

16 September, 2003

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

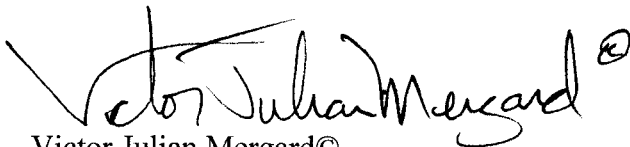
Mark W. Everson, Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

2005 MAR 29 A 9 57

Dear Commissioner Everson,

For someone to determine his federal income tax liability (if any), he must first determine his *taxable income*. Enclosed are six important questions about how to do that properly, according to the law itself. Though the IRS' stated mission includes helping Americans "*understand and meet their tax responsibilities*," the IRS has been very non-responsive—often even insulting and threatening—to those who have asked similar questions in the past. I do not wish to be insulted, threatened, accused, or ignored. Instead, I would like you to please provide me with direct, written answers to the enclosed six questions regarding the proper method for determining one's taxable income. (Citations of law supporting your answers would also be appreciated.) Thank you for your time.

Sincerely,



Victor Julian Mergard©  
c/o 9420 East Golf Links Road # 299  
Tucson, Arizona Republic  
U.S. Postal Zone 85730

16 September, 2003

Secretary John W. Snow  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Snow,

For someone to determine his federal income tax liability (if any), he must first determine his *taxable income*. Enclosed are six important questions about how to do that properly, according to the law itself. Though the IRS' stated mission includes helping Americans "*understand and meet their tax responsibilities*," the IRS has been very non-responsive—often even insulting and threatening—to those who have asked similar questions in the past. I do not wish to be insulted, threatened, accused, or ignored. Instead, I would like you to please provide me with direct, written answers to the enclosed six questions regarding the proper method for determining one's taxable income. (Citations of law supporting your answers would also be appreciated.) Thank you for your time.

Sincerely,



Victor Julian Mergard©  
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## Questions Regarding Determining Taxable Income

- 1) Should I use the rules found in 26 USC § 861(b) and 26 CFR § 1.861-8 (in addition to any other pertinent sections) to determine my taxable domestic income?
- 2) If some people should *not* use those sections to determine their taxable domestic income, please show where the law says who should or should not use those sections for that.

Reason for first two questions: The regulations at 26 CFR § 1.861-8 begin by stating that Sections 861(b) and 863(a) state in general terms “*how to determine taxable income of a taxpayer from sources within the United States*” after gross income from the U.S. has been determined. Section 1.861-1(a)(1) confirms that “*taxable income from sources within the United States*” is to be determined in accordance with the rules of 26 USC § 861(b) and 26 CFR § 1.861-8 (see also 26 CFR §§ 1.862-1(b), 1.863-1(c)). Cross-references under 26 USC § 61, as well as entries in the USC Index under the heading “*Income Tax*,” also refer to Section 861 regarding income (“gross” and “taxable”) from “*sources within U.S.*”

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

Reason for question: Section 217 of the Revenue Act of 1921, predecessor of 26 USC § 861 and following, stated that income from the U.S. was taxable for foreigners, and for U.S. corporations and citizens deriving most of their income from federal *possessions*, but did *not* say the same about the domestic income of other Americans. The regulations under the 1939 Code (e.g. §§ 29.119-1, 29.119-2, 29.119-9, 29.119-10 (1945)) showed the same thing. The current regulations at 1.861-8 still show income to be taxable only when derived from certain “*specific sources and activities*,” which still relate only to certain types of international trade (see 26 CFR §§ 1.861-8(a)(1), 1.861-8(a)(4), 1.861-8(f)(1)).

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

Reason for question: The regulations (26 CFR § 1.861-8(a)(3)) state that a “*class of gross income*” consists of the “items” of income listed in 26 USC § 61 (e.g. compensation, interest, rents, dividends, etc.). The regulations (26 CFR §§ 1.861-8(b)(1)) then direct the reader to “paragraph (d)(2)” of the section, which provides that such “*classes of gross income*” may include some income which is *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 the income of the average American *not* on that list?

Reason for question: After defining “*exempt income*” to mean income which is excluded for federal income tax purposes (26 CFR § 1.861-8T(d)(2)(ii)), the regulations list types of income which are *not* exempt (i.e. which *are* subject to tax), including the domestic income of *foreigners*, *certain foreign income of Americans*, income of certain possessions corporations, and income of international and foreign sales corporations; but the list does *not* include the domestic income of the average American (26 CFR § 1.861-8T(d)(2)(iii)).

- 6) What types of income (if any) are *not* exempted from taxation by any *statute*, but are nonetheless “*excluded by law*” (i.e. not subject to the income tax) because they are, under the Constitution, not taxable by the federal government?

Reason for question: Older income tax regulations defining “gross income” and “net income” said that neither income exempted by statute “*or fundamental law*” were subject to the tax (§ 39.21-1 (1956)), and said that in addition to the types of income exempted by *statute*, other types of income were excluded because they were, “*under the Constitution, not taxable by the Federal Government*” (§ 39.22(b)-1 (1956)). (This is also reflected in the current 26 CFR § 1.312-6.

11 March, 2005

PRESIDENT'S ADVISORY  
PANEL  
ON FEDERAL TAX REFORM

Presidents Advisory Panel on Federal Tax Reform  
1440 New York Avenue NW  
Suite 2100  
Washington, DC 20220

2005 MAR 29 A 9 57

You have requested citizen input regarding the current Federal Tax scheme.

Here is mine:

The IRS is totally incapable of providing the "SERVICE" that is inherent in its name and NEVER attempts to interface with citizens except as a GESTAPO agency based on instilling fear and dread.

I have attached an example of the correspondence I have submitted in the past requesting IRS assistance in determining any appropriate tax liability.

Their response was been in TWO parts...1) from the individuals to whom I communicated directly, NOTHING in reply; 2) from anonymous underlings or individuals using fictitious names came form letters stating the IRS was refusing to answer the questions because they are "frivolous".

You can see from the 6 questions provided that they are NOT frivolous at all and failure to provide a substantive response indicates either that the IRS does not know the answers or that they DO know the answers but do not want the American people to know them.

WHAT is the solution? The citizens of this nation should NOT live in fear of their government or it's agencies...wasn't that the environment of 1775? The only solution is to ELIMINATE an agency gone berserk in it's quest for dictatorial power and IF the government needs revenue from "taxing" it's citizens, it must become an open and voluntary system, in other words a consumption tax. Remember, the Constitution declares that INVOLUNTARY servitude is prohibited. A consumption tax is one that if a person wishes to pay less of, they can consume less. And wealthy folks will pay more because they are more likely to buy a Lexus 430 instead of a Toyota Corolla, therefore the "tax" on their means of transportation will be greater.

The consumption tax must be less than 10%. Why? Because God only asks for 10%, and He is clearly more interested in our well-being than the Federal government. And there must be at least 3 exceptions to the categories taxed: food, clothing, medicine. These are the 3 critical components to "life, liberty, and the pursuit of happiness".

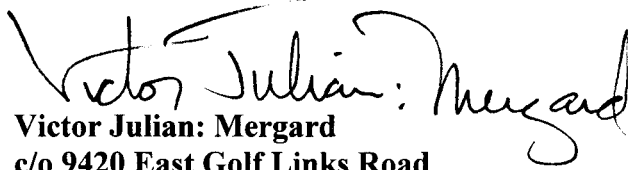
Some would argue that 10% would not provide "enough" for the government...but I believe that doing things consistent with God's ways will provide richer blessings than anyone could imagine AND with a sensible percentage, EVERYONE would participate at some time and most folks would participate REGULARLY.

What would be done with the staff at the no longer necessary IRS...the clerical staff could ALL easily fill positions as they become vacant in other federal agencies (after extensive retraining on the issue of SERVICE) and those who are gun carrying staff can be sent to the US Border

**Patrol to help in protecting our exposed border with Mexico.**

**Thank you for taking time to read my input. Live a great day.**

**Respectfully,**

A handwritten signature in black ink that reads "Victor Julian: Mergard". The signature is written in a cursive style with a large, sweeping initial "V".

**Victor Julian: Mergard  
c/o 9420 East Golf Links Road  
# 299  
Tucson, Arizona Republic**