

An income tax dropout &
United States citizen

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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To Whom It May Concern:

The following example is why one of many of your avid taxpayers dropped out of the income tax system, and discovered the true nature of the income tax. As you probably already know, there is no actual statute that requires people (i.e. makes people liable) to pay income tax because of the apportionment provisions of the U.S. Constitution. You probably also know that income is not defined in the Internal Revenue Code. The Supreme Court stated in *Merchant's Loan & Trust Co. v. Smietanka*, 255 U.S. 509 that income means corporate profit. If individuals had profit, the income of that individual may resemble scenario (2) stated below. Until that happens, there are a growing number of us that will force the government to obey the laws by simply not submitting to the extortion called the income tax. The scenarios stated below show the insane nature of the income tax, and why most people financially struggle senselessly with this economically destructive tax, and why this country is headed for third world economic status (no middle class) unless the income tax is repealed or restructured to fit scenario (2) below.

John Doe (self employed business owner), head of household for a family of two

Scenario (1)

Internal Revenue Code i.e. Title 26 Imposed Scenario approved by the IRS

GROSS RECEIPTS	\$100,000.00
ALLOWABLE BUSINESS DEDUCTIONS	(\$38,000.00)
TAXABLE INCOME	\$62,000.00
TAX (28%) ON \$62,000.00	(\$17,360.00)
NET INCOME	\$44,640.00

Scenario (2)

REALITY

GROSS RECEIPTS	\$100,000.00
ALLOWABLE BUSINESS DEDUCTIONS	(\$38,000.00)
LIVING EXPENSES	
FOOD	(\$3,600.00)
CLOTHING	(\$1,400.00)
SHELTER (MORTGAGE/RENT)	(\$12,000.00)
PROPERTY TAXES	(\$4,000.00)
PHONE BILLS (HOME/CELLULAR)	(\$4,800.00)

ELECTRIC BILLS	(\$1,000.00)
ENERGY BILLS	(\$1,000.00)
MEDICAL EXPENSES	(\$1,000.00)
MEDICAL INSURANCE	(\$5,000.00)
CAR PAYMENT(S)	(\$6,200.00)
CAR INSURANCE	(\$3,000.00)
CAR EXPENSES	(\$2,000.00)
GASOLINE	(\$4,000.00)
SCHOOL LOANS	(\$5,000.00)
MISCELLANEOUS EXPENSES	(\$4,000.00)
TAXABLE INCOME	\$4,000.00
TAX ON \$4,000.00 (10%)	(\$400.00)
NET INCOME	\$3,600.00

FINAL RESULT OF IRS IMPOSED TAX	
(WHICH IGNORES REALITY)	
ACTUAL MONEY LEFT AFTER EXPENSES	\$4,000.00
TAX ON IRS APPROVED SCENARIO	(\$17,360.00)
MONEY 'OWED' IRS	(\$13,360.00)

Now, if reality were in effect, I would be happy to send in the \$400.00 tax due. I would even overlook the fact that the IRS has no enforcement powers in connection with income taxes, and send in the money. Scenario (1), *in reality*, leaves John Doe with a \$13,360.00 deficiency! If there is a heart left in the U.S. Government, the income tax would either be a tax on the reality figure in Scenario (2) or it would be eliminated altogether. Yes, a national sales (excise) tax could and probably would make up for it. But at least that tax would never leave John Doe in the insane position of being in the red for simply trying to make a living, as well as enslaving hard working Americans at hiring accountants, spending countless hours structuring books & records, paying huge amounts of tax, thus leaving most middle class people in debt for a tax?!. I don't think mortgage interest write-offs or child tax credits will help much, do you? This example also excludes the self-employment tax, which would put John Doe in the hole an additional \$5,000.00 to \$6,000.00. Bad fundamentals (like ignoring reality) will eventually collapse this economy, and eliminate the middle class. No middle class, no productivity, no more revenue. This is not to mention the horrible stress and agony that people have been put through by IRS abuse and extortion.

God Bless,

A Law Abiding Citizen, and
An income tax drop out (person who refuses to 'voluntarily comply')