

TAX STATEMENT ON COMPENSATION FOR LABOR OR SERVICES

The voluntary compliance and self-assessment aspects of the income-tax law makes understanding the requirements of the law the responsibility of the citizen. The fundamental law, statutes, regulations, codes and court cases cited herein determine that I have not incurred a tax liability nor am I obligated to file a tax return. Therefore, this documentation concerning our income-tax law is a part of my statement and the record.

“All persons have the inherent right to Life, Liberty, and the pursuit of Happiness, and the enjoyment of the gains of their own industry.” Article II sec. 2 the Bill of Rights of the Oklahoma Constitution.”

“To lay with one hand the power of government on the property of the citizen, and with the other bestow it on favored individuals... is none the less robbery because it was done under the forms of law and called taxation.” *Loan Association v. Topeka*, 87 U.S. (20 Wall.) 655 (1875).

“The right to follow any of the common occupations of life is an inalienable right,...” “It has been well said that, ‘the property which every man has is his own labor, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of the poor man lies in the strength and dexterity of his own hands, and to hinder his employing this strength and dexterity in what manner he thinks proper, without injury to his neighbor, is a plane violation of this most sacred property.’” *Butcher’s Union Co. v. Crescent City Co.*, 111 U.S. 764 (1884)

“There is a clear distinction between ‘profit’ and ‘wages’ ‘or compensation for labor.’ ‘Compensation for labor’ cannot be regarded as profit within the meaning of the law. Ordinarily, all taxes paid primarily by persons who can shift the burden upon someone else, or who are under no legal compulsion to pay them, are considered indirect taxes; but a tax upon property holders in respect to their estates, whether real or personal, or of income yielded by such estates, and the payment of which cannot be avoided, are direct taxes... Nothing can be more clear than that which the constitution intended to guard against was the exercise by the general government of the power of directly taxing persons and property within any state.” *Pollock v. Farmers Loan Co.*, 157 U.S. 429 (1895)

“A tax upon the privilege of selling property at the exchange,... differs radically from a tax upon every sale made in any place.” *Nicol v. Ames*, 173 U.S. 509 (1899)

“That the power to tax involves the power to destroy.’ This principle is pertinent only when there is no power to tax a particular subject, and has no relation to a case where such right exists. In other words, the power to destroy which may be the consequence of taxation is a reason why the right to tax should be confined

to subjects which may be lawfully embraced therein, even although it happens that in some particular instance no great harm may be caused by the exercise of the taxing authority as to a subject which is beyond its scope.” *McCulloch v. Maryland*, 4 Wheat. 431, 4 L. ed. 607

“Direct taxes bear immediately upon persons, upon the possession and enjoyment of rights; indirect taxes are levied upon the happening of an event as an exchange.” *Knowlton v. Moore*, 178 U.S. 41 (1900)

“Keeping in mind the well-settled rule that the citizen is exempt from taxation unless the same is imposed by clear and unequivocal language, and that where the construction of a tax law is doubtful, the doubt is to be resolved in favor of those upon whom the tax is sought to be laid.” *Spreckels Sugar Refining Co. v. McClain*, 192 U.S. 297 (1904) (Dissenting opinion.)

“The individual may stand upon his constitutional rights as a citizen. He is entitled to carry on his private business in his own way. His power to contract is unlimited (i.e. opting for independent contractorship instead of typical employment). He owes no duty to the state or to his neighbors to divulge his business, or to open his door to an investigation, so far as it may tend to criminate him. He owes no such duty to the State, since he receives nothing therefrom, beyond the protection of his life and property. His rights are such as existed by the law of the land long antecedent to the organization of the state, and can only be taken from him by due process of law, and in accordance with the Constitution.” *Hale v. Henkel*, 201 U.S. 43 (1906)

“...liberty and right embrace the right to make contracts for the purchase of the labor of others and equally the right to make contracts for the sale of one’s own labor...” *Adair v. United States*, 208 U.S. 161 (1908)

The Supreme Court ruled that excise taxes are: "...taxes laid on the manufacture, sale or consumption of commodities within the country, upon licenses to pursue certain occupations and upon corporate privileges; the requirement to pay such taxes involves the exercise of the privilege and if business is not done in the manner described no tax is payable it is the privilege which is the subject of the tax and not the mere buying, selling or handling of goods." *Flint v Stone Tracy Co.* 220 U.S. 107 (1911).

The 16th Amendment; "Congress shall have power to lay and collect taxes on income, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration." (1913)

(From the Congressional Record 78th Congress First Session Volume 89- Part 2 March 27, 1943 Page 2580) “The sixteenth amendment authorizes the taxation of income from whatever source derived”-thus taking in investment income- “without apportionment among the several States.” The Supreme Court has held that the sixteenth amendment did not extend the taxing power of the United States to new or excepted subjects but merely removed the necessity which might otherwise exist for an apportionment among the States of taxes laid on income whether it

be derived from one source or another. So the amendment made it possible to bring investment income within the scope of a general income-tax law, but did not change the character of the tax. It is still fundamentally an excise or duty with respect to the privilege of carrying on any activity or owning any property that produces income. *The income tax is, therefore, not a tax on income as such. It is an excise tax with respect to certain activities and privileges which is measured by reference to the income which they produce. The income is not the subject of the tax: it is the basis for determining the amount of tax.*”

“Included in the rights of personal liberty and the right of private property, partaking of the nature of each, is the right to make contracts for the acquisition of property. Chief among such contracts is that of personal employment, by which labor or other services are exchanged for money or other forms of property... The right of a person to sell his labor upon such terms as he deems proper is, in its essence, the same as the rights of the purchaser of labor to prescribe the conditions upon which he will accept such labor from the person offering to sell it.”
Coppage v. State of Kansas, 236 U.S. 1, 14 (1915)

“We are of opinion, however, that the confusion is not inherent, but rather arises from the conclusion that the 16th Amendment provides for hitherto unknown power of taxation; that is, a power to levy an income tax which, although direct, should not be subject to the regulation of apportionment applicable to all other direct taxes. And the far-reaching effect of this erroneous assumption will be made clear by generalizing the many contentions advanced in the argument to support it. ...” But it clearly results that the proposition and the contentions under it, if acceded to, would cause one provision of the Constitution to destroy another; that is, they would result in bringing the provisions of the Amendment exempting a direct tax from apportionment into irreconcilable conflict with the general requirement that all direct taxes be apportioned....” “..the whole purpose of the Amendment was to relieve all income taxes, when imposed, from apportionment from a consideration of the source whence the income was derived. ...that is, of determining whether a tax on income was direct not by a consideration of the burden placed on the taxed income upon which it operated, but by taking in to view the burden which resulted on the property from which the income was derived, ...” “Indeed, from another point of view, the Amendment demonstrates... that it was drawn with the object of maintaining the limitations of the Constitution and harmonizing their operation. We say this because it is to be observed that although from the date of the Hylton Case, because of the opinions made in that case, it had come to be accepted that direct taxes in the constitutional sense were confined to taxes levied directly on real estate because of its ownership, the Amendment contains nothing repudiating or challenging the ruling in the Pollock Case that the word ‘direct’ had a broader significance, since it embraced also taxes levied directly on personal property because of its ownership, and therefore the Amendment at least impliedly makes such wider significance a part of the Constitution,- a condition which clearly demonstrates that the purpose was not to change the existing interpretation except to the extent necessary to accomplish the result intended; that is, the prevention of the resort to the sources from which a taxed income was derived in order to cause a direct tax on the income to be a direct tax on the source itself, and thereby take an income tax out of the class of excises, duties, and imposts, and place it in the class of direct taxes.” *Brushaber v. Union Pacific R.R. Co.* 240 US 1 (1916)

"[B]y the previous ruling, it was settled that the provisions of the 16th Amendment conferred no new power of taxation but simply prohibited the previous complete and plenary power of income taxation possessed by Congress from the beginning from being taken out of the category of indirect taxation to which it inherently belonged." *Stanton v. Baltic Mining Co.*, 240 US 112 (1916)

"The income tax cannot be applied to any income which Congress has no power to tax."
William E. Peck & Co. v. Lowe, 247 U.S. 165 (1918)

"We must reject in this case, as we have rejected in cases arising under the Corporation Excise Tax Act of 1909 (*Doyle, Collector, v. Mitchell Brothers Co.*, , 38 Sup. Ct. 467, 62 L. Ed. --, and *Hays, Collector, v. Gauley Mountain Coal Co.*, 247 U.S. 189, 38 Sup. Ct. 470, 62 L. Ed. --, decided May 20, 1918), the broad contention submitted in behalf of the government that all receipts-everything that comes in-are income within the proper definition of the term 'gross income,' and that the entire proceeds of a conversion of capital assets, in whatever form and under whatever circumstances accomplished, should be treated as gross income. Certainly, the term 'income' has no broader meaning in the 1913 act than in that of 1909 (*see Stratton's Independence v. Howbert*, 231 U.S. 399, 416, 417 S., 34 Sup. Ct. 136), and for the present purpose we assume there is no difference in its meaning as used in the two acts." *So. Pacific Co. v. Lowe*, 247 U.S. 330 (1918)

"The 16th... does not justify the taxation of persons or things previously immune... it does not extend taxing power to new or excepted subjects, state Citizens, and state corporations." *Evans v. Gore.*, 253 U.S.245 (1920).

"...it becomes essential to distinguish between what is and what is not 'income' ...Congress may not, by any definition it may adopt, conclude the matter, since it cannot by legislation alter the Constitution, from which alone it derives its power to legislate, and within whose limitations alone, that power can be lawfully exercised. ...this Amendment shall not be extended by loose construction, so as to repeal or modify, except as applied income, those provisions of the Constitution that require an apportionment... this limitation still has appropriate and important function, and is not to be over ridden by Congress or disregarded by the courts." *Eisner v. Macomber*, 252 U.S. 189 (1920)

"the definition of "income"... the word must be given the same meaning in all the Income Tax Acts of Congress that was given to it in the Corporation Excise Tax Act,..." *Merchant's Loan and Trust Co. v. Smietanka*, 255 U.S. 509 (1921)

"An income tax is neither a property tax nor a tax on occupations of common right, but is an excise tax... The legislature may declare as 'privileged' and tax as such for state revenue, those pursuits not matters of common right, but it has no power to declare as a 'privilege' and tax for revenue purposes, occupations that are of common right."...
"These decisions apparently settled the law as definitely as repeated decisions of the same question can settle anything, that the state cannot tax, for purposes of revenue, occupations which are of common right." *Sims v. Ahrens*, 271 S.W. 720 724 (1925)

"It is to be noted that, by the language of the Act, it is not 'salaries, wages or compensation for personal service' that are to be included in gross income. That which is to be included is gains,

profits, and income derived from salaries, wages, or compensation for personal services.”
Lucas v. Earl, 281 U.S. 111, 50 S. Ct 241, 74 L. Ed. 731 (1930)

“Wherein the Court ruled that the individual, unlike the corporation, cannot be taxed for the mere privilege of existing but that the individual’s right to live and own property was a natural right upon which an excise cannot be imposed.” *Redfield v. Fisher*, 292 p. 813, 819 (1930)

"In view of other settled rules of statutory construction, which teach that a law is presumed, in the absence of clear expression to the contrary, to operate prospectively; that, if doubt exists as to the construction of a taxing statute, the doubt should be resolved in favor of the taxpayer..." *Hassett v. Welch*, 303 U.S. 303, 314 – 315; 82 L Ed 858 (1938)

“The Treasury cannot by interpretive regulations, make income of that which is not income within the meaning of the revenue acts of Congress, nor can Congress, without apportionment, tax as income that which is not income within the meaning of the 16th Amendment.”

Helvering

v. Edison Bros. Stores, 133 F2d 575 (1943)

“It could hardly be denied that a tax laid specifically on the exercise of those freedoms would be unconstitutional.” *Murdock v. Pennsylvania*, 319 U.S. 105, 480-487 (1943)

“Reasonable compensation for labor or services rendered is not profit...” *Laureldale Cemetery Assc. V. Matthews*, 47 A.2d. 277 (1946)

Statement by Dwight E. Avis, Head of Alcohol and Tobacco Tax Division: “Your income tax is 100 percent voluntary tax, and your liquor tax is 100 percent enforced tax.” (*House of Representatives, Subcommittee on Administration of the Internal Revenue Laws, of the Committee on Ways and Means*. (Feb. 3, 1953))

“Any direct tax that is not apportioned is unlawful.” *Commissioner v. Obear-Nester*, 349 U.S. 948 (1954)

“The word ‘profit’, as ordinarily used, means the gain made upon any business or investment, a different thing altogether from mere compensation for labor,” *Oliver v. Halstead*, 86 S.E. Rep. 2d, 859 (1955)

“Where administrative action may result in loss of both property and life, or of all that makes life worth living, any doubt as to extent of power delegated to administrative officials is to be resolved in citizen's favor, and court must be especially sensitive to citizen's rights where proceeding is non-judicial." *United States v. Minker*, 350 U.S. 179; 76 S.Ct. 281 (1956)

"Our system of taxation is based on voluntary assessment and payment, not upon distraint (forced confiscation)." *United States v. Flora*, 362 US 145 (1958)

“Legislature can name any privilege as taxable and tax it by means other than an income tax, but legislature cannot name something to be a taxable privilege unless it is first a privilege... realizing and receiving income or earnings is not a privilege that can be taxed...” “Since the right to receive income is a right belonging to every person, this right cannot be taxed as privilege.” *Jack Cole Co. v. Alfred T. McFarland, Commissioner*, 206 Sup. Ct. Tenn. 694, 337 S.W. 2nd 453 (1960)

“It is clear however, that the legislature and the people may not choose to deny a fundamental constitutional right as a means of collecting revenue. ‘One’s right to Life, Liberty, and Property... and other fundamental rights may not be admitted to vote; they depend on the outcome of no election; A Citizens constitutional rights can hardly be infringed simply because a majority of the people choose it to be.” *Lucas v. Forty-Forth Gen. Assembly*, 337 U.S. 713, 736-737 (1964) (quoting *West Virginia State Bd. of Educ. v. Barnette*, 319 U. S. 624, 638 (1943))

“Congress has taxed income, not compensation.” *Conner v. U.S.*, 303 F. Supp., 1187 (1969)

“Persons who are not taxpayers are not within the system and can obtain no benefit by following the procedures prescribed for taxpayers, such as the filing of claims for refunds.” *Economy Plumbing and Heating v. U.S.*, 470 F.2d 585 (1972)

“The general term “income” is not defined in the Internal Revenue Code” *U.S. v. Ballard*, 535 F2d 400, 404 (1976)

“All persons in the United States are chargeable with knowledge of the Statutes-at-Large. It is well established that anyone who deals with the government assumes the risk that the agent acting in the government's behalf has exceeded the bounds of his authority.” *Bollow v. Federal Reserve Bank of San Francisco*, 650 F.2d 1093, (9th Cir. 1981)

(Congressional Research Service: By Howard Zaritsky Legislative Attorney American Law Division May 25, 1979 Report No. 79-131 A) “In *Brushaber v. Union Pacific R.R. Co.* (1916), The Supreme Court held that the income tax, including a tax on dealings in property, was an indirect tax, rather than a direct tax, and that: "the command of the Amendment that all income taxes shall not be subject to the rule of apportionment by a consideration of the source from which the taxed income may be derived forbids the application to such taxes of the rule applied in the *Pollock* case by which alone such taxes were removed from the great class of excises, duties, and imposts subject to the rule of uniformity and were placed under the other or direct class.” *Brushaber v. Union Pacific R.R. Co.*, 240 U.S. 1, 18-19 (1916)

Cheek v. United States, 498 U.S. 192 (1991), held that if the defendant has a subjective good faith belief no matter how unreasonable, that he or she was not required to file a tax return, the government cannot establish that the defendant acted willfully in not filing an income tax return. In other words, that the defendant shirked a legal duty that he knew existed.

“The revenue laws are a code or system in regulation of tax assessment and collection. They relate to Taxpayers, and not to non-taxpayers. The latter are without their scope. No procedure is prescribed for non-taxpayers, and no attempt is made to annul any of their rights and remedies in Due Course of Law. With them Congress does not assume to deal and they are neither of the subject or the object of the Revenue Laws.” *Long v. Rasmussen* 281, F. 238 at 238; and *Economy Plumbing v. U.S.* 470 F. 2d 585 at 589 (1992)

“The terms “excise tax” and “privilege tax” are synonymous. The two are often used interchangeably.” *American Airways v. Wallace*, 57 F.2d 877, 880 (M.D. Tenn. 1932)

“The phraseology of form 1040 is somewhat obscure... But it matters little... the statute alone determines what is income to be taxed. It taxes only income ‘derived’ from many different sources; one does not ‘derive income’ by rendering services and charging for them.” *Edwards v. Keith*, 231 F. 110 (2nd Cir. 1916)

“Meaning of net income. (a) The tax imposed by chapter 1 is upon income. Neither income exempted by statute or fundamental law, nor expenses incurred therewith, other than interest, enter into the computation of net income as defined by section 21. (26 CFR § 39.21-1 (1956)

“Exemption—Exclusions from gross income. Certain items of income specified in section 22(b) are exempt from tax and may be excluded from gross income. These items, however, are exempt only to the extent and in the amount specified. No other items may be excluded from gross income except (a) those items of income which are, under the Constitution, not taxable by the Federal Government; 26 CFR § 39.22(b)-1 (1956)

Gross income. (a) General definition. Gross income means all income from whatever source derived, unless excluded by law. 26 CFR § 1.61-1 (Current Code)

“The right to labor and to its protection from unlawful interference is a constitutional as well as common-law right. Every man has the rights to the fruits of his own industry.”

After a careful study of the law it became clear that I have not engaged in any taxable activity and have incurred no tax liability. Any statement alleging any taxable activity is hereby rebutted and requests for tax payers identification number is hereby denied.

The above statement is true to the best of my knowledge and belief. Month _____, Day _____, Year _____

Thank you for your attention to this matter,

Signature

Print Name