



News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

IRS Debunks Frivolous Arguments on Paying Taxes

IR-2006-45, March 16, 2006

WASHINGTON — The Internal Revenue Service today issued updated guidance describing and rebutting frivolous arguments taxpayers should avoid when filing their tax returns.

"Taxpayers need to avoid being taken in by groundless theories suggesting that they don't have to pay taxes or file returns," said IRS Commissioner Mark W. Everson. "The truth about these frivolous arguments is simple: They don't work."

IRS Notice 2006-31 describes 26 frivolous arguments that taxpayers should avoid when filing their returns. Five revenue rulings issued in conjunction with the notice address specific frivolous claims often made to the IRS. These include false arguments that taxpayers can attribute income and expenses to a purported trust to avoid federal income tax liability, that a general "Native American treaty" exists allegedly providing tax-exempt status, and that only federal employees and persons residing in Washington, D.C. or federal territories and enclaves are subject to federal tax. The revenue rulings emphasize the adverse consequences to taxpayers who fail to file returns or fail to pay taxes based on an erroneous belief in any of these frivolous arguments.

In addition, in the next few days, the IRS plans to update "The Truth About Frivolous Arguments," a 65-page document addressing false arguments about the legality of not paying taxes or filing returns. The updated document includes citations from numerous cases decided by the courts in 2005 and 2006 and responds to 40 frivolous contentions. This past year, the courts have not only rebuked these arguments numerous times, but also have imposed thousands of dollars in fines on taxpayers or their representatives for pursuing frivolous cases.

"Our rulings on frivolous arguments emphasize that the IRS and the courts reject these arguments about the validity of the income tax and 'too good to be true' schemes to eliminate tax liability," said IRS Chief Counsel Donald L. Korb.

The IRS continues to investigate promoters of frivolous arguments and to refer cases to the Department of Justice for criminal prosecution. In addition to tax and interest, taxpayers who file frivolous income tax returns face a \$500 penalty, and may be subject to civil penalties of 20 or 75 percent of the underpaid tax. Those who pursue frivolous tax cases in court may face an additional penalty of up to \$25,000.