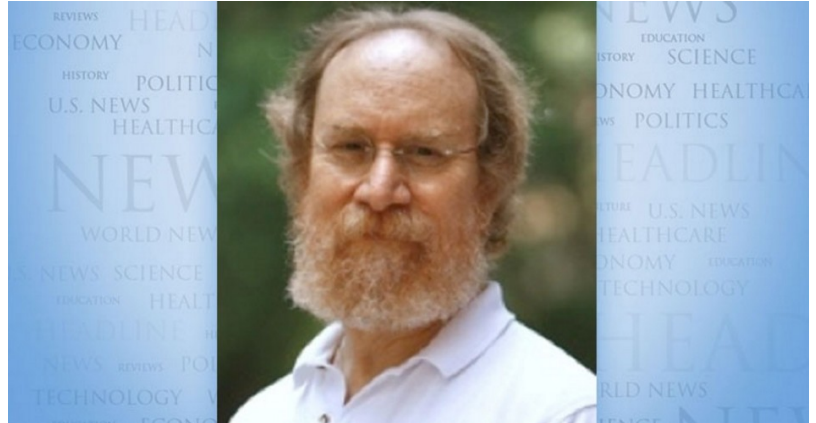




Abolish the IRS — and the Income Tax With It

The Internal Revenue Service has been caught engaging in political profiling while processing applications for tax-exempt status. In this case it was against organizations with “tea-party” or “patriot” in their names and other right-wing groups. Next time it could be libertarian or left-wing antiwar and pro-civil-liberties groups. No dissenter can ever rest assured he is safe from the [arbitrary power](#) of the [IRS](#).



Nothing will have been learned from this scandal if all that happens is the firing of some IRS administrators and the issuance of new guidelines on 501(c)(4) applications. That is not nearly enough.

Obviously, tax exemptions exist only because individuals and some organizations are subject to income and other forms of taxation. Congress levies a tax on incomes, then in its “wisdom” chooses to exempt certain activities but not others. This is social engineering, with Congress seeking to encourage some kinds of organizations — while not forgoing more revenue than necessary. The IRS then writes rules to carry out the directions of Congress.

Where possible, people will naturally strive to qualify for exemption by pushing the boundaries of the regulations. That incentive will always be strong because a nonprofit organization that is exempt from taxation will have more resources with which to pursue its mission. Since the language of statutes and regulations is inevitably vague, the IRS will have room to interpret when ruling on who qualifies and who doesn’t qualify for exemption. The line between vigilance and harassment is not bright, and the potential for abuse is great.

It should be apparent that this power, which is inherently arbitrary, ill suits a society that sees itself as free.

Take the current controversy. The [IRS](#) says that to qualify for 501(c)(4) tax-exempt status, a nonprofit organization must “be operated exclusively to promote social welfare.” To do that the “organization must operate primarily to further the common good and general welfare of the people of the community (such as by bringing about civic betterment and social improvements).”

What exactly constitutes the common good and general welfare of the people of the community, or civic betterment and social improvements? The IRS will let you know. What does “primarily” mean and how does it relate to the seemingly contradictory exclusivity requirement? This is subject to a “facts and circumstances” test — that is, the IRS will decide. Approved activities are generally regarded as educational, but how broadly or narrowly that term is interpreted is left to the IRS and, if challenged, to the courts. Lobbying for “legislation germane to the organization’s programs is a permissible means of attaining social welfare purposes.” However, direct or indirect participation in political campaigns is not regarded as promotion of social welfare — although an organization “may engage in some political activities, so long as that is not its primary activity. However, any expenditure it makes for political activities may be subject to tax.”

As this demonstrates, once government undertakes to tax income, it acquires even more power through



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its authority to define “income,” “taxable income,” subsidiary terms, and the rules of exemption. There is no escape from arbitrariness and caprice.

One might propose to remove the government’s arbitrary power by ending tax exemption. But that would make the tax burden worse. And besides, politicians aren’t likely to agree, because they would be giving up the power to dispense favors that manipulation of today’s tax code affords.

There’s a better way to go that’s demanded by liberty and justice. Since taxation is nothing less than the confiscation, under threat of force, of what belongs to productive individuals, it has no place in a free society. In other words, *everyone* should be exempt from income and other taxation. (Americans lived without income taxation for more than 125 years.) If something can’t be accomplished through consent, contract, and cooperation — without aggressive force — we should ask whether it is worth doing.

When the income tax was first proposed in America years ago, opponents always had the same word of warning: inquisitorial. How right they were.

Sheldon Richman is vice president and editor at [The Future of Freedom Foundation](#) in Fairfax, Va.



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