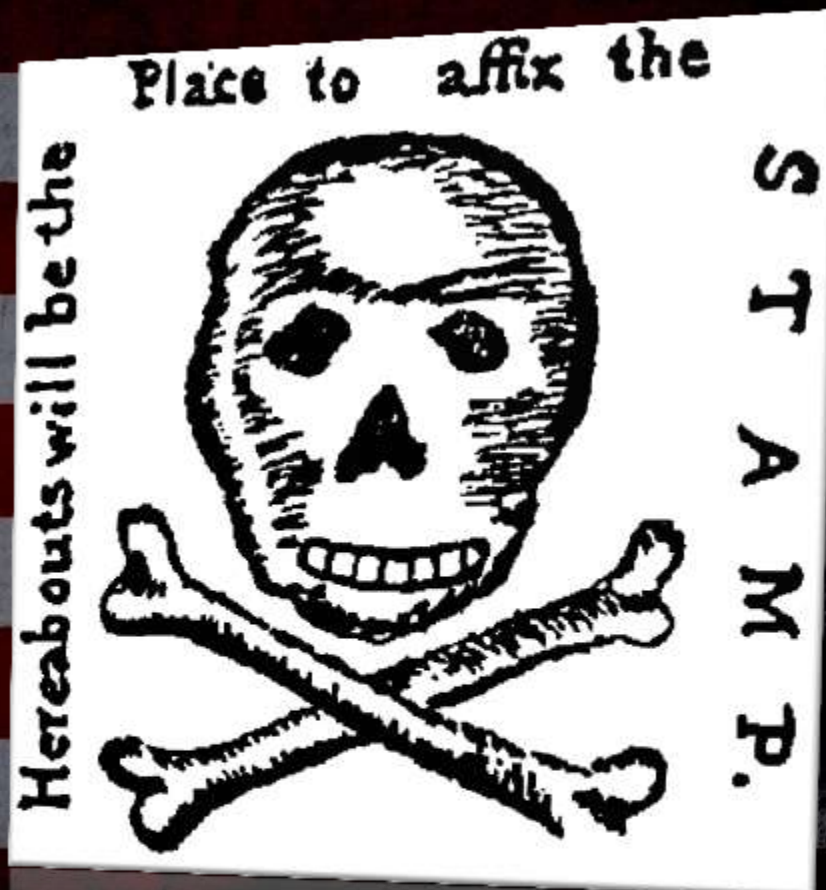


Taxation and the American Patriot.

With 2018 Tax Reform Update.

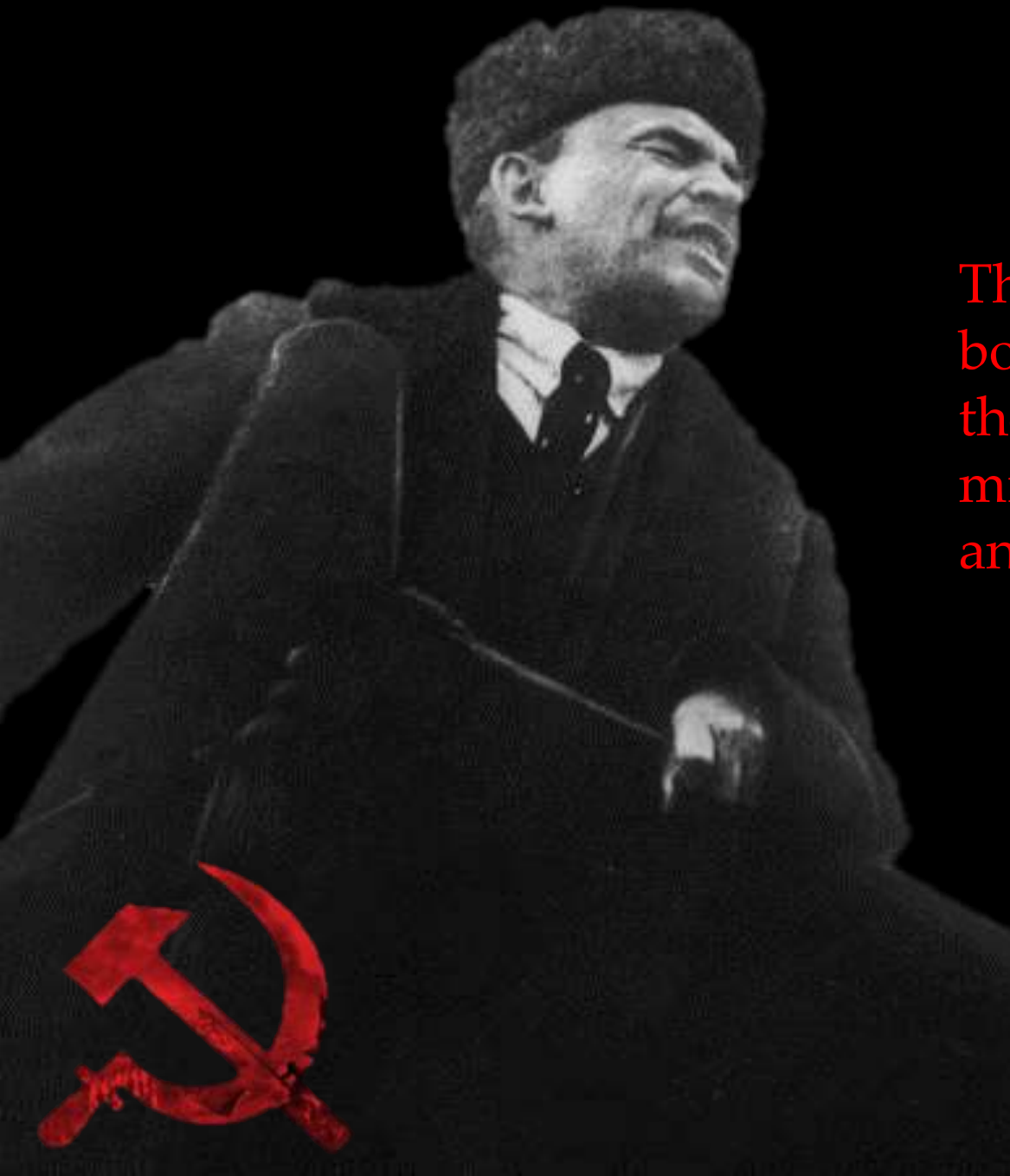


Government does not tax to get the money it *needs*; government always finds a need for the money it *gets*.

Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.

Republicans believe every day is the Fourth of July, but the Democrats believe every day is April 15th.





The way to crush the bourgeoisie is to grind them between the millstones of taxation and inflation.

-Vladimir Lenin



There is only one way to kill
capitalism—by taxes, taxes, and
more taxes.

-Karl Marx

Historical Moments in the Origins of Taxation



6,000 BC. Summerian City-State of Lagash

- Clay tablet tax receipts from Lagash in modern day Iraq.
- Lagash tax rates were low, but in times of crisis or wars, the rate would be 10% of all goods.
- Usually paid with crops or some other food.
- Mostly used to supply defense, and for trade with other city states.
- Invented "Bala," assessor rotation.



Summerian Tax Resistance

- 2,500 BC. Earliest written reference of taxation as a "burden"
Courtesy of the University of Pennsylvania



- 2,300 BC. Earliest written use of the phrase "Freedom from Taxes"
Courtesy of The Louvre

Ama-Gi understood to mean Freedom or Liberty, first used in the context of tax exemption.

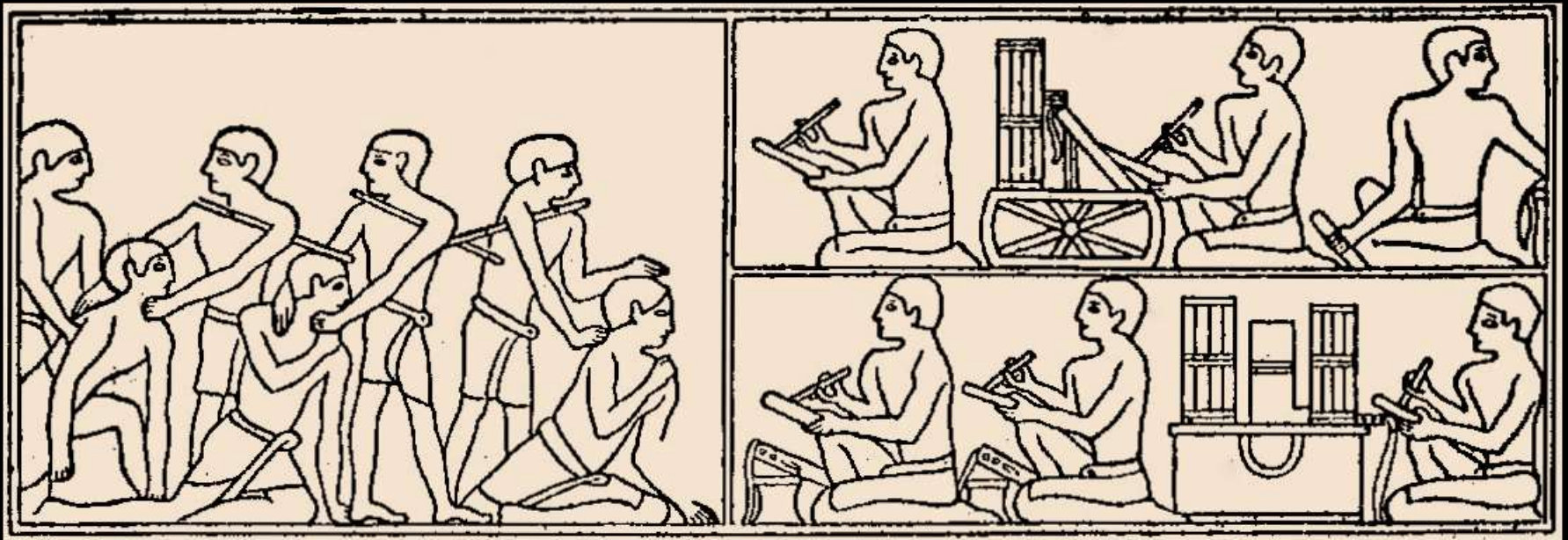


Egyptian Taxation

- 3,000 BC. The First Dynasty of Egypt established a tax system of Corvée (forced labor) and Biennial Tithe.

Taxes and labor in ancient Egypt are the same word.

Ancient Egyptian peasants being enslaved for non-payment of taxes.



Courtesy of Pyramid Age

Other Notable Ancient Taxation

- Genesis 47:24, Pharaoh's Fifth (20% taxation).



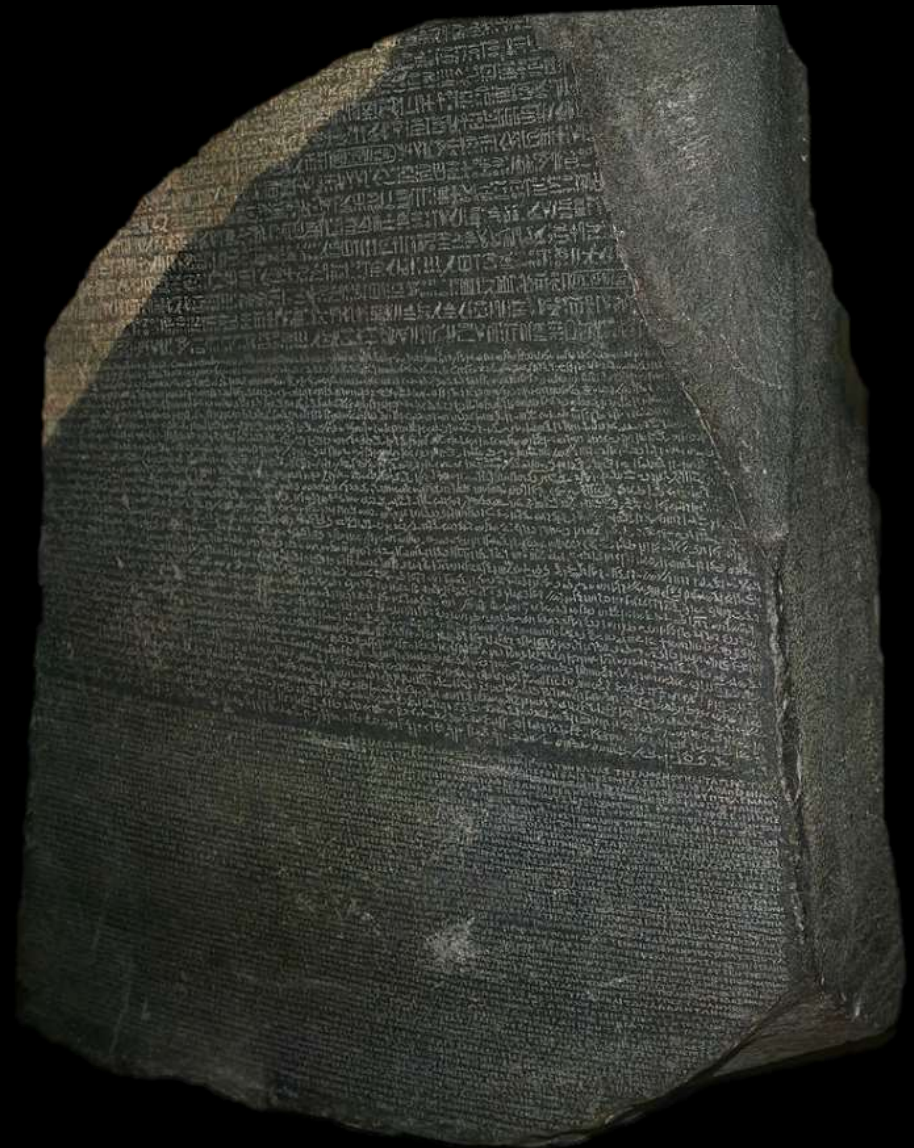
- 500 BC, Darius I (the Great) levied earliest known "progressive" tax according to the wealth of each province... Silver and commodities from Babylon, gold from India, and crops (grain) from Egypt.

Perhaps the Most Famous Ancient Tax Decree

196 BC, The Rosetta Stone

- Decree by Ptolemy V in three languages
- Key to unlocking Egyptian Hieroglyphics (Top)
Demotic Script (middle)
Ancient Greek (bottom)
- Religious Tax-Exemption

Courtesy of the British Museum



The Evolution of Ancient Taxation

- Ancient Greece introduced property tax.
- Zhou Dynasty (China, 600 BC) used taxation to confiscate property and to create an early system of Feudal lands and serfdom.
- The Romans levied heavy taxes and used taxation to control and punish. As the tax system grew more burdensome and corrupt, Roman "citizenship" began to decay, contributing to collapse.



Poll Tax: Dark Ages to Medieval England

- Poll tax (head tax) proliferated throughout civilization.
- 7th century AD, Islam decreed *Jizya*, poll tax on *Dhimmis* (conquered non-Muslims).

Fight those of the People of the Book who do not truly believe in God and the Last Day, who do not forbid what God and His Messenger have forbidden, who do not behave according to the rule of justice, until they pay the tax and submit to it.

– *Qur'an 9:29 (Abdel-Haleem translation)*

- 1215 AD, the taxes levied by King John to fund his expansionist plans, led to the Magna Carta.



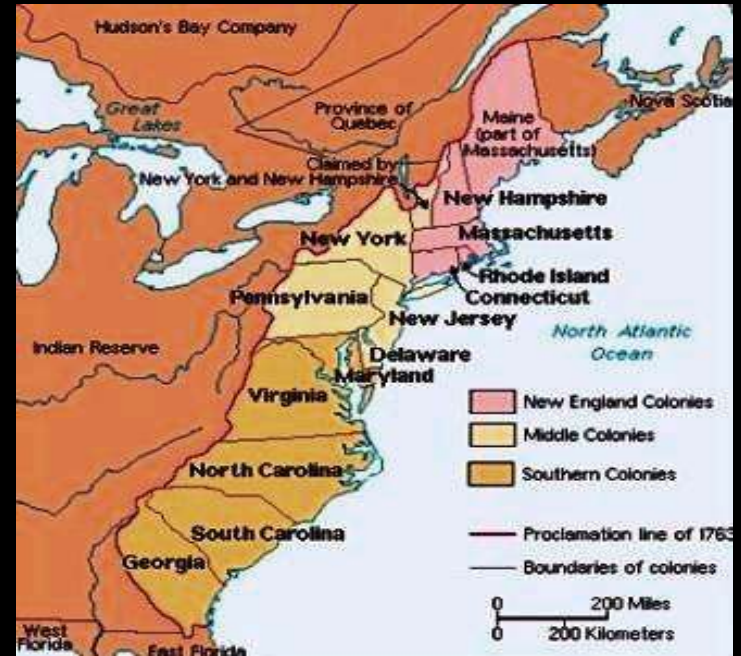
Taxation in America



January 25th, 1774. Boston tax collector was tarred and feathered.

Taxation in Early Colonial America

- Charter of 1606 established that those born in the colonies were granted all the rights of English citizens elsewhere, under Common Law.
- Early colonial taxation was collected primarily in the form of trade duties.
- The Navigation Acts (1651-1773) served to increasingly protect English Maritime and capture heavy duties (taxation) on goods & commodities exported from the colonies.



Tax Collection, Authority, and Rebellion

- The Navigation Act of 1673 (Plantation Duty Act) included the appointment of Tax Collectors in the colonies.
- The English Bill of Rights established Parliament as the authority over laws and taxes in the colonies, but gave no representation.
- A series of revolts took place: Bacon's Rebellion, Culpepper's Rebellion, the jailing of New England's Governor, Leisler's Rebellion, and others.



Taxes and Targeted Trade Restriction

- The Wool Act of 1699
- The Hat Act of 1732
- The Molasses Act of 1733
- The Iron Act of 1750
- The Sugar Act of 1764

These laws targeted key items of trade for control and taxation. Often these measures required the exclusive export and sale from the colonies to English resellers who could then sell the goods abroad.

They also expanded the army of customs & tax collectors.

Period of colonial adolescence toward revolution.

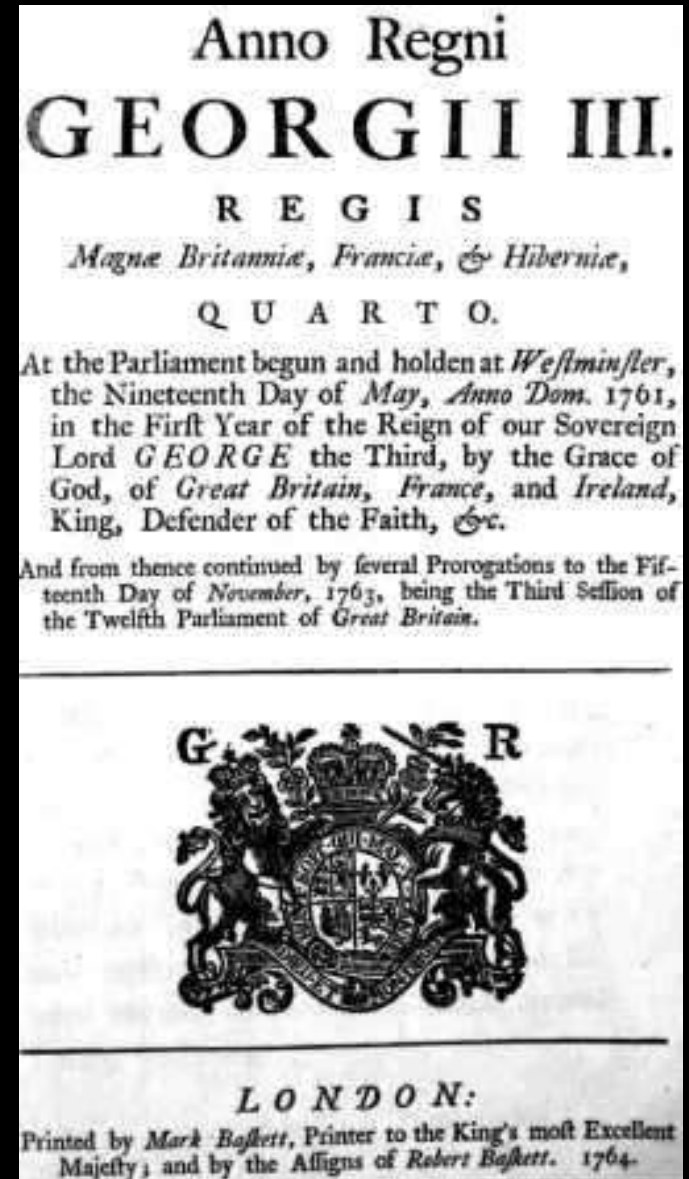


Preamble to the American Revenue Act of 1764 (Sugar Act)...

"It is expedient that new provisions and regulations should be established for improving the revenue of this Kingdom"

Tighter Control through Currency & Quartering

- The Currency Act of 1764
Prohibited any new colonial currency and required previous currency to be re-issued in strict regulation and control by the Crown. British merchants wanted to eliminate colonial "Bills of Credit" in favor of gold, silver, and British sovereign.
- The Quartering Act of 1765
Required colonists to provide food & shelter to British soldiers. The growing revolt and resistance to customs/tax collectors precipitated a growing British military presence to ensure compliance.



The Stamp Act of 1765

Placed a tax on public papers... Receipts, deeds, bills of sale, ship's papers, contracts, marriage certificates, diplomas, calendars, almanacs, licenses, court orders & writs, testimonials, wills, declarations, newspapers & pamphlets, advertising, playing cards & dice.

Many items had to be printed on embossed paper produced in London.

The tax had to be paid in British currency.

Tax Stamps

The TIMES are Dreadful, Deadly, Dismal, Destructive, and DOLLAR-LESS.

Thursday, October 31, 1765

THE PENNSYLVANIA JOURNAL;
AND
WEEKLY ADVERTISER.

NUMB 1195

EXPIRING: In Hopes of a Resurrection to LIFE again.

I am sorry to be obliged to acquaint my readers that as the Stamp Act is feared to be obligatory upon us after the *first of November* ensuing (The Fatal To-morrow), The publisher of this paper, unable to bear the Burthen, has thought it expedient to stop awhile, in order to deliberate, whether any methods can be found to elude the chains forged for us, and escape the insupportable slavery, which it is hoped, from the last representation now made against that act, may be effected. Mean while I must earnestly Request every individual of my Subscribers, many of whom have been long behind Hand, that they would immediately discharge their respective Arrears, that I may be able, not only to support myself during the Interval, but be better prepared to proceed again with this Paper whenever an opening for that purpose appears, which I hope will be soon.

WILLIAM BRADFORD.

Adieu Adieu to the LIBERTY of the PRESS.

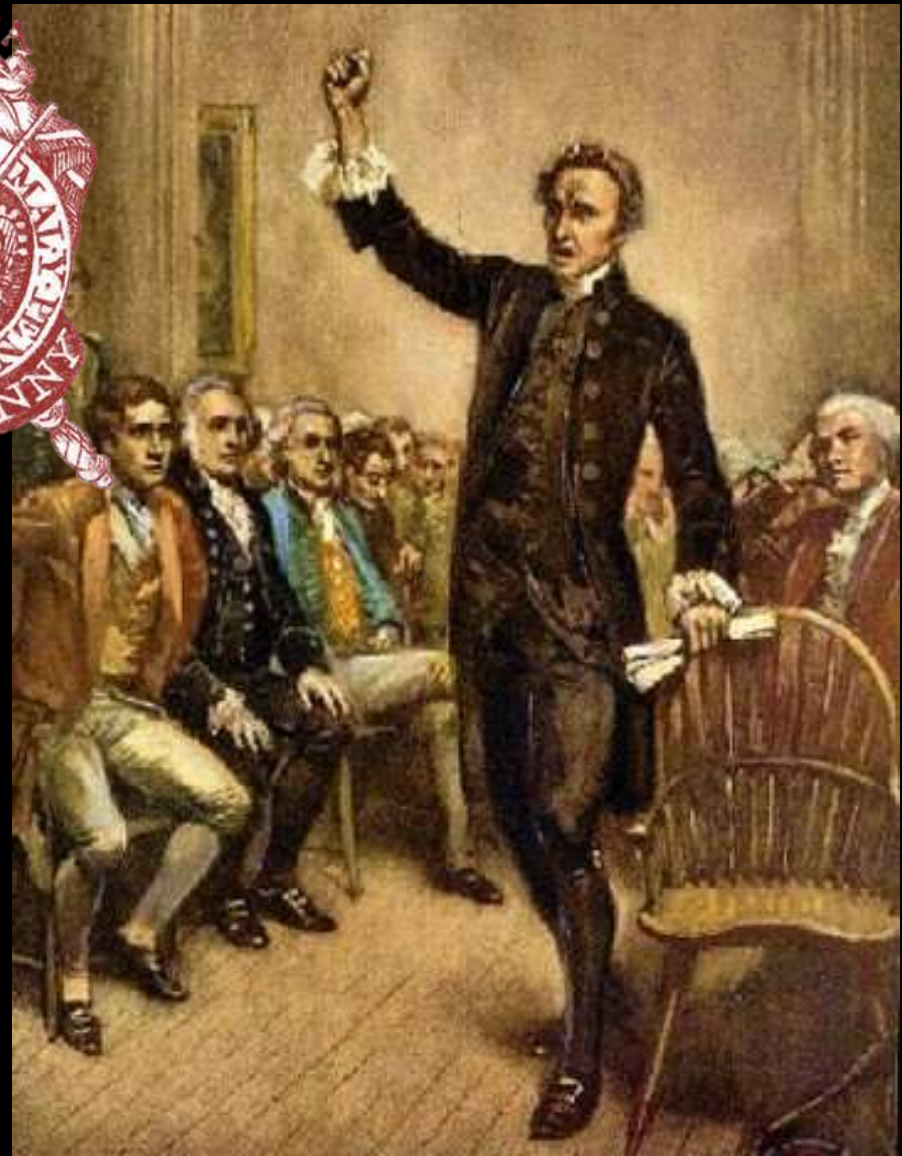
No taxation without representation!



(Rev. Jonathan Mayhew, Boston 1750)

"If this be treason, make the most of it."

—Patrick Henry,
Virginia House of Burgesses



"In this world nothing can be
said to be certain, except
death and taxes."

—Benjamin Franklin



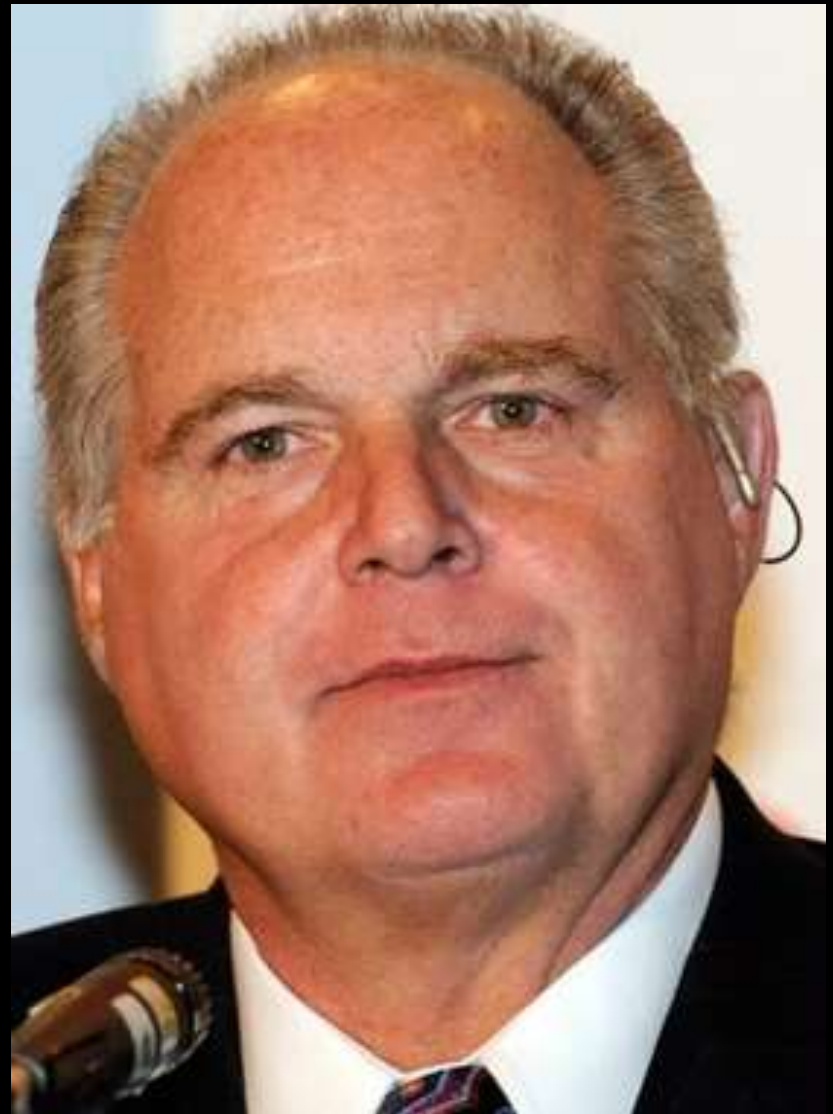
"A wise and frugal
Government shall not take
from the mouth of labor the
bread it has earned."

–Thomas Jefferson



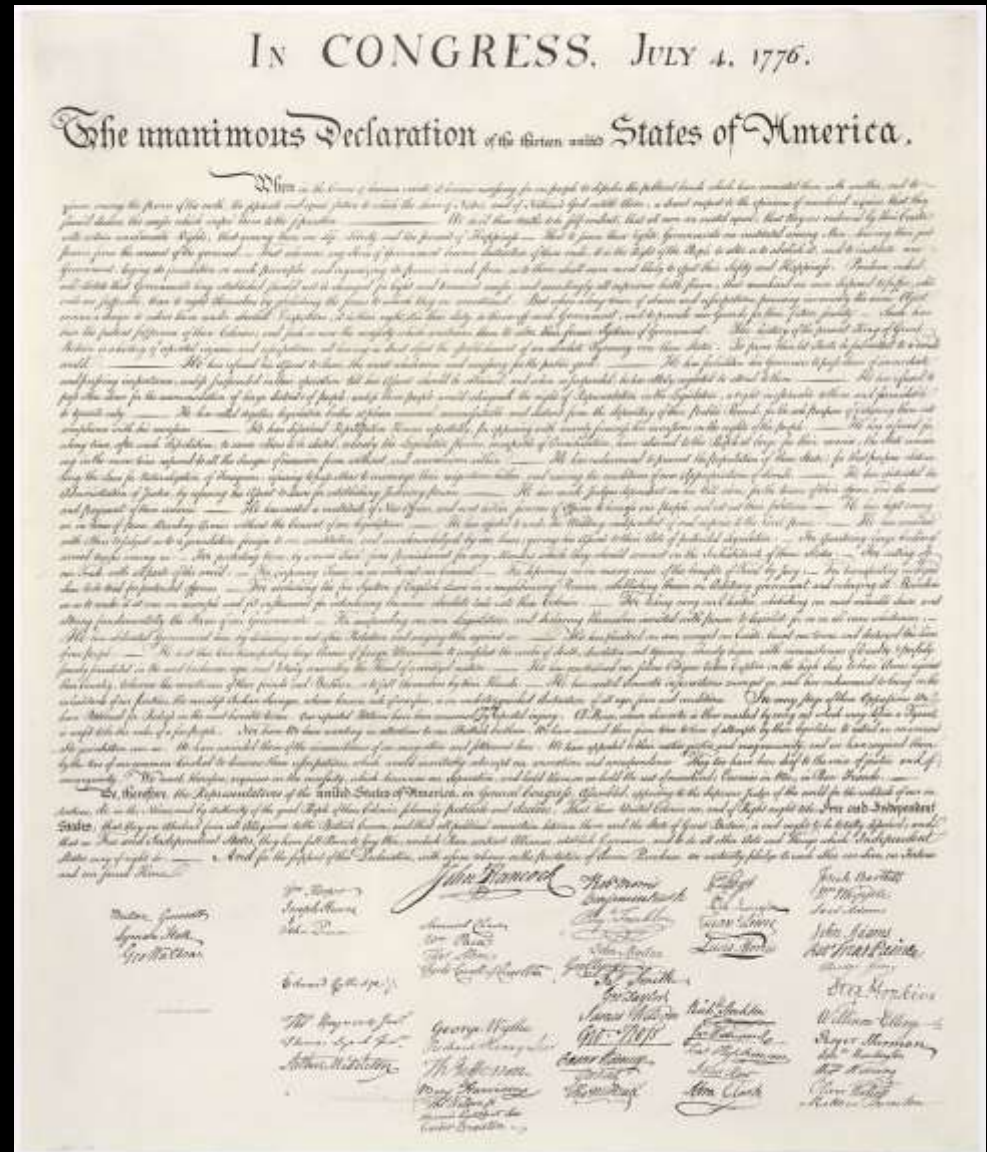
"If Thomas Jefferson
thought taxation without
representation was bad,
he should see how it is
with representation."

—Rush Limbaugh



The Rapid Spiral of Tax, Control, and Revolt

- The Townshend Acts of 1767 (glass, lead, paints, paper and tea)
- The Tea Act of 1773
- Intolerable Acts of 1774
- First Continental Congress, 1774
- Patrick Henry's "Give me liberty or give me death!", 1775
- Second Continental Congress, 1775
- Declaration of Independence, 1776



Tax, Demonstrating the Creativity of Man

- Direct Tax, on persons or property "by reason of ownership."
 - Capitation Tax ("tax per head")
 - Property Tax, Real and Personal

- Indirect Tax, collected against income, revenue, or activity.
 - Excise Tax
 - Sales Tax
 - Income Tax
 - Negative Income Tax
 - Capital Gains Tax
 - Corporate Income Tax
 - Payroll Tax



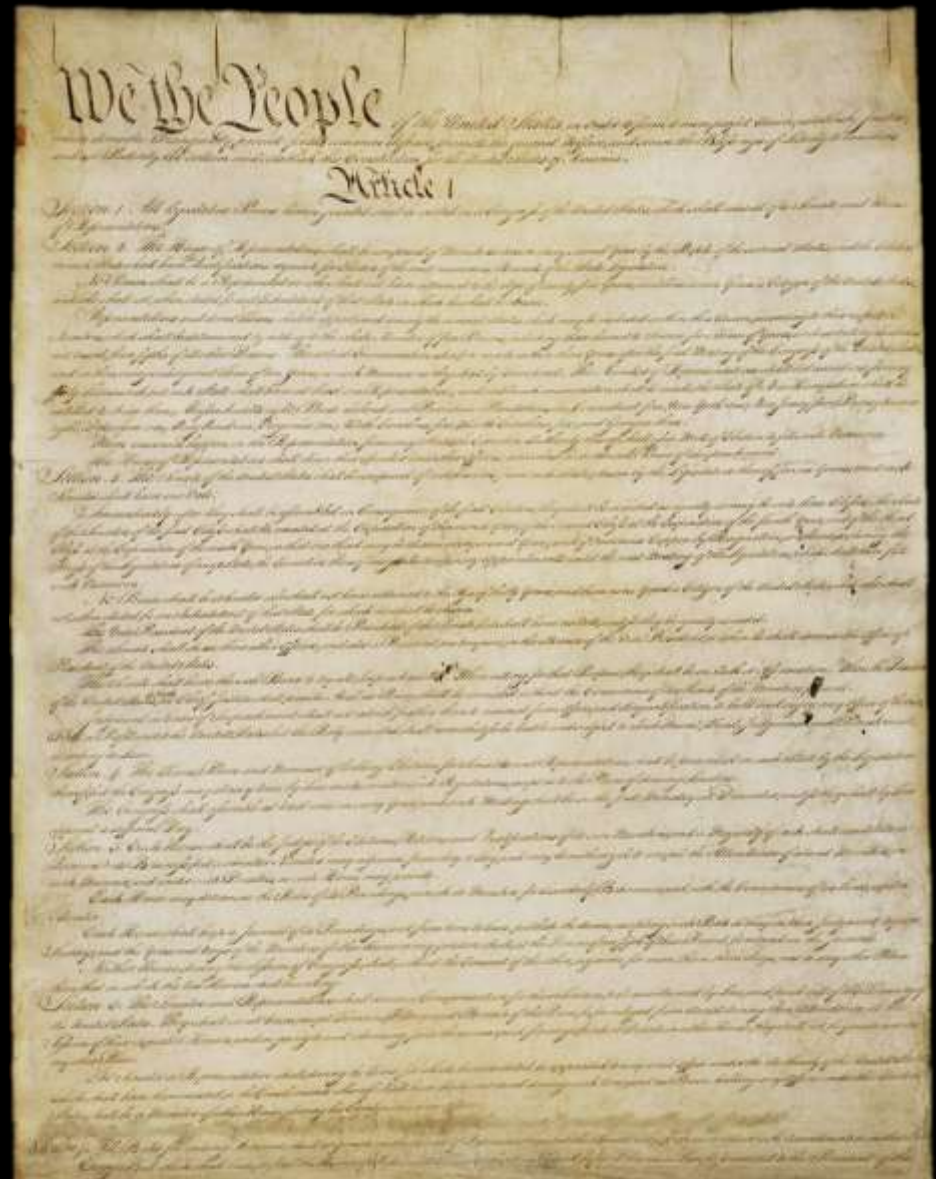
Taxes in our New Nation

In general, indirect taxes preferred over direct taxes.

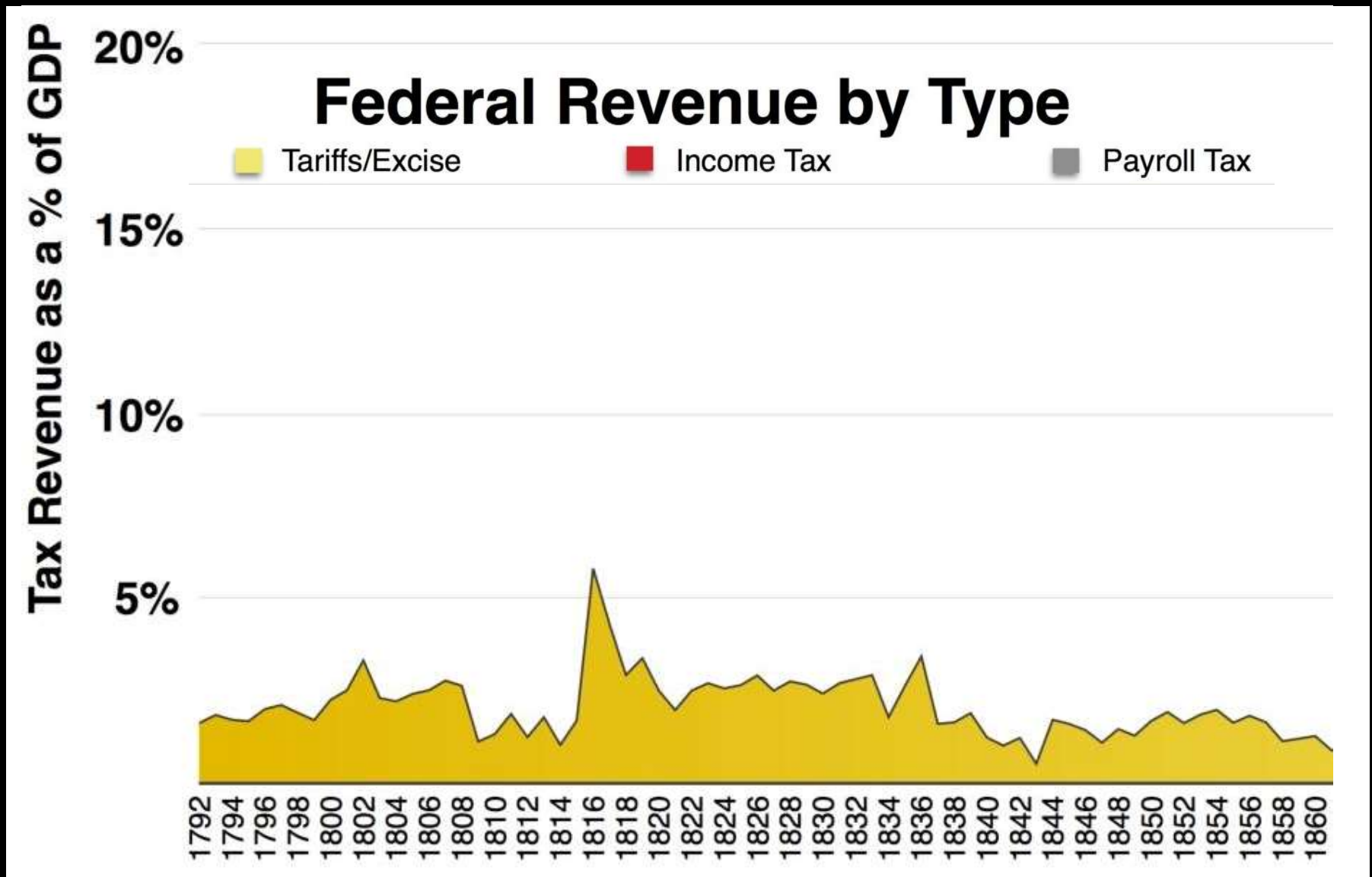
- Article I, Section 8, Clause 1:
- Congress has the authority to impose taxes, duties, imposts, and excises. However, duties, imposts, and excise taxes shall be uniform throughout the US.
- Clause 9... "No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or enumeration herein before directed to be taken."

Many founders were suspicious of property tax.

Excise taxes and tariffs funded the government.



Funding the Federal Government (1792-1860)



"An unlimited power to tax involves, necessarily, a power to destroy; because there is a limit beyond which no institution and no property can bear taxation."

–Chief Justice John Marshall



The Dismal Slippery Slope of 1861-1872



➤ The Revenue Act of 1861

- 3% Flat Rate Income Tax on those with income exceeding \$800/year (3% of population)
- Import tariffs (10-50%) and national property taxes.

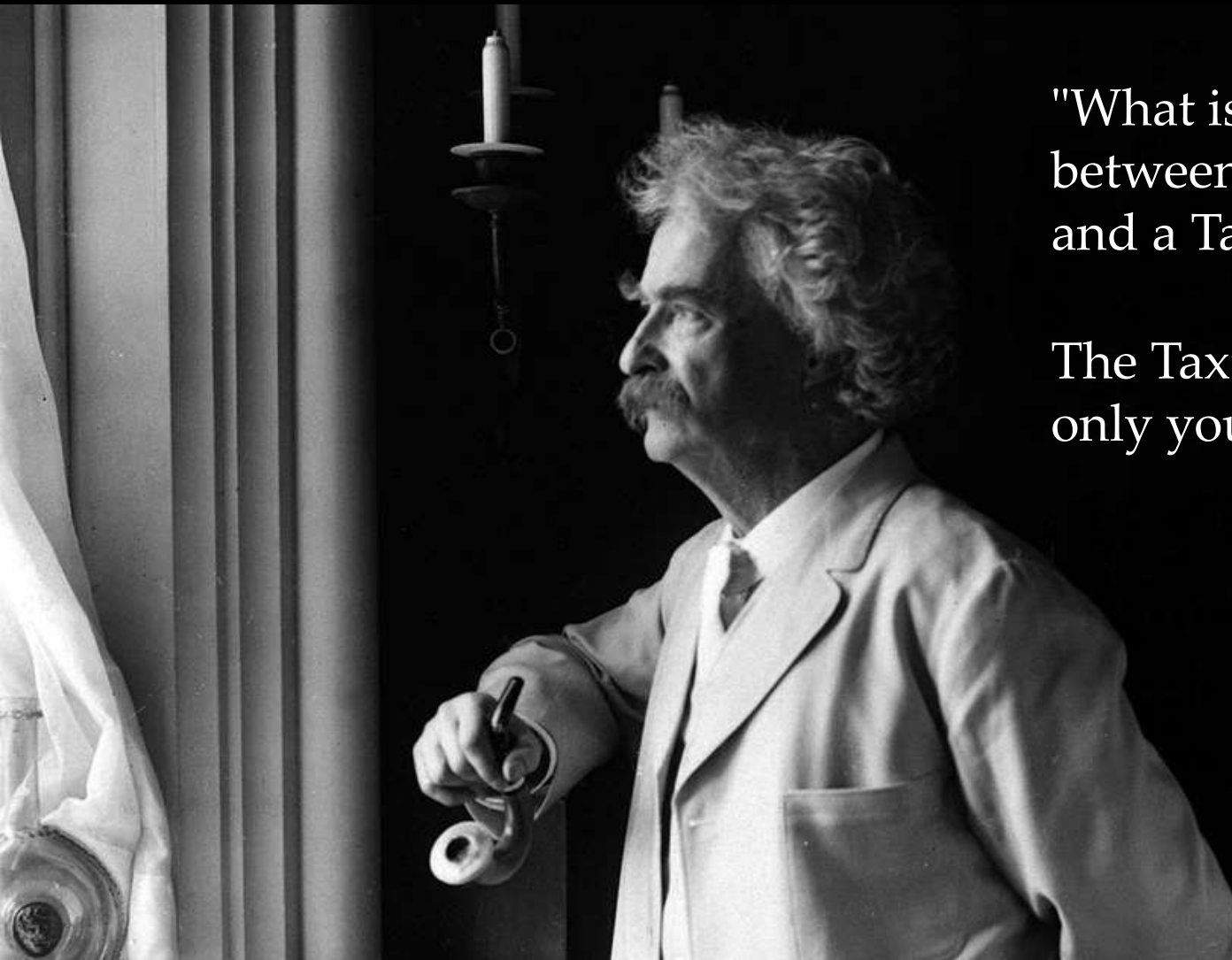
➤ The Revenue Act of 1862

- Levied excise taxes on many everyday goods & services.
- Created the Office of the Commissioner of Internal Revenue (many tax collectors) and authorized the withholding of taxes.
- Created first progressive tax:
 - 3% of income \$600-\$10,000
 - 5% of income above \$600 if you earned more than \$10,000 or lived abroad (excluding government employees)

➤ The Revenue Act of 1864

- Redefined income to include capital gains, profits, rents, dividends, and interest.
- Added 7.5% for income \$5,000-\$10,000; and, 10% for income above \$10,000.
- Added stamp taxes on certain items, notably matches and photographs.

2018 US\$ adjusted for inflation: \$600 = \$15.5k, \$5,000 = \$128.8k, \$10,000 = \$257.6k



"What is the difference
between a Taxidermist
and a Tax Collector?"

The Taxidermist takes
only your skin."

—Mark Twain



Wilson-Gorman, 1894

Graduated Income Tax advocated by Socialist Labor Party (1887), Populist Party (1892), and spearheaded in the Democrat Party by William Jennings Bryant.

Pro-Free Trade Democrats, in conjunction with President Grover Cleveland (D) sought to lower tariffs. Rep. William Wilson (D-WV) and Sen. Arthur Gorman (D-MD) sponsored.

House bill lowered many tariffs, but instituted a 2% Personal Income Tax on ALL income above \$4,000.

Senate bill added more than 600 amendments which instead raised protective tariffs. The protectionism on sugar was the strongest.

Republicans in West Texas raised the greatest opposition and elected Rep. George Noonan (San Angelo to San Antonio). First Republican congressman from Texas after the end of Reconstruction.

HARPER'S WEEKLY A JOURNAL OF CIVILIZATION

No. 2270—Vol. 19.
Published weekly, except on Sundays.
By Wm. A. Rogers.

NEW YORK, SATURDAY, SEPTEMBER 8, 1894.

TEN CENTS A COPY.
FOUR DOLLARS A YEAR.



GORMAN'S TRIUMPH—A HUMILIATING SPECTACLE.

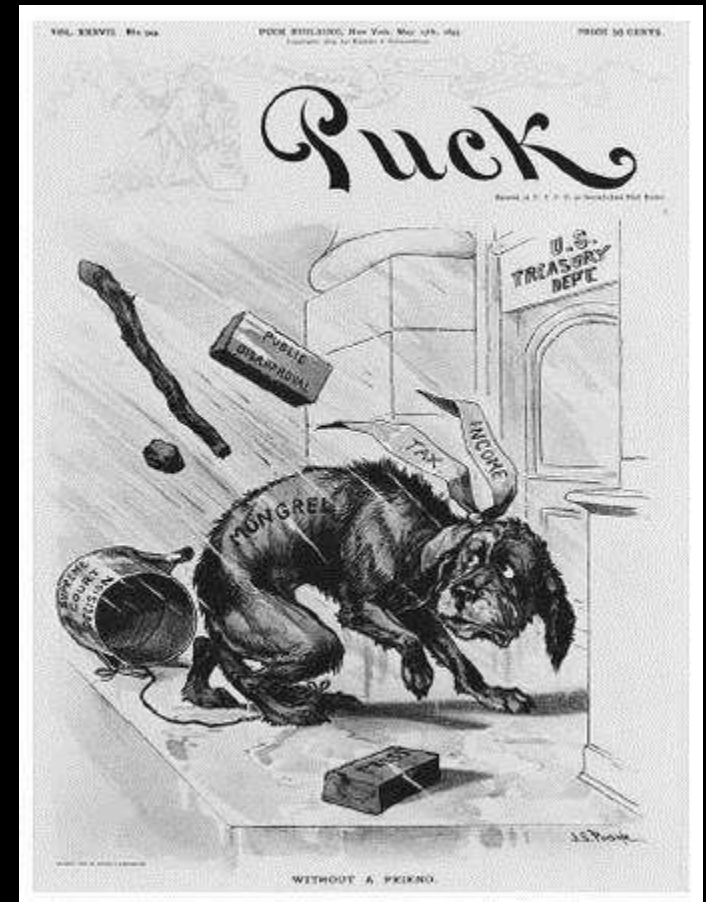
Pollock v. Farmers' Loan & Trust Co., 1895

5-4 ruling by the US Supreme Court which held that unapportioned income taxes on interest, dividends and rents imposed by the Wilson-Gorman were, in effect, direct taxes, and were **unconstitutional** because they violated the provision that direct taxes be apportioned.

New York-based Farmers' Loan & Trust Company announced to its shareholders that it would not only pay the tax but also provide, to the collector of internal revenue in the Department of the Treasury, the names of all people for whom the company was acting and thus were liable for being taxed under the Act.

Charles Pollock of Massachusetts owned only ten shares of stock in Farmers' Loan & Trust Company and sued to prevent the company from paying the tax. He lost in the lower courts but finally appealed to the United States Supreme Court, which agreed to hear the case.

In the dissent, it was mentioned that "the spectre of Socialism was conjured up to frighten Congress from laying taxes upon the people in proportion to their ability to pay them."

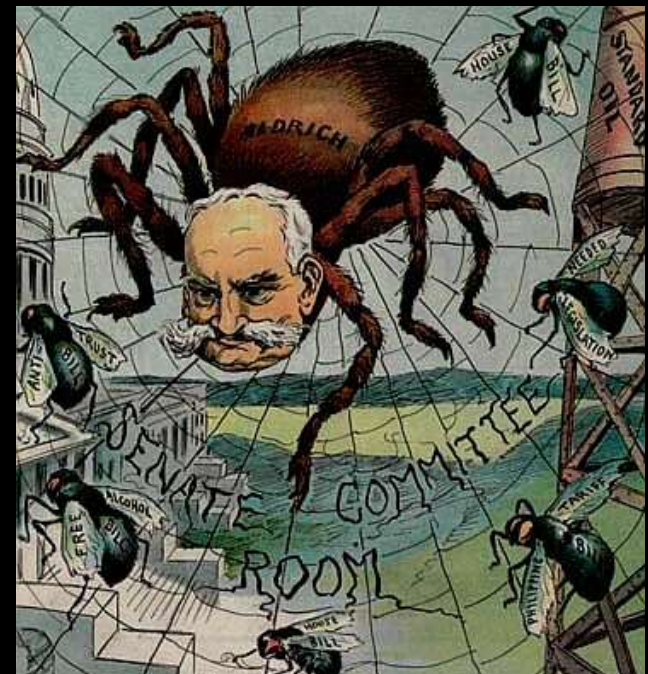


Populism Rising, 1895-1913

- Populism was growing in the US as a reaction to monopolies and the growing labor movement. Most Populists merged into the Democrat Party. The Democratic Platform of 1896 included Federal Income Tax.
- Sen. Norris Brown (R-NE) proposed specific language to remove apportionment from the Constitution. The Democrats applauded this. Brown was not re-nominated by Nebraska Republicans.
- A Republicans strategy emerged to deflect the rising tide toward personal income tax.

President William Howard Taft (R) proposed a 2% Corporate Income Tax to Congress.

Sen. Nelson Aldrich (R-RI) introduced the Constitutional Amendment to establish an income tax. He had declared income tax as "communistic" a decade earlier. Taft & Aldrich did not believe the states would ratify the amendment. Aldrich openly declared to the Senate, "I shall vote for the corporation tax as a means to defeat the income tax."



The 16th Amendment, 1909-1913

- Hyperinflation gave the Democrats an effective argument for lowering tariffs in favor of income taxes with low income voters exempted.

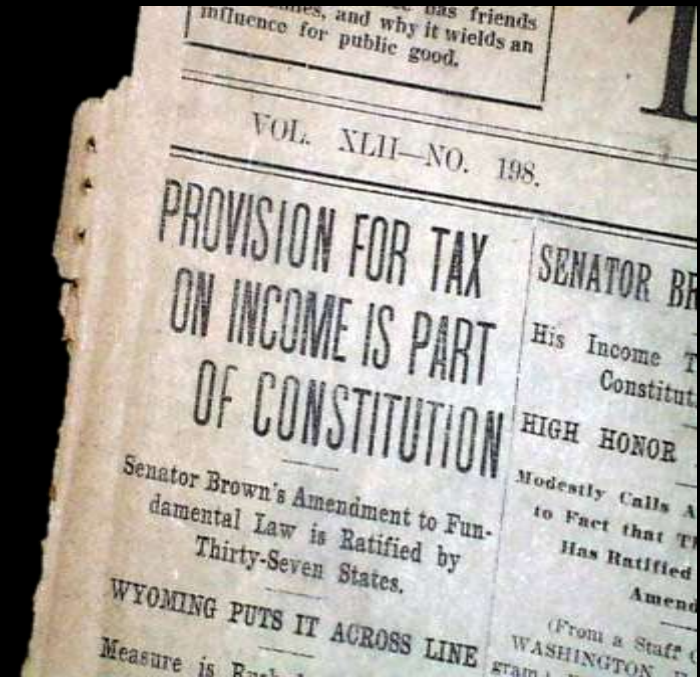
- The Republicans were deeply split.

Pro-business Republicans opposed income tax.

Roosevelt & the "Insurgents," supporting a strong military to defend against the rising militaries of Japan & Europe, form the Progressive Party (1912).

Others, like NY Gov. Charles Evans Hughes, opposed the Amendment, worried about Federal government centralization and state authority.

- The Democrats swept both houses and the presidency in 1912. Even the Socialists won a seat in Congress in 1910.
- Alabama ratified first in 1901, Texas was the 9th state to ratify in 1910, and Delaware ratified in 1913 meeting the Three-Fourths requirement. Six more states ratified.
- VA, CT, RI, and UT rejected.
- FL & PA never considered the Amendment.



The 16th Amendment Controversy

➤ "The Benson Non-Ratification Contention"

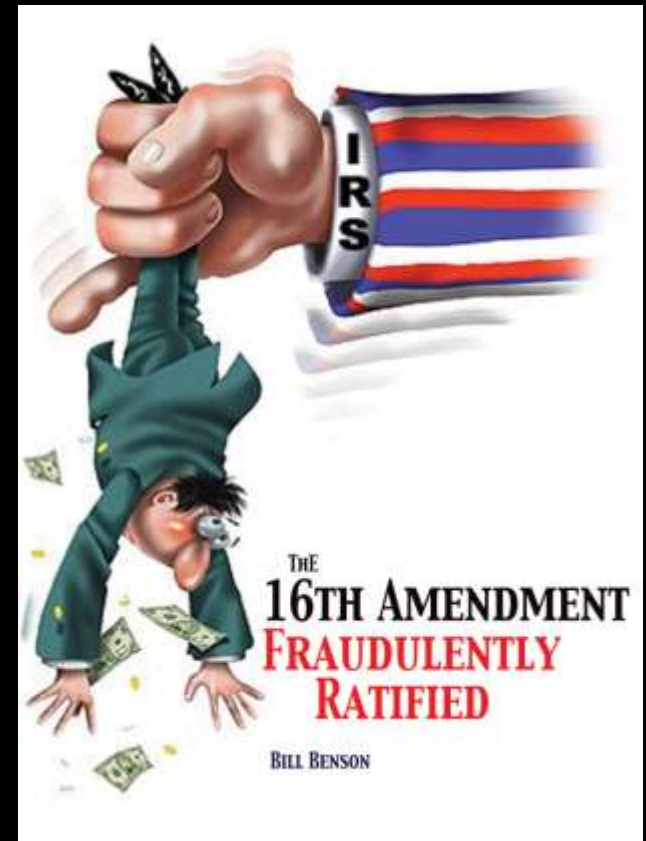
1. Most state legislatures ratified text which differed from that passed by Congress (capitalization, spelling, and punctuation).
2. Kentucky and Oklahoma ratified altered language.

7th Circuit Court of Appeals denied the arguments, finding the Secretary of State's declaration of ratification in order.

Benson was found guilty of tax evasion and fraudulent tax advice, sentenced to 4 years prison + 5 years probation.

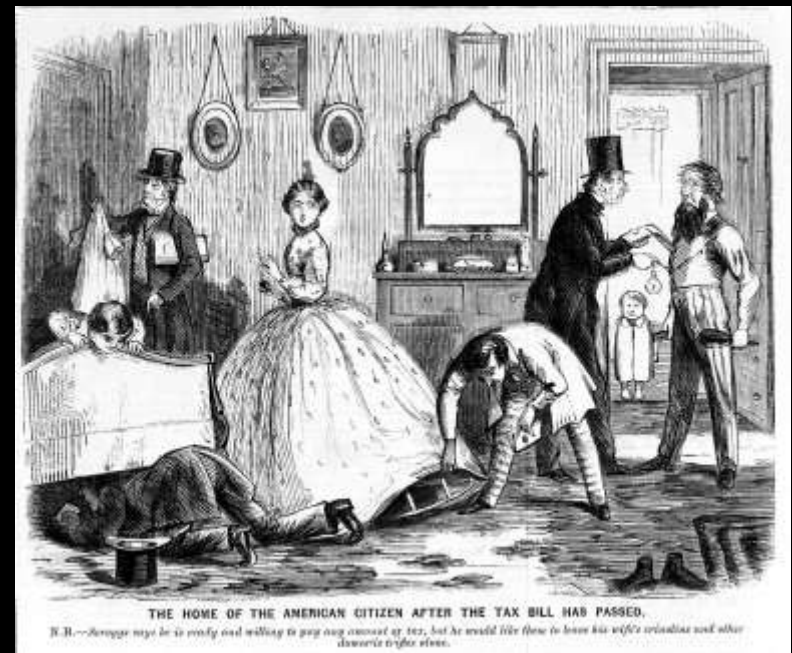
Non-ratification has been deemed legally frivolous in *Bron v. Commissioner*, *Lysiak v. Commissioner*, and *Miller v. United States*.

- Denial of Ohio. Congress didn't pass an official proclamation of Ohio joining the Union in 1803.
- No use of the words repeal or repealed.
- *Stanton v. Baltic Mining Co.*, due process, direct taxation.

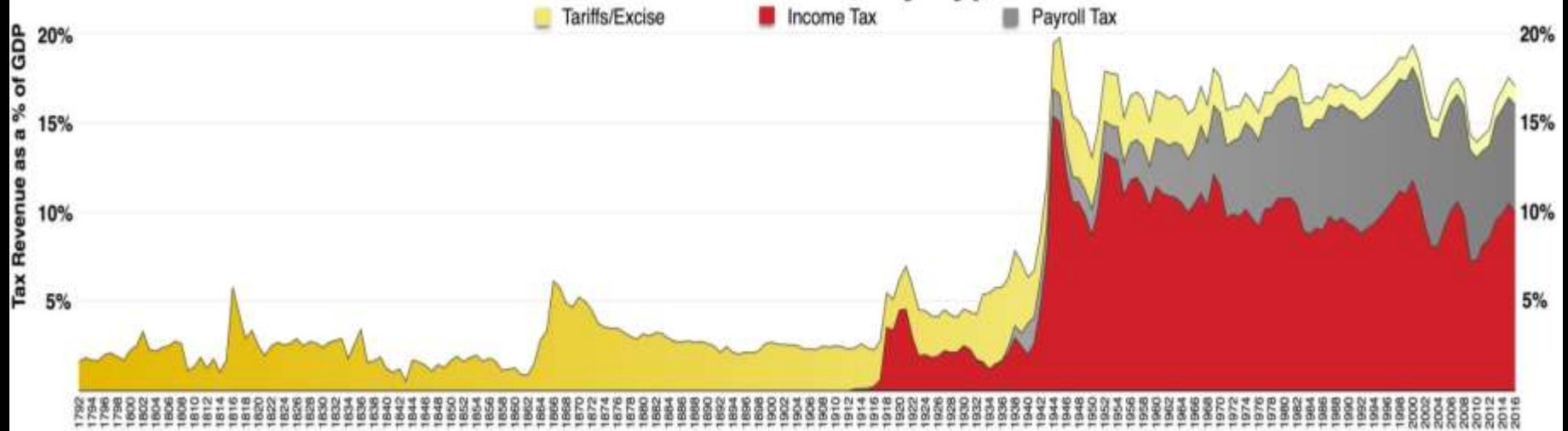


The Revenue Act of 1913

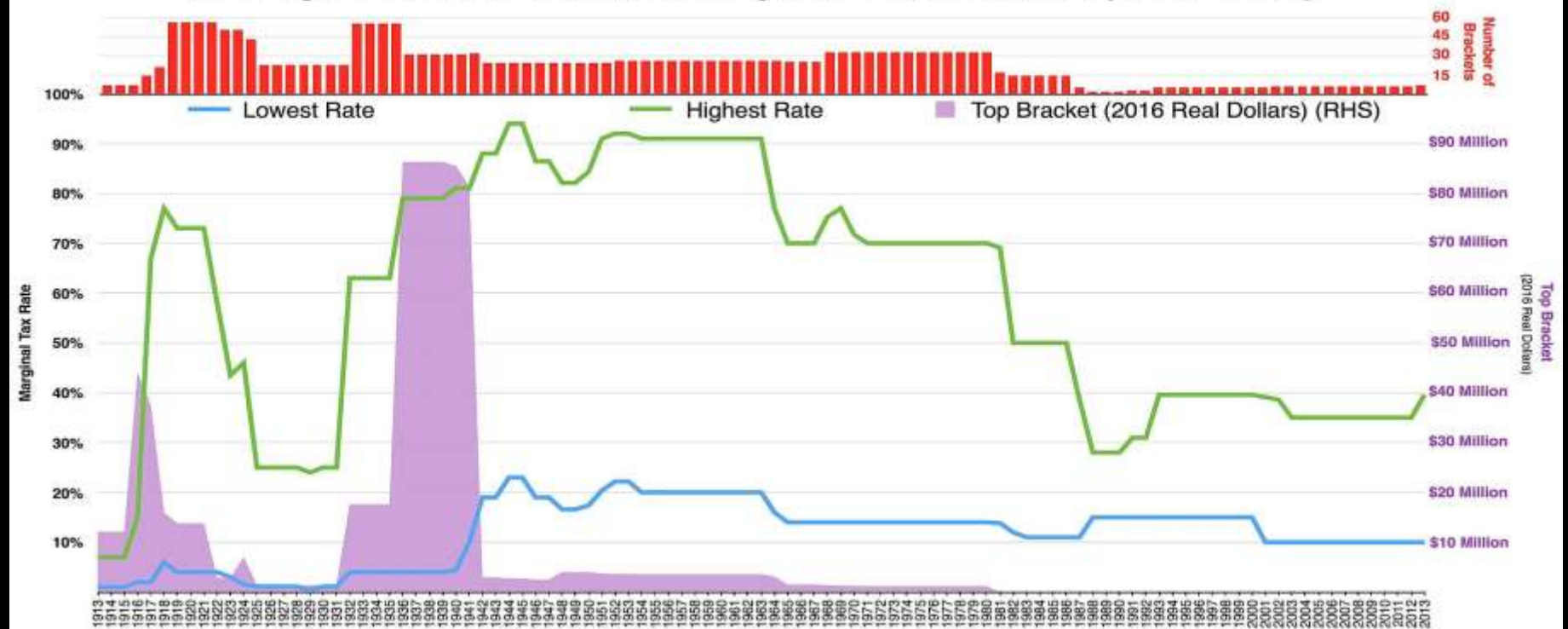
- With the 16th Amendment declared ratified in February, President Woodrow Wilson (D) summoned a special session of Congress in April. Congress wasted little time in passing a law in May, reinstituting the Federal Income Tax retroactive to the beginning of the year (prior to ratification).
- "...subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person shall include gains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in real or personal property, also from interest, rent, dividends, securities, or the transaction of any lawful business carried on for gain or profit, or gains or profits and income derived from any source whatever...."



Federal Revenue by Type



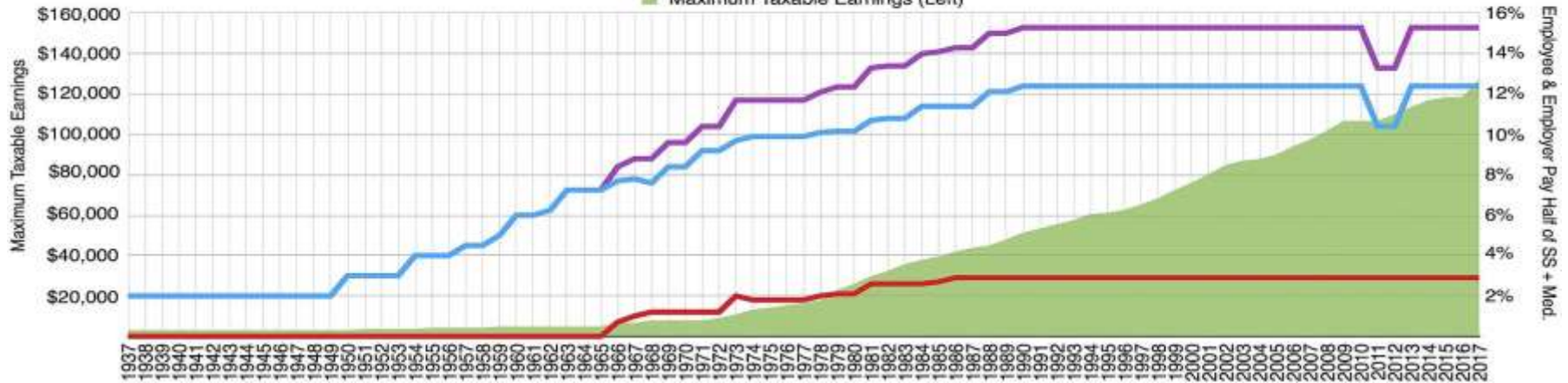
History of Income Tax Rates Adjusted for Inflation (1913–2010)



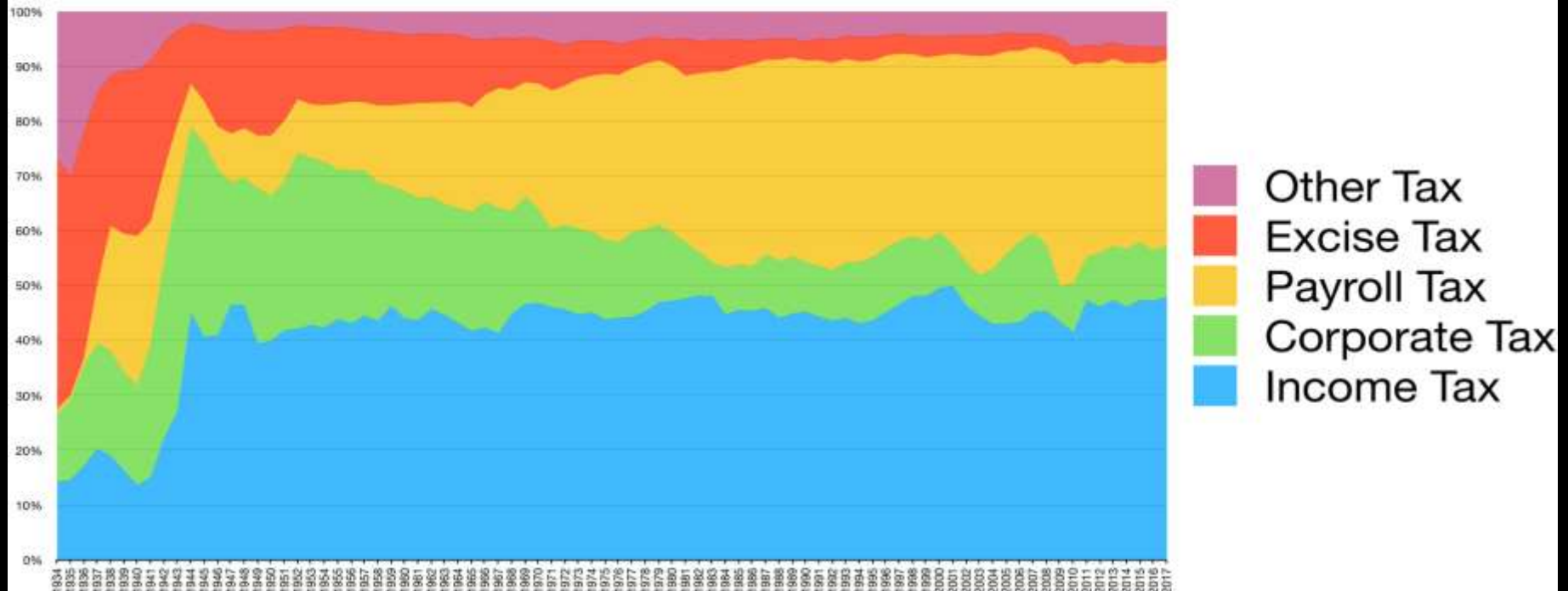
Payroll Tax Rate History

— FICA Social Security — FICA Medicare — SS + Medicare (Right)

■ Maximum Taxable Earnings (Left)



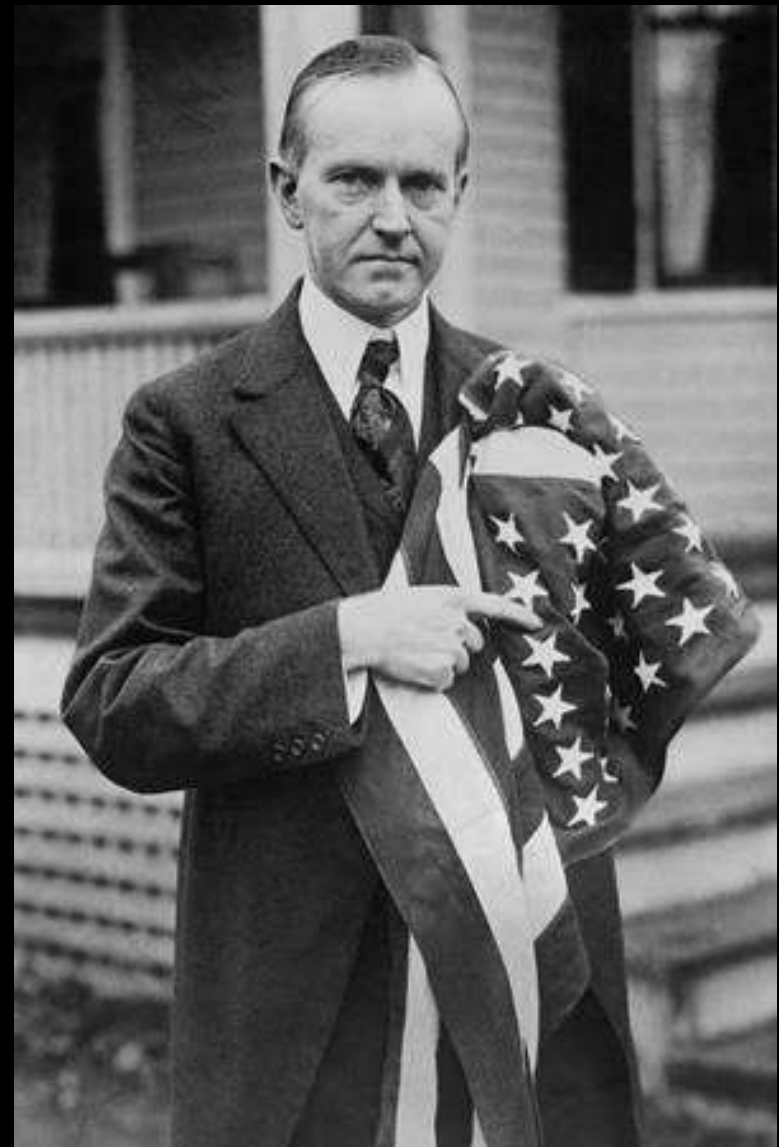
Federal Revenue % by Tax



"Collecting more taxes than is absolutely necessary is legalized robbery."

"A government which lays taxes on the people not required by urgent public necessity and sound public policy is not a protector of liberty, but an instrument of tyranny. It condemns the citizen to servitude."

—President Calvin Coolidge





"The difference between death and taxes is, death doesn't get worse every time Congress meets."

–Will Rogers





"Taxes, after all, are dues that we pay for the privileges of membership in an organized society."

—President Franklin D. Roosevelt (D)

Except, we're not all paying the same dues for equal membership.



"Progressive taxation of income and profits means that precisely those parts of the income which people would have saved and invested are taxed away."

–Ludwig von Mises



"Can a people tax themselves
into prosperity?"

Can a man stand in a bucket
and lift himself up by the
handle?"

—Winston Churchill



"Remember that a government big enough to give you everything you want is also big enough to take away everything you have."

—Sen. Barry Goldwater (R-AZ)





"Where is the politician who has not promised to fight to the death for lower taxes—and who has not proceeded to vote for the very spending projects that make tax cuts impossible?"

—Sen. Barry Goldwater (R-AZ)



"The income tax is a twentieth-century socialist experiment that has failed. Before the income tax was imposed on us, just 80 years ago, government had no claim to our income. Only sales, excise, and tariff taxes were allowed."

"The income tax is a slave tax."

—Fmr. Ambassador Alan Keyes





"The reality is that as you study when President Kennedy cut marginal tax rates, when Ronald Reagan cut marginal tax rates, when President Bush imposed those tax cuts, they actually generated economic growth. They expanded the economy. They expand tax revenues."

–Vice-President Mike Pence (R)





"Every dollar released from taxation that is spared or invested will help create a new job and a new salary."

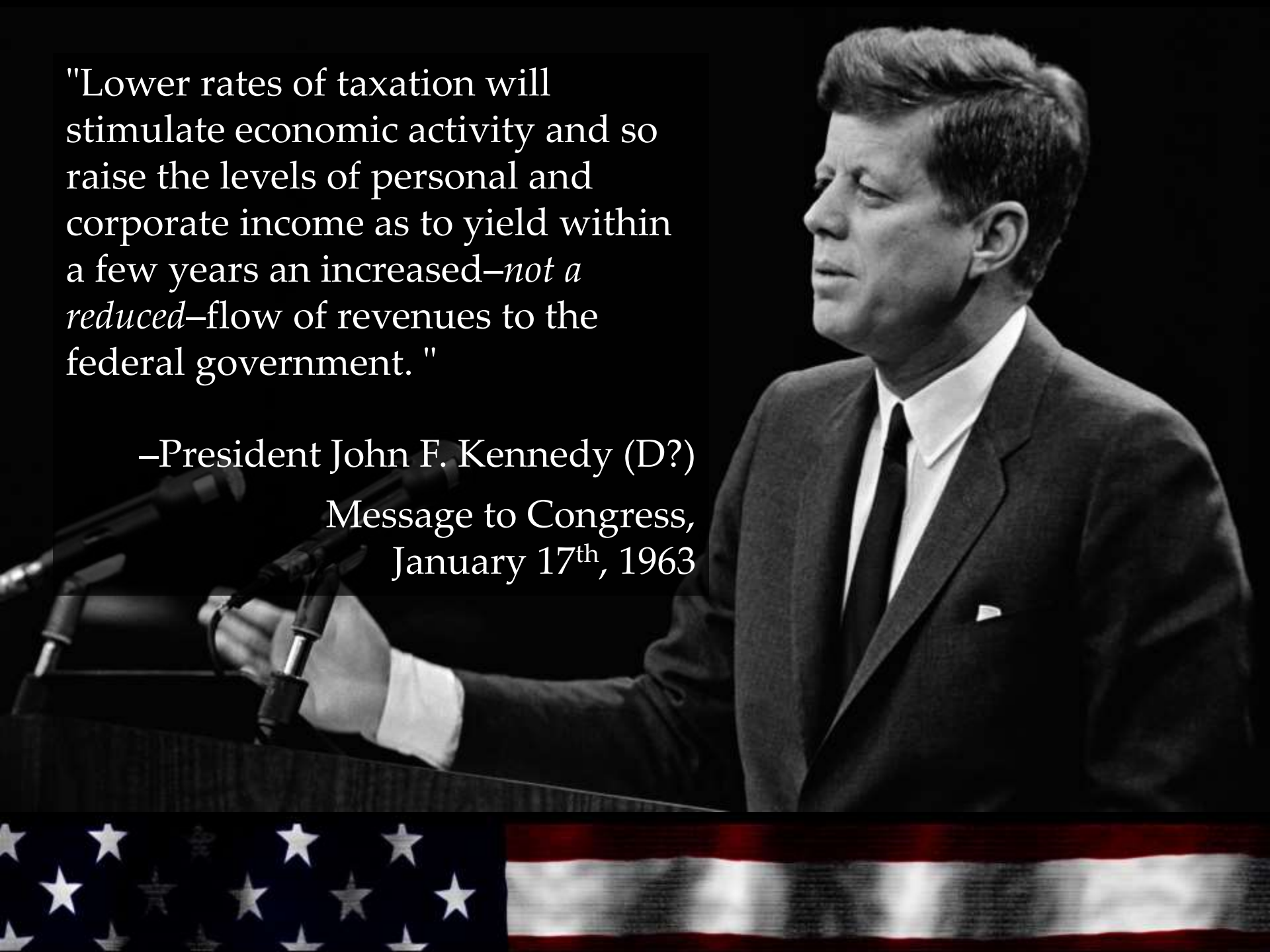
"An economy hampered by restrictive rates will never produce enough jobs or enough profits."

—President John F. Kennedy (D?)



"Lower rates of taxation will stimulate economic activity and so raise the levels of personal and corporate income as to yield within a few years an increased—*not a reduced*—flow of revenues to the federal government. "

—President John F. Kennedy (D?)
Message to Congress,
January 17th, 1963





"The tax on capital gains directly affects investment decisions, the mobility and flow of risk capital... the ease or difficulty experienced by new ventures in obtaining capital, and thereby the strength and potential for growth in the economy. "

–President John F. Kennedy (D?)



As American Patriots,
we must continue to fight for lower taxation.

We must educate and inform like-minded conservatives.

And, for the liberals, we must help them to think of taxation
more like John F. Kennedy.





"Taxes and Texas—
They have the same
letters but only one
can go to hell."

— Jarod Kintz



2018 Tax Reform Update

"Tax Cuts and Jobs Act"

2017—Taxable income is

Over	But not over	Pay	Plus % on excess	Of the amount over
Married filing jointly/Qualifying widow(er)				
\$0	\$18,650	\$0	10%	\$0
\$18,650	\$75,900	\$1,865	15%	\$18,650
\$75,900	\$153,100	\$10,452.50	25%	\$75,900
\$153,100	\$233,350	\$29,752.50	28%	\$153,100
\$233,350	\$416,700	\$52,222.50	33%	\$233,350
\$416,700	\$470,700	\$112,728	35%	\$416,700
\$470,700	—	\$131,628	39.60%	\$470,700

2018—Taxable income is

Over	But not over	Pay	Plus % on excess	Of the amount over
Married filing jointly/Qualifying widow(er)				
\$0	\$19,050	\$0	10%	\$0
\$19,050	\$77,400	\$1,905	12%	\$19,050
\$77,400	\$165,000	\$8,907	22%	\$77,400
\$165,000	\$315,000	\$28,179	24%	\$165,000
\$315,000	\$400,000	\$64,179	32%	\$315,000
\$400,000	\$600,000	\$91,379	35%	\$400,000
\$600,000	—	\$161,379	37%	\$600,000



2018 Tax Reform Update

"Tax Cuts and Jobs Act"

Standard deduction increased,
personal exemptions eliminated.

Itemized deductions altered:
SALT capped at \$10,000
Many items no longer deductible.
Pease Limitation repealed.

Alternative Minimum Tax:
Exemptions and Phase-Out Thresholds Increased

Estate Tax: Exclusion doubled, indexing kept.
(est. 11.18M per person for 2018)

2018 Tax Reform Update

"Tax Cuts and Jobs Act"

20% deduction for qualified business income from partnership, S-Corp., or sole proprietorship as well as trust and estate income.

For a qualifying business owner in the top bracket of 37%, the adj. marginal rate is 29.6%.

Corporate tax rates reduced to a flat 21%,
From previous rate of 35% for earnings over \$10M.

Children's Unearned Income will be subject to ordinary income and capital gains rates for trusts & estates rather than the parents' top marginal rate.

2018 Tax Reform Update

"Tax Cuts and Jobs Act"

These are merely summary points,
do not fully describe the tax reform changes,
and do not constitute tax advice.

Please refer to your tax professional for advice on your
personal tax situation.