

is implemented and administered. It is worthwhile, I think, to summarize the key points that we have covered so far regarding the nature of the tax:

The Constitution prohibits capitations and other direct taxes without apportionment. The Supreme Court has declared the meaning of "income" to be fixed and confined to objects proper to an excise. Objects proper to an "income" excise are privileges-- which is to say, activities not of common right-- and even then only to the extent that such activities are profitable and properly fall under the taxing authority's jurisdiction.

Consequently, the *only* lawful objects of the "income" tax are activities for which one is paid by the federal government or a federal agency or instrumentality; activities effectively connected with the performance of the functions of a public office; activities as a federal, federal instrumentality, or federally chartered "State" worker; or activities as a paid officer of a federal corporation, such as those on this not necessarily comprehensive list:

- *the Central Bank for Cooperatives;*
- *the Federal Deposit Insurance Corporation;*
- *the Federal Home Loan Banks;*
- *the Federal Intermediate Credit Banks;*
- *the Federal Land Banks;*
- *the Regional Banks for Cooperatives;*
- *the Rural Telephone Bank;*
- *the Financing Corporation;*
- *the Resolution Trust Corporation;*
- *the Resolution Funding Corporation;*
- *the Commodity Credit Corporation;*
- *the Community Development Financial Institutions Fund;*
- *the Export-Import Bank of the United States;*
- *the Federal Crop Insurance Corp.;*
- *Federal Prison Industries, Inc.;*
- *the Corp. for National and Community Service;*

- *the Government National Mortgage Association;*
- *the Overseas Private Investment Corporation;*
- *the Pennsylvania Avenue Development Corp.;*
- *the Pension Benefit Guaranty Corp.;*
- *the Saint Lawrence Seaway Development Corp.;*
- *the Tennessee Valley Authority;*

and

- *the Alternative Agricultural Research and Commercialization Corp.*

As we have learned, it is only upon these activities that Congress has actually laid the tax.

We have also seen that the amount of taxable activity engaged in is measured by the receipts it produces, which are themselves misleadingly referred to as "income", and are treated, for all practical purposes, as the thing being taxed. (The convention is meaningless as far as how much tax is paid, but it contributes to the scheme by producing the appearance that the law lays a tax on the receipt of money). Thus, another way of summarizing what is taxed would be:

*Remuneration for services (either immediate or deferred)-- or benefits-- paid by the federal government, its agencies, instrumentalities and "State" governments;*

and,

*The proceeds of, and from, federal corporations and instrumentalities (such as those listed above, as well as national banks, railroads, etc.); and the proceeds of, and from, the conduct of a "trade or business".*

The total amount of "income" measured, by the way, is characterized as "gross income" within the revenue statutes. This is then refined down to nominal profitability-- the element transforming "gross income" into "taxable income" (called "net income" until 1954)-- by the application of available deductions, exemptions, and so forth.