

# ***An Introduction to the so-called federal Income Tax And Why Some Claim They Don't Have To Pay It***

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This is going to take a few minutes. And you need to take that time because you are paying through the nose for not knowing this. So decide now – do you want to invest a few minutes to learn these concepts? Or do you want to remain ignorant and lose at least one-third of what you earn each and every year?

You decided to learn. Good!

I am going to take you through a series of US Supreme Court cases. Relax; you won't have to know any legalese. But it would definitely be to your advantage to learn a little about legal references and legal research over the next few weeks. This way you can check to make sure these references and quotes say what I claim they say.

After reading some US Supreme Court cases, I am going to explain some tax issues and then see how these issues affect you and your status as a taxpayer. Then we are going to see what you can do with your new-found knowledge.

So get comfortable. As I said, this will take a few minutes. But the payoff for your time just may be an immediate raise of at least 30 per cent of your income. I think that is a very good return on your investment, don't you?

## WHAT THE COURTS SAY

Just exactly what is this thing called an income tax? Few Americans know the answer to that question. The following are a small number of court cases, most of them United States Supreme Court cases, that reveal the truth about this so-called income tax. There are many others.

Take a few moments to concentrate on these next few pages. Pour yourself a strong hot one, or a tall cool one, and focus on this. If these next few pages don't quicken your heart rate and fill you with both excitement and fear, then you are probably brain dead. These next few pages are probably the most important pages on finances and taxes you have ever read.

“The income tax is, therefore, not a tax on income as such. It is an excise tax with respect to certain activities and privileges which is measured by reference to the income which they produce. The income is not the subject of the tax: it is the basis for determining the amount of the tax.

*(House Congressional Record, March 27, 1943, page 2580)*

“...the conclusion reached in the *Pollock Case* did not in any degree involve holding that income taxes generically and necessarily came within the class of direct taxes on property, but on the contrary recognized the fact that taxation on income was in its nature an excise entitled to be enforced as such...”

*(Brushaber v. Union Pacific R.R. Co., 240 U.S. 1, at 16-17)*

Excise Taxes are “...taxes laid upon the manufacture, sale or consumption of commodities within the country, upon licenses to pursue certain occupations, and upon corporate privileges. (Cooley, Const. Lim., 7th Ed., page 680.)”

*(Flint v. Stone Tracy Co., 220 U.S. 107, at 151)*

“A tax laid upon the happening of an event, as distinguished from its tangible fruits, is an indirect tax...”

*(Tyler v. U.S., 281 U.S. 497, at 502)*

“We must remember, too, that the revenues of the United States must be obtained in the same territory, from the same people, and excise taxes must be collected from the same activities, as are also reached by the States in order to support their local government.”

*(Flint v. Stone Tracy Co., 220 U.S. 107, at 154)*

Since we now know that the income tax is not a tax on income, and we know it is a tax on business activities and certain privileged occupations, what does that really mean? What about those of us in the mainstream of America, just putting in our 40 hours and doing our best to get by? How does this excise tax apply to us?

“Since the statutory definition of ‘taxpayer’ is exclusive, the federal courts do not have the power to create non-statutory taxpayers for the purpose of applying the provisions of the revenue acts...”

*(C.I.R. v. Trustees of L. Inv. Ass’n., 100 F.2d 18, at 29)*

[Quoting Adam Smith's *Wealth Of Nations* favorably], "The property which every man has in his own labor, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of the poor man lies in the strength and dexterity of his own hands, and to hinder his employing this strength and dexterity in what manner he thinks proper, without injury to his neighbor, is a plain violation of this most sacred property..."

*(Butcher's Union Company v. Crescent City Co., 111 U.S. 746, at 757)*

[The Court finds] "...an invasion of the personal liberty, as well as of the right of property, guaranteed by that [Fifth] Amendment. Such liberty and right embraces the right to make contracts for the purchase of the labor of others and equally for the right to make contracts for the sale of one's own labor..."

*(Adair v. United States, 208 U.S. 172)*

"...Included in the right of personal liberty and the right of private property - partaking of the nature of each - is the right to make contracts for the acquisition of property. Chief among such contracts is that of personal employment, by which labor and other services are exchanged for money or other forms of property. If this right be struck down or arbitrarily be interfered with, there is a substantial impairment of liberty in the long-established constitutional sense. The right is as essential to the laborer as to the capitalist, to the poor as to the rich; for the vast majority of persons have no other honest way to begin to acquire property, save by working for money."

*(Coppage v. State of Kansas, 236 U.S. 1)*

"A state may not impose a charge for the enjoyment of a right granted by the Federal Constitution." *(Murdock v. Pennsylvania, 319 U.S. 105, at 113)*

“The individual, unlike the corporation, cannot be taxed for the mere privilege of existing. The corporation is an artificial entity which owes its existence and charter powers to the state; but the individuals’ rights to live and own property are natural rights for the enjoyment of which an excise cannot be imposed.”

*(Redfield v. Fisher, 292 P. 813, at 819)*

"...Reasonable compensation for labor or services rendered is not profit..." *(Lauredale Cemetery Assoc. v. Matthews, 47 Atlantic 2d 277, at 280)*

"...The Government here contends that all gross receipts represent income which must be reported. But gross receipts may or may not represent income, depending on the circumstances... It cannot be said that conversions of capital assets invariably produce income... It appears that the Government makes too broad a claim in asserting that gross receipts invariably measure income or gross income..." *(United States v. Ballard, 535 F.2d 400)*

"There is a clear distinction between 'profit' and 'wages' or 'compensation for labor.' Compensation for labor cannot be regarded as profit within the meaning of the law...The word profit is a different thing altogether from mere compensation for labor...The claim that salaries, wages and compensation for personal services are to be taxed as an entirety and therefore must be returned by the individual who performed the services which produced the gain is without support either in the language of the Act or in the decisions of the courts construing it and is directly opposed to provisions of the Act and to Regulations of the Treasury Department..." (*U.S. v. Ballard*, 535 F.2d 400, 1976)

"Keeping in mind the well settled rule, that the citizen is exempt from taxation, unless the same is imposed by clear and unequivocal language, and that where the construction of a tax is doubtful, the doubt is to be resolved in favor of those upon whom the tax is sought to be laid." (*Spreckles Sugar Refining Co. vs. McLain*: 192 US 397)

"The statute and the statute alone determines what is income to be taxed. It taxes only income 'derived' from many different sources; one does not 'derive income' by rendering services and charging for them." (*Edwards v. Keith*, 231 F. 110, 2nd Cir., 1916)

"...There is a clear distinction between 'Profit' and 'wages,' or compensation for labor. (Quoting *Commercial League Association of America v. People ex re. Needles, Auditor*, 90 Ill., p 66), Compensation for labor cannot be regarded as profit within the meaning of the law. The word 'profit,' as ordinarily used, means the gain made upon any business or investment - a different thing altogether from mere compensation for labor." (*Oliver v. Halstead*, 86 S.E. Rep. 2d, at 868)

"Simply put, pay from a job is a 'wage,' and wages are not taxable. Congress has taxed INCOME, not compensation (wages and salaries)." - *Conner v. U.S.* 303 F Supp. 1187(1969).

"The general term 'income' is not defined in the Internal Revenue Code." (*United States v. Ballard*, 535 F.2d 400, at 405)

"Income within the meaning of the Sixteenth Amendment and Revenue Act, means 'gains' ...and in such connection 'gain' means profit...proceeding from property, severed from capital, however invested or employed and coming in, received or drawn by the taxpayer, for his separate use, benefit and disposal..." Income is not a wage or compensation for any type of labor. (*Staples v. U.S.*, 21 F Supp 737 U.S. Dist. Ct. EDPA, 1937)

The Court has established beyond a shadow of a doubt that the individual American Citizen trading his/her labor for money is exercising a right, which has not been taxed. Since we are not taxpayers, as the IRC defines the word, do we need to keep receipts, store records, file tax returns and invite the IRS to probe into our personal and private affairs whenever it wants to? Can we be required to give the IRS any and all of the information it asks of us? Are we required by law to complete a tax return every year like the IRS claims?

"...Our system of taxation is based upon voluntary assessment and payment, not upon distraint..." (*Flora v. United States*, 362 U.S. 145)

"The revenue laws are a code or a system in regulation of tax assessment and collection. They relate to taxpayers, and not to non-taxpayers. The latter are without their scope. No procedures are prescribed for non-taxpayers, and no attempt is made to annul any of their rights and remedies in due course of law. With them Congress does not assume to deal, and they are neither of the subject nor of the object of the revenue laws."  
(*Long v. Rasmussen*, 281 F. 236, at 238)

"(P)ersons who are not taxpayers are not within the system and can obtain no benefit by following the procedures prescribed for taxpayers, such as the filing of claims for refunds."  
(*Economy Plumbing and Heating v. U.S.*, 470 F.2d 585, at 589)

"The individual may stand upon his constitutional rights as a Citizen. He is entitled to carry on his private business in his own way. His power to contract is unlimited. He owes no duty to the State or to his neighbors to divulge his business, or to open his door to an investigation... He owes no such duty to the State, since he receives nothing therefrom, beyond the protection of his life and property. His rights are such as existed by the law of the land long antecedent to the organization of the State... He owes nothing to the public so long as he does not trespass upon their rights."  
(*Hale v. Henkle*, 201 U.S. 43)

"The legal right of the taxpayer to decrease the amount of what otherwise would be his taxes, or to altogether avoid them by means which the law permits, cannot be doubted."  
(*Gregory v. Helvering*, 293 US 465)

"Anyone may so arrange his affairs that his taxes shall be as low as possible; he is not

"...The confusion ... arises from the conclusion that the Sixteenth Amendment provides for a hitherto unknown power of taxation; that is, a power to levy an income tax which, although direct, should not be subject to the regulation of apportionment applicable to all other direct taxes... an erroneous assumption... The purpose of the Amendment was... to accomplish the result intended; that is, the prevention of the resort to the sources from which a taxed income was derived in order to cause a direct tax on the income to be a direct tax on the source itself, and thereby take an income tax out of the class of excises, duties, and imposts, and place it in the class of direct taxes." (*Brushaber v. Union Pacific*, 240 U.S. 1, in 1915)

What you have just read is only the beginning. The IRS and every member in Congress should know these laws and court cases, because it is their JOB to know them. Yet it seems apparent that many in the IRS and Congress DO NOT know these laws and court cases. It somehow appears justifiable to these so-called public servants to misrepresent the laws and court cases through ignorance or political agenda as long it results in collecting money for the federal government. These public officials will almost always make statements which indicate that, in their view, your money and my money is in truth really their money. They will often make comments which seem to assume that every individual not actively involved in paying all he/she can into the federal coffers is really a crook holding out, really a thief stealing money belonging to the government, really an immoral and dishonest person who should be punished, really a tax cheat trying to get out of paying their fair share. But you know the old saying, "It takes one to know one..."

It is my belief that some in Congress and the IRS do not know these facts. But it is also my belief that many of those so-called public servants DO know the truth, and they are actively engaged in hiding the truth from the American people. These men and women are paid with our money, and are paid to serve the public trust. So far as I can see, they are totally failing in their service of the public trust.

Please read on. You will find, probably for the first time in your life, that you can understand tax laws; that you can understand the Internal Revenue Code; that you can beat the IRS in their never-ending task of parting you from your money.

## **The Income Tax -- What is it?**

According to the Constitution for the United States of America, there are only two types of taxes the federal government can levy. The first is a direct tax, and the second is an indirect tax.

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

Article I, Section 2, **Constitution**

The Congress shall have Power to lay and collect Taxes, Duties, Imposts, and Excises...but all Duties, Imposts and Excises shall be uniform throughout the United States. Article I, Section 8, **Constitution**

A direct tax is a tax on persons or on property. A tax on you just for existing or for living in America would be a direct tax. Or a tax on you based on how much land you own or how many chimneys in your house or how many servants you have would be other historical examples of direct taxes. As we saw in Article I, Section 2 of the Constitution, direct taxes must be **apportioned to the States**. Under the Constitution, the federal government has absolutely no authority to levy and collect a direct tax against any individual within the several States.

An indirect tax is on activities or privileges. The tax is not on the money made from these activities and privileges, but on the activities and privileges themselves, with the profits made from them used to calculate the taxes due.

An example of an indirect tax is the sales tax we all pay on many different items. The tax is on the activity of buying or selling. You notice that roadside fruit stands and garage sales are not subject to any sales tax. This is because these activities are generally engaged in by individuals who are not running businesses or engaged in some other privileged activity. Selling your home-grown fruit or the items in your house is your right as an individual, given to you by God and guaranteed to you by the Constitution. These activities cannot be taxed. But if you apply for a business license and setup a business address, the sales activities become subject to the sales tax and it must charge and collect those taxes or be subject to fines and even jail time.

And as we saw in Article I, Section 8, the indirect tax must be uniform throughout the area. The State cannot enforce one tax percentage on one street and another percentage on another street.

These are the only two types of taxes that can be levied and collected by the federal government. Any tax that does not fall into one of these two categories is contrary to the Constitution.

## The Income Tax -- *What is being taxed?*

So we need to ask the question, “What is being taxed by the so-called federal income tax?” We already saw in the Congressional Record quote above that the so-called income tax is not a tax on income (property) at all. The income tax is a tax on certain activities and privileges in which you might or might not engage.

That brings up the next question: “What activity are you engaged in that subjects you to the so-called income tax?” What are you doing that puts you in a position to be required to file a Form 1040 and pay income taxes every year? You can ask the IRS this question every day for the rest of your life, and you will never get an answer. You can ask your tax professional this same question and he/she will either not give you an answer or will state something like, “Well, you are working aren’t you?”

This response from your tax professional is a non-answer, words that are offered to make you think that you just got an answer when none was really given. If you get this kind of answer, then ask, “Where is the section of law that states this?” I promise you that you won’t get any section of law from your so-called tax professional. In fact, it has been our experience that the tax professional will say something like, “It sounds like you have been listening to some tax protester group. You need to be careful about that. The IRS goes after those types and puts them in jail.” But other than trying hard to scare you away from people like us, expect that your tax professional will give you no answer to what was probably the most important question you have ever asked him/her.

Remember, an activity may or may not be a privilege taxable for revenue purposes. If it is, then Congress may or may not have passed legislation levying a tax on that activity. If it has, then that activity must be listed in some statute as being taxable for revenue purposes. If it is not listed in any statute as taxable, then it is not taxable. It is just that simple.

“It cannot be denied that the Legislature can name any privilege a taxable privilege and tax it by means other than an income tax, but the Legislature cannot name something to be a taxable privilege unless it is first a privilege.” *Jack Cole Company v. Alfred T. MacFarland, Commissioner*, 206 Tenn. 694, 337 S.W.2d 453 (Tenn. 1960)

You see, in order for an activity to be taxed, it must be specified somewhere in the tax law as being taxed. Otherwise it HAS NOT BEEN TAXED. The old adage from law school is, “If it is not **IN LAW**, it is not **LAW**.”

So where is the list of activities **in law** that is subject to the so-called income tax? If you have not seen this list, then how do you know that you are currently engaged in one of those activities? If you don’t know that you are engaged in an activity that is taxable for revenue purposes, then why are you filing your Form 1040 and paying income taxes?

Of course, we have all been indoctrinated into believing that if we are earning a living that this is somehow taxable. But if it is so simple, then why doesn’t the IRS say so?

Where is the list of activities and privileges in law that you or I might be able to engage in? There are a number of activities listed throughout the Internal Revenue Code but they are all scattered among the many, many different taxes in the Internal Revenue Code. The IRS has you listed as being involved in one of these taxable activities, but do you know which one?

## **The Income Tax -- Are you Subject To It?**

The first thing that must be stated here is that YOU are not subject to the income tax unless YOU are engaged in a revenue-taxable activity. So you cannot answer the question above unless and until you know whether or not you are engaged in one of those activities. Naturally, the IRS made that determination for you, but you will never get the IRS to tell you what that activity is, I promise.

The truth is there are a number of computer files that the IRS keeps on everyone who has ever filed a Form 1040. These files are generally not shared with you even when you ask the IRS for them. Further, these files are encoded in a way that no one, not you or the IRS agent you are talking with, could explain it even if the agent were to give you one of them. The IRS just does not want you to know what is in your file, so it encodes everything to make it impossible to read and understand.

We at **IRx Solutions** have decoded hundreds of these computer files since 2005. We have seen a host of revenue-taxable activities in these files, but NOT ONCE have we seen an accurate file. All of the computer files we have decoded for people over more than six years are filled with inaccuracies.

I have seen a 58 year old disabled man listed as being an underground coal miner. He lives in central Florida where the water table is less than 2 feet below the sand. So if this man, disabled as he is, were actually an underground coal miner, he would have to be a scuba diver.

I have seen dozens of people listed as being involved in manufacturing truck and bus chasses, and not one of them were involved in manufacturing anything at all. I have seen people listed as importers of illegal drugs, and not one of them were involved in illegal drugs in any way. I have seen people listed as making guns or bullets who had never touched a weapon or ammunition ever in their lives. I have seen people listed as distillers of whisky who had never touched a bottle of alcohol.

Further, and more important, almost every individual I have worked with was listed in their IRS files as NOT being individuals but as being businesses.

And every individual I have worked with is listed as not using the right social security number, yet all of them were filing IRS forms using their correct SSN as assigned to them by the Social Security Administration.

In case you haven't got the picture yet, everyone's IRS files are filled with false and possibly fraudulent data.

The legal result of all this is the fact that the IRS can pursue you for returns and for taxes without "breaking" the laws.

## **The Income Tax -- Are you required to file and pay?**

If you are directly involved in one of a long list of activities that are taxable for revenue purposes (a list that has never been produced as far as we know), then you are required by law to file a return and pay income taxes on your profits, and do so every year.

But if you are not involved in an activity that is taxable for revenue purposes, then you are not required to file a return and pay taxes.

It is as simple as that.

The requirement to file and to pay income taxes is based on your involvement in an activity that is taxable for revenue purposes. That is what the law states, regardless of what the IRS claims or what your tax professional will tell you.

The Internal Revenue Code is more than 9,400 pages. The very first paragraph in those more than 9,400 pages states the following:

**“There is hereby imposed on the taxable income....a tax...”**

Internal Revenue Code, Subtitle A, Section 1(a)

As you can see, the tax is imposed on the “taxable income” of various persons. What the IRC does not state here is the definition of taxable income. As we look further in the IRC, we see a confusing web of cross references. But when we decode this web of cross-references, the confusion ends. We see that “taxable income” is the gross receipts less the allowable deductions and exemptions of those persons who are taxpayers, defined as those who are subject to the Internal Revenue Code.

The more you study the Internal Revenue Code, the more clear it is that one cannot have taxable income unless one is involved in a taxable activity. So if the income tax is imposed on taxable income and if you do not have taxable income because you are not involved in a taxable activity, then it seems to us that you cannot be required to file a return and you cannot be required to pay income taxes.

It is just that simple.

There are many other issues that make things more complex, but the root issue is just that simple.

There are definitions of employer and employee and taxable year and gross income and net income and all sorts of other things. But keep in mind that these are all irrelevant issues unless and until you are involved in a taxable activity.

**You have no taxable income unless you are involved in a taxable activity.**

## **The Income Tax – What can you do about it?**

The very first thing you need to do is obtain some of the files the IRS keeps on you. The second thing you need to do is find someone who can decode these coded documents. And the third thing you need to do is find someone that can force the IRS to get your files corrected.

And why is it so important to get your files and get them corrected? Because once your files are corrected and only reflect FACTS concerning you, then the IRS must revisit its reasons for chasing you for returns and for taxes, proving what it is exactly that requires you to file and pay.

The IRS chases individuals for returns probably because, according to the files, they are a business engaged in a taxable activity, that you are required by law to file returns, and that you are filing income information to a false Social Security Number. But once your files reflect only FACTS concerning you, you will no longer be listed as a business involved in a taxable activity.

And if you are no longer listed as a business involved in a taxable activity, the IRS cannot by law chase you for returns like it wants to.

There are many individuals or groups available that help you obtain your IRS files. And a number of them can decode these files for you. It will take 3-6 months to get all the files and get them decoded by these groups or individuals, and almost all of them do a good job.

But knowing what is in your files is only the beginning. You must get those files corrected.

We can help with that.

For a detailed description of what we do, please go to our website, at:

[www.IRx-Solutions.com](http://www.IRx-Solutions.com)

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