

114TH CONGRESS
2D SESSION

H. R. 6098

To amend the Internal Revenue Code of 1986 to repeal the withholding of income and social security taxes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2016

Mr. SANFORD (for himself, Mr. CRAMER, and Mr. BRAT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to repeal the withholding of income and social security taxes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Transparent Recogni-
5 tion of Unjustified Tax Hoarding in Government Act of
6 2016” or as the “TRUTH in Government Act of 2016”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

9 (1) At the onset of the Civil War, Congress
10 passed the Revenue Act of 1861, which imposed a

1 tax on personal incomes and to assure timely collec-
2 tion, taxes were “withheld at the source” by employ-
3 ers.

4 (2) The need for Federal revenue declined
5 sharply after the war and in 1872, the income tax
6 was abolished and along with it, the Federal with-
7 holding mandate.

8 (3) With passage of the 16th amendment to the
9 Constitution, Congress swiftly passed legislation cre-
10 ating a Federal income tax, withheld before em-
11 ployee salaries were paid.

12 (4) In response to growing taxpayer criticism of
13 the withholding mandate, Treasury Secretary Wil-
14 liam G. McAdoo stated that “it would be very ad-
15 vantageous to . . . do away with the withholding of
16 income tax at the source” because it would “elimi-
17 nate a great deal of criticism which has been di-
18 rected against the law”; a statement reflecting the
19 sentiment which ultimately led to the repeal of Fed-
20 eral withholding authority in 1917.

21 (5) In the 1920s and 1930s, income taxes were
22 due on March 15 following the end of the tax year
23 and could be paid either in one lump sum on that
24 date or in quarterly installments.

1 (6) With the onset of World War II, fearing
2 that taxpayers might refuse to pay the higher tax
3 rates and surcharges associated with funding the
4 war effort, Federal officials, lawmakers, and political
5 leaders such as President Franklin D. Roosevelt
6 used the military crisis to draw on Americans' sense
7 of patriotism and resurrect the Federal withholding
8 authority as a "temporary wartime measure".

9 (7) The campaign to reinstitute a permanent
10 system of withholding overcame public hostility with
11 the passage of the Withholding Tax Act of 1943
12 which incorporated suggestions proffered by Beards-
13 ley Ruml to eliminate individuals' 1942 tax liabilities
14 by counting amounts paid or withheld in 1943 as
15 tax payments for that year.

16 (8) Since that time, Congress has stubbornly
17 refused to repeal the Federal withholding mandate
18 contained in the Withholding Tax Act.

19 (9) In fiscal year 2014, the Internal Revenue
20 Service refunded overpayments amounting to over
21 \$330,561,145,000 more than actual individual in-
22 come tax liabilities, effectively denying interest pay-
23 ments otherwise owed to taxpayers and amounting
24 to a hidden tax.

1 (10) These overpayments are returned annually
2 in the form of tax refunds to taxpayers who often
3 confuse the payments as a reward.

4 (11) According to the Tax Foundation, in 2010,
5 there were 58,416,118 tax returns with zero or neg-
6 ative income tax liability, or 41 percent of the
7 142,892,051 returns filed.

8 (12) The absence of the Federal withholding
9 mandate leaves employers and employees free to ne-
10 gotiate alternative, private means of collecting and
11 paying Federal income taxes, thereby allowing indi-
12 viduals to voluntarily earn interest on their
13 withhholdings.

14 (13) The Federal withholding mandate allows
15 the Federal Government to disguise tax increases
16 and hampers Federal accountability and trans-
17 parency by requiring the assistance of an inter-
18 mediary tax collector.

19 (14) Complying with the Federal withholding
20 mandate imposes costly burdens and legal liabilities
21 on employers forced to act as de facto IRS agents,
22 without compensation for lost time and resources.

23 (15) Referring to the Federal withholding man-
24 date in his work Public Finance in Democratic Proc-
25 ess: Fiscal Institutions and Individual Choice, 1986

1 Nobel Prize winning economist James Buchanan
2 stated that “The individual who does not have pos-
3 session of income before paying it out cannot” sense
4 “the real cost of public services in a manner com-
5 parable to that experienced in a genuine act of
6 outpayment”.

7 (16) In a CATO Institute study, Charlotte
8 Twight has noted that “[W]ithholding is the para-
9 mount administrative mechanism enabling the Fed-
10 eral Government to collect, without significant pro-
11 test, sufficient private resources to fund a vastly ex-
12 panded welfare state.”

13 (17) The National Taxpayers Union notes that
14 the incremental nature of withholding masks the
15 true cost of Federal income taxes, which would be
16 much more apparent if individuals had to write
17 monthly, quarterly, or annual checks to the Federal
18 Government.

19 **SEC. 3. PURPOSE.**

20 The purposes of this Act are—

21 (1) to increase transparency and accountability
22 in the Federal tax system by providing the public
23 with a more accurate account of—

24 (A) the annual tax burden; and

25 (B) the Federal budget deficit;

1 (2) to decrease the overall tax burden and in-
2 crease the personal wealth of taxpayers by allowing
3 for the personal collection of interest during the fis-
4 cal year on overpayments that are otherwise used by
5 the Federal Government to partly avoid interest pay-
6 ments;

7 (3) to decrease the burden on employers by
8 freeing them from the task of collecting income tax
9 withholding from their employees; and

10 (4) to end the deceptive practice of masking
11 higher tax rates from taxpayers.

12 **SEC. 4. REPEAL OF FEDERAL INCOME AND SOCIAL SECU-**
13 **RITY TAX WITHHOLDING MANDATE.**

14 (a) IN GENERAL.—The following provisions of the In-
15 ternal Revenue Code of 1986 are hereby repealed:

16 (1) Section 3102 (relating to deduction of social
17 security tax from wages).

18 (2) Section 3202 (relating to deduction of rail-
19 road retirement tax from compensation).

20 (3) Chapter 24 (relating to income tax with-
21 holding).

22 (b) REQUIREMENT OF ESTIMATED TAX PAYMENTS
23 FOR EMPLOYEE SOCIAL SECURITY TAXES.—Subsection
24 (f) of section 6654 of such Code is amended by redesign-
25 nating paragraphs (3) and (4) as paragraphs (4) and (5),

1 respectively, and by inserting after paragraph (2) the fol-
2 lowing new paragraph:

3 “(3) the taxes imposed by section 3101(a) and
4 3201(a), plus”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to amounts paid on or after the
7 first January 1 occurring after 1 year after the date of
8 the enactment of this Act.

9 **SEC. 5. CONTINUED VOLUNTARY TAX WITHHOLDING.**

10 (a) AUTHORITY OF THE IRS.—Nothing in this Act
11 may be construed to limit the authority of the Internal
12 Revenue Service to accept voluntary tax payments from
13 employers electing to continue collecting Federal income
14 taxes from employees.

15 (b) VOLUNTARY EMPLOYER PARTICIPATION.—Noth-
16 ing in this Act shall be construed to prevent voluntary em-
17 ployer sponsored withholding of Federal income taxes on
18 behalf of employees.

19 (c) VOLUNTARY EMPLOYEE PARTICIPATION.—Noth-
20 ing in this Act shall be construed—

21 (1) to require any employee to participate in an
22 employer Federal income tax withholding system; or

23 (2) to prevent any election of an employee to
24 opt in to an employer Federal income tax with-
25 holding system, with all terms and conditions for

- 1 participation being negotiable between the employee
- 2 and employer.

