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Dirty Dozen 2011: Frivolous Tax Arguments to Avoid

These are 12 frivolous tax arguments you should keep away from

The Internal Revenue Service calls them "frivolous arguments."

They are tax scams predicated on ridiculous claims that you don't have to pay income taxes because of X or you can become exempt from paying income taxes by doing Y.

Every year, in fact, the U.S. Tax Court hears from hundreds, sometimes thousands, of people who bring cases in which they claim to have found the secret code word that will prevent them from having to pay their share of income taxes.

There are many frivolous arguments, but every year, there are about 12 that are the most common. I like to call them the Dirty Dozen:

1) Filing a Tax Return Is Voluntary: Hucksters often use this one. The word voluntary can be found in case law and IRS publications, but it refers to the system by which the U.S. government allows taxpayers to determine what they owe. The requirement to file a tax return is not voluntary.

2) The Zero Return: This has become increasingly common over the years. Taxpayers list zero for wages earned on tax returns, and if questioned, claim their income is not taxable.

3) The IRS Is Not an Agency of the United States: This conspiracy theory claims the IRS is a private company.

4) The IRS Must File Your Return: If you don't file your return, the IRS is obligated to file one for you. At least, that's the claim. It's untrue.

5) Wages for Services Are Not Taxable: Some claim that a service has a market value that is equal to the compensation received. So if the service provided has a market value of \$100, and payment received

is \$100, then there's no taxable income since the transaction is a wash. A good logic trick, right? Trouble is, it's a frivolous argument.

6) Only Foreign Income Is Taxable: Others will claim income earned in the United States isn't taxable.

7) Federal Reserve Notes Are Not Income: A common argument claims U.S. currency is not taxable.

8) Citizenship Claim: To avoid income taxes, some claim they have rejected U.S. citizenship in favor of state citizenship and are therefore not subject to U.S. income taxes.

9) The Person Argument: Related to the citizenship claim, the person argument maintains that the taxpayer is not a person, as defined by the Internal Revenue Code.

10) Federal Employees: Only federal employees are subject to federal income taxes, or so this argument claims. It's untrue.

11) Plead the Fifth: Some taxpayers will not file returns by claiming Fifth Amendment privilege against self-incrimination. This has no basis in law.

12) Sixteenth Amendment Loophole: This argument is based on the premise that all federal income tax laws are unconstitutional because the Sixteenth Amendment was not officially ratified or because the State of Ohio was not properly a state at the time of ratification. It is, of course, a frivolous argument.

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