

There is no actual income tax; instead, there is an excise tax on activities that are federally connected, with the tax amount determined by the income earned through these activities.

It is the activity or status that is taxed, not the money itself, although the tax is calculated based on the amount of money earned.

Many people mistakenly apply this tax to their regular work. They effectively "trap" themselves by filing a 1040 form and labeling their earnings as "wages" or "compensation."

However, "wage" specifically refers to money paid to federal employees, not to someone working at a retail store or in other private-sector jobs.

Additionally, people often fail to dispute W2 and 1099 forms. The IRS uses these forms to claim taxes owed, but individuals can simply rebut the forms, stating, "I received money, but it was not wages or compensation," or, "I own a plumbing business, but it's not a 'Trade or Business' as defined in the tax code." (See the article below for more on rebuttals.)

Most people are not U.S. Citizens; they are state citizens.

The term "person" in tax law refers to a business, LLC, or franchise, not an individual human being. Therefore, most people do not earn money as "U.S. Persons." "Persons" are essentially franchises, which is why California has the Franchise Tax Board, to which people mistakenly give their money.

The federal government misleads people by teaching one definition of words and phrases in school, but using a different definition in the tax code.

For instance, "Trade or Business" might seem to refer to any business, like a bike shop, but in federal code, it actually refers to the functions of a public office, meaning someone who works for the government. Another example is "United States," which is often not used geographically to refer to the 50 states, but instead refers to the federal government and its operations. Do you work for the United States?

Understanding how definitions work is crucial, and learning how to read these complex definitions is a key skill, as taught in "Cracking the Code" (although that book mistakenly recommends using the 1040 form and does not emphasize the importance of rebutting W2s and 1099s separately).

Another trick the federal government uses is getting people to elect to treat their non-taxable income as taxable. This must be rebutted as well: "I do not want my private-sector earnings to be construed as connected to a federal activity."

State citizens who work for the government or earn money through federal land should file the 1040 NR (Non-Resident Alien) form.

You don't pay income taxes?! I pay all taxes that I am legally obligated to pay.

When it comes to the W4 form, you can explain that your company is mistakenly using forms intended for federal purposes, but you have little choice. If your employer asked you to fill out their forms, you would comply, but that wouldn't make you their employee. Likewise, completing a W4 form doesn't make you a federal employee, nor does it turn your private-sector earnings into federal "wages."

It is essential to be meticulous and steadfast when challenging IRS claims.