

PAUL S. DAMAZO  
6134 CLARENDON COURT  
RIVERSIDE, CALIFORNIA 92506-4706  
(909) 787-7138  
PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM  
March 8, 2005

2005 MAR 28 P 4 40

Elizabeth Garrett  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Ms. Garrett:

**I beg of you to look into the following while you are considering income tax alternatives.**

1. **Abolish the IRS.** It can never be fixed. No one in America understands all the laws including the IRS commissioner. Simplifying would only be a partial solution as you will see below.
2. **Avoid the flat tax like a plague.** Close to 100,000,000 tax cheats, non-filers, participates in the underground economy, etc., etc., who are under the current tax net would continue to be under the tax net and not pay a penny in taxes year after year.
3. **Push and vote for the national sales tax.** This is the only fair tax option in America. The honest tax payer would have his taxes reduced over 200 percent per year for life. Everyone should be required to pay this tax - rich and poor. Allow no exemptions of any kind to keep it simple.

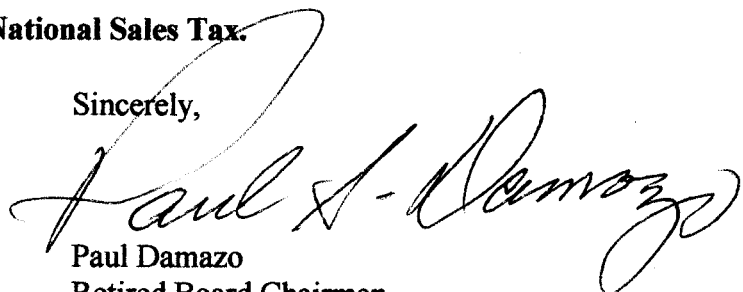
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The average family earning \$10,000.00 and under spend \$599.00 per year for life purchasing lottery tickets. They can afford to pay 8% - 12% sales tax. Everyone from the womb to the tomb would be paying their fair taxes based on how much they spend. It's that simple and everyone would be paying their fair share.

For years I have spent considerable time researching income tax. I would be willing to fly to Washington, at my expense, to have thirty minutes with you, or the committee, to share and review my research.

**Thank you so much for pushing the National Sales Tax.**

Sincerely,



Paul Damazo  
Retired Board Chairman  
Versitron Industries

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March 8, 2005  
ON FEDERAL TAX REFORM

2005 MAR 28 P 4: 39

William Eldridge Frenzel  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Mr. Frenzel:

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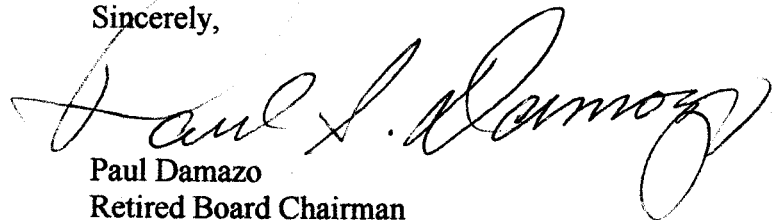
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PRESIDENT'S ADVISORY  
March 8, 2005 PANEL  
ON FEDERAL TAX REFORM

2005 MAR 28 P 4:38

James Michael Poterba  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Mr. Poterba:

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PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

March 8, 2005

2005 MAR 28 P 4 38

John Breaux, Vice Chairman  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Vice Chairman Breaux:

**I beg of you to look into the following while you are considering income tax alternatives.**

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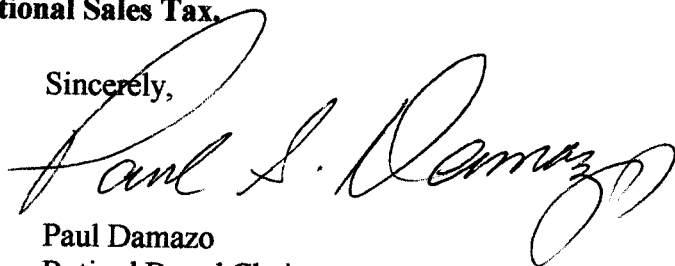
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PANEL  
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2005 MAR 28 P 4: 37

Edward P. Lazear  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Mr. Lazear:

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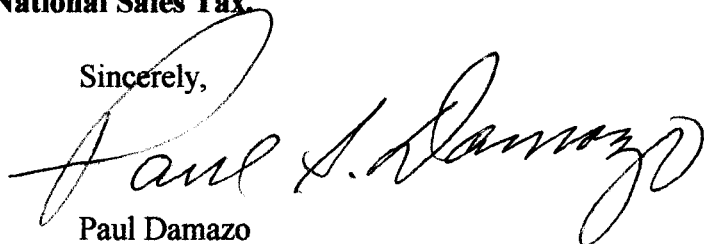
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(909) 781-1990  
**PRESIDENT'S ADVISORY  
MARCH 8, 2005 PANEL  
ON FEDERAL TAX REFORM**

2005 MAR 28 P 4 37

Connie Mack III, Chairman  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Chairman Mack:

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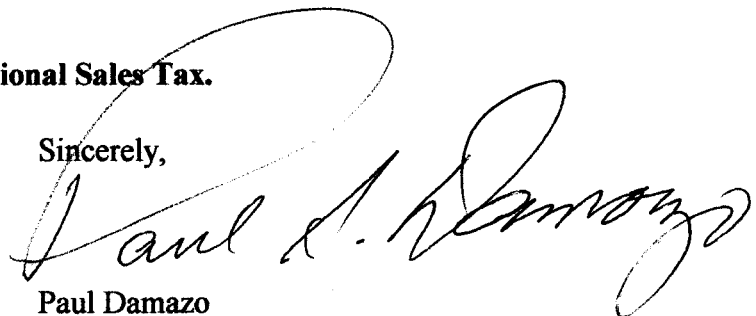
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PRESIDENT'S ADVISORY  
PANEL  
March 8, 2005 FEDERAL TAX REFORM

2005 MAR 28 P 4: 22

Timothy J. Muris  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Mr. Muris:

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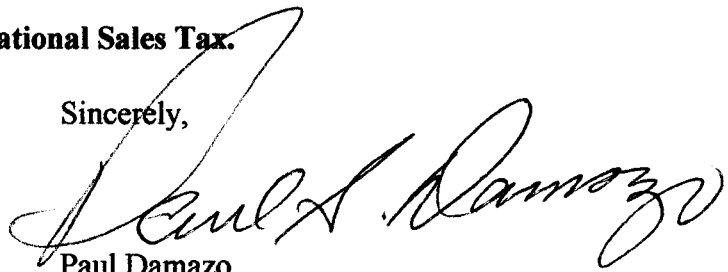
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March 8, 2005

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

2005 MAR 28 P 4: 01

Charles O. Rossotti, Senior Advisor  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Senior Advisor Rossotti:

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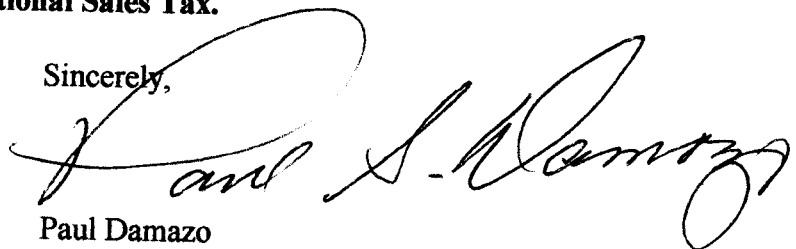
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PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

March 8, 2005

2005 MAR 28 P 3 40

Jeffrey F. Kupfer, Executive Director  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Director Kupfer:

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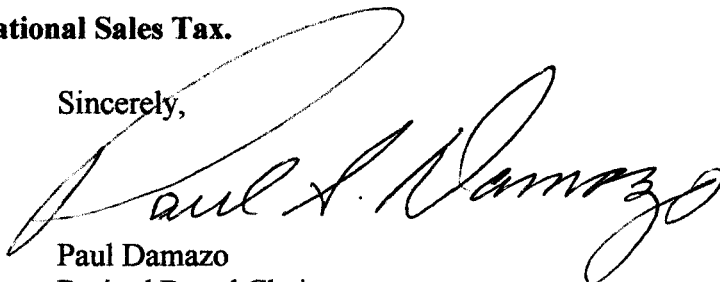
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March 8, 2005

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

2005 MAR 28 P 3 39

Liz Ann Sonders  
Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Washington, D.C. 20220

Dear Ms. Sonders:

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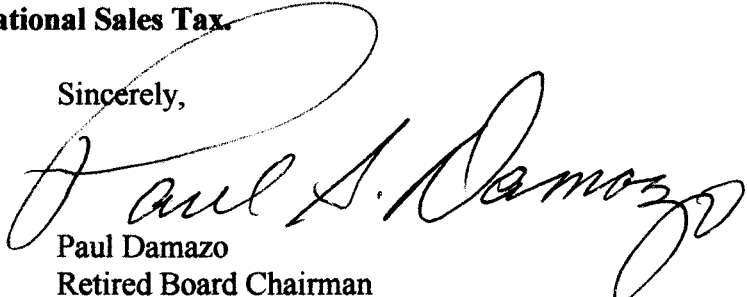
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Paul Damazo  
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March 7, 2005

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

Randy Norton  
877 Valley Chapel Road  
Walla Walla, Washington 99362

2005 MAR 28 P 3: 39

The President's Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW, Suite 2100  
Washington, D.C. 20220

We The People are entitled to a system of taxation that is constitutional in its construction, lawful in its administration, and just in its effect. We are a sovereign people with deep respect for our unalienable right to life, liberty and property through responsible citizenship. We The People reject the proposition that government is entitled to control any part of our lives or property without our consent. We do not recognize a majority vote as a license for government to abuse its limited constitutional authority. Under our constitutional form of government, we acknowledge and honor the proposition that all men are created equal, and that every American citizen is endowed with certain unalienable rights that cannot be lawfully denied by majority vote. But we can only hope to achieve honest, accountable government, and a lawful system of taxation in our nation if we build a critical mass of knowledge.

\* There is no income tax exception to the 5th Amendment's guarantee of the Peoples' unalienable right not to be compelled to be a witness against themselves.

\* Personal income taxes polarize and divide an otherwise united nation and promote class warfare and mistrust of our government.

\* The IRS routinely violates the 4th Amendment **due process** and privacy protections of Americans by seizing assets without lawful authority or a court order and by denying citizens their right to statutorily-prescribed, administrative remedies

WHEREAS, All men are created equal and are endowed by their "Creator" with certain inalienable rights, and

WHEREAS, The Constitution of the United States of America is a strongly worded, Divinely inspired, set of principles expressly intended to govern the government, not the People, and

WHEREAS, By the terms and provisions of the Constitution, the People have established their government and authorized it to act in certain ways, and have purposely and markedly restricted and prohibited the government from acting in certain ways, and

WHEREAS, The Constitution of the United States of America guarantees to every American citizen and to those lawfully on our soil, the right to privacy and to due process of law, and

WHEREAS, The Constitution prohibits and restricts the Federal Government from infringing on those rights, and

WHEREAS, The Constitution guarantees each and every American citizen the unalienable right to life, liberty, and property, and

WHEREAS, Each of the Constitution's prohibitions and restrictions on government's power is, in fact, another unalienable right enjoyed by every citizen and legal resident on American soil, and

WHEREAS, The People of this nation are entitled, by right, to a system of taxation that does NOT violate any of their Constitutionally protected unalienable rights.

What officials from the congressional committees, the Treasury Department and the White House were saying in their written correspondence in the years 1913-1916 would prove invaluable in resolving this conflict.

America's current money and tax policies have their roots in the events that occurred between 1913 and 1917. In those years the political branches of the government gave America a central bank (the Federal Reserve System) and the Income Tax. Some say the income tax provides the central bank with what is referred to in the world of finance as "lender security," removing all risk of non-payment by the government of the principal and interest on the money the central bank lends to the government by taxing and taking the "first fruits" of the labor of all Americans.

In 1913 the 16th Amendment was purportedly ratified. It reads, "The Congress shall have 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."

Notice, the 16th Amendment does NOT say, "Congress shall have the power to lay and collect DIRECT taxes without apportionment". Any reasonable person would agree that the power to impose a DIRECT, UN-APPORTIONED tax would be a new power, not granted by the original taxing clauses of the Constitution, that would forever fundamentally alter and remove one of the most powerful limitations on our government.

Eventually, the Supreme Court got around to defining the word "income" within the meaning of the 16th Amendment -- but not before 1916.

However, in 1916, the Supreme Court brought the action of Congress and the Executive branch to a screeching halt. The Supreme Court ruled in *Brushaber* (and the cases bundled with it), that the 16th Amendment gave Congress no new taxing power (a direct tax on labor without

apportionment would be a new taxing power, not granted by the taxing clauses of the original Constitution), and that "income" within the constitutional limitations of the 16th Amendment is corporate gain or profit, and passive and "unearned" income from real estate and investments.

In 1916, immediately following the Brushaber decision, Congress amended the Income Tax Act, to bring the law into compliance with Brushaber. Our interpretation of the language of the 1916 Act (amended in 1917), when read together with the language of the Brushaber decision, is that the 1916 Act brought the law into compliance with Brushaber in three ways: first, by explicitly stating that the "income" being taxed under the 1913 Act is not the same as the "income" being taxed under the 1916 Act, the 1916 Act removed a tax imposed by the Act of 1913 (the direct, un-apportioned tax on labor as measured by salaries, wages and compensation); second, it outlawed the withholding of wages from the paychecks of citizens; and third, it directed the Executive Department to refund the monies withheld in 1917.

1) Should rules found in 26 USC § 861(b) and 26 CFR § 1.861-8 (in addition to any other pertinent sections) be used to determine taxable domestic income?

2) If not, what sections do determine the taxable domestic income, please show where the law says who should or should not use those sections for that.

3) As a U.S. citizen, and receive all of my income from working within the 50 states, do 26 USC § 861(b) and 26 CFR § 1.861-8 show my income to be taxable?

4) Should I use 26 CFR § 1.861-8T(d)(2) to determine whether my "items" of income (e.g. compensation, interest, rents, dividends, etc.) are excluded for federal income tax purposes?

5) What is the purpose of the list of non-exempt types of income found in 26 CFR § 1.861-8T(d)(2)(iii), and why is my domestically earned income not on that list?

6) What types of income (if any) are not exempted by any statute, but are nonetheless "excluded by law" (not subject to the income tax) because they are, under the Constitution, not taxable by the federal government?

Sincerely,

