

Getting Free Of The "Income" Tax Scheme Is As Easy As Falling Off A Bicycle

(An Instructive Little Mental Exercise)

To get an idea of how today's "income" tax scheme works, try this little exercise. Keeping in mind the Constitutional limitations on the federal taxing power (briefly summarized [here](#), or more comprehensively, [here](#)), think of the federal government like a guy named Bob, who lives down the street from you in a town that is really big on bicycles. Bikes get used for commuting, deliveries, shopping, etc.. In fact, other than walking, bicycles are the exclusive form of transportation in your town.

Your neighbor Bob has a by-the-mile bicycle-renting business-- "Bob's Bicycles". Bob's Bicycles is far and away the biggest business in town. Part of this is because Bob does a lot of contract business. However, Bob doesn't just get paid by riders who have signed an agreement with him, or even just those using Bob's bikes. Bob gets something every time anybody in town does any riding at all, through an odd combination of circumstances that took many years to come together.

Here's how it happened...

Bob's Bicycles was launched long ago by the great grandfather of the present Bob (Bob IV). Great Grandpa Bob started out not only with a main location for his contract business-- he also had the bright idea of setting up spots around town where he parked some of his bikes for use by the more occasional rider, on an "honor system". Anyone could take and use one of these bikes, but they were expected to keep track of their mileage, and send Bob a "1040 Mileage Ridden/Rent Due Form" (and the appropriate rent), periodically. The initial design of the form was like this:

I, _____, rode a Bob's Bicycle a total of _____ miles this year.

At Bob's rental rate of \$.15 per mile, I owe Bob \$_____

I said that Great Grandpa Bob planned to deal with these occasional riders on the "honor system", and that's true. But he liked his money, too, and didn't want to miss anything that was due him. So, after setting up the "self-serve" locations, Great Grandpa Bob went around handing out "W-2, 1099 or K-1 Rider Reporting Forms" to every other business in town. The forms-- accompanied by notices that if Bob didn't get his rent from someone riding a bicycle in connection with any business, he would sue the company involved-- said:

*I, _____, saw _____ riding a bicycle from _____ to _____ on
____/____/____*

*I swear this to be true to the best of my knowledge and belief under penalties of
perjury,*

_____/____/____

To begin with, everybody understood that where it says "bicycle" on one of Bob's "W-2, 1099 or K-1 Rider Reporting Forms" or notices, it means "one of Bob's bicycles". For one thing, this was obvious. After all, what legitimate interest would Bob have in getting a report about someone riding a bike that wasn't his?

Indeed, what business would Bob have even *asking* for a report about someone riding a non-Bob's Bicycle? Everyone understood, and besides, on the back of the form, anyone who looked would find, *"When used on one of Bob's forms or notices, "bicycle" means "one of Bob's bicycles"."* So, these forms worked well enough, to begin with. Everyone understood what they were for, and Bob's "honor system" bicycles were all painted bright red, so mistakes were few.

Some mistakes DID happen though. So, Great Grandpa Bob provided that the same reporting process used to admit riding a "Bob's Bicycle" on the honor system would serve to correct any errors. All that a victim of an erroneous "W-2, 1099 or K-1 Rider Reporting Form" needed to do was fill out one of the "1040 Mileage Ridden/Rent Due" forms-- which could be conveniently found at the

"Bob's Bicycles" locations all over town-- declaring the truth of the matter (with a specific rebuttal or correction of the erroneous "W-2, 1099 or K-1 Rider Reporting Form" assertions attached).

This might mean reporting that they had ridden '0' miles on one of Bob's bikes that year. Or it might mean acknowledging that they DID ride one of Bob's bikes for a certain number of miles, just not the number reported on the erroneous "W-2, 1099 or K-1 Rider Reporting Form". This particular use of the "1040 Mileage Ridden/Rent Due" form led to a little change in its design. Now it looked like this:

I, _____, rode a Bob's Bicycle a total of _____ miles this year.

Since Bob's rental rate is \$.15 per mile, I owe Bob \$_____

Under penalties of perjury, I declare the foregoing to be true, complete and correct to the best of my knowledge and belief,

_____ / /

(Great Grandpa Bob was a nice guy, and he was comfortable with his "honor system". But Great Grandpa Bob wasn't born yesterday.)

Over the years, things got a bit more complicated, just by an unfortunate coincidence of a bunch of misunderstandings. For one thing, Bob Jr. stopped personally distributing the "W-2, 1099 or K-1 Rider Reporting Forms", and hired a company to take care of this for him. Now, folks who had never even met Bob, and didn't know anything about him or his business, started getting "W-2, 1099 or K-1 Rider Reporting Forms" in the mail.

Along with the forms came prominent instructions advising the recipient to, *"Use this form to report the use of a bicycle by any person"*. The note that, *"When used on one of Bob's forms or notices, "bicycle" means "one of Bob's bicycles"*", got reworded into more complex 'legalese', and buried in a whole lot of new fine print on the back of the form.

Later, that clarifying note moved off the form entirely-- first being replaced by a cryptic reference to where the definition might be found in the "Bicycle Forms, Publications and Policies Guide" (conveniently available at each "Bob's" location around town), and then ultimately being dropped altogether under the principle that knowing what the forms are for is the responsibility of the person filling one out. Unsurprisingly, a lot of folks misunderstood, and began filling out and sending these reports to the address provided every time they saw anyone riding ANY bicycle.

Another thing contributing to complications with Great Grandpa Bob's program was Bob Jr's decision to stop painting his "honor system" bikes bright red. Pretty soon, even folks who remembered that "W-2, 1099 or K-1 Rider Reporting Forms" only related to Bob's bicycles were filling them out anytime they saw anyone riding a bike. This was only partly out of confusion. "Bob's" had become a very successful business over the years, and was an important customer to every other company in town. People were eager to please Bob, and keep in his good graces; furthermore, although the fine print on the "W-2, 1099 or K-1 Rider Reporting Forms" had changed, those notices about Bob suing for his money hadn't. Bob maintained a really active PR department, and was well thought-of in the community in general, but he also had the most aggressive collections and legal operations in town. What with the subject of a report having a simple means of correcting any errors, and in light of these other considerations, the simplest and safest course was just to fill out a report whenever anyone was seen on any bike.

It wasn't long before the town's kids were growing up with the impression that Bob had some kind of legal interest in bicycle usage in general. After all, once they got jobs, the company they worked for would automatically fill out a "W-2, 1099 or K-1 Rider Reporting Form" and send it to Bob, even when the kids rode their own bikes. If the rider didn't then send in the rent, Bob's collection agency would be all over them like ugly on an ape, with no questions asked.

By the time the grandkids of the first "Bob's Bicycles" customers were coming up, everyone had heard stories about riders who, having not paid Bob, were hauled into court and accused of "bicycle rent evasion". All that ever was alleged in these cases was that the accused rode a bicycle, and

hadn't paid Bob. It appeared that if just these things alone were proven, dire consequences followed.

Bob, it seemed, could charge you rent for using your own stuff, and the legal system would back him up! By then it didn't occur to anyone-- including the defendants in these affairs-- that when used in a Bob's-bicycles-related legal action "bicycle" doesn't mean "any bicycle", but only means "one of Bob's bicycles", just as it does on a "W-2, 1099 or K-1 Rider Reporting Form". After all, by then almost no one alive could remember back to the beginning. By then, almost no one alive had ever read through Bob's "Bicycle Forms, Publications and Policies Guide", which had grown over the years to thousands and thousands of pages in length.

Further, by then Bob's Bicycles was so big, and so rich, and so diversified, that Bob III had a hand in everything that went on in town, and knew just how to spread all that rent money around. He had no trouble securing the support of the town fathers and other important and influential folks, and those movers and shakers-- just as ignorant of the truth as anyone else-- were happy to help Bob's PR department encourage everyone to just "pay their rent" without question. Paying rent to Bob became something to be done not only unselfishly, but with pride. Paying rent to Bob was good for the community!

* * *

Over the years, every "Bob" has carefully kept the overall rent-burden tolerable. The nominal rates have often been high, but a big list of discounts and credits has grown in pace with the misunderstanding about who really owes rent to Bob. When everyone understood, and all the business done with Bob was knowingly voluntary, one simple rental rate was enough, and no elaborate discounting was needed. But as more and more people found themselves seemingly beholden to Bob, he realized that if he tried to take the same rate from the less-well-off that he could get away with from the well-to-do, somebody-- faced with a bill they couldn't handle-- might just start actually reading his "Bicycle Forms, Publications and Policies Guide", however difficult that had been made. Then the good thing Bob has grown accustomed to might fall apart. So, Bob's rental rates have grown increasingly "progressive". Bob, no dummy, is content to sacrifice on margin and make it up in volume.

In his best move ever, Bob instituted a "payroll deduction" program, under which the townsfolk are encouraged to anticipate how much riding they're going to do over the year, and then have part of their pay sent to Bob each week against the annual rent bill they figure will result. By virtue of this program, most folks never even really notice how much they're sending to Bob! (Bob is still chortling over this one, decades after thinking it up...)

Needless to say, Bob's "1040 Mileage Ridden/Rent Due" forms have gotten rather complicated. But whole industries have sprung up in town just to help people fill them out (for a fee, of course). The average person doesn't directly deal with paying Bob at all, anymore-- in fact, most get a "refund" from Bob each year, of what had been "over-deducted" under the "payroll deduction" program, and view it like a birthday present. All-in-all, Bob has succeeded in creating the "perfect storm" of misunderstanding.

Well, that's the story of Bob's Bicycles. Today, everyone in town plans all their affairs with Bob's piece-of-the-action factored in. Indeed, big chunks of the population do nothing but handle Bob's Bicycle-related activities. Most of the rest can't imagine a time without the business Bob does with their own businesses, or the charitable "giving-back-to-the-community" grants Bob makes out of the rent money he collects.

Great Grandpa Bob rests; probably with a smile on his face, 'cause the kids are doing all right. And deep within Bob's "Bicycle Forms, Publications and Policies Guide", the long-forgotten truth rests, too-- waiting for anyone willing to go to the trouble to take it out for a spin.

So, How About You?

Who Gave You YOUR Wheels?

[Crack The Code And Learn The Complete Truth About The Tax](#)

"Although all men are born free, slavery has been the general lot of the human race. Ignorant--they have been cheated; asleep--they have been surprised; divided--the yoke has been forced upon them. But what is the lesson?...the people ought to be enlightened, to be awakened, to be united, that after establishing a government they should watch over it....It is universally admitted that a well-instructed people alone can be permanently free."

-James Madison