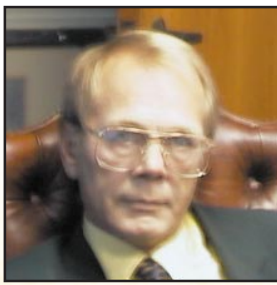


Dear We The People

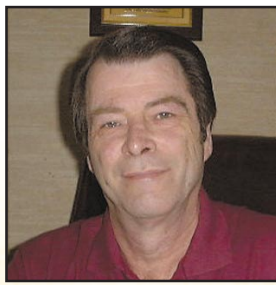
Q: What Do These Men Have In Common?



David Bosset
Bosset Marketing Partners, Inc. (Florida)



Nicholas Jesson
No Time Delay Electronics, Inc. (California)



Dick Simkanin
Arrow Custom Plastics, Inc. (Texas)



Al Thompson
Cencal, Inc. (California)



Leonard Roberto
Batavia Enclosures, Inc. (New York)

A: THEY ARE ALL EMPLOYERS WHO HAVE STOPPED WITHHOLDING TAXES FROM THEIR WORKERS' PAYCHECKS.

They are part of a growing number of employers and workers who believe that:

1. THERE IS NO LAW THAT REQUIRES WORKERS, AS U.S. CITIZENS EARNING THEIR MONEY FROM DOMESTIC COMPANIES, TO PAY INCOME OR EMPLOYMENT TAXES; NOR TO HAVE THOSE TAXES WITHHELD;
2. THE 16TH AMENDMENT (THE "INCOME TAX AMENDMENT") WAS FRAUDULENTLY DECLARED TO BE RATIFIED BY THE SECRETARY OF STATE IN 1913.*

Each of the employers has come to these conclusions with the aid of Certified Public Accountants, attorneys and/or tax researchers. In 1999, upon consultation with tax researcher Thurston Bell, David Bosset, a former tax consultant himself, submitted a nine page legal memorandum to the IRS, arguing that he had erred in 1996 and 1997 in filing 528 W-2s and 1099s, which reported that workers had earned taxable income. Attached were 528 W-2s and 1099s, corrected to "0."

The local IRS office passed the matter up to the Conflict Resolution Branch, which determined that Mr. Bosset was correct. The IRS returned the money that Mr. Bosset had withheld from the paychecks of his employees. Soon after, other employers around the country stopped withholding, including those identified above.

Each employer has respectfully presented these arguments to the IRS (and to their representatives in Congress), asking the government to review the results of their research and to show them if they are mistaken. The IRS DID NOT RESPOND, nor did the others.

IRS SUDDENLY THREATENS "CRACKDOWN"

The IRS on February 10th made public announcements that it would soon conduct a crackdown on dozens of employers who have stopped withholding taxes from the money they pay their workers. The announcement apparently was spurred on by articles in the New York Times in November that called the employers "tax cheats" and warned that the trend could spread and cause the tax system to collapse.

The Times quoted IRS Deputy Commissioner Dale Hart as saying that the employers' legal rationale is frivolous, has no legal authority, and has been thoroughly rejected by the courts. The employers, of course, do not see their arguments as frivolous, and are unaware of any court case that has addressed or rejected them. Hart did not offer any code section that would apply.

The employers all followed IRS administrative procedures and cite chapter and verse of the laws and regulations that allow them to stop withholding. The IRS, after due consideration, **refunded money the employers had withheld from the paychecks of their employees.** This was not the result of a low-level clerical error, but was based on numerous exchanges through the IRS's Problem Resolution program.

At least one of the employers named in the Times article has written a letter to the IRS Commissioner requesting a meeting to discuss the matter. Excerpts from that letter are printed below.

Nick Jesson's (NTD Electronics') demand for dialogue was UNANSWERED by the IRS, so he is now going public. The IRS's failure to respond follows a series of attempts to get government officials, including the IRS, Congress and the White House, to participate in conferences to publicly explain findings and refute allegations by numerous tax researchers and former IRS agents such as the allegations made at the top of this message.

Tax researchers recognize that the actions of the employers are supported by provisions in the Tax Code. For example: A withholding agent is only required to withhold from foreigners (Code Sections 7701, 1461, 1441-3). Tax researchers have noted for years that a statement of citizenship given to an employer/withholding agent precludes the withholding of tax, as there is no authority in the Code to withhold money from a citizen or resident of the U.S. unless that person authorizes it. If the worker submits a statement of citizenship, the employer, as a withholding agent, is relieved of duty to withhold income taxes, since those apply to nonresident aliens. See our web site.

Tax researchers have asserted there is no law that a U.S. citizen must have a social security number (SSN) or that an employer must have an employer identification number (EIN), or that either of them must participate in the social security program (i.e., employment or FICA taxes under Subtitle C). An employer who does participate in the social security program is required to give a W-4 form to a worker, but is not required to get it back, and **the worker is not required to fill it out** and return it, unless that worker wants to participate in the social security program. Absent a W-4 signed by the worker, **an employer is not authorized by law to withhold and submit to the IRS money from the worker** for employment taxes. Further, a person without a SSN number would have no taxable income. All this has been well-documented and verified by numerous letters from any number of Social Security Administration officials. You can check these out on our web site (see below).

Section 1441(a) and (b) state that interest, dividends, rent, salaries, wages, profits, etc., are "income" when received on behalf of, or paid to, a **nonresident alien or other foreign entity.** And courts have ruled that profits of corporations are "income." But there is no provision in the Code stating that receipts of citizens or residents of the country are "income." Thus, a citizen's own receipts are not "gross income" and are not, therefore, "taxable income" under the Code. Income refers to property derived from activity involving the exercise of a government-granted privilege.

Section 61 of the Code has the definition of gross income as "all income from whatever source derived," and then a list of 15 "items." Tax researchers have recognized that the "items" listed are not the same as "sources" of income that are taxable. The sources are actually to be found in a more remote part of the Code at Section 861 (or section 1.861-8(f)(1) of the regulations). They consist of five "foreign" sources. In previous versions of the Code, the relationship and distinction between the "items" and the "sources" was not disguised or separated by distance in the Code. This part of the Code is an important aspect of the position taken by the employers who have stopped withholding. For more details, see "Connecting the Dots" on our web site, and especially go to www.Taxableincome.net for a free download of Larken Rose's excellent book and/or refer to appropriate chapters of Chris Hansen's opus magnum at <http://familyguardian.tzo.com/Publications/GreatIR-Share.htm>, also a free download.

DEAR IRS : WHY DON'T YOU ANSWER? AN EMPLOYER'S LETTER.

Charles O. Rossotti, Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, D.C. 20224

Dear Commissioner Rossotti:

I am writing to you because I have reason to believe that certain offices within the Internal Revenue Service are seeking unwarranted criminal charges both against Nick Jesson of No Time Delay Electronics for tax evasion and against myself as Founder and Executive Researcher of the National Institute for Taxation Education (NITE) for conspiracy to evade taxes.

Both Mr. Jesson and I were given this impression by an article that appeared in the February 10 edition of the New York Times ("I.R.S. Going After Businesses on Withholding Tax"), in which reporter David Cay Johnston refers to Mr. Jesson twice, in the context of quotes by IRS officials such as CID Chief Mark E. Mattheus and Deputy Commissioner Dale Hart. Each of these officials stated that efforts are being made within the IRS to tighten enforcement, and Chief Mattheus told the Times that "some of the business owners, as well as the promoters who advise them, will be prosecuted for tax evasion and other crimes."

I wish for you to know the facts of this issue so that you can understand that in my work with Mr. Jesson, we have sought complete compliance with all of the Internal Revenue laws as stated in the U.S. Code, the Treasury Regulations, and the Internal Revenue Manual. Furthermore, it has always been our intent to correct any mistakes of law or fact that we have made and distributed to any interested parties, as we have engaged in the IRS' administrative process in order to exhaust all administrative remedy and avail ourselves of any subsequent judicial hearing of our legal arguments if necessary.

However, to date the IRS has given us no reason to believe through Mr. Jesson's correspondences with the agency that Mr. Jesson or I have misunderstood, misrepresented, or failed to comply with the law in any way. We have made every effort to comply with the law and the IRS procedures that we must exhaust before seeking adjudication of claims. Since the IRS has effectively accepted as correct and truthful NITE's arguments as applied by Mr. Jesson, any attempt to prosecute either myself or Mr. Jesson would not only be outside of the scope of the law but also a clear abuse of government power.

NITE is an educational organization operating under the protection of the First Amendment guaranty of freedom of speech and freedom of association... Since 1997 NITE has been distributing information regarding the Internal Revenue laws and assisting its members in complying with the letter of the law and discovering the long-obfuscated IRS administrative procedures, which are binding upon the IRS as well as the Citizens.

In the case of Mr. Jesson NITE provided to him information regarding the U.S. Source Rules as set forth in the Internal Revenue laws and the process of correcting prior claims made to the IRS regarding "gross income" paid and reported to the IRS. These are the pertinent facts of Mr. Jesson's case:

On May 10, 2000, following information researched and published by NITE, Mr. Jesson amended the 1997 returns for No Time Delay Electronics, Inc. by filing Forms 941C, W-2C and W-3C reflecting gross income of "0", based on the "source" rules as defined by the Treasury Regulations. These returns were submitted pursuant to 26 C.F.R. §301.6402-2, complying with the only administrative process available to an employer seeking a Refund of overpayment of taxes. Had he failed to take this specific action he would be unable to seek any other remedy in the courts before exhausting this administrative remedy.

On June 1, 2000 Mr. Jesson received a response letter from the IRS stating that the agency needed more time to review his case before making a decision on his Claim for Refund. The letter stated that no further information would be required of him at that time while the review was under way.

On July 11, 2000 the IRS completed review of Mr. Jesson's case and issued four Refund checks in the amounts of \$68,244.94, \$61,262.01, \$37,373.74, and \$48,573.87. These checks were refunds for employment taxes that were withheld for each quarter of 1997.

Since receiving the refund checks, Mr. Jesson has received no further correspondences from the IRS of any kind, especially none stating that the refund was issued mistakenly.

On November 19, 2000 the New York Times printed an article authored by David Cay Johnston, which referred to Mr. Jesson (not by name but as owner of NTD Electronics) in the context of tax cheats who are evading the taxes owed.

Prior to the publication of the article I had a brief conversation with Mr. Johnston, during which I attempted to correct his misconception of the substance of my work. Though there was some reference made to my work through mention of NTD Electronics, there was no specific mention of myself or of NITE (www.nite.org) being the source of this effort by employers to apply the U.S. Source Rules to their determinations of wages and gross income reported to the IRS.

[Editor's note]...The letter goes on to note inaccuracies in the Times stories by David Cay Johnston and his failure to take telephone calls from Mr. Jesson or to return them. The letter notes the article of February 10 juxtaposed statements about Mr. Jesson with statements by IRS officials who said that business owners are "scamming their employees" and will be prosecuted for evasion. The article stated that those who promote tax strategies for businesses will also be prosecuted. The letter continues...

I understand that the IRS should not be held responsible for the words that Mr. Johnston chooses to write and the New York Times chooses to publish. I recognize the possibility that the IRS may have given Mr. Johnston wholly accurate information and that the blame for the accusatory language lies wholly upon Mr. Johnston and the New York Times. And it is with this good faith that I reach out to the IRS to bring the IRS, NITE and Mr. Jesson into an exclusive and legitimate face-to-face conversation regarding any misunderstandings or errors of law that NITE or Mr. Jesson are holding and availing to the public.

We propose that the IRS, represented by you and/or your delegates, engage NITE in a public forum and discuss the legality and legitimacy of the positions that NITE professes. At this meeting, we expect that the IRS will either provide pertinent case law from a court of competent jurisdiction that does not ignore the fact that the U.S. Source Rules apply to U.S. Citizens, or failing that will admit publicly that NITE's specific argument of law is correct and therefore no criminal or civil actions will be brought against any individual Citizen who professes NITE's specific argument. At this meeting you and your delegates would have the opportunity to refute our argument and we would have an opportunity to engage in a dialogue with our government regarding our application of the whole of the Internal Revenue laws and most specifically our application of the U.S. Source Rules to U.S. Citizens.

[Editor's note]...The letter says that Mr. Bell and Mr. Jesson are prepared to meet for the discussion at any time and place that will allow for an audience of members of the media and other concerned citizens, and that it would be desirable to have representatives of the Justice Department there to save the need for any follow-up meetings with them. Mr. Bell states that the position used by Mr. Jesson has never been argued or decided in federal court, and that so far, no government official has attempted to refute the specific arguments on which it is based. He continues...

This letter is being sent to you directly since your delegates have made the naked threats of prosecution as contained in the David Cay Johnston article.

If the intent of your subordinates' comments to David Cay Johnston was to intimidate and threaten law-abiding citizens and employers, then the Restructuring and Reform Act of 1998 has indeed failed to protect taxpayers in the manner that Congress intended. Nevertheless, we are not intimidated by the lawless threats of your deputies, as any attempt by the IRS to follow through with these threats will be reviewed by the Treasury Inspector General for Tax Administration as well as our elected officials in Congress.

Presently the record shows that the IRS has not only failed to refute our position but has even affirmatively offered evidence that our arguments are correct by refunding over \$215,000 to No Time Delay Electronics. Therefore, until such time as we are shown to our reasonable satisfaction to be holding mistaken positions, Mr. Jesson, NITE and I will continue to operate as law-abiding Citizens within the letter of the law as we have applied. We expect a response from you within fifteen (15) business days.

Respectfully,

Thurston P. Bell
Executive Researcher and Founder
National Institute for Taxation Education

SUMMARY OF THE LETTER

- The employers' position is careful to follow the laws and regulations.
- The applications went through IRS's procedures and were approved.
- The NY Times articles were both inaccurate and biased.
- Employer Jesson and Thurston Bell requested a meeting with the IRS to discuss the issues and the IRS did not respond at all.

The IRS has not responded to Mr. Bell's letter. They refused to deny or respond to former CID investigator Joe Banister's report that concluded the findings by numerous tax researchers were correct. They have declined to reply to invitations to five conferences conducted by We The People Foundation to discuss questions and issues. (For further details of these attempts, go to our web site.) We have posed the crucial question: "At what point must continued evasion be regarded as an admission that the tax researchers are correct, and that there is no law that requires most citizens to pay income tax?"

* In 1913, Americans got the federal income tax and a central bank (the Federal Reserve System). There is evidence in support of the hypothesis that the income tax was imposed on the American people so that the owners of the (private) central bank could control not only our money but our government as well.

SHODDY JOURNALISM: David Cay Johnston and The NY Times become an issue.

Our previous message two weeks ago noted that the NY Times has assumed the role of cheerleader for the IRS, obviously hoping to sic 'em onto the employers who have stopped withholding, even though in accordance with the rules.

In another Times article on February 23, David Cay Johnston reported that the recent sentencing of a couple for crimes involving tax evasion followed a trial at which defendants' case was based on Code section 861. Larken Rose, a tax researcher who has studied and written authoritatively about the 861 position, asked Mr. Johnston about it, and he acknowledged that the 861 position was not mentioned at the trial and was not an issue adjudicated. This represents irresponsible and misleading journalism. Check Larken Rose's website at www.Taxableincome.net for more information (email: larken@taxableincome.net).

We also have a copy of a very biased, hostile and condescending letter Mr. Johnston sent to Mr. Jesson two weeks ago in response to Jesson's challenge that Johnston show him the law that makes him liable, and noting that the California tax board, whose tax rules are the same as the federal, had recently approved his position. We'll not print that letter at this time, but it has become evident that Mr. Johnston has set out upon a one-man crusade, using the NY Times as his vehicle, against any and all who don't agree with his views on the income tax, even though he acknowledges in the letter that he hasn't done research on it.

His letter asserts that the issues Jesson has raised have been judged in tax courts, district courts, and appeals courts and been rejected as without merit. In fact, Thurston Bell's letter above states that these issues have never been addressed or adjudicated in any court case. Johnston's desire to discredit the employers has caused him to resort to inaccurate, false and unethical reporting.

As further evidence of his unprofessional bias, Mr. Johnston "pulled the plug" on an interview when the guest interviewee, Virginia Cropsey, J.D., an expert on the 4th Amendment and IRS liens, began to speak about warrant requirements for federal seizures of property for income taxes and that IRS seizures had decreased by 98% because they can't get a warrant, since it would require them to lie under oath that a tax was owed. She said she had never spoken with a more insolent, biased reporter, who didn't want to hear any explanations about the tax laws that he couldn't refute. She said she had lost a lot of respect for the Times. Check her website at www.getawarrant.com.

It appears to us that there is serious reason to question whether the readers of the NY Times are well served by David Cay Johnston's brand of reporting, since it is biased and incompletely researched. If you would like to express your opinion about the NY Times articles by David Cay Johnston, you can do so by calling his superior, Glenn Kramon, Business Editor, at (212) 556-1471.

LATE NEWS: The Texas Incident

Subsequent to the NY Times articles, the IRS contacted Clubb Spa and Pool, a company in Keller, Texas, just northwest of Dallas, that had stopped withholding in accordance with the provisions of the law. The IRS wanted to send a couple of auditors to review their books and records. On the appointed day, last Friday, February 23, five people showed up, three of them conspicuously carrying guns. When asked by company owner, Teri Clubb, who the armed men were, they refused to disclose their identities. The company called 911, police officers arrived, who told the agents they'd have to identify themselves or leave. The IRS group left, still (except for one auditor) refusing to give identities. As of this writing, the police have not provided the owner with a written incident report.

If revenue officers are authorized by law (Code section 7608) to conduct only civil enforcement of alcohol, tobacco, and firearms regulations, and the Criminal Investigation Division only authorized to investigate income tax matters involving U.S. citizens residing in foreign countries and nonresident aliens with U.S. income (Internal Revenue Manual chapter 1100), one wonders just what was going on, and under what authority.

Employers have noted that in Texas, as in most states, garnishment of wages (which is what withholding is, if done without the employees permission) requires a court order. In Texas, it is even written into the state constitution, as well.

This whole incident seems to resemble the old Brown Shirt intimidation tactics of Nazi Germany. But the owner of one company said, in effect: "This is America. Don't show us your guns; show us your authority."

This message is part of **PROJECT TOTO**, a plan to educate millions of citizens (along with accountants, tax attorneys, legislators, judges, IRS employees, and prospective jurors) about the true nature of the income tax laws, to expose operations of the IRS that are unauthorized by law, and to put an end to their illegal collection of taxes from people who do not owe them — the vast majority of US citizens. We intend to publish 11 additional full-page ads in this newspaper. Each ad costs \$62,730. Your help is urgently needed. Please send a donation. In addition, please order and distribute 500 copies of this ad for \$50.

Jefferson said it best, "When the government fears the people, you have liberty. When the people fear the government, you have tyranny."

Sponsored by We The People Foundation For Constitutional Education, Inc., 2458 Ridge Rd., Queensbury, NY 12804, www.givemeliberty.org mailto:acta@capital.net (518) 656-3578 Fax (518)656-9724