

STEP 6: Foreign Commerce...again

(some income is still exempt)

Larken Rose

This is the sixth in a series of messages written especially for people new to the "861 evidence." This follows [Step 5: Foreign commerce](#) (some income is still exempt). The various documents referred to in the discussions are hyperlinked ([blue letters](#)) to the Internet so that you can see the words for yourself. Where the law is quoted, all emphasis has been added.

- The **BLUE** links take you to the documents on the **Internet**; when finished reading, hit the "**back**" button to return to the discussion.
- **ALL** the messages in this series can be found linked through the following website: <http://www.861.info/pgs/861course.php>.

Regarding the issue we've been looking at, when some people start to see where this reasoning leads (hint: **THE LARGEST FINANCIAL FRAUD IN HISTORY**), they start having irrational emotional reactions, because the conclusion this is leading to is more than a little disturbing. But as Patrick Henry said (paraphrased), *however disturbing the truth*, I want to know it so I can deal with it:

"For my part, whatever anguish of spirit it may cost, I am willing to know the whole truth; to know the worst and provide for it." [[Patrick Henry](#)]

So I plead with you again, please **remain objective** and see where the **EVIDENCE** leads (and then decide whether to get emotional about it). As we saw before, the **CURRENT** income tax regulations say that the common "items" of gross income (like compensation for services, interest, rents, etc.) sometimes include **EXEMPT** income. But **WHEN** is it exempt? Well, the regulations direct us to **26 CFR 1.861-8T(d)(2)** to find out more about that issue. In case you weren't sure what "exempt income" meant, the section tells you:

*"(ii) Exempt income and exempt asset defined--(A) In general. For purposes of this section, **the term exempt income** means any income that is, in whole or in part, **exempt, excluded, or eliminated for federal income tax purposes.**"* [[26 CFR § 1.861-8T\(d\)\(2\)\(ii\)](#)]

Clear enough? And then the section goes on to tell you this:

*"(iii) Income that is **NOT** considered tax **EXEMPT**. The following **items** are **NOT** considered to be **EXEMPT**, eliminated, or excluded income and, thus, may have expenses, losses, or other deductions allocated and apportioned to them:*

*(A) In the case of a **FOREIGN** taxpayer (including a foreign sales corporation (FSC)) computing its effectively connected income...;*

(B) In computing the combined taxable income of a DISC or FSC [domestic **international** sales corporation and **foreign** sales corporation] and its related supplier, the gross income of a DISC or a FSC;
 (C) For all purposes under subchapter N of the Code... the gross income of a **POSSESSIONS** corporation for which a credit is allowed under section 936(a); and
 (D) **FOREIGN** earned income as defined in section 911 and the regulations thereunder..." [[26 CFR § 1.861-8T\(d\)\(2\)\(iii\)](#)]

[Here is the regulation to the examples [[26 CFR § 1.861-8T\(d\)\(2\)\(ii\),\(iii\)](#)] and here is the entire regulation, examples included [[26 CFR § 1.861-8T](#)]. Note that the examples **ALL** have to do with international commerce in some way.]

So, is **YOUR** income on that list? The list specifically mentions:

1. Americans with **foreign** income.
2. **Foreigners** with income from the U.S. (domestic income).
3. Rules about federal **possessions** (and international and foreign sales corporations).

Congratulations to anyone who noticed that these are the **SAME** types of commerce mentioned in the older regulations (shown in the last message).

- [39.22\(a\)-1](#)
- [39.22\(b\)-1](#)

Again we're told:

1. SOME INCOME IS **EXEMPT**.
2. INCOME FROM CERTAIN INTERNATIONAL TRADE IS **NOT EXEMPT**.

Remember, the Supreme Court says we should **NOT ASSUME** that tax laws apply to matters "*not specifically pointed out.*" Not surprisingly, this is consistent with a legal principle called "*inclusio unius est exclusio alterius,*" which dictates that "*where law expressly describes a particular situation to which it shall apply, an irrefutable inference must be drawn that what is omitted or excluded was intended to be omitted or excluded*" (Black's Law Dictionary, 6th edition).

Remember that there **must be** specific words of the law that **CREATE** obligations and if those words **ARE NOT THERE** then the obligation does **NOT** exist. If the law does not **say** it, the law does not **mean** it. Past and present, the regulations "expressly describe" certain **international income** as being subject to the tax (not exempt), but the **domestic income** of the average American (most incomes) is "**omitted or excluded**" from the list.

Why is that? Did they just "forget" to tell millions of us that we owe it too? Remember, the regulations **SENT** us to the section quoted above after telling us that some income is **EXEMPT**. So if this isn't the answer to the question of what is exempt from tax, **WHERE IS** the answer??

Why send us here, only to give us a list of **INTERNATIONAL** and **FOREIGN** stuff that is taxable? What about **US**, residents of the United States engaged **ONLY** in domestic commerce? What should we take this to mean?

I believe the meaning is clear, albeit difficult to swallow: According to the decades of the written law, only income from certain types of **INTERNATIONAL** trade is subject to the U.S. federal income tax. The domestic income of the "average" American (most incomes) is **NOT**. (Stay tuned for the next message if you're thinking, "**why on earth would they only tax international trade?**")

My fondest wish at this point is **NOT** even that you agree with me yet, but that you're to the point where you dare to say (or think): "He can't be right... but I admit that's a little weird." If you're that far, I'm happy.

Because, as you'll see, it gets even more curious.

Sincerely,

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NEXT: [STEP 7: Foreign commerce.....again](#)