

The Federal Mafia

**HOW IT ILLEGALLY IMPOSES AND
UNLAWFULLY COLLECTS INCOME TAXES**

A Shocking and Comprehensive Analysis

WITH

WAYS FOR FIGHTING BACK

by

IRWIN SCHIFF

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DEDICATION

...To Earl J. Teeman, an electrician from Ohio who was murdered by Brazilian bandits in 1979 after he fled the United States following his illegal conviction of failing to file income tax returns.

...To Jack and Wanda Biggers of Houston, Texas, who in February 1987 killed themselves after the IRS illegally seized and sold their home.

...To Everett O. Lasher of Seattle, Washington, who shot himself in Tax Court after being told that he was going to be (illegally) fined \$5,000 for raising "frivolous" arguments before that "court."

While these four Americans did not die in concentration camps or in some Siberian gulag, their deaths were not entirely dissimilar from those who did.

BOOKS BY IRWIN SCHIFF

The Federal Mafia

—How It Illegally Imposes and Unlawfully Collects Income Taxes—

The Great Income Tax Hoax

How An Economy Grows and Why It Doesn't

The Social Security Swindle

—How Anyone Can Drop Out—

How Anyone Can Stop Paying Income Taxes

The Kingdom of Moltz

The Biggest Con: How The Government Is Fleecing You

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INTRODUCTION

The revelations in this book will shock those Americans who naively assume that their government operates pursuant to law and according to a Constitution. When it comes to income taxes, an activity that deeply affects every American, the only difference between the government in our country and that found in any fascist state is merely one of style and degree, not substance.

This observation will hardly surprise those Americans who have had their assets seized and businesses destroyed by IRS agents acting without court orders. Nor will it surprise those who have gone to prison for committing tax "crimes" that, by law, do not exist. But to the average American who is totally unaware of such activities, my comparison will seem blasphemous, if not downright silly. However, I promise you that before you finish reading this book you will be convinced that:

1. No American is legally required to file an income tax return;
2. No American is legally required to pay federal income taxes;
3. All IRS seizures of money and property in payment of income taxes are **illegal** and not authorized by law;
4. No law gives IRS agents the right to seize or otherwise acquire personal records (including bank records) for income tax purposes;
5. All government prosecutions (including those for tax evasion) in connection with alleged income tax "crimes" are **illegal**, and are not authorized by law; and finally,
6. The United States government, with the cooperation of a culpable federal judiciary, has been extracting income taxes from the American public **in total violation of the law**.

In short, if you think you are living in a country governed by law and a Constitution, this book will convince you that you are living in a fool's paradise.

Irwin A. Schiff

—CHAPTER 1—

SURPRISE! **THE INCOME TAX IS VOLUNTARY** **"Our system of taxation is based upon** **voluntary assessment and payment, not upon distraint."**

The Supreme Court
Flora v. United States, 362 U.S. 145, pg. 176

In 1986, 99.5 million Americans **were tricked into filing and paying** federal income taxes when legally, they didn't have to do either. If this statement shocks you, it is only because you and the rest of the nation **have been thoroughly deceived** by the federal government (with federal courts playing the key role), and an army of accountants, lawyers, and other tax preparers. All of these have a **vested interest in keeping you ignorant** concerning the real nature of federal income taxes. That an entire nation of supposedly intelligent human beings could be so **thoroughly hoodwinked**, must rank as the greatest and most **spectacular hoax of all time**, with the phenomenon of millions of Americans scurrying to IRS offices each April 15th comparable to **lemmings marching into the sea**.

The fact is, no provision of the Internal Revenue Code requires anyone **to file or pay** income taxes. This tax, unlike other internal revenue taxes, is strictly **voluntary**. This is because a compulsory income tax would violate the Constitution's three taxing clauses, the Bill of Rights and the 16th Amendment—all of which impose **restrictions on the government's power and ability** to tax income in ways few Americans understand. So, in order for the income tax **not to be unconstitutional** it had to be written on a **noncompulsory basis**. However, **in order to deceive Americans** of this, as well as provide federal courts and the IRS with deceptive passages on which to hang illegal prosecutions and illegal seizures, the Internal Revenue Code was written to make paying income taxes **APPEAR MANDATORY**. The government succeeded in doing this by **tricking the public** into believing that those enforcement provisions of the Code, **that apply to other, non-voluntary taxes** (such as alcohol and tobacco taxes), also apply to income taxes when in fact, **they do not!** However, despite **such trickery**, the IRS still admits that our "income tax laws" are purely **VOLUNTARY !!**

Indeed, every official IRS pronouncement on this issue admits to the **voluntary** nature of the income tax, as the following quotations and government documents prove.

"The IRS' primary task is to collect taxes under a **voluntary** compliance system." (emphasis added)

—Jerome Kurtz Internal Revenue Annual Report, 1980

"Our tax system is based on individual **self assessment** and **voluntary** compliance." (emphasis added) —Mortimer Caplin Internal Revenue Audit Manual, 1975

"Each year American taxpayers *voluntarily* file their tax returns and make a special effort to pay the taxes they owe." (emphasis added)

—Johnnie M. Walters -Internal Revenue 1040 Booklet, 1971

"Because the American tax system is based on *voluntary* compliance and *self-assessment*, each year taxpayers make their own determination of their tax liability and file returns reporting the correct tax. (emphasis added)

—Welcome to the United States of America Form 1-357, Re. 7-19-80, the United States Department of Justice, Immigration and Naturalization Service

Additional proof of the voluntary nature of income taxes can be found in the *IRS'* own regulations. For example, under Section 601.601 which deals with "Objectives and Standards for Publication" we find the following:

The purpose of publishing revenue rulings and revenue procedures in the Internal Revenue Bulletin is to promote correct and uniform applications of the tax laws by the Internal Revenue Service employees and to assist taxpayers in attaining maximum *voluntary* compliance. (emphasis added)

On July 8, 1981 the Controller General of the United States issued a report entitled *Illegal Tax Protesters Threaten Tax System* (GGD-8 I -83)3 which, on its cover, warned that "illegal tax protesters threatened our tax system because they represent a threat to our nation's *voluntary* tax system." (emphasis added).

Figure 1-1 contains the entire introductory statement of commissioner Jerome Kurtz that appeared in the 1979 IRS Annual Report in which Kurtz mentions the *voluntary* nature of income taxes no less than six times, and comments that in 1978 "individuals *voluntarily* [emphasis added] reported nearly \$1.1 trillion in income...." Don't you think that Kurtz knows the difference between "voluntary" and "mandatory," and if he thought that people were required to file he certainly wouldn't claim they did so "*voluntarily*"? How many of those who Kurtz claimed filed "*voluntarily*," actually believed they did so "*voluntarily*," as opposed to believing that they were required to do so?

Figure 1-2 (not Shown) is an excerpt from the Federal Register, Vol. 39, No. 62, dated March 29, 1974 which explains that the IRS' "mission...is to encourage...*voluntary* compliance."

Figures 1-3 (not Shown) are reproductions from the IRS' latest issue of Understanding Taxes, a slick teaching syllabus sent to our public schools so that the *brainwashing of the American public can start at an early age*. The syllabus seeks to dupe students into believing that they are required to pay income taxes by using such deceptive language as [note F]: "taxpayers are responsible for paying income taxes as income is earned through withholding." Why doesn't it say that taxpayers are required? The syllabus reluctantly admits the *voluntary* nature of the income tax no less than *three times* (at A, E and H) but, referring to the statements at A and B:

(a) How can students "understand the [meaning of "*voluntary* compliance" if there are "consequences" for "non-compliance"? (Note how the government specifically avoids saying that "penalties" apply!)

(b) How can there be legal "consequences" if "taxpayers" voluntarily report income to the government..."

FIGURE 1-1

Doesn't it seem strange that the IRS uses the word "voluntary" *six times* in the introduction to their own Annual Report, but does not use the term once in your Privacy Act Notice?

1979 Annual Report Commissioner of Internal Revenue

This year I am pleased to report that a number of organizational changes have been Implemented and appear to be accomplishing the intended goals. The changes were undertaken last year to implement recommendations made in a study conducted by senior IRS career executives.

The change most directly affecting taxpayers was the modification of our administrative appeals procedure by consolidating the former into levels of appeal into a single appeal structure at the regional level. This is now fully in effect and is resulting in the more expeditious handling of controversies at less expense to both taxpayers and the IRS. We continue to hold appeals conferences at all locations where district conferences were formerly held with the result that taxpayers have conveniently available to them a regional appeals officer with full settlement authority.

We believe the change in settlement procedures of docketed Tax Court cases is working effectively to utilize our resources better and to provide a more orderly procedure to handling the Increasing volume of docketed cases.

The streamlining of our smallest district has been accomplished smoothly. We are realizing savings at no loss of service to taxpayers.

Separating functions involving service to the public from those involving compliance has decreased our emphasis on taxpayer service as well as permitted better integration of our collection activities which related compliance functions.

Notwithstanding our increased emphasis on taxpayer problems it seems clear that some of these will continue to "slip through the cracks ", if this occurs in even a very small percentage of the huge number of matters we handle the number of such cases will be large. To address this problem we instituted our problem resolution program (PRP) on an experimental basis in 1977 to provide a separate function to handle persistent taxpayer problems—those not satisfactorily resolved through normal channels PRP is now fully operational in all of our 58 districts and 10 service centers with problem resolution officers who have the ability and know-how to cut through red tape quickly on behalf of taxpayers. About 72,000 taxpayers' problems were successfully resolved through this procedure 1978 and a number of system changes identified by this program have been made to improve IRS efficiency and responsiveness.

A sample follow-up with taxpayers whose problems were handled through PRP found a high degree of satisfaction but I will not be satisfied as long as some tax payer complaints and problems persist. Therefore as the year ended we were planning to set up an ombudsman-like position in my immediate office to have broad authority over PRP and to serve as an advocate for taxpayers.

Our forms and Instructions are a matter of conflicting concern. The challenge of presenting and explaining a complex law in an understandable way is formidable and we devote substantial effort to this problem. In addition to our normal work in this area we have formed a high-level task force to consider longer range possibilities. We have engaged a private firm to review all Individual tax return forms schedules instructions and to make recommendations for redesign and rewriting. This effort should be completed in the fall of 1980 when we will start evaluating and testing any recommended alternatives.

While it is important that we constantly look for ways of simplifying the burden of reporting, frequent changes should be avoided. There is great value in taxpayers familiarly with our forms I m therefore pleased that the 1979 forms follow the 1978 forms except for a few changes required by new legislation.

There is no doubt that better taxpayer assistance, more sensitive responsiveness to taxpayer complaints and problems and simpler tax forms and instructions are of great importance in achieving a high level of **voluntary compliance** with our tax laws. But our enforcement efforts also are crucial. Any significant non-compliance is a matter of deep concern to the IRS, Congress and the taxpaying public. Beyond the tax revenues lost when income is not reported it is the basic question of fairness to taxpayers who voluntarily obey the laws.

Since the mid-Sixties the IRS has regularly measured compliance on filed returns through its taxpayer compliance measurement program (TCMP). As an adjunct to our audit program, it is an effective tool to measure the unreported income detectable by normal audit processes and to develop the computer formulae used to identify returns for audit. It does not however measure the unreported Income of those who fail to file returns nor certain types of income not readily detectable by normal audit procedures, such as Income from Illegal sources.

In 1978 I appointed a study group to prepare estimates of unreported Income The groups report, "Estimates of Income Unreported on Individual Income Tax Returns", was released In August 1979. This report using data for the 1976 lax year marks our first effort to measure unreported individual income.

The report estimates that individuals failed to report \$75 billion to \$100 billion in income from legal activities with a resulting revenue loss of \$13 billion to \$17 billion. Unreported income from certain illegal sources - narcotics illegal gambling and prostitution - was estimated to be between \$25 billion and \$35 billion, and cost the government approximately \$6 billion to \$9 billion in lost tax revenues.

To put these figures in context in the same tax year **individuals voluntarily reported** nearly \$1.1 trillion In Income and paid a total of \$142 billion in income taxes.

The report lends considerable weight to conclusions drawn from past TCMP studies that **voluntary reporting** is highest when incomes are subject to tax withholding. Incomes subject to information reporting show a lower compliance level but still much higher than incomes subject to neither withholding nor information reporting.

In fairness to the millions of taxpayers **who voluntarily file**, report all their income and pay the tax due, we must strengthen current compliance efforts and, where called for, plan innovative actions to find and tax unreported income.

A Treasury legislative proposal currently under consideration by Congress to withhold taxes from certain independent contractors would be a major step in dealing with one area of low compliance.

Our program to match information documents filed by payers of wages, dividends, interest and certain other payments with income tax returns has become an increasingly important tool to identify cases of underreporting of income and non-filing of returns. The number of documents matched has been increasing substantially and with the full implementation of the combined annual wage reporting system will reach 400 million or about 80 percent of the total filed.

Our document matching activity has been separate from our examination program and has not affected the selection of returns for audit or their actual audit. However in the next filing season a printout of the information documents processed will be associated with returns selected for the examination program so that the information will be available to tax return classifiers and to return examiners. Since these documents will also be used during TCMP audits the accuracy of the results of that program should also be improved. In last year's report I noted our increasing concern about the use of abusive tax shelters - those which take positions beyond a reasonable interpretation of the law - and our increased audit effort in this area. As a result of that effort we have, at various stages of the examination and appeals process, about 200 000 tax returns involving about \$4.5 billion of questionable deductions. This program requires a substantial commitment of resources but it is a commitment we will continue to make and even increase if necessary. The great abuse we are finding in this area if allowed to continue unchecked could result in a serious decline in taxpayers perception of the fairness and evenhandedness of our administration of the tax system and consequently in their *voluntary* compliance

Many abusive tax shelters depend for their successful marketing on the participation of professional tax advisors. We intend to continue an exploration begun this year into the ethical and legal standards that should govern such participation.

Tax administration today calls for us to increase our abilities to serve the majority of taxpayers who comply with the law. A crucial aspect of this service is to enforce the law vigorously against the few who attempt to subvert it. We believe this years report reflects that commitment. (emphasis added throughout)

(end figure 1-1)

pg. 8

Even the Supreme Court in *Flora v. United States*, (as previously noted) recognized and commented on the *voluntary* nature of the income tax.

| FIGURE 1-2
DEPARTMENT OF THE TREASURY IRS
ORGANIZATION AND FUNCTIONS

[SEAL] DONALD C. ALEXANDER,
Commissioner of Internal Revenue.
1100 Organization and Staffing
1110 Organization and functions of
internal revenue service

SEC. 1111 *Establishment of the Internal Revenue Service*

SEC. 1111.1 **Mission.**

The **mission** of the Service is to encourage and achieve the highest degree of *voluntary compliance* with the tax laws and regulations and to maintain the highest degree of public confidence in the integrity and efficiency of the Service. This includes **communicating the requirements of the law to the public**, determining the extent of compliance and causes of non-compliance, and doing all things needful to a proper enforcement of the law.

Federal REGISTER, VOL 39, NO. 62—FRIDAY, MARCH 29, 1974

(end figure 1-2 , emphasis added)

You can check with as many dictionaries as you like, and you will find that the word "voluntary" means something done of one's own free will, and without legal obligation. So if compliance with "income tax laws"

is required, why would commissioner after commissioner claim that filing is voluntary if it were not? Do you really believe that "voluntary compliance" can mean the same thing as "compulsory compliance"? And if compliance with "income tax laws" is required, i.e. compulsory, why would all of these Government documents claim otherwise?

THE MEANING OF VOLUNTARY COMPLIANCE AND SELF ASSESSMENT

While the reader might need to have the meaning of "self assessment" explained, the meaning of "voluntary compliance" should be perfectly clear. "Voluntary compliance" can only mean that compliance with "income tax laws" is voluntary and that you can comply or not comply as you choose. Actually the term "voluntary compliance" makes no sense. If something is "voluntary," then the word "compliance" is superfluous. If, on the other hand, "compliance" is compulsory, then any use of the word "voluntary" is nonsensical. It should be perfectly evident why the government contrived this self contradictory expression. Have you ever heard of it in connection with anything else?

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The government feared that if it correctly used the solitary word "voluntary" to describe federal income taxes, the nature of the tax would become immediately apparent. So it added the word "compliance," seeking, in this way, to fool the public by the mandatory meaning that word conveys. The government relied on an ingenuous public not to notice that the preceding word, "voluntary," rendered the latter word, "compliance," meaningless. And the American public, in overwhelming measure, didn't let the government down!

Actually, the government is very careful not to officially misrepresent the voluntary nature of the tax nor to officially tell the public that anything about it is "required." Instead, the government relies on a myriad of misleading techniques that enable it to accomplish the same thing.

One such example is shown in Figure 1-3. Note how the government, even when telling school children that **the income tax is voluntary**, simultaneously seeks to persuade them that it is not. It does this by discussing the tax in terms that make it sound compulsory, but really do not make it so. **With practice, you will be able to spot these deceptions in all government documents.** For now, I will help you—though little help should be necessary on this point.

Note that instead of telling readers that Americans are required to file and pay income taxes (if this were really the case), the government seeks to mislead them on this issue by **appearing** to warn them (at B) about the "consequences for citizens and society of noncompliance"; and that (at C) the "Students will define noncompliance with federal income tax laws as illegal and list the results of noncompliance." **Notice it will be the "students" who will define "noncompliance...as illegal,"—not the government!** The government, of course, knows that "noncompliance" is not illegal so it can not "define" it in this manner. But the government is nevertheless able to convey this by its use of some **verbal sleight of hand** that neither the teacher or students will ever notice. **The government has truly raised the level of deception to a veritable art form.**

At D, the government seeks to mislead students by using such mumbo-jumbo as citizens having an "obligation . . . to comply with tax policy decisions." Try figuring out what that means, while you also try figuring out what an inferred legal "obligation to comply" means—when "compliance" is admittedly voluntary.

Continuing with its deception, the government states (at I) that "Students will determine, given sufficient information, whether an individual is required to file a return." **So this is how the government deceitfully infers that filing is "required"** knowing full well that it is not, and provides another example of the technique referred to earlier. The government, of course, knows full well that it can not legally tell the students who "is required to file" (**unless it says, "nobody"**). So it relies on the students misleading each other—under the influence of their own trusted teacher, who is also totally convinced that filing is mandatory and therefore files regularly. Since the teacher will not be dissuaded from this belief, **regardless of how many times the syllabus says that such filing is voluntary**, he or she' will be instrumental in **fooling** her pupils.

Using the public to fool the public is an important aspect of the **government's program of deception**. In addition, it would never dawn on those school children (who undoubtedly infuse Washington politicians with the same honesty that they associate with George Washington and the cherry tree) that their own government would deliberately seek to **deceive them** in the manner the syllabus is intended to do. As the government relies on the nation's school teachers to mislead children right in their own classrooms, so too does the government rely on and utilize the nation's media—converting it into a virtual monolithic government propaganda agency. **This vast media network is harnessed to work the American public into a virtual filing frenzy around April 15th, little realizing that it has been actually duped into duping the public in like manner.**

Interestingly enough (at G), the syllabus correctly states that employees (though the syllabus uses the tricky legal term "taxpayers") "use form w-4 to tell their employers how much to withhold from their pay for taxes." This is an accurate acknowledgment by the IRS that under the "law," it is the employee who supposedly "tells" the employer how much to deduct, **and not the other way around**. In practice, however, the IRS **totally disregards** this principle and sends unsigned, computerized letters (see Figure 2-2 in Chapter 2) to employers telling them to disregard what their employees "tell" them to deduct, and to deduct instead, what nameless and faceless IRS employees instruct them to deduct. This is a clear-cut example of how a correct IRS policy statement is illegally disregarded by the Service in practice.

"STRENGTHENING VOLUNTARY COMPLIANCE"

In a 200 page study entitled *Internal Revenue Service Strategic Plan* (Document 6941 5-85) the IRS provided the nation with a sterling example of "double think," since the document outlined new and "strategic initiatives for strengthening **voluntary** compliance." **Now ask yourself— precisely how does a government go about "strengthening" something that is "voluntary"?** Roscoe Egger, the IRS Commissioner responsible for the "Strategic Plan," explained that one of the principle reasons for the -"Plan" was the problems caused by so called "tax protesters." However, throughout that document Mr. Egger consistently refers and admits to the **voluntary** nature of the income tax. For example:

"External environmental indicators and internal compliance measures reflect a continuing decline in the extent to which taxpayers are willing or able to **voluntarily** comply with the federal tax laws."

"Tax law changes are occurring with greater frequency...to achieve national socioeconomic goals... These frequent changes have materially increased the complexity of tax administration, and may adversely affect **voluntary** compliance."

"With the decline in **voluntary** compliance in a period of budgetary constraints, the IRS must find ways to increase 'presence' and to selectively apply resources to produce effective results. The enactment of state statutes designed to ensure the filing of appropriate returns in connection with the pursuit of business activities clearly strengthens **voluntary** compliance. "

It is important that Public Affairs do more to assist in improving **voluntary** compliance.

Issues: (1) What steps can the IRS take to stem or reverse this decline in **voluntary** compliance?
(emphasis added throughout)

Obviously, one of the "steps" that the government decided to take to "stem"...and "reverse"...the "decline in **voluntary** compliance," **was to step up the illegal prosecutions of those unwilling to "volunteer."**

In Figure 1-4 I have reproduced the entire introduction to the chapter entitled "Strengthening Voluntary Compliance" just in case you thought Animal Farm was fiction.

Figure 1-4

STRENGTHENING **VOLUNTARY** COMPLIANCE

The tax gap for 1981 was estimated to be over \$81 billion with over two-thirds (\$55 billion) attributable to unreported individual income taxes, The seriousness of this situation is underscored by estimates that in five years, the portion of the gap attributable solely to unreported income of individuals, will reach 598 billion, larger than all the components of the current tax gap combined.

The initiatives that follow are designed to translate the Strategic Directions on Strengthening **Voluntary** Compliance into action and concentrate particularly on the problem of noncompliance by individual income taxpayers, These include the "non-farm" business or self-employed taxpayers, whose non-compliance stands out as a growing concern within the area of unreported income.

In all, fifteen initiatives will be pursued with the intent of strengthening **Voluntary** compliance many recommend or support specific projects that concentrate on bolstering compliance through no-cost or relatively low-cost initiatives, These proposals look outside, as well as within IRS for solutions.

The Service will attempt to broaden its knowledge about taxpayers' attitudes and perceptions about tax laws and IRS' administration of laws in order to devise more pertinent and effective programs and communications. Expanded use of computer technology for tax assistance as well as more efficient enforcement programs will be explored. The need for adequate planning is stressed in order to be prepared for future technological changes expected to impact tax administration.

Externally, the Service will be looking to other federal agencies, state governments and non-government

organizations to join in cooperative efforts to promote compliance with the tax laws. These efforts involve improved enforcement efforts and better tax education, particularly for self-employed taxpayers.

In summary, the Strategic Initiatives for Strengthening *Voluntary* Compliance recognize that the Service must look to diverse and innovative solutions that do not demand major staffing commitments. These initiatives should make substantial inroads against the compliance decline and, together with other projects planned or underway, will prove effective in strengthening *voluntary* compliance.

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CONFUSING THE PUBLIC ON THE MEANING OF "VOLUNTARY COMPLIANCE"

In addition to using **deliberately deceptive** (though technically not false) language in its official publications, IRS employees (from the top to the bottom) **lie profusely** (though some are obviously just merely ignorant concerning the "law" that they believe they are enforcing) in letters and conversations with the public and in all tax prosecutions and civil litigation. In all of my civil and criminal litigation I never once have come across an attorney for either the IRS or the tax division of the Justice Department **who told the truth** about federal income taxes. (Numerous examples appear in following chapters.) On top of all of this, the government gets total support from a **duplicitous federal judiciary**, who will not only **boldly lie** from the bench about alleged "requirements" under our income tax "laws," but in furtherance of the government's mammoth deception, it helps it intimidate the public by conducting **illegal trials** and by knowingly sending innocent people to jail. So, if our all-powerful federal judiciary is willing to collectively lie about this tax, and to close ranks in sending innocent people to jail—who's going to challenge it on this issue?

It should also be obvious, that if I have to devote the next 200+ pages of this book trying to convince you of something **that the government has already told you at least a dozen times is voluntary**—then somebody has done a number **on your psyche!**

The Red Light Story

If you ask the IRS (or anyone else in government for that matter) the meaning of "voluntary compliance" you will get a lot of double talk. When I first concluded that filing income tax returns was voluntary (based on some of the government documents and statements shown herein), I decided to check out my conclusion with the IRS. I called and asked, "Is filing an income tax return based on voluntary compliance?" "It is," I was told. "In that case," I said, "I don't want to volunteer." **"You have to volunteer,"** I was informed. "If I have to volunteer," I replied, "wouldn't that make compliance compulsory and not voluntary?" "No," the agent answered, "voluntary compliance is similar to our motor vehicle laws; you voluntarily stop at a red light—but if you don't, you get a ticket!" I objected to this reasoning by pointing out that if I could be ticketed, stopping at a red light (or obeying other traffic regulations) was compulsory, and not based on "voluntary compliance" at all. "No," the agent insisted, "you stop voluntarily." His reasoning was based on the absurd logic that since nobody was physically in the car making me stop, then I stopped "voluntarily." If that is true, then all criminal laws are based on "voluntary compliance," since nobody physically prevents anyone from committing murder, rape, bank robberies, etc., etc. But law enforcement people never claim that those laws are based on "voluntary compliance."

The agent, of course, was trying to confuse me—although he himself might have been confused. The IRS obviously indoctrinates all new agents with the "red light" story, so that they will be able to confuse the public if the question ever comes up.

FIGURE 1-6

DEPARTMENT OF THE TREASURY
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS
WASHINGTON, D.C. 20226 MARCH 3rd

Mr. Irwin A. Schiff, 08537-014
PO Box 1000-702
Loretta, Pennsylvania 15940

Dear Mr. Schiff:

This is in response to your letter dated February 5, 1988, in which you state that you were informed that the collection of tobacco and alcohol taxes were based on *voluntary* and, if not *voluntary*, ask if they are collections based on compulsory compliance.

The collection of taxes on tobacco and alcohol products is created by an enactment of a law by our legislative branch of the Government. Once a law is enacted, requiring the collection of taxes on tobacco and alcoholic products, compliance automatically becomes mandatory and it is the Bureau of Alcohol, Tobacco and Firearms responsibility to administer those Federal laws.

With the above in mind and in response to your specific question, the collection of tobacco and alcohol taxes originates from statutes and, as a result, compliance is compulsory. .

Should you have any additional questions, please feel free to contact me at the letterhead address or telephone me at (202) 566-7531.

Sincerely yours,
Mary A. Wood
Specialist, Distilled Spirits and
tobacco Branch

(end Figure 1-6)

Figures 1-5 (not shown) and 1-6 prove that the government realizes that while income taxes are based on "**voluntary compliance**," other tax statutes are not. Figure 1-5 contains testimony by Dwight E. Avis, then head of the Alcohol and Tobacco Tax Division of the IRS, given to a House of Representatives Subcommittee of the Committee on Ways and Means when it held hearings on the administration of the internal revenue laws. He states on page 12:

"Let me point this out now: Your income tax is 100% *voluntary tax*, and your liquor tax is 100 percent *enforced tax*. Now, the situation is *as different as night and day*. Consequently, your same rules just will not apply..." (emphasis added.)

I also recently wrote to the Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms and asked them if those taxes were based on "voluntary compliance." Look what they wrote back (Figure 1-6) They left no doubt that their "collection...is created by an enactment of law...(and so). . *Compliance automatically becomes mandatory*. . . (and that)...in response to [my] specific question, the collection of tobacco and alcohol tax originates from statutes and, as a result, compliance is **mandatory**." Did you notice that I didn't get any "red light" story from them?

Along the same lines, it is obvious that if the Ten Commandments were based on "voluntary compliance," the Bible would have referred to Moses' stone tablets as the **Ten Suggestions**.

THE MEANING OF SELF-ASSESSMENT

As you will soon discover, federal income taxes, by law, **have to be assessed just like city property taxes**. City property taxes, however, are assessed by city assessors, and not by property owners assessing themselves, on the basis of "self-assessment." Cities and towns are empowered by law to assess and levy property taxes—and do not have to rely on the willingness of property owners to voluntarily assess themselves under a system of "self-assessment." But in accordance with the "self-assessment" nature of the income tax, unless Americans voluntarily elect to assess income taxes against themselves (by sending in a tax return and swearing they owe a tax that by statute they can not possibly owe)—the federal government has no statutory authority to make such an income tax assessment on its own initiative. **And without such a voluntary "self assessment," no income tax, by law, can be owed to the federal government**. How the government has been breaking the law

in order to illegally assess income taxes on its own initiative (thus disregarding the principle of "self-assessment") is covered in Chapter 5.

While the government can make assessments with respect to other (mandatory) federal taxes, it is **legally barred** from doing so in connection with income taxes. As a matter of fact, **the federal government does not even have the legal authority to even estimate how much income tax a non-filer supposedly owes**—let alone harass or prosecute him if he chooses not to voluntarily self-assess himself to pay the tax altogether.

Now that you know the real nature of federal income taxes, we will turn to examining why the tax is voluntary and why it is based on self-assessment. The federal government would dearly love to have it otherwise, but— thanks to a Constitution (**that is all but dead**)—it can't.