 6012 in the Internal Revenue Code?

21 **MS. JACKSON:** Yes.

22 **MR. HANSEN:** Question 148. Is it true that Section 6017 of the Internal Revenue Code
23 requires individuals other than nonresident alien individuals to make a return if they have net

1 earnings from self-employment of \$400 or more?

2 **MS. JACKSON:** Yes.

3 **MR. HANSEN:** Question 149. Is it true that the term net earnings from self-employment is
4 defined at Section 1402(a) of the Internal Revenue Code as follows: "The term net earnings from
5 self-employment means the gross income derived by an individual from any trade or business
6 carried on by such individual"?

7 **MS. JACKSON:** Yes.

8 **MR. HANSEN:** Question 150. Is it true that in the absence of gross income one would not
9 have more than \$400 of net earnings from self-employment?

10 **MS. JACKSON:** That's correct according to Section 1402.

11 **MR. HANSEN:** Thank you. Question 151. Is it true that the taxable income upon which the
12 income tax is imposed in Section 1 of the Internal Revenue Code is defined at Section 63 of the
13 Internal Revenue Code?

14 **MS. JACKSON:** Yes.

15 **MR. HANSEN:** Question 152. Is it true that the term taxable income is defined differently
16 for those who itemize deductions and those who don't itemize deductions?

17 **MS. JACKSON:** That is correct.

18 **MR. HANSEN:** Question 153. Is it true that for those who do itemize deductions the term
19 taxable income means gross income minus the deductions allowed by Chapter 1 of the Internal
20 Revenue Code, other than the standard deduction?

21 **MS. JACKSON:** Yes.

22 **MR. HANSEN:** Question 154. Is it true that for those who do not itemize deductions the
23 term taxable income means adjusted gross income minus the standard deduction and the deduction

1 for personal exemptions provided in Section 151 of the Internal Revenue Code?

2 **MS. JACKSON:** Yes.

3 **MR. HANSEN:** Question 155. Is it true that for individuals the term adjusted gross income
4 means gross income minus certain deductions?

5 **MS. JACKSON:** Yes.

6 **MR. HANSEN:** Question 156. Is it true that in the absence of gross income an individual
7 would have no adjusted gross income and, therefore, no taxable income?

8 **MS. JACKSON:** Yes.

9 **MR. HANSEN:** Question 157. Is it true that in the absence of taxable income no tax is
10 imposed under Section 1 of the Internal Revenue Code?

11 **MS. JACKSON:** Yes.

12 **MR. HANSEN:** Question 158. Is it true that employment taxes are contained in Subtitle C
13 of the Internal Revenue Code?

14 **MS. JACKSON:** Yes.

15 **MR. HANSEN:** Question 159. Is it true that taxes imposed in Subtitle C of the Internal
16 Revenue Code are different than the taxes imposed in Subtitle A of the Internal Revenue Code?

17 **MS. JACKSON:** Yes, they are.

18 **MR. HANSEN:** Question 160. Is it true that the Federal Insurance Contribution Act, that is
19 FICA tax contained in Subtitle C at Section 3101 of the Internal Revenue Code is imposed on the
20 individual's income?

21 **MS. JACKSON:** Yes.

22 **MR. HANSEN:** Question 161. Is it true that the rate of tax set out in Section 3101 of the
23 Internal Revenue Code is a percentage of the individual's wages?

1 **MS. JACKSON:** Yes, it is.

2 **MR. HANSEN:** Question 162. Is it true that the term income as used in Section 3101 of the
3 Internal Revenue Code is the same income that is used in Subtitle A of the Internal Revenue Code?

4 **MS. JACKSON:** Yes.

5 **MR. HANSEN:** Question 163. Is it true that if one has no income one is not subject to the
6 tax imposed at Section 3101 of the Internal Revenue Code?

7 **MS. JACKSON:** That's true.

8 **MR. HANSEN:** Question 164. Is it true that the Federal Insurance Contributions Act tax on
9 employers contained in Subtitle C at Section 3111 of the Internal Revenue Code is an excise tax on
10 employers with respect to their having employees?

11 **MS. JACKSON:** Yes, it is.

12 **MR. HANSEN:** Question 165. Is it true that at Section 3402 of the Internal Revenue Code
13 employers are directed to withhold from wages paid to employees a tax determined in accordance
14 with tables prescribed by the Secretary of the Treasury?

15 **MS. JACKSON:** Yes.

16 **MR. HANSEN:** Question 166. Is it true that Congress does not identify the Section 3402
17 tax determined as either a direct tax, an indirect tax and/or an income tax?

18 **MS. JACKSON:** That is correct.

19 **MR. HANSEN:** Question 167. Is it true that Congress made the employer liable for the
20 Section 3402 tax at Section 3403 of the Internal Revenue Code?

21 **MS. JACKSON:** Yes.

22 **MR. HANSEN:** Question 168. Is it true that at Section 3501 of the Internal Revenue Code
23 Congress directed the Secretary of the Treasury to collect the taxes imposed in Subtitle C and pay

1 them into the Treasury of the United States as Internal Revenue collections?

2 **MS. JACKSON:** Yes, it is.

3 **MR. HANSEN:** Question 169. Is it true that Congress has not anywhere imposed a tax
4 described at 3402 of the Internal Revenue Code?

5 **MS. JACKSON:** Yes.

6 **MR. HANSEN:** Question 170. Is it true that in Section 31 of the Internal Revenue Code the
7 amount of the Section 3402 tax on wages is allowed as a credit against the income tax imposed in
8 Subtitle A?

9 **MS. JACKSON:** Yes.

10 **MR. HANSEN:** Question 171. Is it true that if one does not have any tax imposed at
11 Subtitle A for any reason whatsoever, the law enacted by Congress at Section 3204(n) of the
12 Internal Revenue Code constitutes an exemption of the tax described at Section 3402(a) of the
13 Internal Revenue Code?

14 **MS. JACKSON:** Yes.

15 **MR. SCHULZ:** Is it true that a typical American family works until noon of every working
16 day just to pay its alleged tax obligations?

17 **MS. JACKSON:** Yes, that is true. And the source of that information is a publication
18 called "Compilation of Tax Facts" by John MacIntyre. From now on we'll refer to that as Tax
19 Facts.

20 **MR. SCHULZ:** Is it true that the typical American family pays more in taxes than they
21 spend on food, clothing and housing combined?

22 **MS. JACKSON:** Yes. And the source of that information again is Tax Facts.

23 **MR. BECRAFT:** Could we have it on the screen?

1 **MR. SCHULZ:** Section 172 -- the exhibits for 172, -73,-4 and -5 do we have those on the
2 screen? They're loading, okay. Is it true that there are currently over 480 tax forms?

3 **MS. JACKSON:** Yes, that is unfortunately true.

4 **MR. SCHULZ:** Is it true that the Federal Tax Code contains over 7 million words?

5 **MS. JACKSON:** Yes.

6 **MR. SCHULZ:** Is it true that over one half of the Americans are paying some sort of tax
7 professional to help comply with alleged Tax Law requirements?

8 **MS. JACKSON:** Yes. And I used to be one of those. That again comes from Tax Facts.

9 **MR. SCHULZ:** Is it true that each year the Internal Revenue Service sends out
10 approximately 8 billion pages of tax forms and instructions, generating enough paper to stretch 28
11 times around the earth?

12 **MS. JACKSON:** Yes.

13 **MR. BECRAFT:** Wow.

14 **MR. SCHULZ:** Is it true that Americans spend approximately 5.4 billion labor hours and
15 \$200 billion each year attempting to comply with the alleged tax requirements, which is more time
16 and money than it takes to produce every car, truck and van each year in the United States?

17 **MS. JACKSON:** Yes. And that's also from Tax Facts.

18 **MR. BECRAFT:** That's unbelievable.

19 **MR. SCHULZ:** Is it true that in 1913 the average American family had to work only until
20 January 30th before earning enough to pay all alleged tax obligations?

21 **MS. JACKSON:** Yes, that is true.

22 **MR. SCHULZ:** And the source of your answer, is that based on Tax Facts?

23 **MS. JACKSON:** Tax Facts again, yes.

1 **MR. SCHULZ:** Is it true that the average American family had to work all the way through
2 May 12th in order to pay their alleged federal tax and local tax bills for the year 2000?

3 **MS. JACKSON:** Yes, according to Tax Facts.

4 **MR. SCHULZ:** And is it true that the economist Daniel Mitchell -- I believe he's still at the
5 Heritage Foundation -- he recently observed that Medieval serfs only had to give the lord of the
6 manor a third of their output and they were considered slaves. So what does that make us he asked?

7 **MS. JACKSON:** Yes. Slaves. And that's from "Legalized Loot" by Machan.

8 **MR. SCHULZ:** Is it true that the average Wisconsin citizen -- you can tell where that
9 question came from, MR. Bernhoft in Milwaukee -- is it true that the average Wisconsin citizen
10 had to work until May 9th this year to pay all alleged tax obligations?

11 **MS. JACKSON:** Yes, according to Tax Facts.

12 **MR. SCHULZ:** Is it true that Americans own less of their labor than feudal serfs did?

13 **MS. JACKSON:** Yes.

14 **MR. SCHULZ:** Is it true that the Thirteenth Amendment to the United States Constitution
15 reads "Neither slavery nor involuntary servitude, except as punishment for a crime whereof the
16 party shall have been duly convicted, shall exist within the United States, or any place subject to
17 their jurisdiction. Congress shall have power to enforce this article by appropriate legislation"?

18 **MS. JACKSON:** Yes.

19 **MR. BECRAFT:** That's correct.

20 **MR. SCHULZ:** Is it true that if Congress can constitutionally tax a man's labor at the rate
21 of 1 percent then Congress is free, subject only to legislative discretion, to tax that man's labor at
22 the rate of 100 percent, Mr. Becraft?

23 **MR. BECRAFT:** That's theoretical, although there are --

1 **MR. SCHULZ:** Thank you, MR. Becraft. Is it true that peonage -- the word peonage is a
2 condition of servitude compelling a man or woman to perform labor in order to pay off a debt?

3 **MS. JACKSON:** Yes.

4 **MR. BECRAFT:** Yes.

5 **MR. SCHULZ:** And the source of your answer?

6 **MR. BECRAFT:** For this particular question I refer you to "Black's Law Dictionary."

7 **MR. SCHULZ:** Thank you, MR. Becraft. Question 186(a), MR. Bodine. Admit that the --
8 would you agree that the Federal Reserve Act was passed in 1913 within a few months of the
9 ratification of the Sixteenth Amendment that allegedly authorized the tax on the incomes of most
10 Americans?

11 **MR. BECRAFT:** The Sixteenth Amendment was ratified -- or proclaimed as ratified on
12 February 25th, 1913. October 3rd, 1913, is when the first income tax under the Sixteenth
13 Amendment was adopted and then on December the 23rd, 1913, is when the Federal Reserve Act
14 was enacted.

15 **MR. SCHULZ:** Ten days after the --

16 **MR. BECRAFT:** November 3rd is when the 1913 act was adopted and that would be, you
17 know, 40-, 50 days later.

18 **MR. SCHULZ:** Is it true that Congress' inability to balance the federal budget or lack of
19 fiscal discipline could create large volumes of public debt to the Federal Reserve?

20 **MR. BECRAFT:** Isn't that obvious?

21 **MR. SCHULZ:** That was question 186(c), MR. Bodine. 186(d). Is it true that the result of
22 increasing public debt must be an increase in income tax revenues to pay off the debt in order to
23 maintain solvency of the federal government?

1 **MR. BECRAFT:** Absolutely true. Wouldn't you agree, Sherry?

2 **MS. JACKSON:** I would.

3 **MR. SCHULZ:** 186(e). Isn't it true that an increase in income tax revenues would require a
4 larger percentage of the labor or the wage income of average Americans to be extracted as income
5 tax because more than half of the federal income tax revenues derived from personal income taxes
6 rather than corporate income taxes?

7 **MS. JACKSON:** Yes.

8 **MR. SCHULZ:** Is it true that there is an incentive -- 186(f). Is it true that there is an
9 incentive for politicians to buy votes with borrowed money that will be paid off by unborn children
10 at interest? MR. Becraft?

11 **MR. BECRAFT:** I deny that. I see no facts in American society today that would prove
12 that. I'm being facetious.

13 **MR. SCHULZ:** Yes, I understand. In your opinion, MR. Becraft, is there an incentive --
14 and Ms. Jackson -- is there an incentive for politicians to buy votes with borrowed money that will
15 be paid off by unborn children at interest?

16 **MS. JACKSON:** Can you say Enron?

17 **MR. SCHULZ:** I can. And I can say Global Crossing and many others. Is it true that --
18 186(g). Is it true that requiring unborn children of tomorrow paying off extravagances of today at
19 interest amounts to taxation without representation, which was the very reason our country rebelled
20 from Great Britain to become an independent nation?

21 **MR. BECRAFT:** True. May I suggest someone read all of 186(h).

22 **MR. SCHULZ:** Is it true that Thomas Jefferson, one of our founding fathers and the author
23 of our Declaration of Independence, wrote the following: "I sincerely believe that banking

1 establishments are more dangerous than standing armies, and that the principle of spending money
2 to be paid by posterity under the name of funding is but swindling futurity on a large scale." He
3 wrote that in a letter to John Taylor in 1816. Did he?

4 **MR. BECRAFT:** Yes.

5 **MR. SCHULZ:** Is it also true that Thomas Jefferson wrote in another letter to John Taylor
6 in 1816 the following: "Funding I consider as limited, rightfully, to a redemption of the debt within
7 the lives of a majority of the generation contracting it; every generation coming equally by the laws
8 of the Creator of the world, to the free possession of the earth He made for their subsistence,
9 unencumbered by their predecessors who, like them, were but tenants for life." Did he say that?

10 **MR. BECRAFT:** Profound words, yes.

11 **MR. SCHULZ:** And did MR. Thomas Jefferson write in a letter to John Wayles Eppes in
12 1813 the following: "The natural right to be free of the debts of a previous generation is a salutary
13 curb on the spirit of war and indebtedment, which, since the modern theory of the perpetuation of
14 debt, has drenched the earth with blood, and crushed its inhabitants under burdens ever
15 accumulating"? Did he write those words?

16 **MR. BECRAFT:** Yes.

17 **MR. SCHULZ:** And did Thomas Jefferson write in another letter to John Wayles Eppes
18 the following: "We believe -- or we act as if we believed -- that although an individual father
19 cannot alienate the labor of his son, the aggregate body of fathers may alienate the labor of all their
20 sons, of their prosperity, in the aggregate, and oblige them to pay for all the enterprises, just or
21 unjust, profitable or ruinous, into which our vices, our passions or our personal interests may lead
22 us. But I trust that this proposition needs only to be looked at by an American to be seen in its true
23 point of view, and that we shall all consider ourselves unauthorized to saddle posterity with our

1 debts, and morally bound to pay them ourselves; and consequently within what may be deemed the
2 period of a generation, or the life of the majority"?

3 **MR. BECRAFT:** Thomas Jefferson wrote those.

4 **MR. SCHULZ:** And did he also write in a letter to A.L.C. Destutt de Tracy, in 1820, "It is
5 incumbent on every generation to pay its own debts as it goes. A principle which if acted on would
6 save one-half of the wars of the world"?

7 **MR. BECRAFT:** He said that.

8 **MR. SCHULZ:** And, finally, did he write in a letter to Samuel Kercheval in 1816, "To
9 preserve the independence of the people we must not let our rulers load us with perpetual debt. We
10 must make our election between economy and liberty or profusion and servitude. If we run into
11 such debts as that we must be taxed in our meat and in our drinks, in our necessities and our
12 comforts, in our labors and our amusements, for our callings and our creeds, as the people of
13 England are, our people, like them, must come to labor sixteen hours in every twenty-four, give the
14 earnings of fifteen of these to the government for their debts and daily expenses, and the sixteenth
15 being insufficient to afford us bread, we must live, as they now do, on oatmeal and potatoes, have
16 no time to think, no means of calling the mismanagers into account, but be glad to obtain
17 subsistence by hiring ourselves out to rivet their chains on the necks of our fellow-sufferers"? Did
18 he write those words? Ms. Jackson, did he write those words?

19 **MS. JACKSON:** Yes, he did.

20 **MR. BECRAFT:** And that was also a theme in his inaugural address too.

21 **MR. SCHULZ:** Is it true that with an unlimited source of credit in the Federal Reserve and
22 an inability to claim any percentage of the income of the average American in income taxes, the
23 growth of the federal government and the smothering and complete extinguishment of liberty is

1 inevitable given the vagaries and weaknesses of the humankind who occupy public office?

2 **MS. JACKSON:** Yes, it is.

3 **MR. SCHULZ:** Is it true that peonage -- the word peonage -- the condition of peonage is a
4 form of involuntary servitude prohibited by the Thirteenth Amendment to the Constitution of the
5 United States?

6 **MR. BECRAFT:** That's true. And the provisions of the "Clyatt case" are now on the
7 screen.

8 **MR. SCHULZ:** So an authority no less, the United States Supreme Court said as much?

9 **MR. BECRAFT:** In the words of the Supreme Court "What is peonage? It may be defined
10 as the status or condition of compulsory service based upon the indebtedness of the peon to the
11 master. The basil fact is indebtedness as Judge Benedict delivered the opinion of another case. One
12 fact is universally all were indebted to their masters. This was accord by which they seemed to
13 bound to their master's service."

14 **MR. SCHULZ:** Is it true that if the plain language, the spirit and the intent of the
15 Constitution doesn't do so, that the Congress abolished peonage in 1867?

16 **MR. BECRAFT:** Statutory authority for that is being displayed on the screen right now, 42
17 U.S.C. Section 1994.

18 **MR. SCHULZ:** So the answer is?

19 **MR. BECRAFT:** Correct. Yes, it was abolished.

20 **MR. SCHULZ:** Is it true that holding or returning any person to a condition of peonage is a
21 crime under Title 18?

22 **MR. BECRAFT:** May I direct your attention to Title 18, United States Code Section 1581
23 which is on the screen right now. 1581 defines peonage, "Whoever holds or returns any person to a

1 condition of peonage or arrests any person with the intent of placing him in or returning him to a
2 condition of peonage shall be fined and imprisoned up to 20 years."

3 **MR. SCHULZ:** That's question 188?

4 **MR. BECRAFT:** Yes.

5 **MR. SCHULZ:** Is it true that holding or returning any person to a condition of peonage is a
6 crime? You just answered that in the affirmative.

7 **MR. BECRAFT:** Right.

8 **MR. SCHULZ:** And that was 189?

9 **MS. JACKSON:** Right.

10 **MR. BECRAFT:** Correct.

11 **MR. SCHULZ:** Is it correct that involuntary servitude means a condition of servitude in
12 which the victim is forced to work for another by use or threat of physical restraint or injury or by
13 the use of threat or coercion through law or legal process?

14 **MR. BECRAFT:** That's true. And probably one of the best cases to illustrate that
15 proposition might be "United States against Kozminski." Or may I see the case that's -- if you go
16 down through here you can see some statements of the Supreme Court talking about peonage.

17 **MR. SCHULZ:** Is it true that if an American stops turning over the fruits of his or her labor
18 to the federal government in the form of income tax payments, he suffers under the risk of possible
19 criminal prosecution and incarceration?

20 **MR. BECRAFT:** Well, I think we've got evidence to that fact. There's a man right there
21 sitting on the front row who's encountered that particular problem, MR. Bill Benson. Irwin Schiff.
22 Oh, there's Bill. We have two gentlemen right on the front row who have encountered that
23 particular problem.

1 **MR. SCHULZ:** They suffered criminal prosecution and incarceration because --

2 **MR. BECRAFT:** Well, it's not limited to that.

3 **MR. SCHULZ:** I understand that. Because they did turn over the fruits of their labor to the
4 federal government in the form of an income tax payment?

5 **MR. BECRAFT:** That's correct. They could probably testify to other things beyond
6 imprisonment and -- that they suffered. Another party that was in this room at one point in time that
7 was prosecuted, he didn't get convicted was Pat Shannon. I don't know that he's still here.

8 **MR. SCHULZ:** I want to thank the panel for answering the questions in this line of inquiry
9 having to do with our Right to Labor. At this point it seems as though we've established
10 conclusively that most Americans are not liable to file an income tax return or to pay the tax; that it
11 is a voluntary tax. And that one of the possible reasons why it's voluntary is because the
12 government has -- in the words of the Supreme Court -- no right, no authority to force people to
13 work for them so that they can pay off their debts.

14 **MS. JACKSON:** That is correct.

15