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PRESIDENT'S ADVISORY
BOARD
ON FEDERAL TAX REFORM

The President's Advisory Panel on Federal Tax Reform, 2005 MAR -8 P 3 41
1440 New York Ave NW
Suite 2100
Washington, DC 20220

Gentlemen,

Please see my comments on the specific topics you have requested as needed by the "Presidents Advisory Panel on Federal Tax Reform" to assist in your deliberations.

1)The tax payer burdens imposed by the existing system: the implications of the existing laws contained in 26 USC and restrictions on the implications contained in 26 CFR have been ignored, placing unconstitutional burdens on US citizens. In my instance IRS, by not following the appropriate definition of taxable income has caused me to spend many hours in record keeping and many dollars for tax preparers. 2)The aspects of the tax system that are unfair: A) the tax system does not follow the constitution which requires a census, a statement of annual need by the federal government, and an apportioned tax payable by all tax payers based on the resultant of income needed divided by the number of taxpayers. B) the present tax system does not even follow the procedures as required by the Federal USC. The law can only be implemented in accordance with the rules as generated by the Code of Federal Regulations (26CFR). 3) Examples of how the tax

code distorts important decisions: the illegal method of classifying almost all domestic income as being taxable at a variable top rate computed for each individual tax payer, with no census, no statement by the government of total funds needed to be raised by the annual income tax, all of which combine to my detriment causing me to spend an unaccountable effort in hours and dollars to compute deductions against my total income

most of which should not be taxable. I have brought this to the attention of my state senators and representative to no constructive end. All representatives just forwarded the IRS's basic response of taxable income being defined by 26USC section 61(a). 4) Goals a Panel should try to achieve: A) Evaluate the existing tax system; start by trying to show where the law determines what is taxable income in sections of the law 26USC and 26CFR. B) Determine necessary correction of action; either implement the code as written and supported in CFR or abolish the IRS replacing the income tax with a sales tax. a) the IRS's response as how to determine taxable income has been (~~26USC 61(a)~~) "Gross income is all income from whatever source including but not limited to the following items: 1(Compensation for services through items 15) Interest in a trust or an estate. The IRS's use of this section referred to two necessary words needed to determine taxable income- source (of income) and items (from taxable sources) to be taxable. The phrase "Whatever source" broadens IRS's jurisdiction for IRS's replied to me negated the importance of "source" with the phraseology of "whatever" meaning no source is needed. This statement is the basis for IRS's expansion of jurisdiction beyond the congresses intent. Fortunately for ^{us} ~~the~~ protection the 26CFR's interpretation prevails over the IRS law 26USC. Listed items 1-15 in 26USC(~~61(a)~~) are taxable items- but only if they came from taxable source. B) the Code of Federal Regulations used their objective by defining how 26USC is to be implemented. CFR authorized the overriding of 26USC section 61(a) by another section of the code which CFR them preceded to do also in c) 26CFR1.61-1 "Section 61 lists common items of gross income for purposes of illustration. To the extent ~~of~~ another section of the codes or regulations provide specific treatment for any item of income such other sections shall apply not with standing section

61 and the regulations there under.” This authorized the override of 61(a) and then CFR went further with the following specific rules;

26CFR1.861 “Determination of taxable United States income”

1.861-1 “Income from sources within or without the United States.”

1.861-8 “computation of taxable income from within the United States and from other sources and activities.”

-8(a)(2) [All of these are about allocation and apportionment of deductions

-8(b)(1) in general. They have no bearing on whether US income is taxable

-8(c) only how to apply deductions if the income is taxable]

-8(d) “Excess deductions and excluded and eliminated income”

-8(d)(1) Apply deductions

(2) “Apply Allocation and apportionment to exempt, excluded or eliminated income [reserved] for guidance 1861-T (d)(2)”

-8T(d)(2) ⁽ⁱⁱ⁾ “Income not considered tax exempt.”

[Under this convoluted title the complete list of taxable sources (A-D) are all foreign sources. After eliminating double negatives this title really says only income from these listed sources is taxable.

The exclusivity of this list is upheld by a supreme court decision – Gould 245 US 15(1917) “...ruled that the interpretation of tax status can not be extended to cover matter ‘not specifically pointed out’”

I have yet to get a reply ^{from} to my congressional delegation. If you fail to disprove or find either the law or regulations I have sited have been over ridden I would appreciate

hearing of this from you. Assuming I am correct, this is reason enough to recommend abolishing the IRS- thus saving the nation countless of dollars and man hours spent by the IRS resulting in a loss of productive capability in the nation as a whole. I can see why the government is reluctant to agree and hence not only loosing this source of income but also enduring the rage of the citizenry upon learning of the illegal income tax that has been ^{imposed} ~~opposed~~ on them. This proof would certainly be a harmless way of just substituting the sales tax for the income tax without revealing the fraud that has been implemented on the system.

Thank you for receiving my input and I look forward to hearing the results of your panel's decision.



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