

The "Victory Tax"

One of my favorite movies is The Matrix. The reason why I like it so much is because it is actually based on truth (like a lot of fiction movies are). While doing research on the things of this world, I have come to realize that a lot of things that we have been told, and things that we believe to be true, are not.

For example, most Americans believe the following statements:

Microwaved food is safe for human consumption.

There is a law requiring citizens to have a social security number.

Fluoride is good for your teeth.

Michael Moore exposed the REAL truth behind 9/11.

The cost of living goes up every year.

Vaccines are effective, necessary and safe!

High cholesterol causes strokes and heart disease.

The house you live in is a good investment.

The Federal Reserve Bank is federal and has reserves.

There are no known cures for HIV/Aids.

Now, all of the above statements are "known" facts. But if you would do your own research.... Wait, let me state that again. IF YOU WERE TO DO YOUR OWN RESEARCH, you would find that not only are the above statements false, but in most cases, they are the complete opposite of the truth.

Now, I don't have time to go through all this, so right now I will focus on the tax controversy.

There are two basic types of tax. There is indirect tax and direct tax. The term indirect is in reference to a person's labor. For example, gas tax, tobacco tax or sales taxes are all indirect taxes. Social security, Medicare and Federal income taxes are direct taxes on your labor. Generally speaking indirect taxes are avoidable, whereas direct taxes are not.

Now, the Constitution states in Article 1, section 9, "No capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration herein before directed to be taken."

To make this real simple and plain, "No direct tax on labor is allowed unless it is split up evenly among everybody"

By the way, if you are a federal employee, you are considered by the government to be privileged as opposed to a private sector worker. Since your income is derived from gains (tax of citizens), it is constitutional to lay tax on your wages. That is "considered" an indirect tax.

Here is how the Supreme Court describes it;

"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 'privilege' 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"

Simms v. Ahrens, 271 SW 720 (1925)

Congress on the other hand has the right to tax gains or profits. Examples would be dividends, royalties, alimony, pensions and things of that nature.

So doesn't this mean that the Federal Income tax that we pay nowadays is unconstitutional? No it doesn't!!! Let's start at the beginning.

The Beginning of Income Tax

In 1862, America was in the midst of a civil war. Abe Lincoln thought that this would be a quick and painless war, but it turned out to be long and bloody. President Lincoln had left the gold standard and started printing money (greenbacks) out of thin air to finance northern government. This caused inflation in the dollar supply. So on July 1st 1862, they passed the Internal Revenue Act of 1862 (which was a revision of an earlier flat rate income tax passed in 1861) to combat inflation and finance the war.

This was the first income tax and it was put on the pay of government workers and it was withheld. Luxury taxes (remember the monopoly board?) were imposed on a long list of commodities, including alcohol, tobacco, jewelry, yachts, playing cards etc. The act taxed licenses (on almost all professions) and also gains and profits (receipts from corporations, interest and dividends) as well as stamp tax and inheritance tax.

This Act established that income is 'gains' or 'profits'. This is the reason why only government workers paid it. If income meant anybody's wages that had a job, then obviously everyone would have been taxed, and of course, that would have been unconstitutional. A person's labor is his own personal property and cannot be taxed.

"It has been well said that 'the property which every man has in 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 plain violation of this most sacred property'."

Butcher's Union Co. v. Crescent City Co., 111 U.S. 746 (1883)

The Sixteenth Amendment

In 1894 Congress enacted another federal income tax. This tax would allow for not only salaries but ANY OTHER compensation that was paid to anyone who was in the privileged sector. The Supreme Court declared that this was unconstitutional because if you tax gains from personal property, then that is just like taxing the property itself, and is therefore a direct tax.

"The power to tax real and personal property and the income from both, there being an apportionment, is conceded: that such tax is a direct tax in the meaning of the Constitution has not been, and, in our judgment, cannot be successfully denied:..."

Pollock v. Farmers Loan & Trust, 157 U.S. 429 and 158 U.S. 601 (1895)

But this created a loophole. Someone who had otherwise "taxable income" could attempt to get out of paying taxes by assigning that income to his/her personal property which would take it out of the category of indirect and make it a direct tax. To make a long story short, this is what led to the 16th amendment.

The 16th amendment reads "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States...."

So, did this amendment authorize everyone to be taxed, or did it just close the loophole? If you notice, it doesn't say that congress has the power to lay and collect direct taxes. So in order for this amendment to be compliant with Article 1, section 9 of the constitution, it would seem that it could only mean the same indirect tax that it had always meant. What did the Supreme Court have to say about it?

"The 16th Amendment does not extend the power of taxation to new or excepted subjects, but merely removes the occasion for apportioning taxes on income among the states. Neither can the tax be sustained as a tax on the person, measured by income. Such a tax would be by nature a capitation rather than an excise."

PECK v. LOWE, 247 U.S. 165(1918).

"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 U.S. 103 (1916).

"The 16th Amendment must be construed in connection with the taxing clauses of the original Constitution and the effect attributed to them before the amendment was adopted."

EISNER v. MACOMBER, 252 U.S. 189 (1920).

So, it looks like the fact that it is said that international bankers (J.P. Morgan, Paul Warburg, and John D. Rockefeller) bribed Secretary of State Philander Knox into fraudulently declaring that the 16th amendment had been properly ratified when it had not, really didn't matter. Even after the 16th amendment, only a small percentage of Americans paid "income" tax.

So why are we ALL paying it today? Hmmmm... Stay tuned.

Until next time,

Free Your Mind!

Cordially,
Matt Mason

About the Author

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