Each year, millions of Americans report their earnings to the IRS, allowing a significant portion of their wealth to be claimed by the government. Yet the law itself stipulates that the tax is only to be paid on a certain kind of income—a truth about which most Americans remain blissfully unaware.

Most people in America are woefully uninformed about the nature of who is to pay income tax. Reporting “income” and deducting “expenses” is the only relief available to many, even with the help of “trained professionals,” all of whom operate under the same misconceptions.

The IRS wants to keep that to way. When these secrets were first published and exposed the real truth behind the income tax laws, it created such an uproar that the IRS took action. They filed a lawsuit in Federal Court to suppress this information with allegations of “promoting an abusive tax shelter.” After 5 1/2 months of legal wrangling, U.S. attorneys from the Department of Justice (the DOJ is the legal-bulldog of the IRS) formally abandoned efforts to enforce three IRS summonses issued as part of a desperate effort by the agency to keep this transformational knowledge out of the hands of the American public.

Even though the IRS won’t admit that it has no legal means to accomplish this goal, the DOJ doesn’t have any choice.

For the benefit of those who have not yet read “Cracking Th e Code: The Fascinating Truth About Taxation In America”, here is a quick sketch of what the government is so desperate to suppress, even while it continues, every week, to properly issue complete refunds to beneficiaries—and nothing else. That limitation is what keeps the tax in the good graces of the Constitutional prohibition of capitations and other direct taxes, which it would otherwise qualify as if extended to any other subjects.

Since its debut in 1862, the creation of a legal instrument swearing to the amount, and the taxable status, of every payment of such specialized gains has been a part of the tax’s bureaucratic structure. The most common such instruments (called “information returns” in the law) are known as W-2s, 1099s and K-1s — each of which contains, deep in its legal fine print, a clear and explicit declaration that the payment which it reports IS a gain from involvement in federal activities, and is therefore taxable.

Over the decades, through a combination of factors, Americans have been trained to execute one of these information returns whenever they are making almost ANY kind of payment, leaving the correction of errors to the recipient of the payment. Quite properly, a means by which such corrections can be accomplished is thoroughly provided for within the law.

Unfortunately, a general understanding of the limitations of the income tax, and the mechanisms by which it is implemented, has faded. This is not really too surprising. Although its basic principles are simple and straightforward, the body of the tax law itself is a mind-numbing several millions of words long.

More, the structure of the law contains a number of elements which are capable of being misunderstood as extending the tax beyond its actual limits, when examined superficially. “Cracking Th e Code: The Fascinating Truth About Taxation In America” thoroughly, comprehensively and unmistakably corrects such misunderstandings, and reveals the liberating knowledge of what the law actually says, and how it really works.

**Constitution Forbids Unapportioned Direct Taxes**

Most people in America are woefully uninformed about the nature of who is to pay income tax. Reporting “income” and deducting “expenses” is the only relief available to many, even with the help of trained professionals, all of whom operate under the same misconceptions. Yet, the law itself stipulates that tax is only to be paid on a certain kind of income — a truth about which most Americans remain blissfully unaware. Here are the facts you should know.

The United States Constitution forbids unapportioned direct federal taxes, and is the ONLY item in the Constitution that is STATED TWICE.

Article I, Section 2: “...direct Taxes shall be apportioned among the several States...”

Article I, Section 9: “No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census...”

“Apportioned” and “in Proportion to the Census” mean that the tax is billed to the state governments according to each state’s percentage of the national population. The states collect the tax according to state law, and remit it to the federal government. The Federal Government is thus prohibited from involving itself directly in the lives and finances of private citizens.

This is unique to America, fundamental to this nation’s Constitutional prohibition of capitations and other direct taxes, which it would otherwise qualify as if extended to any other subjects.

United States Supreme Court, Knowlton v. Moore, 178 U.S. 41 (1900):

“Direct taxes bear immediately upon persons, upon the possession and enjoyment of rights.”

United States Supreme Court, Butcher’s Union Co. v. Crescent City Co., 111 U.S. 746 (1883):

“The right to follow any of the common occupations of life is an inalienable right...”

United States Supreme Court, Coppage v. Kansas, 236 U.S. 1 (1915):

“Included in the right of personal liberty and the right of private property... is that of personal employment, by which labor and other services are exchanged for money or other forms of property.”

**Taxable Income Derived Only From Federal Privilege; Not “Everything that Comes In”**

Amendment XVI: “The Congress shall have the power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration.”

“Incomes” under federal tax law lost its common, everyday meaning and became a legal term via the Revenue Act of 1862, which set forth federally-licensed “trades or occupations,” federal employees, dividends from federal investments, and other federally-privileged activities, and laid an excise tax on those “incomes.”

Therefore, “income” under federal tax law is defined as results resulting from the exercise of federal privilege. In other words:

Federal “Income” Taxes are taxes on receipts that ARE taxable... NOT a tax on all receipts.

United States Supreme Court, So. Pacific v. Lowe, 247 U.S. 330, (1918):

“We must reject... the broad contention submitted in behalf of the government that all receipts - everything that comes in - are income...”

F. Morse Hubbard, Treasury Department Legislative Draftsman, House Congressional Record, March 27 1943, page 2580:

“The income tax is, therefore, not a tax on income [earnings] as such. It is an excise tax with respect to certain activities and privileges which is measured by reference to the income which they produce. The income is not the subject of the tax: it is the basis for determining the amount of tax.”

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When a company submits a W-2 that lists an ordinary, non-privileged citizen as having received “wages”, for instance, those “wages” are assumed under the law to be federally privileged, because that is the only purpose for a W-2. The company’s erroneous testimony is the testimony of record until the citizen files his tax return. The tax return is the citizen’s testimony - signed under penalty of perjury - that either agrees to, or rebuts, the company’s testimony under various names always known receipts known as “income” in the common revenue” which constitute the broad class of that actually touched upon the “all species of Constitution prohibits capitations and other instituted the income tax we've since come to conclusion that the 16th Amendment provides United States Supreme Court, Brushaber v. Union mango testimony stands, and the full weight of Federal testimony. The latter are without their scope.” Furthermore, if any monies have been withheld, the nontaxpayer is entitled by law to a full refund.

United States Supreme Court, South Carolina v. Baker, 485 U.S. 505 (1988): “The legislative history merely shows... that the sole purpose of the Sixteenth Amendment was to remove the apportionment requirement for whichever incomes were otherwise taxable.”

United States Supreme Court, Peck v. Lowe, 247 U.S. 165 (1918): “The Sixteenth Amendment... does not extend the taxing power to new or excepted subjects.”

United States Supreme Court, Stanton v. Baltic Mining Co., 240 U.S. 103 (1916): “…the contention that the Amendment treats a tax on income as a direct tax... relieved from apportionment... is... wholly without foundation. “...the Amendment demonstrates that no such purpose was intended, and on the contrary shows that it was drawn with the object of maintaining the limitations of the Constitution... “The Amendment... makes such wider significance a part of the Constitution, - a condition which clearly demonstrates that the purpose was not to change the existing interpretation.”

The Sixteenth Amendment was passed only to insure that all federally-privileged income could be taxed, regardless of the source from which that federal income was derived. So “making money” or “having money” or “being paid” or “receiving earnings” or being a private-sector employee in the normal sense of the word (as opposed to the limited term “employee” defined in the Internal Revenue Code) is not the subject of the Sixteenth Amendment, and is not the subject of the Internal Revenue Code.

The Lincoln administration knew the company’s testimony is the testimony of record until the citizen files his tax return. The tax return is the citizen’s testimony - signed under penalty of perjury - that either agrees to, or rebuts, the company’s testimony under various names always known receipts known as “income” in the common revenue” which constitute the broad class of that actually touched upon the “all species of Constitution prohibits capitations and other instituted the income tax we've since come to conclusion that the 16th Amendment provides United States Supreme Court, Brushaber v. Union mango testimony stands, and the full weight of Federal testimony. The latter are without their scope.” Furthermore, if any monies have been withheld, the nontaxpayer is entitled by law to a full refund.

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Revenue Act of 1862 Creates Excise Tax On Income

The Lincoln administration was aware of all that we have just discussed when, in 1862, it instituted the income tax we’ve since come to know so poorly, but loathe so well. The Lincoln administration knew the Constitution prohibits capitations and other direct taxes (unless apportioned; it knew a tax that actually touched upon the “all species of revenue” which constitute the broad class of receipts known as “income” in the common usage of that word WOULD BE a capitation, and had under various names always been recognized and designated as a direct tax throughout history; and it also knew that apportioned direct taxes were really only suited to one-time debt-retirements and had traditionally been used exclusively for that purpose. One-time debt-retirement was not what the Lincoln administration needed or wanted. Lincoln was looking to finance an ongoing war effort, and he needed the kind of tax that, once instituted, keeps on giving and giving without the inconveniences of repeated legislation and voting. In short, he wanted an excise, and that’s what he imposed – an excise on certain activities, measured by (and typically paid out of) the revenue they produced. “…in Spring er v. S., 102 U.S. 386 (1880), it was held that [the] tax upon gains, profits, and income was an excise or duty, and not a direct tax, within the meaning of the constitution, and the latter interpretation was not, therefore, unconstitutional” United States Supreme Court, Pollock v. Farmer’s Loan & Trust, 158 U.S. 601, 1895; “A tax on income is in its nature an excise entitled to be enforced as such.” United States Supreme Court, Brushaber v. Union Pacific R. Co., 240 U.S. 1 (1916), quoting and reiterating language used in its ruling in Pollock v. Farmer’s Loan and Trust.