

PRESIDENT'S ADVISORY
COVER SHEET PANEL
ON FEDERAL TAX REFORM

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To The Presidents Advisory Panel on Federal Tax Reform

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Gentlemen,

Senator Roth investigated the IRS and found much wrong in that collection agency for the Federal Reserve, a private banking organization. I believe the Federal Reserve Banking System is unconstitutional and has been since its inception and therefore should be abolished in order to begin the return of this country to being once more governed under the U.S. Constitution.

Senator Roths investigation of the IRS precipitated the IRS Restructuring and Reform Act of 1998 which the IRS appears to disregard as it has other attempts to reform it. Here are some quotes from Senator Roths book, *The Power to Destroy*: P. 1) "More tax is collected by fear and intimidation than by the law. People are afraid of the IRS." (David Patnoe, Enrolled agent and former IRS revenue officer.) P.56) Hardened criminals have rights that innocent taxpayers can only dream of. P. 73) Recent internal investigations by the Internal Revenue Service itself admit that far too many of the countless assessments, seizures, levies and liens that the IRS executes each year are inappropriate and in open violation of the law. P. 79) We have been told by mid-level and upper management that if we don't do seizures of property we better look for another job. We are told to ignore the law and do what they say. We are encouraged to ignore any issues that might slow down the collection process. P.240) The agency, in violation of policy, was using penalties and interest to raise revenue and punish taxpayers. P.271) the IRS "no - pay - policy," how taxpayers who do win judgments against the agency fail to receive payment...

Despite Congress's efforts to disclose abuses and change the agency's culture, "IRS management has openly flaunted the fact that it is not concerned... and that it will carry out business as usual when things quiet down." ---- I believe the IRS has been and still is operating this way, illegally.

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My position was based solidly on U.S. Supreme Court decisions, Treasury Regulations and IRC sections. The IRS told me my position was frivolous and charged me several \$500 civil penalties under IRC §6702 even though that section has no regulation implementing it, has only the "Color of Law" so, has no force or effect of law and is therefore inoperative. The IRS also conveniently misplaced one or two of my 1040 forms and penalized me several hundred dollars for not filing. The IRS neither abides by the law nor its mission statement. Instead of attempting to address any of my concerns and show me where I am wrong, the IRS ignored all of my claims and concerns and denied me due process. At a due process hearing, the hearing officer had none of the documents he was required to have under IRC §6330 nor would he permit me to bring up any issues allowed by §6330. All he would discuss was payment options. In fact when I attempted to bring up an allowed issue, he bolted from the room. Then they proceeded to levy my Social Security in violation of 42 USC §407 and without a court order. Further, IRC §6331 only allows a levy of up to 15%. There is 27.86% being taken from my Social Security and given to the IRS. I believe the levy on my Social Security is in violation of law but, I wonder if anyone cares. I believe the whole income tax is a fraud (fraud vitiates everything) that is being perpetrated on the American people by misrepresentation, deception and intimidation. I believe the IRS is obligated to adhere to judicial rulings as I have been informed, in a letter, by Senator Harry Reid. However, it appears the IRS has more power than the United States Supreme Court and that is why it can call United States Supreme Court decisions frivolous with impunity and disregard them. I relied on U.S. Supreme Court decisions to support my position but, was told by the IRS my position was frivolous. However, it did not refute or even try to explain how my reliance on

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U.S. Supreme Court decisions could be considered frivolous. It merely forged ahead illegally as far as I could tell. Are the following U.S. Supreme Court decisions frivolous, and if so, how are they? U S v. LEE, 106 U.S. 196, 220-221 (1882) it is absolutely prohibited... to deprive any one of life, liberty, or property without due process of law, or to take private property without just compensation... All the officers of the government, from the highest to the lowest, are creatures of the law and are bound to obey it... Shall it be said,... that the [106 U.S. 196, 221] courts cannot give remedy when the citizen has been deprived of his property by force, his estate seized and converted to the use of the government without any lawful authority, without any process of law,... ? If such be the law of this country, it sanctions a tyranny which has no existence in the monarchies of Europe, nor in any other government which has a just claim to well-regulated liberty and the protection of personal rights. SCHMITT v. U.S., 140 B.R. 571, 572 (1992) Our income tax system is voluntary and the Internal Revenue Service must perforce rely on the self assessment of the taxpayer. FLORA v. UNITED STATES, 362 U.S. 145, 176 (1960) Our system of taxation is based upon voluntary assessment and payment, not upon distraint. BURNET v. HARMEL, 287 U.S. 103, 108 (1932) this Court had indicated that 'income,' as used in the revenue acts taxing income, adopted since the Sixteenth Amendment, has the same meaning that it had in the act of 1909. (Corporate Excise Tax Act) U.S. v. BALLARD, 535 F. 2d 400,404 (1976) Whatever difficulty there may be about a precise and scientific definition of "income", it imports ...the idea of gain or increase arising from corporate activities... "Income may be defined as the gain derived from capitol, from labor, or from both combined."... The general term "income" is not defined in the Internal Revenue Code... Treasury Regulation § 1.61-3

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(1976) explains "Gross income derived from business." SOUTHERN PAC CO. v. LOWE , 247 U.S. 330, 335 (1918) Certainly the term 'income' has no broader meaning in the 1913 act than in that of 1909... we assume there is no difference in its meaning as used in the two acts. BOWERS v. KERBAUGH-EMPIRE CO., 271 U.S. 170. 174 (1926) It was not the purpose or effect of that (16th) amendment to bring any new subject within the taxing power. Congress already had power to tax all incomes... 'Income' has been taken to mean the same thing as used in the Corporation Excise Tax Act of 1909,... in the Sixteenth Amendment, and in the various revenue acts subsequently passed... After full consideration, this court declared that income may be defined as gain derived from capital, from labor, or from both combined... And that definition has been adhered to and applied repeatedly. MERCHANTS' LOAN & TRUST CO. v. SMIETANKA, 255 U.S. 509, 518-519 (1921) The Corporation Excise Tax Act of August 5, 1909 was not an income tax law, but a definition of the word 'income' was so necessary in its administration that in an early case it was formulated as 'A gain derived from capital, from labor, or from both combined.' Stratton's Independence v. Howbert, 231 U.S. 399, 415, 34 S. Sup. Ct. 136, 140 (58 L. Ed. 285). This definition, frequently approved by this court,... reads:

'Income may be defined as a gain derived from capital, from labor, or from both combined.

The use made of this definition of 'income' in the decision of cases arising under the Corporation Excise Tax Act of August 5, 1909, and under the Income Tax Acts, is, we think, decisive. BOYD v. U S, 116 U.S. 616, 635 (1886) It is the duty of courts to be watchful for the constitutional

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rights of the citizen, and against any stealthy encroachments thereon. COMMISSIONER v. SHAPIRO, 424 U.S. 614, 629 (1976) the Due Process Clause requires that the party whose property is taken be given an opportunity for some kind of predeprivation or prompt post-deprivation hearing at which some showing of the probable validity of the deprivation must be made. ---- Further, The Grace Report showed that not one dime of the money collected by the IRS actually goes to operate the government. President Bush, in his inaugural address, stated he wanted to eliminate tyranny around the world. I believe the place to start would be to eliminate the IRC and the IRS as far as they concern the income tax. The most draconian organization in this once great country is the IRS. The IRS capitalizes on the misunderstanding of terms that are defined in the IRC such as "employee," "employer," "wages," "trade or business" and various other terms. People are deliberately misled into believing these terms have the common meaning when they do not in the IRC. In plain language, the IRS operates by fraud. I reiterate, the IRC and the IRS should be eliminated as far as they concern the income tax. Taxes should be collected in accordance with the Constitution, not by fraud. From Senator Roths book, P. 207) Under the Constitution, it is Congress and not the Department of Treasury or the IRS, that has the power to lay and collect taxes.