CHAPTER 3

There are many who would like to keep what they earn and be in charge of spending or saving these funds as they see fit.

Tax Avoiders

Tax avoiders are a unique group indeed. In order to describe tax avoiders, this book must first explain the philosophy of human nature and the law. There are basically two ways of viewing certain laws which are known to be unjust by the masses like the income tax. Almost everyone believes that the income tax is unfair and unjust, but since it is a voluntary compliance law, many actually think that it is good and required, regardless of the facts. Tax avoiders are just such people; they know that the income tax is bad, but since it is a voluntary compliance law, they believe it is their legal duty to at least file a return. If this is so, however, what makes avoiders do what they do? A citizen can arrange his finances in a way so that he will only have to pay the least amount of tax possible, and this is what the avoider latches on to. The avoiders, either legally or illegally, arrange their finances in a way to avoid having to pay a portion, or all, of their taxes. Tax avoidance usually requires a lot of research in federal tax laws but most tax avoiders can attest to the fact that many techniques are quite effective.

Probably the most publicized form of tax avoidance concerns the tax exemption of religious sanctuaries or churches. The forming of a church has practically become an institution among tax avoiders, and quite a profitable one at that. What makes this system so popular among anti-IRS devotees? To begin with, the procedure is quite simple, one only needs a congregation of three, (including the minister, yourself) then one contacts one of the many established religious organizations that can ordain you as a minister. The largest one of these is Modesto, California’s Universal Life Church. The Universal Life Church will, for a few dollars ordain practically any adult as a minister or bishop, or if you wish—a cardinal. Instructions for setting up a church corporation in your home state, complete with bylaws, and financial advice can also be obtained for a nominal charge. As a curious note, by 1978 the Universal Life Church had ordained over six million clergymen, and chartered over 35,000 church branches. Other institutions offer different packages, such as Minnesota’s Bible Church of America, and the Life Science Church in California, which also offer ordinations, except these are based on a vow of poverty. This is supposed to provide complete exemption from any form of taxation.

After all of the information, is received, the corporation (church) must be formed in the home state of the person’s choice. Bylaws must be established, with certain requirements such as the contribution of half of the minister’s non-church income to the church, and the setting up of the proper church system. The law requires that a church be a totally independent entity, which means its money cannot be associated with any other private individual’s or company’s money. The church must have a treasury and its own bank account out of which church financial obligations are handled, including the support of the minister. There must also be a church building. This can be obtained by selling your self your own house in the name of the church, or deed your house to yourself as a church contribution; either way it is tax exempt.

The most enlightening aspect of forming a church is that one can do so without the IRS’s approval and furthermore, a church’s books are exempt from auditing, or investigation by the IRS, whether or not the books infringe on any tax laws.

Other forms of tax avoidance may not be as legally secure as the formation of a church, but nonetheless they can be used. There are many people who barter for goods and services in order to avoid receiving income. An example is the dentist who gives a plumber free dental care in exchange for services rendered, or the farmer who trades two chickens for a sack of grain. This system has been used for thousands of years, and it never has been more useful than in present-day America:

Other tax avoiders include those employees who claim six dependents on their W-4 forms, when in fact there are only two, or sometimes none. There is also the ever-popular form of placing personal expenses, like a vacation or personal purchases, on the tax return as business expenses.

Another popular avoidance measure concerns the deduction of broken or badly worn objects, at a higher rate than they are worth when donated to charitable organizations. This writer knew of one individual who brought several
boxfuls of books at a church rummage sale. These books were donated by someone else, and the church sold them to this individual for $2.00. The individual in question kept a few books, and donated the rest to another charitable organization. There was a value placed on the books of $400 for this individual’s donation, and that avoider was able to deduct and lower his tax liability by a large amount, for an investment of $2. Another example of deductions in business concerns a hotel owner who, when renovating, decided to change all of the beds and buy new ones. The beds, which were approximately twenty years old and in very bad condition, were donated to a local charitable organization. The hotel received a credit of $100 per bed for their contribution. There were a total of 300 beds donated in one day, therefore the hotel received a receipt for a charitable contribution of approximately $30,000 which could be applied to the hotel company’s end-of-the-year tax statement.

The most difficult tax weapon to beat is the widely hated payroll withholding tax. Those are the two little boxes on your paycheck stub marked “withholding” or “FIT” and “F.I.C.A.”, which is the Social Security contribution. Since these are withheld from an employee’s pay, it is very difficult to avoid. This procedure of withholding taxes form an employee’s pay is more of an inconvenience to the employer, who has to spend money and manpower with the bookkeeping, record keeping, processing, and paying of these withholding taxes. The employer also has to mail out annual W-2 forms, or wage and tax statements, which tell how much the employee has made, and how much was withheld in taxes. Many employers have recently discovered an old system that can remedy this tragic situation, and be beneficial to all. What the employer does is fire all of his employees, and re-hires them as contractors. That is to say that instead of working for the employer directly, they will be selling their services via a signed contract. This is the easy for the employer, since he is paying for the services of the contractors the same way he would pay for any other goods or services. It would only take one simple check, payable whenever the contractor and employer decide: either periodically, or when the work is partially or completely accomplished. This eliminates the employer’s requirements for time consuming and expensive record keeping, and accounting work, since he now has no employees. The tax liability then becomes entirely the responsibility of the contractor. The now new contractor’s tax liability is reduced because since the former employee is now selling his services he can now list his car payment as a tax deduction for business. One can also list part of their rent as a business expense, since their home is now their office. There are other deductions that can be made as a contractor. The information on which deductions can be made is available, believe it or not, through the IRS or a tax expert.

When making out a contract with an employer, one must make sure to have the following information in it:

1. The type of service rendered.
2. The amount of compensation for services rendered, and method of payment.
3. The conditions of employment (required tools, materials etc.).
4. Proof of the independence of the contractor, which include the advertisement of services in a newspaper or other medium, a place of business (home), the possession of business cards, and the fact that the contract is non-exclusive. This section simply complies with the IRS’s definition of a self-employed contractor.
5. The length and validity of the contract, with termination and resignation clauses.
6. Terms of employment.
7. The acceptance on behalf of the contractor of any and all taxes that may be due as a result of the contract.

This process gives the employer and employee more freedom to carry out the necessary jobs, without fear or such tremendous intervention on behalf of the IRS.

All of these tax avoidance measures are used nowadays, and information on more ways can be found at your public library or bookstore.

In this chapter we have seen how one part of the tax resistance movement operates, but what of the people who feel so strongly about the unjust nature of the income tax that they refuse to be a part of it, or rebel against it? Well say hello to the ever popular tax rebel.

The Boston Tea Party was not sponsored by the king’s parliament. Nor is any real tax reform in America apt
to be put forth by politicians who don’t care to disturb, let alone bite, the hand that feeds them. Those throwing the famous tea party did not do so out of personal dislike for the king or evil desire to harm the motherland. Their actions were a layman’s response to a distant, insensitive government that had grown more obsessed with palace-building and foreign wars than with the welfare of its citizens. The cry “taxation without (proper) representation” was and is the common man’s reaction to government-imposed levies that do not necessarily guarantee a fair day’s wage for a fair day’s work.

CHAPTER 4

Tax Rebels

The tax rebel is the most recent, and most fiery breed of anti-income tax demonstrator in our country today. Tax rebels have a very strong objection to everything concerning the income tax and its godfather, the Internal Revenue Service. Tax rebels voice their objections by knowingly rebelling against the income tax by either paying in an unorthodox manner, or simply not paying at all. One might ask at this point, since there are tax avoiders that arrange their income in such a way that they do not pay any tax either, what is the difference between a tax avoider and a tax rebel? The difference between a tax rebel and a tax avoider is much the same as the difference between a passionate lover and a one night stand. The tax avoider may arrange his finances in a way to avoid paying his taxes, but his purpose is based on money not conviction. A tax avoider does not really think about the right or wrong in the income tax, he just wants to protect his money. A tax rebel has a cause, he feels that the income tax is WRONG, and he will let the IRS know about it. The tax avoider is just passive arranger, while the tax rebel is crusader fighting for what he believes is right. The answer to this matter of differentiating between the rebel and the avoider is one of psychology and not just actions.

Just what makes a tax rebel tick? Just how and why do they rebel against something like the IRS, and the federal government, whose massive machinery can completely engulf people’s lives in the blinking of a bureaucratic eye? Tax rebels take their cause very seriously, they know what they stand for, and they are willing to take the risks and chances associated with tax resistance. Tax rebels are people like Mr. Robert B. Graham, who, in 1982 spent time in jail for contempt of court while being tried by the IRS for reasons that will probably never be clear. It is people like Mr. Graham who make up the bulk of the tax rebel movement, people who will not let the manipulations of federal managers to destroy the true and original purpose of the Constitution of the United States of America, which is the basis of our government. It is also this Constitution which has proved to be a source of power for the tax rebels, for no matter how hard lawyers, judges, and the IRS agents try to misinterpret the Constitution to their advantage, the articles contained in the great Constitution of the United States are the Supreme Law of this land and cannot be thwarted.

The tax rebels themselves are basically composed of two groups: the non-filers, and the rebellious payers. The non-filers greatly outnumber the rebellious payers, but nonetheless the latter plays a significant role in the tax rebellion. Just what are rebellious payers? The answer is is in the name itself: Rebellious payers are those who pay their income taxes in a defiant manner. These methods of payment take on many different forms, most of which have been heavily popularized by the media, examples of rebellious payment methods include the payment of one’s yearly taxes in pennies, nickles, dimes, quarters, and individual checks of one cent, or any ingenious and sarcastic way that can be imagined. One famous example of a rebellious payment concerns a tax rebel from Virginia, who was so overwhelmed when told the total of the tax due on his 1980 return that he took the very shirt off his back, drew a check on it payable through his bank and sent it out to the IRS for the amount due. He was later quoted as saying something to the effect of “since they want the shirt off my back, they might as well have the real thing!” The modern breed of rebellious payers came from the old time taxpayers who refused to have the military portion of their taxes used for any reason other than social programs in terms of support for the needy. Some peace-minded taxpayers who were against war would send the appointed amount of their taxes that would normally go to the military, to the Health and Welfare department. The total amount of
the tax, however, was due to the IRS for the general fund, and this was their way of showing disapproval of where the tax finds were being sent. Unfortunately the practice of sending tax dollars to the government agency of your choice is not used presently, since there was strong opposition by the IRS. Now the Health and Welfare department will not accept these apportioned checks any longer.

The most numerous and effective type of tax rebel is of course the non-filer. The non-filers are so disgusted with the income tax, and the government’s condoning of its application, that they refuse to have anything to do with it. The reasons for actual non-filing are varied and are based on terms of legality, morality, constitutionality, and spirituality, but the end result is always the non-filing of one’s income tax forms and payments. The different philosophies and applications of the non-filers and the entire tax rebellion movement are expertly explained by a writer and financial advisor who is probably one of the few influential men in the history of the tax rebellion: Mr. Irwin Schiff—author of several books, including *THE BIGGEST CON~ HOW THE GOVERNMENT IS FLEECING YOU*. Mr. Schiff’s fiery determination, quick wit, and emotional content are inspiring to tax rebels and to all who are discontented with the income tax and the horrors of the IRS. Mr. Schiff explicitly depicts the reasons for the tax rebellion, and these reasons can be used independently or together for defending the non-payment of the income tax. This chapter will briefly show the major philosophies of the tax rebellion, and their foundations in law.

Most tax rebels will probably agree that the income tax is unconstitutional. As a matter of fact, they believe that it is so on several infractions. One of these infractions, which has been debated by tax rebels for years, is the constitutionality of Federal Reserve notes. The Federal Reserve note is the current form of monetary currency in the United States. According to Mr. Schiff, these notes are not legal tender as stipulated in the Constitution. The Constitution states that gold and silver were to be the legal tender of the United States of America. This was done in order to save the young. USA from worthless paper money, like the notes that were distributed during the short time that the Articles of Confederation were in effect. Our founding fathers knew the danger of having unbacked money in circulation, and tried to protect future generations from the horrors that they experienced with inflation, devaluation, and worthless paper money. It seems that we have fallen in the trap our founding fathers tried to save us from. Federal Reserve notes are the third generation of paper money our country has had. Originally paper money was printed for the ease of its shape and convenience of carrying instead of gold or silver. The original dollars that were printed, however, were called gold or silver certificates, and could be traded for its denomination in gold or silver, as depicted on the note. In the 1930s these certificates were replaced by the United States notes, which would still be traded in for gold or silver. The new United States notes, however, were distributed and controlled by the new Federal Reserve Board, which was established to relieve the terrible wrath of the great depression. Soon, the Federal Reserve Board found itself printing more dollars than there was gold and silver to back them. Finding itself in a predicament and a possible economic disaster, the Federal Reserve Board was given the complete control of the minting and distribution of money, either directly or indirectly. This action meant that since the Constitution stated that only Congress could mint and distribute money, the bureaucrats had to find a way to give the board control but still be able to say that Congress was in charge of minting and distribution. There are a million and one documents and stipulations to defend the government’s actions, but the bottom line is that Congress does not do what the U.S. Constitution states, and that this power of coining money has been passed to another unauthorized agent, the Federal Reserve Board. Given this power, the Board began to print Federal Reserve notes, which were called legal tender, but were not exchangeable for gold or silver. The gold standard was later abolished in 1971 and this gave the board even more power to print and distribute the notes. A Federal Reserve note can be defined as a promissory note, which states a particular marked value and is accepted for exchange. This writer believes that a Federal Reserve note is then not a dollar by constitutional definition, because it cannot be redeemed for gold or silver.

Non-filers will use the above point to argue that since there