



INCOME TAX

Shattering The Myths

CHAMPION

Rules of The Game

Chapter 1

“Knowledge will forever govern ignorance; and a people who mean to be their own governors must arm themselves with the power which knowledge gives.”

~James Madison

All games have rules. That is no less true of taxation. But taxation in America is an odd game in that it has two different sets of rules.

The first set of rules is called “the law.” Insofar as taxation is concerned, the law consists of the Constitution of the United States, the statutes created in pursuance thereof, and the regulations promulgated behind the statutes.

The second set of rules we shall call, “How things work on the street.” In other words, what actually happens on Main Street – on your street – in America.

The problem we face as Americans is that these two sets of rules are in conflict. The law says one thing (quite clearly in most cases), while something entirely different is being done on the streets of America.

If these conflicting rules created nothing more than a benign sense of confusion, we’d have a relatively insignificant problem. However, the problem these conflicting rules create is not benign. The problem is insidious and malevolent. And it is harming every man, woman, and child in America.

As you proceed through this book, I will reveal to you how what is happening in virtually every home and business in America is completely adverse to what the law says, and why. But in order to understand that what is happening “on the street” is in conflict with the law, we must begin by looking at the law.

Lawyers go to school for years to learn various aspects of law. Law is so complex that it requires very specialized training if one wishes to make it a career. Since we aren't concerned with making the law a career, we don't need to go to law school! All we need to do is learn enough about the inner workings of law so that we can make some informed decisions concerning what the law really does – or doesn't say. Fortunately, everything we need to know has been laid out clearly for us and all we need to do is spend a little time exploring it!

No one can understand tax law without getting certain legal fundamentals under his/her belt. The lack of such fundamentals is precisely why the public has been so vulnerable to the government's mischaracterization of tax law. The good news is that any person of at least average intelligence can readily understand everything that is needed to discover the truth about our tax system!

THE CONSTITUTION

The structure and boundaries of the national government are found in the Constitution of the United States. Whenever we are looking at a question of federal authority or federal law, such a question always begins with the Constitution. Since that is true of every inquiry relating to federal law; that includes U.S. tax law.

It should be pointed out that the Constitution does not create or grant rights of any kind to American citizens. The Constitution lays out the structure of the federal government, grants to it authority in enumerated areas, restricts the states from doing several things, and defines a few national crimes, such as treason.

Some readers may be thinking, "But wait! The Bill of Rights grants us rights!" Not so! The Bill of Rights simply highlights certain rights that the federal government is powerless to legislate (or otherwise act) against. It should be pointed out that the list is not complete; it is merely those rights that were felt to be most worthy of mention. Amendment IX tells us that when it states, "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people." In other words, the Bill of Rights is only a "Top Ten" list!

It should also be pointed out that the government must go about its business without infringing upon the individual rights of the American people.

Origins and Evolution

Chapter 2

*The time is near at hand which must determine
whether Americans are to be free men or slaves”*
~George Washington

In order to properly understand the boundaries and limitations that Congress has when creating federal tax law, it is first necessary to understand what the Constitution permits and doesn't permit. In order to gain an appreciation for this subject, it is necessary to put one's self in the shoes of the men who conceptualized the structure of the federal government, who debated one another as to what the final result might look like, and, who eventually cast their votes for the U.S. Constitution.

Most Americans think of “states” as merely constituent components of the national government. Such a narrow view comes from America's current state existence, as well as schools that don't teach our children actual history, but rather politically correct history.

One point of fact, the word “state,” as used internationally, means an individual independent sovereign nation. When England recognized the independence of her former colonies, she did so by acceding to the independence of each colony on an independent and separate basis. Each former colony became an individual independent sovereign nation! At that time, each of the former colonies became “states”—and referred to themselves as such—even though there was no federal government.

These independent States eventually came together in a confederation. The first form was under the “Articles of Confederation and Perpetual Union” (known commonly as the “Articles of Confederation”). It should be noted that from 1776

until 1781 (when the Articles of Confederation were ratified), the thirteen States existed as completely independent nations—otherwise known as “states”.

Each of these States had the powers possessed by every nation on earth. Each possessed the power to create money, make war, make treaties, and so on. Given their co-location on the same continent, their mutual experiences prior to and during the Revolution, and the fact that they’d seen the strife between nations in such close proximity in Europe, these independent States thought it best to establish a “union of states.” The Articles of Confederation was the first form of that union.

When the independent States created the Articles of Confederation, they gave the government of the Union only certain (few) limited powers and retained all other powers unto themselves. The States had just thrown off an abusive national sovereign and were not willing to create another entity that would be sovereign over them. In other words, they retained their complete independence and sovereignty, except in those few areas where they had delegated specific powers to the Confederation.

Over the next few years, it became apparent to many people in the governments of the States that the Articles of Confederation were inadequate to achieve some of the ideals that were the original reasons for creating a Confederation. The most notable of these shortcomings was in the area of revenue.

Under the Articles of Confederation, the “national government” was charged with performing certain functions. Of course, no government can do anything unless it has the resources [money] to pay personnel and purchase materials. Despite being charged with performing various “national” functions, the Confederation had not been given the power to enforce financial contributions from the States to pay for the tasks that were expected. In other words, the national government would request the States to pay what was needed, but could not force them to do so.

This situation created a dilemma for the States. Each State had agreed to delegate some of its sovereign powers to the new national government. It was in the interest of the independent States that the new national government actually do the things for which it was created. Some of the States paid their necessary contributions, while others did not.

With some States paying and others falling short, the new government did not have the resources to do the things it was charged with accomplishing on behalf of the States. This meant that the governments of the irresponsible States were depriving every State of the benefits of the new national government. Furthermore, if the goals of the States in creating the confederation were not being met, why would the responsible State governments continue to make financial contributions? Clearly the revenue provisions for the confederation were not adequate to the requirements, and placed the future of a workable union in serious doubt.

Therefore, the States sent delegates to a convention with instructions to find suitable methods by which to correct the inadequacies of the Articles of Confederation. Today we know that meeting as the “Constitutional Convention”.

Many delegates arrived at the convention planning to follow their orders; they were merely there to “fix” the Articles of Confederation. Other delegates—most notably James Madison—came to the convention having made the decision that a stronger alliance of the States was desirable and that the Articles of Confederation, even if “fixed,” would not provide the level of alliance thought necessary or desirable. These delegates came not to fix the Articles of Confederation, but to use the opportunity of the convention to create something new. They came—as the Preamble of the U.S. Constitution says—“to create a more perfect Union.”

The convention covered virtually every issue that one might imagine would be important when laying the foundation for a new national government. On various points there were heated debates, as regional and conceptual differences were hammered out.

While the story of the convention is fascinating in its own right, for the purposes of this book we are primarily concerned with the taxing provisions that were agreed upon and thus which appear in the Constitution today.

The first reference to the taxing power of Congress is found in Article I, Section 2, Clause 3:

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

Interpretations and Perceptions

Chapter 3

*“America will never be destroyed from the outside.
If we falter and lose our freedoms, it will be because
we destroyed ourselves.”*

~ Abraham Lincoln

The first case to reach the U.S. Supreme Court regarding the effect of the 16th Amendment was Brushaber v. Union Pacific Railroad, 240 U.S. 1 (1916). After all these years, and despite a number of subsequent 16th Amendment decisions, *Brushaber* is still the seminal case.

Brushaber provides a look at a number of constitutional aspects of U.S. tax law.

I previously mentioned that the men who wrote the Constitution viewed Direct taxation as being limited to slaves and land – and therefore since the cardinal rule of constitutional interpretation is that the Constitution means what the men who wrote the words said it meant, then the government’s authority to impose a Direct tax is properly (constitutionally) limited to slaves and land.

In *Brushaber*, Justice White, writing the decision of the Court (and who wrote the dissent in *Pollock*), reviews in brief the *Pollock* decision. During this review he summarizes Direct taxes in the following manner:

“On the one hand, that the tax was not in the class of direct taxes requiring apportionment, because it was not levied directly on property because of its ownership, but rather on its use, and was therefore an excise, duty, or impost; and on the other, that in any event the class of

direct taxes included only taxes directly levied on real estate because of its ownership.” [Underline added by author for emphasis]

The Court then buttresses this observation with the following statement:

“In the first place this is shown by the fact that wherever (and there were a number of cases of that kind) a tax was levied directly on real estate or slaves because of ownership, it was treated as coming within the direct class and apportionment was provided for, while no instance of apportionment as to any other kind of tax is afforded.”

[Underline added by author for emphasis]

The last line of the above quote should settle this debate once and for all in the minds of any rational, thinking person. Justice White is clearly saying the following:

- The Constitution requires apportionment on any and all Direct taxes.
- Taxes on real estate and slaves are Direct taxes.
- In the history of U.S. taxation there was “no instance” in which a tax on any other form of property was apportioned.

After almost two decades of research, it is my well-considered opinion that the U.S. government’s authority to impose a Direct tax is restricted to slaves and land. And I am not alone in this determination. The U.S. Supreme Court said as much in 1796 in *Hylton*. Then in *Pollock* (99 years after *Hylton*) the Court once again concludes that Congress’ Direct taxation power is limited to slaves and real estate.

Eighteen years after *Pollock*, the Court reinforces this doctrine yet again by using *Pollock*’s explanation as the foundation from which to announce the Court’s position in *Brushaber*.

Of course it should be noted that as of 1865 slavery became constitutionally impermissible, so after that date Congress’ authority to impose a Direct tax was limited to real estate.

So what was the overarching purpose in the minds of the men who constructed the Constitution when they included the requirement of apportionment for Direct taxes? Again, Justice White, writing in *Brushaber* gives us the answer:

products or the return of capital with profit, as **property**. That subtle distinction is significant.

You will recall that the U.S. Supreme Court, in *Pollock* and in *Brushaber*, stated that the income tax is an excise. You will also recall that it is a well-settled point of law that an excise is a tax upon a privilege.

Now, let's dovetail these legal facts with Joe's situation. Joe buys **property**. He then sells that **property**. At the point of sale, Joe's **property** becomes the **property** of another. As payment, Joe receives other **property** (in this illustration, cash). So you see, all that happened is that different forms of property were exchanged. So we might ask, "Where's the privilege that would make this transaction subject to an excise tax?"

At this point, those who support the illegal and unconstitutional misapplication of the income tax will offer all sorts of worthless platitudes and screwball responses. They will say things like:

- An excise tax is not upon property, but upon the "happening of an event."
- There is no privilege, unless all of that occurred in the course of "business."
- The privilege is upon the transfer of property.
- The profit is the privilege.

If these answers seem screwy to you, you're on the right path! But let's take a brief moment and examine their nonsense.

There are court cases which have said that an excise tax is imposed on the "happening of an event," but that "event" still has to be a government-permitted privilege before an excise can be applied. An example of this would be the sale of tobacco products. Selling tobacco is a government permitted privilege. The "event" that is taxable is the "sale" of tobacco between the retailer and the consumer.

There is no distinction in constitutional law between property I own for pleasure and property I own for the purpose of re-selling it for profit [which is its own form of pleasure!].

Transferring ownership of property is not a privilege, nor is there any law that would make it so. [We will later take a brief journey into the issue of “sales tax”.]

Making a profit is not a privilege – despite the best efforts of socialists to create that impression!

Now that we have dispensed with the ridiculous responses of those who support the illegal and unconstitutional misapplication of the income tax, what have the courts said about property ownership?

“...the individuals’ Right to live and own property are natural rights for the enjoyment of which an excise cannot be imposed.”

Corn v. Fort, 95 S.W.2d 620 (1936)

“The property that every man has is his personal labor, as it is the original foundation of all other property so it is the most sacred and inviolable...to hinder his employing [it]...in what manner he thinks proper, without injury to his neighbor, is a plain violation of the most sacred property.”

Butcher’s Union Co. v. Crescent City Co., 111 US 746 (1884)

“Included in the right of personal liberty...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 and other forms of property.”

Coppage v. Kansas, 236 US 1 (1915)

As you can see, the U.S. Supreme Court has confirmed that personal property (which includes one’s labor) is “inviolable.”

What does “inviolable” mean?

1. Secure from violation...
2. Impregnable to assault or trespass; invincible American Heritage Dictionary, Fourth Edition

1. Incapable of being transgressed or dishonored
2. Immune to attack; incapable of being tampered with
3. Must be kept sacred

4. Not capable of being violated or infringed
WordNet 3.0, Princeton University

In *Coppage*, the Court says that “personal liberty” includes (among many other rights) the right to make contracts for the acquisition of property.

In *Butcher’s Union*, the Court tells us that to hinder a man’s use of his property in any manner he thinks proper – without injuring the rights of others – “is a plain violation of the most sacred property.”

The Court in *Butcher’s Union* is drawing upon these words from Justice Story in his commentaries on the U.S. Constitution:

“The sacred rights of property are to be guarded at every point. I call them sacred, because, if they are unprotected, all other rights become worthless or visionary. What is personal liberty, if it does not draw after it the right to enjoy the fruits of our own industry? What is political liberty, if it imparts only perpetual poverty to us and all our posterity? What is the privilege of a vote, if the majority of the hour may sweep away the earnings of our whole lives, to gratify the rapacity of the indolent, the cunning, or the profligate, who are borne into power upon the tide of a temporary popularity?”
-- Judge Joseph Story, 1852

And Judge Story may well have been drawing on the words of John Locke:

“Whenever legislators endeavor to take away and destroy the property of the people...they put themselves into a state of war with the people....” -- John Locke (1690)

It should be noted that Thomas Jefferson incorporated Locke’s writings on personal liberty into the Declaration of Independence.

Jefferson wrote in the Declaration of Independence that we have the right to “life, liberty, and the pursuit of happiness.” But as Murray Rothbard points out in “Conceived in Liberty,” Jefferson’s phrase was merely a contraction of George Mason’s sentence from the Virginia Declaration of Rights, [keeping in mind that Jefferson was a Virginian], which said that among man’s natural rights “are the

enjoyment of life and liberty, with the means of acquiring and possessing property, and pursuing and obtaining happiness and safety.”

So what are we to make of all this?

Quite clearly, we see that in a republican form of government, property rights have been paramount from the beginning.

“The United States shall guarantee to every State in this Union a Republican Form of Government...” United States Constitution, Article IV, Section 4

It should be clear that acquiring, utilizing, and disposing of property are among our numerous unalienable Rights. As such, these Rights cannot be infringed upon.

The Founding Fathers gave the new federal government limited power in this area, allowing Direct taxes on real estate and slaves, while also permitting the government to impose excise taxes upon those involving themselves in government-created privileges. Taken along with imposts and duties, this conglomeration of constitutionally permitted taxing methods was viewed as sufficient by the Founders to sustain a federal government operating within its enumerated powers.

So now we know that “income tax,” in its proper constitutional nature, is an excise. And, we know that property (as well as the fruits of property) are unalienable Rights that cannot be constitutionally infringed upon by the federal government, except in the case of real estate or slaves (in the form of a Direct tax). So, what then is the “income” to which the 16th Amendment refers?

I started this chapter by saying that most Americans have never shown the slightest interest in what “income” means as it is used in the 16th Amendment.

And we have arrived back at that point.

While the courts have done an admirable job of detailing the exact and specific meaning of “income” as used in the 16th Amendment, their words do not express or convey what “income” – as used in the Amendment – cannot mean! Before exploring the words of the federal courts, it was necessary to insure that you had a firm grasp of what the word could not mean, and why.

Then as Now

Chapter 5

“Only the State obtains its revenue by coercion.”

~ Murray Rothbard

There have been no changes in the federal government’s constitutional taxing powers since the creation of this nation. As the Court pointed out in *Brushaber*, the purpose of the 16th Amendment was to “harmonize” the government’s taxing powers, not change them.

At this point, you have a superficial understanding of the tax scheme. I say “superficial” because there is more that has yet to be revealed. Nevertheless, if you stopped reading this book right now, you’d still know more about the federal government’s powers of taxation than 99% of the American public. You’d just be missing the most critical part!

Before I reveal the hidden reality the government desperately does not want you to know about, let’s explore what the tax code looks like today. After all, if there have been no changes in the government’s taxing powers in more than 200 years, and only a “harmonizing” in 1913, we should be able to get a pretty clear picture of what tax has been imposed upon whom and for what activity.

Let’s start at the beginning of the Tax Code with section 1(a).

There is hereby imposed on the taxable income of —

- (1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and
- (2) every surviving spouse (as defined in section 2 (a)),

If we resist the temptation to assume we know what that statement means and focus solely on the words Congress has chosen to use in this, the opening section of the Tax Code, how could we possibly know if that section is referring to us?

I say that we should “resist the temptation to assume we know” because most Americans have been socialized to believe they “know” what the income tax is. The fact that by this point in the book you have almost certainly learned all manner of things about the income tax you never knew before should serve as a warning that presuming you “know” about the income tax is unwise. If you’re reading this book, I presume you’re looking for the truth about the income tax. If that is your goal, you’ll need to put aside all the things you *think* you know, and concentrate on what’s actually there – without any preconceived ideas based on years – or possibly decades – of (erroneous) socialization.

Let’s look at the phrase “every married individual”. Does that refer to an American citizen who is married, or does it refer to a foreign person who is married and living in the U.S.? Based solely on the words Congress has chosen to use in the very first section of the Code, can you say which is true? No.

Further, is it married people living in the U.S. or Americans who are married but living outside the U.S.? (You may not find that question so odd as we continue.) Based solely on the words Congress has chosen to use in the very first section of the Code, can you say which is true? No.

And note that the statute says you are taxed on “taxable income”. Based solely on the words used in this statute, can you tell me what specific type of income that is or who might be earning that specific type of income? No. Clearly, Congress didn’t mean *all* income or the statute would say that. Accordingly, we know that the tax being imposed is only upon a particular species of income known as “taxable income”. (We’ll get into that in a little bit.)

It should be obvious that the statute doesn’t tell us all that we might want to know – or all that we *must* know – in order to make an informed decision about whether or not the tax in question has been imposed on us.

I’ve often referred to the Regulations as that which “puts the meat on the bone”. Since the statute in this instance is clearly a bone with no meat on it, let’s have a look at the corresponding regulation.

group changes nothing. Instead of one vile criminal, you simply have a group, a collective, of vile criminals.

By contrast, those who believe in personal liberty want nothing from others – except that others do not infringe upon their rights, just as they will not infringe upon the rights of others. They want to live life within the dictates of their own conscience, restrained only by their obligation not to interfere with the equal rights of others.

Because you – the lover of liberty – are so selfish and shortsighted, you cannot be told the truth. If you were told the truth, you'd rebel against it. If you were told the truth, you would not permit your property/wealth to be seized for no better reason than to let some other guy do with it what he thinks is right. Accordingly, you cannot be told the truth. The truth must be hidden from you because you are too stupid to reason things through for yourself. When your property is stolen from you under the guise of law, a crime is being committed against you, but these same people have made the subject so vast and complex that you cannot discover their crime. In your bones you know something is wrong, but you can't quite get your mind around it. That is exactly the way they want it - and that is exactly what you and I are going to end, right now!

In the last chapter I laid out for you whom the income tax is actually imposed upon. Many of you are uncertain; some of you are flabbergasted. That's OK; I understand. It's a lot to process as you simply read through the book. I'm sure many of you will read this book 2 or 3 times to make sure you understand it thoroughly. That's a good idea. Others will ponder the contents of this book for weeks or even months, mentally sorting through the details until your mind comes to the place it needs to be.

In the final analysis, what I have to say doesn't matter. What matters is where you end up. If all this book contained were Dave Champion's *claims*, you'd have wasted your money buying it. What makes it worthwhile is if you learn what the *government* has to say about the income tax!

What the government has to say about subtitle 'A' comes from numerous sources. Some are found in statutes, some in the regulations, some in Treasury Decisions, some in Executive Orders, some in the Internal Revenue Manual, etc., but no matter what the source, all the items form a cohesive and consistent whole,

in which subtitle ‘A’ is imposed upon foreign persons with U.S. source income, but with certain specific Americans being “made liable” for the filing of returns and for paying the tax imposed upon the *foreign person*.

In a later chapter I will address Tax Honesty arguments that are incorrect. I bring it up here because at this juncture, some people may mistakenly believe that I am putting forth the “861 position”; also know as the “gross income” position. I am not. While there may be some superficial resemblance between the “861 position” and what the law actually says, they are not even remotely the same. This will be explained in more detail later.

When I said that this book has been worthwhile if you learn “what the government has to say about the income tax”, that should not be taken to mean “the government’s public position on the income tax”. The government’s public position is to use a combination of vague wording and legalistic jargon to give the American public the impression that everyone owes income tax!

What I’m going to show you here is what the government has said that it doesn’t want you to see, or figure out. Some of the items I will show you were written in the 1980s – long before the IRS imagined that it would be required by law to post such documents to its website. Faced with doing so, Treasury convinced Congress to pass laws that “obsoleted” many of the documents. Once a document has been declared “obsolete” it is no longer necessary for the IRS to post the document to its website and it is no longer available through the Freedom of Information Act. The government’s goal was that those damning documents would never see the light of day. As you are about to discover, their desire to keep the information hidden from you – the American public – didn’t work out so well!

As you review these documents, you will also discover that over the last 5-10 years the IRS has pretty much abandoned the law and now hopes that plain old-fashioned *fear* will keep “the marks” [that’s YOU!] in line. Tax law is, in its nature, a very specific thing. The very nature of taxation requires that the statutes, regulations, and other supporting documents detail with substantial specificity whom the tax is imposed upon and under what circumstances. That is not true of income tax alone, but of all taxation.

As the public became more dubious of the government’s party-line concerning the income tax, and Tax Honesty researchers began organizing on a more efficient

People it exists to serve. And it certainly would not be targeting the American people as the victims of the largest financial crime in the history of the world!

While I want nothing more than a government which serves and respects The People, that's not remotely what we have. A good friend of mine coined the adage; *"The government lies and lies all the time. It even lies when the truth would serve it well."* After nearly two decades of dealing with the government's claims of power and authority in all manner of subjects, my experience has been that his adage is remarkably accurate.

For many of you, this book will be a life-altering epiphany. For others, it will merely open the door to understanding how the government really operates, and your epiphany will occur sometime down the road. A small minority will (for emotional reasons) reject everything they read in this book and bury their heads in the sand. But try as they might, they cannot un-learn what they've learned. All they can do is run from it.

This "genie" cannot be stuffed back into its bottle!

Some readers will be able to learn the truth and ignore it. They will be able to go along as if nothing has changed in their universe. I believe the word that best describes these people is "sheep". Regrettably, in this country we have far too many "sheep" masquerading as Americans.

Other readers, imbued with character, integrity, honor, and love of liberty, are, in my opinion, the true Americans! Unlike the "sheep", these will not be able to stand by as our servants steal our wealth and commit violent acts against their masters [us!] in this house we call "America". It is these men and women – citizens of courage, with a love of liberty – for whom I write this book! It is they who will put this nation back on track!

What has come in the preceding chapters should have demonstrated to you that the government is not telling you the truth about subtitle 'A'. Unfortunately, that's not the end of their lies in this area.

Subtitle 'C' is entitled "Employment Taxes". The regulations for subtitle 'C' are contained in Part 31 of the CFR and they are entitled, "Employment Taxes and Collection of Income Tax at Source". (Didn't I tell you we'd be seeing the phrase "Collection of Income Tax at Source" again?)

Under the (presumed) provisions of subtitle ‘C’, the average American endures something commonly referred to as “payroll withholding”. Yet the law requires nothing of the sort! When it comes to average American working men and women, Congress has never passed any law that permits anyone to take anything out of their paychecks.

Let me begin by telling you a true story that illustrates how little people know about this subject. And sadly, those who are supposed to know, don’t.

A few years back, during a telephone conference call with the woman who had been in charge of payroll for a medium-size business for 13 years, she kept saying that she had to perform payroll withholding because, “It’s the law”. She said that 4 or 5 times during the first few minutes, and her tone was quite adamant.

Since she was so adamant that it was “required by law”, I asked her to give me the citation of the law so we could look at it together. “Give you the citation?”, she responded. “I don’t know the citation.”

I told her it was OK that she didn’t know the citation and instead asked her to quote a bit of the law to me. I explained that I had been doing this for many years and if she could quote just a small portion of the law I was confident that I would be able to recognize it and I’d know the citation.

“Quote it to you?” she replied. “I can’t quote it.”

Hmmm. She was insistent that what she was doing was “required by law”, yet she did not know where the law was, nor anything that it said. How odd.

Always trying to be helpful, I assured her that after all the years I’d been involved in these matters, I knew where “it” was and we could look at it together on the Internet.

When we finished reading the relevant statute, I asked her if there was any way, even if she twisted, bent, or mangled Congress’ words, that she could figure out how to apply it to “Tom”, the gentleman who’d instructed her to stop withholding from his paycheck. There was a pregnant pause, and then she said:

“I don’t want to talk to you about the law anymore.”

citizen to those who **are** *U.S. persons* and excludes those *U.S. citizens* who are **not** *U.S. persons*. Government attorneys love to use these subtle little word games on things like public forms because the public never reads the language in the same discerning manner that the IRS attorneys used when they drafted it!

So...what we have here is this: The Form W-9 is only to be used by a person who can state – under penalty of perjury – that he is a person upon whom backup withholding could be affected (but he hasn't yet been notified that it's been placed into effect) **and** that he is a *U.S. person*.

Can you attest to those elements under penalty of perjury? I know I can't. For me to sign that form I would have to **commit** perjury! Knowing what you know, could "Frank" sign that form under penalty of perjury? Absolutely not. So only an "ignorant Frank" could agree to sign a Form W-9.

INFORMED FRANK

Let us pick up at the point at which Janice has told Frank she needs a TIN from him. Let's see how an "informed Frank" might respond.

"Janice, I'd love to fill that out for you but that form requires me to sign it under penalty of perjury, and I can't sign it without committing perjury. Perjury is a criminal offense. I'm sure you're not suggesting or advocating that I commit a criminal act."

"No, Frank, I'm not suggesting or advocating that you commit a criminal act, but I don't understand. I have vendors like you fill this out all the time. There's never a problem."

"I understand completely, Janice. No one ever reads the law so they sign any ol' paper put in front of them. I've actually read the law and I know what that form is asking me to attest to under penalty of perjury and I'd be committing a federal crime to sign it."

We've reached the point in our scenario where the ball is squarely in Janice's court. So how might Janice respond?

INFORMED JANICE

“OK, Frank. I’m not sure I understand the underlying argument you’re relying on, but this form sure does say that you’d be signing it under penalty of perjury, and if you’re telling me you can’t sign it without committing a criminal act then I guess that’s that. We’ll just have to let it go.”

Or...

“That’s OK, Frank. Lenny makes me ask everyone for one of these, but like you, I understand what it’s really asking for. It’s nice to meet someone who is informed and isn’t a lemming like so many of the other vendors I deal with. I’ve already told Lenny that not everyone is required to sign a W-9 so I’ll handle it from here. Have a great day, Frank.”

Hopefully that last response will be the one more and more Americans will receive as this book penetrates our society. Now let’s look at the ugly side.

IGNORANT JANICE

“Frank, this isn’t a debate. I need that form signed by you.”

“Janice, you seem like a nice lady, but I’ve already told you that I can’t sign that form without committing a criminal act.”

“Frank, that’s absurd. I have hundreds of vendors just like you who’ve signed these. You won’t be committing perjury.”

“Wow Janice! You’re really going out on a limb here. Only licensed attorneys are legally able to tell a person what his or her obligations are under the law, and that’s what you’re doing. Janice, are you aware that if you’re not a lawyer what you just did is a violation of the law? If you think you can determine what is and is not perjury for me, and therefore you can decide what I have to sign and what I don’t, why don’t you sign that form for me. What you can do is print ‘Frank Baker’ right there on the signature line, and then write in ‘signature signed by Janice Kennedy after Frank Baker refused to perjure himself’ and then we’ll send it over the U.S. Department of Justice and see what they think of that.”

“I’m not going to do that!”

“Why not, Janice? It’s OK with you if I commit perjury, but it’s not OK for you to get in trouble for counterfeiting my signature on a federal tax form? That’s pretty scary, Janice.”

“You’re *not* committing perjury.”

“You keep saying that, Janice, but the law holds me responsible for that decision, not you. Help me understand your thinking, Janice. Can you please cite for me the tax regulations that address who is to furnish a TIN and under what circumstances?”

“What? No, I can’t do that. I don’t know that stuff.”

“Janice, then if you don’t know where those regulations are, and you’ve never read them, why are you telling me – someone who *has* read them – that you know better than I do what will constitute perjury for me in this situation?”

You can clearly see how a situation like this develops, so from here we’ll move on to the next level.

IGNORANT AND MALICIOUS JANICE

“Frank, I’m not going to put up with this anymore.” (I guess “this” is Frank making it apparent that Janice has no idea what she’s talking about or what the law says!) “If you won’t give me a number then I’m going to have to backup withhold from you.”

“Janice, this is where your lack of knowledge about the law is really a problem. There is no provision in the Tax Code that would permit you to backup withhold from me.”

“Yes there is, Frank. Don’t ask me to quote it or give you any legal mumbo-jumbo, but there’s something in the law that allows backup withholding and unless you give me your TIN I’m going to do it!”

The Lies They Tell To Cover The Lies They've Told

Chapter 10

*"Formerly no one was allowed to think freely; now it is permitted, but no one is capable of it any more. Now people want to think only what they are supposed to think, and this they consider freedom."
~ Oswald Spengler*

Who is it among us that imagines the government (or its quislings) is simply going to accede to that which is revealed in this book?

We've discussed how simple it would be for the government to tell the American people the truth, and we all know the government has no intention of doing that. If the government will not take the simple step we talked about in chapter 9 to tell the American people the truth, what do we imagine will be their response to this book? Will they remain silent? Well...yes...and no.

The government and its quislings will have something to say, but little of what they say will address the substantive points of law raised in this book, and most will be attacks on me.

The attacks on me are irrelevant. Calling me names and/or accusing me of every evil thing under the sun does not change the law one iota. Personal attacks on me will only demonstrate that there is no rational response to what is in this book.

That said, the government and its quislings do have a "portfolio" of canned responses they roll out whenever anyone challenges the legality or constitutionality

of the income tax (as applied to the average American). A prudent person who wishes to investigate all sides of the issue would do well to explore what the “opposition” has to say. So let’s do just that.

The IRS has oodles of “canned” responses on its website. These “canned” responses are meant to convince the readers that what they’ve heard elsewhere is “wrong” and “illegal” and the only voice that they must adhere to in such matters is the voice of the IRS. Or phrased another way, the only voice that should be heard is that of the government agency that’s bent on continuing to perpetrate the largest financial crime in the history of world. Or phrased yet another way, the only voice that should be heard by you – the victim – is the voice of the perpetrator – the IRS. Gee...how reasonable.

If the contents of this book are untrue or inaccurate, I’d expect to find a whole bunch of compelling counter-arguments on the IRS website. After all, they’ve had more than 90 years to get their position all sorted out! So let’s see what they have to say.

Unfortunately, that’s going to be tough. Why? Because there is almost nothing on the IRS website that addresses the points I have raised in this book! In response to that startling revelation you’re probably thinking “What? How can that be?” It’s actually rather simple to explain.

To begin with, this book is the first time that all this material has been laid out in a comprehensive and orderly fashion. Since no one has done this before, the government hasn’t yet had a need to concoct screwy arguments in an attempt to overcome or discredit it. Second, it’s a bit difficult to argue that $2+2$ isn’t 4, though I imagine the government will do its best to convince you it isn’t.

Because there isn’t much on the IRS website that refutes what has been revealed to you here, I find myself in the strange position of having to anticipate what the government and its quislings will say about what is set forth in this book. I’ll do my best to think like they do, but I admit that’s a challenge. However, before I give you my version of their potential responses, there are a few things on the IRS website that are relevant, so let’s look at them.

The Good, The Bad, And The Mistaken

Chapter 11

*“The road to truth is long, and lined the entire way
with annoying bastards.”*

~ Alexander Jablovkov

The road to the truth of the income tax has been a long one. The primary reason for this is the government’s unwillingness to engage in an open dialogue about the true nature and proper (limited) applicability of the income tax. In the absence of an open and forthright dialogue, the American people have been left to find the answers themselves.

In an effort to explain what they do not understand, many Americans have found “the answer” in legal theories that are incorrect. Some are slightly off base. Others are simply inane.

In this chapter we will look at a number of these incorrect legal theories. We will not explore them in-depth. There is no need to do so. We will touch on each incorrect theory and I’ll explain its basic concepts, as well as briefly address why it is unsound. That should be sufficient to arm you against them, or even allow you to refute them if any of these theories are presented to you or to someone you care about.

Most of the people who propound such concepts honestly believe them. Yes, they are mistaken – but they do not know that. The people who believe in these incorrect theories know that something about the income tax is wrong (as it operates in this nation). They see clearly that the Constitutional limits upon the government, coupled with the unalienable rights of the American people, could not possibly permit the income tax to lawfully operate as it does.

In their sincere quest to understand what is happening, they have gone to the limits of their understanding – or the information available to them – and have settled upon a particular “explanation”. With the level of understanding they have attained, or to the extent that information is available to them, they feel that the “position” they’ve settled upon explains the problem.

These people mean no harm. They are good Americans seeking to understand the truth behind what they feel in their heart and soul is “the largest financial crime in the history of the world”. They are attempting to find the truth that the government is hiding from them. Unfortunately, when one faces a government attempting to continue such a gargantuan criminal act, it is extremely dangerous to be wrong. Actually, it can even be dangerous to be right!

All that said, not everyone who propounds these incorrect doctrines is honest and sincere. There is a small minority who promotes false arguments for personal gain. To put it bluntly, these are scam artists. They could care less whether the concepts they promote are legally accurate or not. All they want is money. Fortunately, these unscrupulous people comprise a tiny minority within the Tax Honesty community. I do not even consider them a part of the Tax Honesty community. Rather I see them as shysters who have merely found some easy “marks” within the Tax Honesty community.

Isn’t it ironic that these shysters *and* the U.S. government are both promoting a false understanding of tax law in order to fleece the American people!

UCC CONTROLS

The adherents to this theory believe that the Uniform Commercial Code (UCC) controls everything in the United States. They believe that all federal law operates within the structure of the UCC, and is subordinate to the UCC, and that Americans can regain their “sovereignty” by using various provisions of the UCC to fight federal claims/demands.

This argument is typically accompanied by statements asserting that “bankers” quietly overthrew the legitimate United States government in 1939, that

All too often the problem is that in reality the prosecutor is alleviated from his burden to prove the “required” element because the judge (just another government employee) tells the jury that the defendant was required by law to file – and then tells the jury that his determination is the only one that they are permitted to apply in their deliberations.

When judges do this, they are gutting the defendant’s ability to put on a credible defense by removing one of the most important prosecutorial burdens, and preventing the jury from reaching an impartial verdict! The judge’s actions are nothing more than institutionalized jury tampering.

So how significant is this “judicial jury tampering”? It would be hard to overstate how injurious this practice is to the American citizen sitting at the defense table. In cases in which the juries have been savvy and have demanded to see the statutory evidence that the defendant was required to file, the judges have not been able to provide the juries with anything credible and the juries have frequently acquitted the defendant.

Is it just my opinion that federal prosecutors could care less about railroading the innocent into jail? Hardly. Here is what a former top-ranking Treasury Department official has to say about what is taking place in the courts today:

“Americans are no longer secure in law - the justice system no longer seeks truth and prosecutors are untroubled by wrongful convictions.”

-- Paul Craig Roberts (former Asst. Secretary of the Treasury)

Mr. Roberts is being kind when he says that prosecutors are “untroubled” by wrongful convictions. After nearly two decades of watching what they do, it is my opinion that at times they intentionally seek out wrongful convictions. Harsh words, yes. But I believe the facts bear out the conclusion.

Let’s now look at the element of “knows or has reason to know”, which is an essential element of having acted *willfully*. This is a standard legal phrase. It is used in a number of different legal applications. In 7203, it is one of the elements that the government *must* prove at trial in order for the jury to convict. Well...sort of. It would be a necessary element for the government to prove if the jurors would open their eyes and stop acting like sheep!

In a *Willful Failure to File* trial the accused will sometimes take the stand and testify as to why he did not file a return. In these instances the accused (in response to questions by counsel) tells the jury why he doesn't believe he was/is required to file a tax return. By this testimony the accused is attempting to show the jury that he did not act *willfully* because he truly did not believe he was required to file a tax return.

The U.S. Supreme Court has already stated that when *willfulness* is an issue it is not important whether the jury agrees with the views of the accused; it is only important that they believe the accused truly thought that he was not required to file.

In some cases, the accused has years of written communications back and forth with the IRS attempting to have the agency establish that he has a legal duty to file (or not) and the IRS has never given him anything that shows he has any legal duty to file. In other cases, defendants have written books or produced successful videos detailing their legal views about the income tax and why they believe they are not required to file. Others have audio tapes of meetings with the IRS in which they've asked these questions and the IRS has been unable (or unwilling) to respond.

A number of my clients have asked the IRS – face-to-face – at live meetings, one simple question: “Can you provide me with a citation in the law that requires an American citizen, living and working in a state of the Union, earning nothing but his own domestic income, to file a 1040?” Never once has the IRS provided the requested citation. Usually they say things such as, “That’s a frivolous argument” or “I see you didn’t come here to cooperate” or some other such non-responsive reply. I want to reiterate that no IRS officer/employee has *ever* provided a response to that simple, direct, and forthright question.

A couple of years ago I was at a meeting with the IRS in Los Angeles, California. An IRS officer asked me to explain what a nontaxpayer was. I told her that section 7701(a)(14) is Congress’ definition of *taxpayer*: “*The term ‘taxpayer’ means any person subject to any internal revenue tax.*” I explained that if a taxpayer was “any person *subject to*” the tax, then a nontaxpayer would simply be any person *not* subject to the tax. She seemed stunned by the simplicity of my response. (I think “embarrassed” would have been a more appropriate reaction; embarrassed that they hadn’t figured that one out on their own.)

Next, she asked me what I believe causes a person to be a nontaxpayer (aka, a person **not** subject to the tax). I told her that I found the question to be ridiculous. I responded, *“It is not for the American people to tell the IRS why they are not subject to the income tax: it is for the IRS to tell the American people what makes them subject to the tax – and that is something the IRS has been unable or unwilling to do for 50 or 60 years now.”*

She started to respond but before she could get the first word out, the Area Counsel (an IRS attorney) reached over, touched the officer on the arm and said, “We don’t need to get into that.” Here was a perfect opportunity for the IRS to set me straight (from their perspective), but the IRS attorney strangled that discussion in the cradle. This is standard IRS policy; they will never talk about what makes the average American subject to the tax - because they can’t!

Regrettably, Americans are so brainwashed to believe that “everyone” is required to file a return that they don’t really listen to the defendant’s testimony. I don’t think they care what the accused has to say.

I believe there is some petty small-mindedness on the part of the jurors. I believe they are saying to themselves, *“Everyone knows you have to file! Hell, I file every year. I pay my taxes. Who does this guy think he is coming in here trying to tell me he doesn’t have to file. If I have to file, he has to file!”* There’s only one problem with this. The juror who is saying that has never read a word of tax law in his life. He has absolutely no idea what he’s talking about. And the government LOVES it!

This brings us to the final part of the problem. It’s a shame juries (both grand and petite) don’t understand that one of their primary roles is to **protect** Americans against just this sort of government abuse. Yes, a trial (petite) jury’s number one job is to determine whether the accused has committed the crime alleged, but a huge part of that process is also to determine if the government is attempting to railroad the accused by “trick or device”.

When one government bureaucrat makes the allegation, and then another government bureaucrat (wearing a black robe) tells the jury that they **must** “take his word for it” instead of the first bureaucrat meeting his “burden of proof”, there is some seriously stinky stuff going on and the jury should be astute enough to take stock of that and acquit the defendant. There is only one reason for the government

So now that we know you will still have roads, highways, police, fire, and educational services, how much do you still feel you need to give to the federal government?

Another concern I sometimes hear is that we will no longer be able to maintain our “world dominance” without an income tax. This statement is really saying that these people feel the income tax is necessary in order to maintain our military might. Well...possible. It depends on what your military goals are.

Over the last decade or so, we Americans have become very proud of our military. We have come a long way from the days after Vietnam when many Americans were ashamed of the U.S. military.

Much of this newfound enthusiasm is a result of our being able to see fascinating technological victories in the media and on the internet. All of us have seen, and been impressed with, the ability of U.S. bombs and missiles to hit targets with pinpoint accuracy. It's very impressive. And who doesn't like to be on the winning team!

While I appreciate the technology and the thrill of perceived victory, I'm less thrilled about the fact that some people believe that if we can't wipe out an entire village on the other side of the planet with the push of a button, Americans will no longer be free. I question whether being able to push a button and kill people on the other side of the planet has much to do with your liberty or mine in our own land. And I'm infinitely more concerned about personal liberty at home than I am “projecting power” around the globe.

In this post-9/11 era, Americans often misguidedly imagine that they must surrender their liberty in order to ensure it. This is an odd thought process indeed.

On September 11, 2001 approximately 3,000 Americans lost their lives. Tell me something – how does that compare to 300,000,000 being slaves every day?

If there is a fight to fight, should it be to prevent 3,000 from being killed in a one-time incident, or should it be to free 300,000,000 from life-long slavery? While I do not mean to trivialize the tragedy of 9/11, the reality is that it affected less than .00001 percent of the population. And it was an anomaly. By contrast, the income tax affects well over 100,000,000 Americans – every year! And the vast majority never owed a penny of income tax in their lives!

Before I do that, let me take just a moment to show you that what I'm asking of you is exactly in line with political theory of the founders of this nation. In other words, we will not be acting against our nation, but in support of it!

"If money is wanted by Rulers who have in any manner oppressed the People, they may retain it until their grievances are redressed, and thus peaceably procure relief, without trusting to despised petitions or disturbing the public tranquility." Journals of the Continental Congress, 1:105-113 (1774)

Let's break that down. Because the men who wrote these words were still "colonists" at the time (1774) they used the word "Rulers". Today we would say "government" (though possibly we should also use "Ruler" if we are unwilling to stand up against our own enslavement).

The men of the Continental Congress say that if the government is practicing oppression (such as enslaving free men and women), then ***The People*** have the right to withhold their money from the government until their "*grievances are redressed*" by the government.

The Continental Congress also makes the point that by using this method we do not need to expose ourselves to insult and humiliation by submitting Petitions For Redress Of Grievance (i.e., remonstrance) only to have them ignored by our oppressors.

And lastly, Congress makes the point that by utilizing this method we can "*peaceably*" steer clear of "*disturbing the public tranquility*." This means that withholding our money in an effort to solve the problem is preferable to shooting government officials. "*Disturbing the public tranquility*" means armed revolt. And I would draw your attention to the fact that the Continental Congress did not say that violence shouldn't be used to throw off an oppressor. In fact the Continental Congress initiated violence against the oppressive government just two years later for exactly that purpose. The Congress is simply saying that this method, i.e., withholding money from the government, is the preferred method. If the oppressor does not respond as ***The People*** demand, well then...

So we see that the Founders recommend this method to the people of the Colonies as a means of addressing their own oppression, hoping it would stave off something far uglier.

"There are few things in life more complicated than the income tax. Dave Champion has done a masterful job of connecting the dots so the average American can finally understand the monumental fraud being perpetrated on most of the population since 1913. With information this complete and compelling, Dave is probably correct when he speculates that the government will try to discredit him or "silence him". I recommend you buy this book while it is still legal to do so."

-- Michael Badnarik, Author, *Good to be King: The Foundation of Our Constitutional Freedom*
2008 candidate for President of the United States, Libertarian Party

"I recently had the honor of reviewing what I believe will be one of the most important books written in the last 50 years, *Income Tax: Shattering The Myths*. Mr. Champion writes in a style that is interesting and personable, and he speaks directly to the reader as if he were sitting across from you at your kitchen table. I found myself drawn deeper and deeper into the pages, even losing track of time as I read."

-- Michael LeMieux, Author, *Unalienable Right and The Denial of the U.S. Constitution*
U.S. Army Intelligence Analyst, U.S. Army Special Force (retired)

"Dave approaches the income tax from his unique angle. *Income Tax: Shattering The Myths* leaves you to draw but one conclusion: The income tax does not apply to everyone; it has its constitutional limitations, and as the current system is enforced, the American People are being subjected to a tax system that runs afoul of the Constitution."

-- Phil Hart, Idaho State Representative
Author, *Constitution Income: Do You Have Any?*

"Dave tackles the question of the limited applicability of the income tax by delving into the historical record and using Supreme Court and lower court decisions to make his case using the very words put forth by the justices who interpret the law of the land. Regardless of your current opinion on the Tax Honesty Movement, Dave Champion's approach is clear, extremely well organized and compelling. *Income Tax: Shattering The Myths* is intellectually honest; an excellent book that every American should read."

-- John Carpenter, Author, *A Well Regulated Militia*

"With *Income Tax: Shattering The Myths*, Dave Champion has done what was considered to be impossible; he's written a book on the income tax that every American can understand. If every American reads it we'll have another American Revolution; a Revolution with knowledge, not guns!"

-- Vladimir Diaz, Paralegal



Dave Champion is a legal consultant and nationally syndicated talk radio host living in southern Nevada. He has researched U.S. income tax law since 1993. He is the nation's leading expert concerning the proper (constitutionally) limited application of the income tax and a leading spokesman for the national Tax Honesty Movement.