

## **EXHIBIT 7**

Trial testimony of Robert Metcalfe, the US attorney who wrote the Complaint of the United States in *United States v. Peter and Doreen Hendrickson*, Civil Action No. 06-11753, and the 'Amended Judgment' signed by Judge Nancy Edmunds in that case. These transcript excerpts show Metcalfe:

- admitting having read 'Cracking the Code- The Fascinating Truth About Taxation In America';
- reading portions of the book in which withholding on other than federal, state and local government workers is discussed; and
- explaining that when contriving the falsehoods in his Complaint and the Amended Judgment he took one sentence from one section of the book dealing with a particular application of withholding and deliberately misconstrued it to be evidence that the book argues that “only federal, state or local government workers are liable for the payment of federal income tax or subject to the withholding of federal income, social security and Medicare taxes from their wages under the internal revenue laws.”

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UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Case No. 13-20371

-vs-

DOREEN HENDRICKSON,

Detroit, Michigan

Defendant.

July 23, 2014

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TRANSCRIPT OF TRIAL - VOLUME THREE  
BEFORE THE HONORABLE VICTORIA A. ROBERTS  
UNITED STATES DISTRICT COURT JUDGE, and a Jury.

APPEARANCES:

For the Government:

Melissa Siskind, Esq.

Jeffrey McLellan, Esq.

For the Defendant:

Doreen Hendrickson, Pro Per

Standby Counsel:

Andrew Wise, Esq.

Proceedings taken by mechanical stenography, transcript  
produced by computer-aided transcription

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1 MRS. HENDRICKSON: Interesting.

2 THE COURT: And Mrs. Hendrickson, just ask questions and don't  
3 comment please.

4 Q. (By Ms. Hendrickson continuing) If the claim that only Federal, State and local  
5 Government workers are subject to income taxes is not found in the book, that's not in  
6 the book, anyone filing a return based on what is in the book would be okay and  
7 wouldn't have violated this Order?

8 MS. SISKIND: Objection. Same objection.

9 THE COURT: Sustained.

10 Q. (By Ms. Hendrickson continuing) Okay. Mr. Metcalfe, yesterday you said you  
11 read this book, right?

12 A. Yes, I did.

13 Q. You also said that it was on the basis of what you read there that you wrote in  
14 your Complaint and in one of the Orders you asked for from Judge Edmunds that this  
15 book claims that only Federal, State, local Government workers are subject to the  
16 income tax. So if you would please, I'll have to go with this since you don't have it  
17 now. Turn to page 12 in *Cracking the Code*, the copy that you have, and would you  
18 please read the highlighted portions there and on the next page?

19 A. On July 1st, 1862 in the heat of the Civil War and in the face of looming and  
20 intractable revenue troubles for the Northern Government, its Congress passed the  
21 Revenue Act of 1862, being an Act to provide Internal Revenue to support the  
22 Government and to pay interest on the public debt. Among the lengthy list of  
23 measures imposing a variety of excises and duties were the following sections under  
24 the heading Income Duty. Section 86. And be it further enacted that on and after the  
25 first day of August, 1862, there should be levied, collected and paid on all salaries of

1 officers or payments to persons in the civil military of officers or payments to persons  
2 in the civil military, naval or other employment or service of the United States,  
3 including Senators and Representatives and Delegates in Congress when exceeding  
4 the rate of \$600 per annum, a duty of three percentum. Section 90. And be it further  
5 enacted that there shall be levied, collected and paid annually upon the annual gains,  
6 profits or income of every person residing in the United States, whether derived from  
7 any kind of property, rents, interest, dividends, salaries, or from any profession, trade,  
8 employment, or vocation carried on in the United States or elsewhere or from any  
9 other source whatever, except as herein after mentioned. If such annual gains, profits  
10 or income exceed the sum of \$600 and do not exceed the sum of \$10,000, a duty of  
11 three percentum on the amount of such annual gains, profits or income over and  
12 above the said sum of \$600.

13 Q. Okay. Now on page 15, would you please read the highlighted portion?

14 A. Subsequent acts changed the rate and eventually added progressivity, but the  
15 imposition of the tax and the specifications of and exclusions from its object remain.

16 Q. Okay, thank you. Would you please turn to page 68?

17 A. However, in the preface to the Internal Revenue Code of 1939 describing its  
18 nature as a compilation, we find the following: The title contains no provision except  
19 for effective date not derived from the law approved prior to January 3rd, 1939, the  
20 whole body of Internal Revenue law in effect on January 2nd, 1939, therefore has its  
21 ultimate origin in 164 separate enactments of Congress. The earliest of these was  
22 approved July 1st, 1862; the latest, June 16th, 1938.

23 Q. Thank you. Would you please turn to page 126?

24 A. Now here is the definition of a withholding agent and the title in the sections to  
25 which that definition refers. Title 26, Section 7701, paragraph 16: Withholding agent.

1 The term withholding agent means any person required to deduct and withhold any  
2 tax under the provisions of Section 1441, 1442, 1443 or 1461. Section 1441,  
3 withholding of tax on nonresident aliens. Section 1442, withholding of tax on foreign  
4 corporations.

5 Q. And please turn to page 129.

6 A. 1441, withholding of tax on nonresident aliens. A, general rule. Except as  
7 otherwise provided in Subsection C, all persons and whatever capacity acting,  
8 including lessees or mortgagers of real or personal property, fiduciaries, employees  
9 and all officers and employees of the United States having the control, receipt,  
10 custody, disposal or payment of any of the items of income specified in Subsection B,  
11 to the extent that any of such items constitutes gross income from sources within the  
12 United States of any nonresident alien individual or of any foreign partnership shall,  
13 except as otherwise provided in regulations prescribed by the Secretary under  
14 Section 874, deduct and withhold from such items a tax equal to 30% thereof.  
15 Section 1442, withholding of tax on foreign corporations. A, general rule. In the case  
16 of foreign corporations subject to taxation under the subtitle, there shall be deducted  
17 and withheld at the source in the same manner and on the same items of income as  
18 provided in Section 1441 a tax equal to 30% thereof.

19 Q. Now Mr. Metcalfe, on page 149 and 150 please.

20 A. Section 3402, income tax collected at source. P, voluntary withholding  
21 agreements. Three, authority for other voluntary withholding. The Secretary's  
22 authorized by regulations to provide for withholding, A, from the remuneration for  
23 services performed by an employee for the employee's employer which without regard  
24 to this paragraph does not constitute wages and, B, from any other type of payment  
25 with respect to which the Secretary finds that withholding would be appropriate under

1 the provisions of this chapter. If the employer and employee or the persons making  
2 and the persons receiving such other type of payment agree to such withholding, such  
3 agreement shall be in the form and the manner as a Secretary may by regulations  
4 prescribe. For purposes of this chapter and so much of subtitle F as relates to this  
5 chapter, remuneration or other payments with respect to which such agreement is  
6 made shall be treated as if they were wages paid by an employer to an employee to  
7 the extent that such remuneration is paid or other payments are made during the  
8 period for which the agreement is in effect.

9 Q. Okay, thank you. Now this book was a newer edition that was into print  
10 already when I filed my --

11 MS. SISKIND: Objection, Your Honor.

12 THE COURT: Yes.

13 MRS. HENDRICKSON: Okay, I'm sorry. I'm not following the rules.

14 THE COURT: I'm sorry, Mrs. Hendrickson. Can I speak?

15 MRS. HENDRICKSON: Sorry.

16 THE COURT: Before you publish or try to publish exhibits to the Jury,  
17 you have to lay a foundation to get it admitted.

18 MRS. HENDRICKSON: Okay. Mr. Metcalfe, this is another copy of  
19 *Cracking the Code* and for ease I put its publication date on it, and so this one would  
20 have been in print already when I filed my 2008 returns and so the next section that I  
21 would like to cover is pertinent. Do you recognize this as a copy of *Cracking the Code*  
22 anyhow?

23 THE WITNESS: I'm not sure I've ever seen that before.

24 THE COURT: Excuse me, Mr. Metcalfe. Excuse me. Do you have an  
25 objection?

1 my returns based on what you claim is the notion in the book?

2 A. What I -- what I based our allegation on in the Complaint is a passage that's  
3 taken from page 76 of *Cracking the Code* where it says so actually withholding only  
4 applies to the pay of Federal Government workers exactly as it always has, plus State  
5 Government workers since 1939 and those of the District of Columbia since 1921.

6 Q. Yes. Did you notice that you said withholding only applies? That's not the  
7 same as the income tax. So you a summarized 200-page book with a snippet and it's  
8 not even accurate. You said that said withholding and we're talking about the income  
9 tax here.

10 THE COURT: Is there a question, Mrs. Hendrickson?

11 Q. (By Ms. Hendrickson continuing) Well, I don't think Mr. Metcalfe is going to  
12 answer my question. Okay. Do you still maintain that this book argues that wages  
13 are not income and that only Federal workers are required to pay income tax, Mr.  
14 Metcalfe? Are you still maintaining that this book argues that point; that wages are  
15 not income and that only Federal workers are required to pay income tax?

16 A. Yes.

17 Q. So is it your understanding that nonresident aliens and foreign corporations  
18 described in the book as being subject to the withholding are Federal workers? We  
19 just went through some of the pages from the book.

20 A. You're asking me if it's my understanding that nonresident aliens and foreign  
21 corporations are Government workers?

22 Q. Well, we just went through some pages from the book that said nonresident  
23 aliens and foreign corporations are subject to the income tax. They're obviously not  
24 Federal workers, so -- but by your definition the way that you've interpreted the book I  
25 think is that only Federal workers and State and local workers are subject to the