Income & Employment Tax Schemes

By Dan Meador

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A friend wants something that simply and clearly explains how state and federal income tax schemes work. He has the opportunity to explain the system to others who are interested but aren't necessarily convinced that the American people are being defrauded by state and federal governments.

Until recently the probability that anyone in the private sector could provide an accurate, reasonably concise explanation of how the system works, and say who is liable for both income taxes and the family of social welfare taxes, was pretty remote. However, thanks to coalitions of researchers pooling their efforts for the last several years, a reasonably comprehensive non-technical explanation can be made.

Unfortunately, whether the explanation is technical or non-technical, there is apt to be a credibility problem. If income and employment taxes are shams, and most of us aren't liable for either, the American people have been subjected to one of the most sinister frauds ever perpetrated against a developed nation. If state and federal tax schemes are hoaxes, the whole of government is indicted – the indictment on this single subject opens the door to a crisis in confidence that could shake and ultimately unseat entrenched powers. Consequently, it might be prudent if the explanation began with a preliminary question: Does Government of the United States need revenue from the income tax system to pay for current operation?

In 1945, Beardsley Ruml gave a speech to American Bar Association members titled Taxes for Revenue are Obsolete.[1] In his speech, he answered our question. As chairman of the New York Federal Reserve Bank, Ruml understood the nation's tax, credit and monetary systems. In fact, prior to his term as chairman of the New York Federal Reserve Bank, Ruml worked for the Department of the Treasury and in 1943 had promoted the scheme for withholding from wages found in Chapter 24 of the current Internal Revenue Code. His 1945 explanation of why government of the United States doesn't need a tax system was simple and direct:

The necessity for a government to tax in order to maintain both its independence and its solvency is true for state and local governments, but it is not true for a national government. Two changes of the greatest consequence have occurred in the last twenty-five years which have substantially altered the position of the national state with respect to the financing of its current requirements.

The first of these changes is the gaining of vast new experience in the management of central banks.

The second change is the elimination, for domestic purposes, of the convertibility of the currency into gold.

Final freedom from the domestic money market exists for every sovereign national state where there exists an institution which functions in the manner of a modern central bank, and whose currency is not convertible into gold or into some other commodity.

The United States is a national state which has a central banking system, the Federal Reserve System, and whose currency, for domestic purposes, is not convertible into any commodity. It follows that our Federal Government has final freedom from the money market in meeting its financial requirements. Accordingly, the inevitable social and economic consequences of any and all taxes have now become the prime consideration in the imposition of taxes. In general, it may be said that since all taxes have consequences of a social and economic character, the government should look to these consequences in formulating its tax policy. All federal taxes must meet the test of public policy and practical effect. The public purpose which is served should never be obscured in a tax program under the mask of raising revenue.

Federal government simply has to borrow money into existence to fund operations. The borrowed money increases money supply in relation to goods and services. The effect is inflation. Inflation is effectively a tax spread uniformly throughout the system. For example, since the early 1970's, prices of essential goods and services have inflated approximately 400%. If there is such a thing as a fair share, everyone is forced to bite the inflation bullet as it devalues all existing wealth, with the purchasing power of production and working classes being most severely broadsided. The inflation effect is somewhat like adding water to a pitcher of fruit punch every time someone drinks some of the punch. The punch is eventually diluted until it is nearly transparent.

The next obvious question is, "If the national government doesn't need tax revenue to fund operations, what is the purpose of the tax system?" Ruml answered the question:

Federal taxes can be made to serve four principal purposes of a social and economic character. These purposes are:

1. As an instrument of fiscal policy to help stabilize the purchasing power of the dollar;

2. To express public policy in the distribution of wealth and of income, as in the case of the progressive income and estate taxes;

3. To express public policy in subsidizing or in penalizing various industries and economic groups;

4. To isolate and assess directly the costs of certain national benefits, such as highways and social security.

In the recent past, we have used our federal tax program consciously for each of these purposes. In serving these purposes, the tax program is a means to an end. The purposes themselves are matters of basic national policy which should be established, in the first instance, independently of any national tax program.

Is it possible that the Federal tax system is simply a vehicle for political and social control? If Ruml is to be believed, that's precisely the case. It is used as a mechanism for redistribution of wealth and for probing into financial affairs of the American people. It is a control mechanism, nothing more.

One of the more remarkable aspects of Ruml's speech is that it was given to a group of ABA

members – an association of law professionals, each of which is supposedly learned in the law, and by way of state bar associations, pledged under oath to uphold the Constitution and laws of the United States and constitutions and laws of their respective states. Certainly someone in the audience recalled that the U.S. Constitution requires Congress to mint coin and prohibits state governments from making any thing but gold and silver coin a tender for payment of debt. At least some were aware that in the 1935-36 timeframe, the U.S. Supreme Court struck down Congress' first effort to impose a social welfare scheme, the original agricultural adjustment act, the industrial recovery act, and several other New Deal initiatives that exceeded constitutionally enumerated powers. And at least a few in the highly educated audience had to be familiar with the Communist Manifesto, which is the only serious Western political manifesto that advocates redistribution of wealth and progressive income tax. Nothing in the Constitution authorizes Congress or the President to micro-manage the economy or the nation's credit and monetary systems. Yet in 1945, Ruml, as one of the key tax policy engineers of the period, described the scheme in considerable detail to members of the national association that was best equipped to restore constitutionally legitimate government. The fact that the American Bar Association and state bar associations haven't mounted a formidable challenge speaks to virtues not only of the law profession and its various organizations, but institutional America generally. Regardless of other implications, moral incompetence is conspicuous.

Some of the particulars relating to taxes, credit and money are or have been hidden from public scrutiny. For example, in 1943 there were Senate subcommittee hearings concerning withholding income taxes from wages at the source. In the hearings the participants admitted that withholding at the source during the course of the year prior to income taxes actually being due amounts to forcing people to loan money to government without the government having to pay interest. Transcripts of the hearings weren't declassified until years later – until long after American workers were conditioned to accept a practice that cannot be rationalized as a constitutionally enumerated power. Ruml's plan, which was eventually adopted, was among several Congress considered while World War II was used as a shroud to rationalize deceiving the American people.

Conversely, some of the particulars hide in plain view. For example, where does the federal social welfare scheme apply? Who is liable for and entitled to participate in Social Security, Medicare, Medicaid, unemployment benefits, etc.? The definitions of "State", "United States" and "citizen" at Part 31.3121(e)-1 in Title 26 of the Code of Federal Regulations clarifies the matter:

§ 31.3121(e)-1 State, United States, and citizen.

(a) When used in the regulations in this subpart, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, the Territories of Alaska and Hawaii before their admission as States, and (when used with respect to services performed after 1960) Guam and American Samoa.

(b) When used in the regulations in this subpart, the term "United States", when used in a geographical sense, means the several states (including the Territories of Alaska and Hawaii before their admission as States), the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands. When used in the regulations in this subpart with respect to services

performed after 1960, the term "United States" also includes Guam and American Samoa when the term is used in a geographical sense. The term "citizen of the United States" includes a citizen of the Commonwealth of Puerto Rico or the Virgin Islands, and, effective January 1, 1961, a citizen of Guam or American Samoa.

Note that Alaska and Hawaii were classified as “States” and part of the “United States” prior to being admitted as States of the Union, but not since. Also note that citizens of Puerto Rico, the Virgin Islands, Guam and American Samoa are classified as “citizens of the United States” – a citizenship not known to or authorized by the Constitution of the United States.

The Social Security Act of 1935 and all federal social welfare laws enacted since are applicable to the “geographical” United States – territories and possessions of the United States – but not to States of the Union. Technically they aren’t “laws of the United States”; they are “Acts of Congress” promulgated under Congress’ exclusive authority over territories and possessions of the United Sates.

The wrangle over what authority Congress has where began in 1803 with the Louisiana Purchase. Subsequent to the American Revolution, New York and other newly independent colonies gave surplus territory acquired from King George III to the United States under the condition that what was known as the Northwest Territory would become new states once there was sufficient population and each of the prospective new states adopted a constitution. The purpose was to help pay debts accumulated during the Revolution. The Ordinance of 1787 for Government of the Northwest Territory was written as the core governing instrument. Article IV of the Constitution, also drafted in 1787, includes provisions that authorized Congress to promulgate whatever law was necessary for territorial government.

Napoleon needed to finance his European campaign so in 1803 he struck a deal to sell French holdings in North America, i.e., the Louisiana Purchase. Thomas Jefferson was president. Jefferson believed the Constitution needed to be amended to accommodate acquisition of new territory; he went so far as to draft two proposed amendments. Congress elected to do nothing. The prevailing notion was that Article I, Section 8 authorizes Congress to wage war, and the president, with advice and consent of the Senate, is authorized to make treaties. The position was rationalized primarily on the underlying premise of sovereignty – sovereign authorities have inherent power to acquire and dispose of property, whether by conquest or otherwise. The express authority for Congress to acquire and States to cede land for forts, magazines, arsenals, docks, etc., at Article I, Section 8, clause 17 wasn’t considered restrictive beyond borders of States of the Union.

At any rate, the Louisiana cession treaty secured rights, privileges and benefits of the U.S. Constitution for people who lived in the newly acquired land and assured that the territory would eventually become one or more states on equal footing with the originals. Congress enacted the Ordinance of 1787 for government within the Louisiana Purchase and subsequent acquired territories.

Texas directly became a State of the Union by way of treaty. Other than that, every territorial acquisition from the Louisiana Purchase until the Spanish-American War in 1898 was subject to the same terms – the people of acquired territories were entitled to all

constitutional rights, benefits and privileges, and when adequately developed, the territories would become one or more States of the Union.

However, even though constitutional rights, benefits and privileges were assured to the people, acquired territories did not technically come within the constitutional framework until they were admitted as States of the Union. The matter was addressed by former Chief Justice John Marshall in the Cantor case – a maritime salvage case in Florida prior to Florida being admitted to the Union. In the landmark decision, Marshall said that territorial courts do not exercise Article III judicial authority of the United States, nor can they be vested with it. And technically, territorial court rulings aren't subject to review by Article III courts of the United States. If and when Congress authorizes review by what are otherwise courts of the United States, the responsibility lies outside Article III of the Constitution.

The United States acquired the Philippines and Puerto Rico by conquest via the Spanish-America War. The cession treaty did not secure constitutional rights, benefits and privileges to indigenous people, nor did it specify that the ceded islands would become States of the Union. The new demarcation was treated at length by the U.S. Supreme Court in four insular tax cases (1900-04). Unlike previously acquired territories, the former Spanish provinces, which are known as insular possessions, were likened to British Crown colonies. There was enough division that the more important of these Supreme Court rulings were plurality decisions where elements a majority agreed to were pasted together almost as a patchwork quilt.

One of the major points of contention was the notion that there are really two governments of the United States. Where States of the Union are concerned, Congress can exercise only powers enumerated in the Constitution (Tenth Amendment). However, where territories and possessions of the United States are concerned, Congress exercises plenary or near-absolute power – Congress can do as Congress pleases so long as any given power isn't expressly prohibited by the Constitution. Where the newly acquired insular possessions are concerned, the people weren't even entitled to all the due process rights secured by the Fourth through Seventh Amendments. Congress elected to leave them under the Spanish civil law system rather than putting them under the English common law system.

The Constitution doesn't vest Congress with authority to create corporations. That power was reserved to States of the Union. However, in territories and possessions of the United States, Congress has the combined power of state and national governments; Congress can create or authorize creation of corporations within those geographical bounds. That particular mechanism was employed during and after the Civil War as many of the major railroads involved with transcontinental expansion were incorporated in territories that weren't States of the Union. Acquisition of the former Spanish provinces in 1898 didn't necessarily provide new impetus, but the path Congress was already traveling was truncated – the "unincorporated territories" notion applied to the former Spanish possessions opened the door to new, expanded opportunity.

At this juncture, consider three constitutionally-based questions:

1. If Article I, Section 8 of the Constitution authorizes Congress to mint coin and regulate it's value, and Article I, Section 9 prohibits States of the Union from emitting bills of credit,

minting coin and making any thing but gold and silver coin a tender for payment of debt, why don't we have gold and silver coin as our national currency?

2. If it required a constitutional amendment to impose national prohibition against distilled spirits, and national prohibition was repealed when the amendment was repealed, wouldn't it require an amendment to impose national prohibition against any commodity on the current controlled dangerous substances (drugs & narcotics) list?

3. If the Fifth Amendment due process clause prohibits government from taking life, liberty or property without due process of law, how is it that the Internal Revenue Service and state tax agencies routinely garnish wages and seize bank accounts, homes, businesses, etc., without judgments and orders from courts of competent jurisdiction?

We might frame half a dozen more questions with comparable implications. However, the three should be sufficient; there is no need to indulge in over-kill. The questions, the Ruml speech and the 26 CFR Part 31 definitions adequately demonstrate that appointed and elected officials, in concert with entrenched special interests, have institutionalized acts and omissions that deprive the American people of constitutionally legitimate government.

Fortunately, the law itself is nearly pristine – there's precious little wrong with statutes, code sections, regulations, etc. The problem is figuring out what applies where and to whom, and where there appear to be irregularities, unearthing proper application and procedure.

For example, the definitions of "State", "United States" and "citizen" clearly apply to the geographical United States – to territories and possessions of the United States. They do not apply to States of the Union. Consequently, we are left with the question, "How and to what extent is the federal social welfare program accommodated by state governments?"

The Oklahoma Legislature, as legislatures of most other States of the Union, authorized the state and its political subdivisions to contract with the Social Security Administration for the benefit of employees. These are intergovernmental agreements that do not, or at least shouldn't, affect general state populations.

In the thirties, Oklahoma was one of the numerous states that amended their constitutions to accommodate the federal social welfare program. However, amendments to state constitutions cannot unilaterally authorize Congress to exercise power that isn't enumerated in the U.S. Constitution; the Tenth Amendment is complete bar against Congress going beyond enumerated powers. See New York v. United States (1993), 505 U.S. 144. Consequently, unless or until the U.S. Constitution is amended to authorize a national social welfare program, state constitutional amendments are somewhat on the order of Trojan horses – they are of no lawful effect. Yet they have the appearance of law and are used to shroud if not justify a multitude of sins.

Another of the more bizarre truths is that Congress did not legislatively create the Internal Revenue Service, or its predecessor, the Bureau of Internal Revenue, as required by Article I, Section 8, clause 18 of the Constitution. This fact was verified in the IRS organizational statement published in the Federal Register as late as the seventies. See page 20960 of Volume 37 of the Federal Register and Cumulative Bulletin 836, 1972-2. In the Commissioner

of Internal Revenue statement, IRS origins were rationalized – Congress allegedly intended to create a bureau of agency in 1862 legislation that created the office of the Commissioner of Internal Revenue. (Act of July 1, 1862, 12 Stat. 432) However, this allegation is defused by looking up the original legislation then tracking tax administration legislation through 1954.

Congress created the offices of assessor and collector simultaneous with creating the office of Commissioner of Internal Revenue. One of each was appointed for each internal revenue district. The offices continued in existence until promulgation of the Internal Revenue Code of 1954.

What happened? Via Reorganization Plan No. 26 of 1950 & Reorganization Plan No. 2 of 1952, former President Harry Truman unilaterally abolished the two offices and placed administration of internal revenue laws under Bureau of Internal Revenue authority; the Bureau of Internal Revenue name was administratively changed to Internal Revenue Service in 1953 by a former Secretary of the Treasury.

The accommodating quirk was that Congress charged the president with responsibility for establishing internal revenue districts. See Section 7621 of the Internal Revenue Code. The president subsequently authorized the Secretary of the Treasury to establish internal revenue districts via Executive Order No. 10289 (published following Section 301 of Title 3 of the United States Code). To date the Secretary of the Treasury has never established internal revenue districts in States of the Union. This requirement must be read in the context of Section 72 of Title 4: No department of U.S. Government can operate outside Washington, D.C. without specific statutory authority. Where Congress authorized the president to establish internal revenue districts, and he hasn't done so in States of the Union, the Secretary of the Treasury and his delegates, whoever they might be, are geographically limited to Washington, D.C. and other geographical areas where they have statutory authorization.

The Internal Revenue Code restricts revenue officers and the like to internal revenue districts. See Section 7601 – the Secretary or his delegate is authorized to dispatch people to canvass internal revenue districts. Since there are no internal revenue districts in States of the Union, there is no authority for IRS personnel to examine, investigate or collect anything within the several States.

Consider another constitutionally-based question: Does the Constitution vest the president or any other executive officer with legislative authority? It obviously doesn't. Article I, Section 8, clause 18 vests Congress with all legislative authority for Government of the United States. Abolishing offices and agencies is as much legislative responsibility as creating them. If the Constitution doesn't directly create a government office or department, and Congress doesn't legislatively create it, there is no department or office to fill. Since Congress did not legislatively create a Bureau of Internal Revenue or Internal Revenue Service, whatever legitimate authority IRS personnel have must lie somewhere outside the constitutional framework – geographically outside States of the Union.

See Section 7701(a)(12)(B) of the Internal Revenue Code. The Internal Revenue Service may function as "delegate" of the Secretary of the Treasury in insular possessions of the United States, but cannot function as the more general delegate defined by Section 7701(a)(12)(A).

Only U.S. Government agencies and officers may function as the Secretary's delegate for purposes of Section 7701(a)(12)(A), and the Internal Revenue Service doesn't qualify. In fact, the Internal Revenue Service is noticeably absent from Chapter 3 of Title 31 of the United States Code, which establishes the Department of the Treasury and the various Department of the Treasury offices and bureaus.

The best current evidence suggests that the Treasury Financial Management Service, operating in conjunction with or under authority of the Fiscal Assistant Secretary of the Treasury, is simultaneously delegate of the Secretary of the Treasury for purposes of administering Subtitle A income taxes so far as they apply to States of the Union, and delegate of the Director of the Office of Management and Budget for the purpose of collecting delinquent debts owed to Government of the United States, including delinquent tax debts. By way of memorandum of agreement, contract or some comparable device, the Internal Revenue Service provides assorted support services for FMS. The scope of these services where States of the Union are concerned is determined by state-federal agreements for administration of qualified state income taxes. The agreements are authorized by Part 215 of Title 31 of the Code of Federal Regulations. The contractual authority applies exclusively to federal government agencies and personnel; it does not extend to general populations in States of the Union.

In 1921, Congress enacted the independent treasury act. To that point there were two distinct offices – the Department of the Treasury was an administrative office with cabinet status where Congress was responsible for maintaining the nation's Treasury, i.e., physical possession of the nation's money. Via the independent treasury act, Congress basically charged Federal Reserve Banks with physical custody of the nation's money. Treasury officers and employees were moved to new entities – the General Accounting Office assumed most responsibilities of the former Treasury; the Comptroller General became the ranking GAO officer. Until 1996, GAO was general agent of the Treasury with responsibility for settling accounts of the United States, whether owed by or to.

In 1996, Congress moved responsibility for settling accounts to the Director of the Office of Management and Budget. Where GAO is an independent office in the legislative branch, OMB is in the executive branch. The director of OMB may delegate account settlement authority; whether through the Fiscal Assistant Secretary or directly, he has apparently delegated the authority to FMS, at least as applicable to federal agencies and personnel.

Chapter 24 of the Internal Revenue Code, which is located in Subtitle C with social welfare taxes (employment taxes), authorizes withholding of Subtitle A income taxes from wages of federal government personnel. Chapter 24 does not impose a unique tax. Per Section 31 of the Internal Revenue Code, sums withheld from wages at the source are credited against Subtitle A income tax liabilities – the wage from which the tax is withheld isn't necessarily the object of the tax. Definitions of "employee" and "employer" in Section 3401(c) & (d) of the Internal Revenue Code limit authority to withhold from wages at the source to federal government agencies and personnel. There is no corresponding blanket withholding authority applicable to private enterprise or even state and local governments.

The Internal Revenue Code has a withholding duality. Sections 1441 through 1461 mandate that withholding agents withhold at the source on payments to nonresident aliens, foreign

partnerships, foreign corporations, etc. Section 3404 establishes government disbursement officers who are responsible for withholding from wages at the source. The government disbursement officer may simultaneously function as a withholding agent, assuming wages are paid to nonresident agents or foreign juristic entities. If the recipient isn't liable for Subtitle A income taxes, even government personnel are exempt from withholding from wages at the source.

What are now income taxes classified in Subtitle A of the Internal Revenue Code were first imposed as corporation income taxes in 1909. The legislation was a tariff act on corporation profits and gains, the object being "income" derived from international commerce. After the Sixteenth Amendment was allegedly ratified in 1913, the 1909 corporate income tax was expanded to apply to "individuals" who received certain kinds of income from certain sources. Whether the Sixteenth Amendment was properly ratified or not, it didn't change constitutional basics, nor did subsequent legislation expand the object of the income tax from what it was under the 1909 tariff act.

The Constitution authorizes two categories of tax, one described as direct and the other as indirect. Direct taxes must be apportioned; indirect taxes must be uniform. Any tax on property is a direct tax – compensation for labor, services, sales or whatever else, whether paid as wages, salaries or commissions, is property. Gain from property may constitute taxable income but as a rule the property itself doesn't. The exception is where the property recipient isn't necessarily vested with the constitutionally secured right to earn and own it.

Source rules in Subchapter N of Chapter 1 of the Internal Revenue Code determine what income constitutes Subtitle A taxable income. Two things must be determined: The status of the recipient and the source of the income. The list at Part 1.861-8(f)(1)(vi) of Title 26 of the Code of Federal Regulations determines taxable income for citizens and residents of the United States – citizens and residents of the geographical United States, whether citizens and residents of States of the Union or not. Remember, the Secretary of the Treasury has not established internal revenue districts in States of the Union so examination, collection and enforcement authority doesn't extend to States of the Union. It's reasonable to assume that collection authority extends to the geographical area where the tax applies so the lack of internal revenue districts in States of the Union constitutes prima facie evidence that none of the taxes in Subtitles A, B, C & D of the Internal Revenue Code are applicable in States of the Union. The conclusion is also consistent with geographical application of social welfare taxes specified by definitions "State", "United States" and "citizen" set out above.

For some time the Subchapter N or 861 source rules position has been under attack by the Internal Revenue Service and the Department of Justice. They've secured several adverse decisions, and have even imposed injunctions to force people to remove the argument from web sites, but IRS and DOJ have never provided a comprehensive memorandum that explains proper application of nor liability for income taxes imposed by Subtitle A of the Internal Revenue Code.

In a nutshell, the Subchapter N theory goes like this: Foreign corporations, nonresident aliens, etc., are liable for Subtitle A income taxes on U.S. source income where citizens and residents of the United States are liable for Subtitle A income taxes on foreign source income. Virtually all qualified state "resident and nonresident" income taxes are predicated on there being

liability for Subtitle A federal income taxes.

There might be room for doubt if the Subchapter N source rules theory had to stand on its own, but it doesn't. There is considerable supportive evidence. For example, the former Part 1.1441-5 of Title 26 of the Code of Federal Regulations (replaced in approximately 2000) specified that citizens and residents of the United States merely had to declare their status to stop withholding agents from withholding Subtitle A income taxes. The only regulation that has a currently valid Office of Management and Budget number that requires filing income tax returns pertains to foreign source income. See 26 CFR § 1.6091-3; verify that this is the only § 1.6091 regulation listed in the table of OMB numbers at 26 CFR § 602.101. Per the Internal Revenue Manual, Internal Revenue Service personnel have absolutely no authority to unilaterally execute Form 1040 (individual), Form 1041 (trust) and Form 1120 (corporation) substitute income tax returns. If these returns were universally mandatory, IRS would have authority to execute them as substitute returns under Section 6020(b) of the Internal Revenue Code. Instructions for the Form 1040 individual income tax return and IRS publications 15 & 515 verify that only foreign-earned income constitutes taxable income for the American people and that only government agencies are classified as employers.

By consulting the regulation at Part 31.6001-1(d), it is found that employees aren't even required to keep books and records unless they intend to file refund claims:

(d) Records of employees. While not mandatory (except in the case of claims), it is advisable for each employee to keep permanent, accurate records showing the name and address of each employer for whom he performs services as an employee, the dates of beginning and termination of such services, the information with respect to himself which is required by the regulations in this subpart to be kept by employers, and the statements furnished in accordance with the provisions of § 31.6051-1.

Reading through Part 31 regulations beginning with Part 31.6001-1 is extremely enlightening. These regulations prescribe the manner in which employees are supposed to secure refunds: In the event the employee is due a refund of sums withheld as income tax from wages, he or she is supposed to bill the employer, not the Internal Revenue Service. If the employer refuses to pay the employee's bill, the employee may attach a verified copy of the bill to a Form 843 and use that to request a refund directly from the Internal Revenue Service. Precious few employees are required to file Form 1040 or any other individual income tax return. Most employee tax matters are supposed to be handled directly with employers.

Except in situations where citizens and residents of the United States and domestic juristic entities have foreign-earned income, withholding agents and disbursement officers are the "persons liable" for collecting and/or withholding income and employment taxes. The annual April 15th tax return ritual doesn't apply to a vast majority of the American people. The 26 CFR Part 31 regulations conclusively expose the fraud.

One of the more interesting source rules support evidences is found in Internal Revenue Code seizure authority.

The authority begins with Section 6331, levy and distraint. This levy and distraint section is a catch-all provision that includes the basics for most voluntary and involuntary collection

procedure, whether via administrative offset (Section 3711(a)-(d), Title 31 of the United States Code), court-ordered garnishment (Section 3205, Title 28 of the United States Code), or admiralty seizure (Section 7323 of the Internal Revenue Coe). However, the Internal Revenue Code is specific with regard to what can be seized. Section 7301 obviously applies to production and distribution of distilled spirits; the catch-all is Section 7302, property used in violation of internal revenue laws.

Naked code sections are of no effect – the Secretary of the Treasury must promulgate implementing regulations for each agency that has authority to administer or enforce any given section. See Sections 6001 & 7805 of the Internal Revenue Code and attending case law. Although it isn't listed in the Parallel Table of Authorities and Rules (Index volume of the Code of Federal Regulations), the Internal Revenue Service has a regulation for Section 7302 – the regulation is Part 403 of Title 26 of the Code of Federal Regulations. The regulation works in conjunction with Treasury Delegation Order #157 and Rule 41 of the Federal Rules of Criminal Procedure.

IRS seizure authority under Section 7302 applies to property used in conjunction with or that is the fruit of drug-related commercial crimes listed in the regulation. In other words, IRS seizure authority falls under customs laws, not internal revenue laws, and the authority is geographically limited to U.S. admiralty and maritime jurisdiction.

China Trade Act corporations, authorized by the China Trade Act in 1904, were among those liable for the 1909 corporation income tax. They were created to accommodate treaties for trade in opium, cocaine and citric wines – treaties that now cover the controlled dangerous substance list. Income from China Trade Act corporations is on the list that constitutes taxable income at Part 1.861-8(f)(1)(vi)(I). Seizures authorized by the Part 403 regulation completes the link between customs and internal revenue laws. Procedure in the Part 403 regulation comes directly from Title 19 of the United States Code – procedure that is otherwise prescribed for the U.S. Customs Service. Section 7327 of the Internal Revenue Code, "customs laws applicable", verifies the link, and all seizure actions, per Section 7323, are "in rem" admiralty actions. This procedure does not fall under the "arising under" clause (law and equity) in Article III, Section 2 of the Constitution, nor does it fall in the framework of the Fifth, Sixth and Seventh Amendments – the three amendments assure the American people of judicial due process in the course of the common law. See Wayman v. Southard (1825), 23 U.S. 1, to verify that the Fifth, Sixth and Seventh Amendments secure due process in the course of the common law; also see the judiciary act of 1792, enacted subsequent to ratification of the first ten amendments, which specifies that law will proceed in the course of the common law where equity, admiralty and maritime causes proceed in the course of the civil law. There is no "mixed form of action" in American jurisprudence – see The Sarah, 21 U.S. 391 (1823).

The cumulative evidence suggests that federal income and employment taxes are not applicable in States of the Union, but in the event the former are, citizens and residents of the United States and domestic corporations are liable for federal income taxes on foreign-earned income only. In most cases the annual return ritual is a sham – a sham perpetrated to accomplish purposes outlined in the Ruml speech. Revenue from the taxes is not the objective – the objectives include transfer of wealth, inflation control and social engineering.