



October 2012

Destructive Taxation

Dear Friend of Radio Liberty,

“Oh, would some power the gift give us; to see ourselves, as others see us”

Robert Burns, “To a Louse” (Anglicized version)

The Establishment-controlled media (the Brotherhood of Darkness) is trying to convince the American people that one of the ten planks of the *Communist Manifesto* demands imposition of “A heavy progressive or graduated income tax.” Another mandates the “Centralization of credit in the banks of the state, by means of a national bank with state capital and an exclusive monopoly.” A third calls for “Confiscation of the property of all emigrants and rebels.”

The first two of those provisions makes the third inevitable. Nearly a century ago, the U.S. government, following that totalitarian formula, created the Federal Reserve System and imposed the income tax. Two years ago it enacted the “Foreign Account Tax Compliance Act,” or FATCA, through which it claims universal jurisdiction over the bank accounts of U.S. citizens. As is the case with most totalitarian enactments, FATCA was designed to be implemented gradually –and its most onerous provisions are just now beginning to take hold. (1)

Financial affairs commentator Simon Black observes that through FATCA, “All US taxpayers must annually disclose foreign financial accounts to the IRS if the values exceed a particular threshold (starting at \$50,000). This requirement began last year.” The measure’s impact on foreign banks is just as dramatic: “All foreign banks must enter into a blanket information sharing agreement with the IRS. If they don’t, the banks are subject to a 30% withholding penalty on U.S.-sourced funds.” (2)

What this means is that the U.S. government – in keeping with the totalitarian reasoning of the *Communist Manifesto* – claims the authority to confiscate the wealth of Americans who seek to protect their earnings by depositing them in foreign bank accounts. It also asserts the power to deputize all banks everywhere as informants on behalf of the world’s most detestable secret police agency, the IRS.

The Soviets – for all of their domestic tyranny and international aggression – never made such an audacious claim of universal jurisdiction.

Because of FATCA, Swiss banks are beginning to refuse deposits from U.S. citizens. The *Wall Street Journal* reports that “The U.S. has alleged that 11 Swiss banks helped Americans avoid paying taxes. Most banks in Switzerland have little appetite to deal with such risk and are quietly – or openly – ushering American clients out or limiting the range of products offered to them....” (3)

Last June, Scott Schmith, a 50-year-old American photographer who has done business in Switzerland as an expatriate, received a certified letter from Swiss bankers Prepaid Services informing him that he was being dropped as a client because of his U.S. citizenship. This prompted Schmith to take a step he had previously considered unthinkable: He renounced U.S. citizenship and surrendered his U.S. passport.

“I have nothing to hide, but my heart is here, my business is here, and my life is here,” Schmith explained to the *Wall Street Journal*. (4)

Even after an American renounces his citizenship, he is treated as the property of the federal government, which often demands that the individual pay an “exit tax.” For the renunciation of citizenship to become official, the American must certify that he has been in full tax compliance for five years; if the IRS disputes that assertion, it can declare the expatriation invalid and then proceed against the individual in its own tax courts, where that vile agency can confiscate as much of his wealth as it considers appropriate.

While Swiss banks are stiff-arming would-be American customers, other financial institutions – such as DBS Bank in Singapore or Sweden’s Nordea Bank – have announced that they simply won’t comply with some of the heavy-handed measures imposed by the U.S. Congress. As Simon Black points out, the U.S. government’s proprietary mix of profligacy and presumption is encouraging the flight away from the ever-depreciating dollar: “The dollar is being slowly displaced in international markets. Countries around the world are starting to increase their reserves of China’s renminbi, as well as accept renminbi in international trade settlements. We’ve also seen foreign companies like McDonalds issuing debt denominated in renminbi, the launching of renminbi-denominated commodity futures contracts, and the trading of renminbi assets in foreign exchanges. All of that used to be dominated by the dollar.” (5)

Richard Rahn of the Cato Institute warns that in addition to persecuting law-abiding Americans living abroad, the “tax bullies” who enacted FATCA are shutting off foreign investment in the United States:

“The cost of compliance and associated risks are so high for foreign financial institutions that many are now refusing to ... invest in America.... [This] will result in the United States losing hundreds of billions in foreign investment and millions of attendant jobs.” (6)

In fact, FATCA could lead to an interesting conflict between Washington and its leading creditors.

Joe Seet, a senior partner in England's Sigma Partnership (an elite accounting and tax compliance firm), underscores another consequence of FATCA and similar measures. Seet notes that "China and Japan sovereign and investment funds continue to be the biggest holder of US treasuries," and that neither country is willing to comply with FATCA. Under full implementation of FATCA "these funds will suffer 30 percent withholding tax on both interest and principal and this will result in an inevitable and severe contraction of their \$2 trillion-plus holdings."

This creates the possibility of some kind of arrangement through the World Trade Organization in which "sovereign states [will] refuse to trade with the U.S. and will not purchase U.S. Treasuries unless they are exempt from FATCA," Seet concludes. (7)

Consider how this must look: Washington is the largest deadbeat debtor in the history of world finance – and yet *it claims the power to garnish the earnings of foreign banks that are lending it money* unless those banks submit to the supposed authority of the IRS.

By any rational definition, the IRS is a terrorist entity. As former IRS Commissioner David Patnoe admitted: "More tax is collected by fear and intimidation than by the law. People are afraid of the IRS." (8)

The IRS uses the threat of lethal violence to terrorize people into surrendering their legitimately earned wealth. In their unguarded moments, officials of that dreaded terror syndicate will admit that they are at war with the public they supposedly serve.

"The language of war and the culture of conflict are the only means to prepare us for what is expected of us," recalled former IRS revenue officer Richard Yancey in his invaluable memoir *Confessions of a Tax Collector*. "How else could they demand what was expected of us? You can't take [the] life savings [of income tax victims], their car, their paycheck, the roof over their head and the heads of their children, without dehumanizing them, without casting yourself in a role that by necessity makes them the enemy."

On one occasion recorded by Yancey, he and other trainees were informed that the IRS had no use for agents "who anguished over each closure, as if their decision meant life or death for the taxpayer." When one trainee objected that this often is literally the case, the trainer replied that the agency's role has nothing at all to do with "doing the right thing for the taxpayer"; it was simply that of "protecting the government's interest."

"But what if the government's interest is wrong?" objected the blessedly obtuse trainee.

"Our interest is never wrong or right," responded the trainee. "It just is."

One of Yancey's supervisors considered taxpayers to be, at best, fodder for the firing squad. That official, Yancey recalls, ended a profanity-infused tirade by describing taxpayers unable to

surrender every dime demanded by agents of federal extortion as "Deadbeats ... if it were up to me, I'd line 'em all up against a wall and shoot them." (9)

In 1997 congressional testimony, Houston IRS agent Jennifer Long explained that the agency teaches its agents to use "tactics – which appear nowhere in the IRS manual ... to extract unfairly assessed taxes from taxpayers, literally ruining families, lives, and businesses – all unnecessarily and sometimes illegally."

"The IRS will often pursue a taxpayer who is viewed to be vulnerable," testified Long. "To the IRS, vulnerability can be based on a perception that the taxpayer has limited formal education, has suffered a personal tragedy, is having a financial crisis, or may not necessarily have a solid grasp of their legal rights. Please understand, many agents are encouraged by management to pursue tax assessments that have no basis in tax law from individuals who simply can't fight back. However, if that taxpayer does object or complain, every effort will be made by the IRS to run up their tax assessment, despite their financial resources and force them to capitulate to IRS demands." (10)

Americans understandably despise and resent the IRS. It shouldn't be difficult to imagine how citizens of other countries react when that agency imperiously demands that they submit to its purported authority.

It's important to recognize that the IRS's role as a secret police agency is not limited merely to matters of forensic accounting. This fact is illustrated in the IRS-led persecution of Idaho State Representative Phil Hart, who – with the help of a pliant GOP state establishment – was defeated in the Republican primary earlier this year.

Hart, an engineer by trade, has done a huge amount of primary-source research into the origins and purposes of the federal income tax. He has published his findings in a book entitled *Constitutional Income: Do You Have Any?*

The original intent of the 16th Amendment, as one Congressman pointed out during a 1943 congressional hearing on the House floor (see *Congressional Record*, March 27, 1943, p. 2580), was not to impose a tax "on income as such," but rather to impose an "excise tax with respect to certain activities and privileges which is measured by reference to the income which they produce." In other words, the income tax was applied to income derived from the privilege of acting as a government-created corporation.

The income tax was sold to the public as a way of protecting the common people from the predations of the super-wealthy. At the time, the Republican-created tariff system that amounted to "a tax placed on the American people not by government, but by business," writes Hart.

The income tax, Hart concludes, was designed to target those who profited from government-created and tariff-assisted monopolies. This was the "bait." The "switch" came once the 16th Amendment was ratified, when legislators in thrall to what used to be called the Money Power (with the detestable Nelson Aldrich playing a key role, as he did in the creation of the Federal

Reserve) retrofitted language into the tax code that defined "wages" as the revenue source targeted by the income tax.

Once it was published, Hart's book immediately came to the attention of the IRS, which – as is its custom – immediately tried to force Hart to become an informant.

"I read your book 'Constitutional Income: Do You Have Any?'" Hart was notified in a letter from IRS agent Barbara Parks announcing that the agency was beginning an "investigation" of the book. The purpose of that inquiry, she continued, was "to determine whether or not your statements are commercial speech and whether this activity causes harm to the government."
(11)

With the help of a public interest law firm called the Center for Individual Rights, Hart successfully sued the IRS to interdict the agency's demand that he turn over the names of everybody who had purchased his book. Four years later, the IRS retaliated against Hart by issuing a final audit report denying all of his business deductions for eight years, hitting him with an additional tax liability of roughly \$125,000. When he protested his treatment to the IRS, an official with the agency gloatingly explained: "When you don't give us everything we ask for, you get all of your deductions denied."

"During [my] four year audit, I provided the IRS with all my canceled checks, receipts, invoices and so on – boxes worth," Hart recounts. "Yet these deductions were denied solely for political reasons."

Certified Public Accountant Paul J. Desfosses, a retired U.S. Treasury Agent residing in Pocatello, Idaho, agrees with Hart's conclusion that he has been targeted for retaliation by the IRS "for failing to 'snitch' on and provide the names of those Citizens who might have dared to buy and read [his] book with its critical history and assessment of Federal Income Tax Law."

"I wish I could say that Representative Hart is wrong and that the IRS does not demand the names of Citizens who read disparaging comments about the Federal Income Tax, the IRS, or 'big brother government' in general," testified Desfosses. "The truth is, that does happen.... While assigned to the Internal Revenue Service Idaho District, I was a National Treasury Employees Union Official and I routinely acted as the Union Steward in situations involving IRS employees who had been ordered to commit reprehensible and often felony criminal actions by their IRS managers or other IRS top officials," Desfosses elaborates. The agency "collected and compiled huge lists of citizens who were then targeted for audit and harassment for having bought and read a book such as Representative Hart's," or because they were perceived to be "a 'threat' to the Federal Government's power" by IRS supervisors.

Representative Hart isn't the only recent victim of this treatment, Desfosses continued. "In April I attended a U.S. Tax Court trial involving an Idaho State University Professor who had obviously been targeted by [the] IRS at the request of a Federal District Court Judge whose past criminal actions the professor had exposed in a newsletter," thereby resulting in the denial of an appointment to the Appeals Court. But abuses of this kind – against both tax victims and IRS

employees still burdened with a functioning conscience – are commonplace, Desfosses concludes. (12)

Given its status as the apex predator among federal secret police agencies, the IRS can rely on the support of minor-league predators in state-level positions. So it's not surprising that the Idaho Tax Commission, after learning of the IRS's assault on Hart, gleefully piled on, demanding its cut of the fraudulently inflated "taxable income" and barraging him with tax liens.

Since abandoning his constitutional challenge, Hart ruefully recalled, none of the more than \$120,000 he paid "has been used to offset any of the lien amounts." His ongoing legal struggle with the Tax Commission provided the pretext for a legislative ethics investigation against Hart, as well as a relentless media campaign to denigrate him as a "scofflaw" and embarrassment to the state of Idaho.

Next year the world observes – "celebrates" isn't the appropriate word – the 100th anniversary of the advent of the Federal Reserve and the Income Tax. Given the existence of the first, why is the second considered necessary? Put another way, if the government (by way of an allied "private" bank) can simply conjure money out of the ether, why does it insist on collecting taxes at gunpoint?

One answer was provided in the January 1946 issue of *American Affairs* magazine in an article written by Beardsley Ruml. At the time, Ruml was Chairman of the Federal Reserve Bank of New York, and had helped implement the automatic payroll tax withholding system inflicted on America during World War II. This background made Ruml uniquely qualified to explain the purposes of the income tax – which is why it's of considerable interest that the title of Ruml's essay was "Taxes for Revenue Are Obsolete."

The editorial introduction of Ruml's article provided this summary of his views:

"His thesis is that, given control of a central banking system and an inconvertible currency [a currency not backed by gold], a sovereign national government is finally free of money worries and need no longer levy taxes for the purpose of providing itself with revenue. All taxation, therefore, should be regarded from the point of view of social and economic consequences." (Emphasis added.)

"Ruml explained that, since taxes are no longer needed to raise revenue for the government, there are only two purposes remaining," elaborates monetary expert G. Edward Griffin, author of the definitive work on the Federal Reserve, *The Creature from Jekyll Island*. "The first of these is to combat increases in the general price level. When people have money in their pockets they will spend it for goods and services, and this will bid up the prices. The solution, says Ruml, is to take the money away from them and let the government spend it instead. This, too, will bid up prices, but never mind about that. Ruml explained it this way: 'The dollars the government spends become purchasing power in the hands of the people who have received them. The dollars the government takes by taxes cannot be spent by the people, and therefore, these dollars can no longer be used to acquire the things which are available for sale. Taxation is, therefore, an instrument of the first importance in the administration of any fiscal and monetary policy.'"

The second purpose of income taxation identified by Ruml, Griffin continues, “is to redistribute the wealth from one class of citizens to another. This must always be done in the name of social justice or equality, but the real objective is to override the free market and bring society under the control of the master planners. Ruml said: ‘The second principle purpose of federal taxes is to attain more equality of wealth and of income than would result from economic forces working alone. The taxes which are effective for this purpose are the progressive individual income tax, the progressive estate tax, and the gift tax. What these taxes should be depends on public policy with respect to the distribution of wealth and of income. These taxes should be defended and attacked in terms of their effect on the character of American life, not as revenue measures.’” (13)

To summarize the matter: The income tax is not a revenue measure; it’s an instrument of totalitarian control, enforced by a secret police agency that now claims universal jurisdiction. This is seen and understood by an increasing number of people living abroad. What will it take for Americans to see matters so clearly?

REFERENCES

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- 4) Ibid.
- 5) Black, op. cit.
- 6) Richard Rahn, “Political Bullies and Faith,” *Washington Times*, October 22, 2012
- 7) Joe Seet, “Tax act has to be made less intrusive,” *Financial Times*, October 19, 2012
- 8) See the transcript of David Patnoe’s 1997 congressional testimony at <http://taxboard.net/TxprBoR/1997/Patnoe.html>
- 9) See Richard Yancey, *Confessions of a Tax Collector: One Man’s Tour of Duty Inside the IRS* (New York: Harper, 2004).
- 10) See Agent Long’s 1997 congressional testimony at <http://taxboard.net/TxprBoR/1997/Long.html>
- 11) See http://www.cir-usa.org/cases/hendrickson_v_irs.html
- 12) Paul J. Desfosses, letter to the Idaho Statesman, June 23, 2010; to see the original letter, go to – <http://hart4legislature.com/wp-content/uploads/2010/07/Paul-Desfosses-Letter.pdf>
- 13) G. Edward Griffin, “Before the Income Tax,” *The New American*, April 13, 1987.

Submitted by William Grigg

The Establishment-controlled media (the Brotherhood of Darkness) is trying to convince the American people the economy is improving, but that isn't true. They claim the U.S. GDP is increasing 2% a year, but the figure is calculated on the basis of a 2% rate of inflation while the real rate is 8-9%. How can you verify that figure? You can access John Williams' web site, www.shadowstats.com.

What is the true status of the American economy? The Federal government is borrowing 40 cents of every dollar it spends, 23 million Americans are looking for work or a job that pays a living wage, 8 million workers have given up looking for work, 56 million Americans receive Medicare or Medicaid, 56 million Americans receive Social Security, and one of every 18 adults receives a Social Security disability check because they can't work, or they don't want to work.

What does the future hold? Federal officials claim the U.S. debt is \$16.1 trillion, but if they utilized the General Accepted Accounting Program (GAAP) that U.S. Corporations are required to use to calculate their net worth, the U.S. debt would be over \$80 trillion, and that debt will never be repaid.

What will happen? I believe the Federal tax rate will increase next year, Federal spending will increase, the U.S. economy will contract, unemployment will increase, the FED will implement QE4, inflation will soar to 15-20%, and the BOD will precipitate another senseless conflict in the Middle East.

What can you do? You must tell your friends and your family about the spiritual battle that is taking place, and pray for a revival.

Barbara and I appreciate your loyal support, and your faithful prayers.

Yours in Christ,

Stanley Monteith