



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

NATIONAL DIRECTOR
FOR LEGISLATIVE
AFFAIRS

May 23, 2002

Mr. Gerald Klaas
5109 Melvin Drive
Carmichael, CA 95608

Dear Mr. Klaas:

Congressman Pombo asked that I respond to your letter of February 23, 2002, about the 299 questions submitted by Bob Schulz and the *We the People Foundation for Constitutional Education, Inc.*

I apologize for the delay in responding. I understand the Department of Justice responded to a letter from Congressman Roscoe G. Bartlett that enclosed a packet of the 299 questions, and we fully concur in the response that they provided to Congressman Bartlett.

Since shortly after the enactment of the federal income tax in 1913, some individuals and groups have encouraged others not to comply with the tax law. Using a variety of arguments, unsuccessful challenges have been made about the applicability of the tax laws. There have been assertions that the 16th Amendment was not properly ratified; the tax law is unconstitutional; and the income tax only applies to certain individuals, or violates one or more constitutional rights.

Some individuals falsely claim that, pursuant to Section 861 of the Internal Revenue Code, Americans are exempt from taxation on income earned within the United States. They argue, instead, that federal income taxes are excise taxes imposed only on nonresident aliens and foreign corporations for the privilege of receiving income from sources within the United States.

Identifying and combating actively promoted tax schemes is our highest compliance priority. One reason is the money lost to the Treasury, which is clearly substantial. However, more important, is that these promoted schemes are unfair and corrosive to the health of our tax system. Nothing undermines confidence in the tax system more than the impression that the average, honest taxpayer has to pay his or her taxes while more wealthy or unscrupulous taxpayers are allowed to get away with not paying.

I have enclosed, for your information, a document titled *The Truth About Frivolous Tax Arguments*, prepared by the IRS Office of Chief Counsel. I believe that this document answers most, if not all, of the questions submitted by Mr. Schulz's group.

I hope this information is helpful. Please contact Mary Ann Wells (identification number 50-07749) at (202) 622-4004, if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Floyd L. Williams", written in a cursive style.

Floyd L. Williams

Enclosure