

## FORMS: 6.1 SAMPLE EMPLOYER LETTER TO EMPLOYEES ENDING WITHHOLDING

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The letter below is intended to be used by employers who have stopped withholding income taxes from the pay of their employees and who wish to notify them of this fact without creating undue anxiety or fear of IRS reprisal and to convince the employees that the act is being undertaken in full observance of all applicable tax laws.

To \_\_\_\_\_ Workers:

Date: \_\_\_\_\_

As all of you know, \_\_\_\_\_ does not withhold any payroll "taxes", because it is not required by law to do so. To review what has been done here, I am providing this letter as an additional information source for you. I'll try to make this as simple as I can, and you may study this further if you wish. Please see me after work hours if you have any questions.

What is the background of \_\_\_\_\_'s position regarding the income tax compared to what everybody else does? Among other contradictory information, I have been bothered when I heard that nobody was required to file a federal income tax return, but if you did not do so, then the government would throw you in jail. This made no sense, because logic tells you that if your income is taxed by the law, then you are required to pay taxes on that income. Then I found out that the government has never been able to produce the statutes and regulations that proved that domestic incomes were taxed in any criminal trial. If domestic incomes were really taxed, then they would have been able to produce this part of the law at the drop of a hat. What was going on?

After using the Internet to study the US Code and regulations (the law), I discovered that only those people who have gross income and/or taxable income as defined by Title 26 of the US Code are required to have their pay withheld. \_\_\_\_\_ is a domestic company and the workers for \_\_\_\_\_ do not incur any income tax liability from the remuneration (compensation) earned from \_\_\_\_\_.

The law says "all persons liable...." None of the funds paid to \_\_\_\_\_ workers is considered to be gross income within the meaning of the income tax law under Title 26, Section 61. Without taxable gross income, there can be no taxable income (Title 26 Sec. 63). Without taxable income, there is no income tax liability. Without any income tax liability, there is no legal reason for \_\_\_\_\_ to withhold your money and no reason for you to fill out a W-4 form.

Why do so few people know this? In the past, then major problem has been that all tax professionals as well as the public have simply assumed that the law taxed all incomes without checking the law itself to see if this was really true or not. But when you go to the actual law and track taxable income (which is what the income tax is imposed on), you discover that contrary to public opinion, the federal government cannot and does not tax whatever it wants. If they did, they wouldn't need for you to fill out a W-4 (Withholding Allowance Certificate, in which YOU allow THEM to take your money) volunteering to deduct taxes from your income—they would do mandate that we do it without any consent or permission from you whatsoever. It is severely restricted when it comes to taxing incomes having to do with intrastate commerce (which is the type of commerce that \_\_\_\_\_ is engaged in).

There is a near universal misconception that the income tax is a direct tax on incomes without apportionment. This has caused universal misunderstanding that the income tax is unconstitutional, because the Constitution prohibits a direct tax on incomes without apportionment (which means that such a tax must be collected evenly among the states, not in a graduated fashion. as it is currently collected). But the truth is that the income tax is not a direct tax on incomes as the name suggests.

The Supreme Court and the Treasury Department have agreed the income tax is not a direct tax on incomes, but an indirect (excise) tax on certain taxable activities (sources). The following is from the Congressional Record, written by a Treasury Department legislative draftsman (the ones who WRITE the regulations):

*"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 the tax."*

The income tax being an excise tax means that the income is not what is being taxed; the income is simply the measure of the taxable activity (source) that occurred (from which the income is derived). Once you understand this, you realize that determining the SOURCE of the income is critical in order to arrive at taxable gross income.

If your gross income does not derive from a taxable source (and \_\_\_\_\_ activities do not represent a taxable source) then you owe no income taxes to the government. For many years, the government managed to hide the critical regulations that told this truth until the advent of the Internet and computer search engines. These regulations are very specific (26 CFR 1.861-8). The domestic incomes from domestic sources for US Citizens and resident aliens in the Republic of California are NOT TAXABLE by the federal government.

To those who ask just why the income tax laws exist, the answer is that the income tax laws apply to some incomes (those having to do with foreign and international commerce), but these are far fewer in number than the incomes from intrastate commerce. The law has been written in a deceptive way to imply that most incomes were taxed, while maintaining the literal truth (the hidden regulations in the Code of Federal Regulations), which is that incomes that are generated from intrastate commerce are not taxed.

The IRS has also been telling people incorrectly for years that the 16th Amendment permitted the direct taxation of incomes without apportionment, but in fact the 16th Amendment told the courts that the income tax was an indirect tax.

*The Sixteenth Amendment. The provisions of the sixteenth amendment conferred no new power of taxation, but simply prohibited [Congress original power to tax incomes] from being taken out of the category of indirect taxation, to which it inherently belonged, and being placed in the category of direct taxation subject to apportionment. [Treasury Decision 2303]*

Therefore, using only the exact wording of the law, and only the legal definitions of critical words such as taxable income, gross income, and sources, the following is true regarding which incomes are taxed or not:

The income tax is imposed on "taxable income."

26 USC 861(b) and 26 CFR 1.861-8 are the sections to be used to determine "taxable income" from sources within the United States.

More specifically, the current statutes and regulations show the correct, limited application of the income tax imposed by 26 USC § 1, which is in conflict with what the public generally believes regarding the matter.

26 USC § 1 imposes the income tax on taxable income.

26 USC § 63 defines taxable income generally as gross income minus deductions.

26 USC § 61 defines gross income generally as income from whatever source derived.

26 USC §§ 861 - 865 and related regulations determine the taxable sources of income.

26 CFR § 1.861-8 shows that the taxable sources of income apply only to those engaged in international or foreign commerce (including commerce within federal possessions).

It is then quite straightforward to prove that the incomes of \_\_\_\_\_ workers who are US citizens living and working in the State of California is exempt from federal taxation, because it does not derive from a taxable source (activity). That is:

The income \_\_\_\_\_ workers receive derives from activities which do not constitute sources of income for purposes of the

income tax (26 CFR § 1.861-1), and;

\_\_\_\_\_ workers engage in no activities which generate taxable income, according to the section for determining taxable income from sources within the United State (26 CFR § 1.861-8), and;

3) *The income \_\_\_\_\_ workers receive is excluded from the list of non-exempt income (26 CFR § 1.861-8T(d)(2)) (due to being exempted by Article I, Section 8 and the Tenth Amendment to the Constitution);*

The income tax law can tax the gross income of federal government employees and other political subdivisions (federal possessions), as well as incomes from a "foreign source. That is, if one made their money from a foreign corporation, their wages and salary would indeed be taxable. This is because these are areas where the activities are taxable, because Congress has jurisdiction over these areas. But nowhere is it mentioned that the gross income earned domestically by US citizens is taxed.

That is, the only incomes that are taxed were areas over which Congress has jurisdiction under the Constitution. The law clearly shows that Congress does not have jurisdiction over commerce that occurs entirely within the 50 States (the type of commerce that \_\_\_\_\_ is engaged in); therefore the law does not and cannot tax such incomes. This actually makes sense, given the fact that the Constitution was written to limit the size and scope of the federal government and to give most of the taxing power to the states.

But all because of the incorrect assumption that all incomes were taxed by the federal government, misinformation that was fostered and promoted by the government, everybody overlooked the critical part of the income tax law, which is to first determine IF you have taxable income or not. This means that most people have been filing tax returns and paying income taxes improperly as a result of the misapplication of the income tax laws when the law does not tax their incomes.

If you have any accountant acquaintances, ask them to show you the part of the law that taxes your income, they wont be able to do it. Incredible, isn't it? You have been paying money to the government all these years that you did not owe them, and they did not tell you otherwise; in fact they probably treated you badly and intimidated you because of your imputed ignorance about the confusing tax laws they helped to write.

It is as simple as that. The government makes it appear more confusing than it really should be. Remember, IRS documents and publications have no force of law, and only the US Code and corresponding regulations have that authority. \_\_\_\_\_'s actions are based solely on the written law and regulations.

All requests for additional information from the Internal Revenue Service have been ignored and we are now seeking remedies through the legal process. For the IRS to simply ignore us is a very strong suggestion that abuse is occurring, not that each of us probably has horror stories of what has happened to friends and neighbors.

Before the Internet, access to the law was very difficult, and nearly everyone has experienced a gross misapplication of our nation's tax laws since all of us started working, but the fact that the law is now available to every man on the Internet has given us the means to obey the law as written, not misinterpretations of the law handed down through generations of tax professionals and arrogant lawyers who never went to the law itself to prove what they advised. Ignorance of the law is no excuse, and I will correct anything that I consider improper or illegal.

\_\_\_\_\_ is not the only employer complying to the written law in this regard. However, we probably are the first in \_\_\_\_\_ County we are aware of. All parties in order to have a just society and civil order must abide the written law, including most importantly the government, which is supposed to be for the people, by the people. The government has been deceiving everybody and this has got to stop. We are obligated to obey the law, not misinterpretations of the law.

Larken Rose demonstrates other reasons why the law cannot do this in understandable detail in Taxable Income, which I urge you to read and study this remarkably clear document and see the law as written for yourself. You may have to read it several times, but you will eventually understand and see for yourself the actual wording of the law that proves that your income is not taxed, which is the exact opposite of what you have been led to believe.

\_\_\_\_\_ cannot tell you what to do regarding your own income tax position. However, if you want help with it all you have to do is ask me, and I'll do my best to point you in the right direction. \_\_\_\_\_ is now processing corrected returns for payroll and we will keep you up to date on this as it progresses.

Signed: \_\_\_\_\_ (owner/CEO)

Date: \_\_\_\_\_

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