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On a 106-degree May afternoon in 2003, government agents raided several establishments belonging to Southern Nevada businessman Robert "Bobby" Kahre. With guns drawn, officials held more than 20 handcuffed workers in the sun without water as agents collected records and other materials.

Kahre hadn't committed a crime. He had upset the Internal Revenue Service by paying his workers based on the face value of gold and silver coins, versus the market value in the Federal Reserve system (the value of the coins in U.S. paper dollars). Even though the coins were in circulation, displayed a face value, and were regulated by Congress, the IRS's confusing and endless tax code did not determine how to handle these gold and silver coins if used for payroll. The tax code only references dollars. It does not distinguish between coined money and paper money.

Kahre didn't opt for the precious metal bullion system without first doing his homework. He consulted monetary experts, engaged in extensive research, and even met with congressmen. Kahre's conclusion was simple: While the currency in the precious-metal system was greater in value than the currency in the other system, as money and a medium of exchange, the law knows no difference between the face value of both currencies.

The IRS expected Kahre to report his workers' earnings based on the coins' market value in the Federal Reserve system. Instead, he didn't report or pay anything at all because the face value of the coins fell below the reporting threshold. The IRS alleged that Kahre and the other defendants paid at least \$114 million (based on the Federal Reserve system) to workers. The use of these coins in trade is a direct challenge to the fiat money system now in place.

"Bobby Kahre is the only person in the world I know of with the courage to do that," said Joel Hansen, a Las Vegas attorney who represented one of the nine defendants in the case.

While the purpose of the case was to identify the intent of the defendants, the trial that followed tested America's dual monetary system and further validated that the U.S. greenback is quickly becoming more and more a worthless piece of paper.

In 1985, Ron Paul and other congressmen challenged our country's currency system, which was monopolized by Federal Reserve Notes (FRNs) — the familiar greenbacks in American wallets. The congressmen successfully pursued the Gold Bullion Coin Act, which required the U.S. government to mint and place gold coins in denominations of \$50, \$25, \$10 and \$5 into circulation based on demand. The coins are made of 91.67 percent pure gold.

The ultimate purpose of the act was to allow Americans to invest in gold. However, it also brought sanity back to this country's monetary system by establishing a dual system. Instead of the Federal Reserve solely providing the money supply by endlessly printing FRNs, the U.S. government now minted and circulated precious metal coins.

In the mid-'90s, Kahre began exercising this alternate system. He compensated workers for their labor in the form of these gold and silver coins versus FRNs. The workers calculated their income and tax liability based on the face value of the coins.

One gold coin with a face value of \$50 currently equals \$806 in FRNs.

If a worker earns a \$50 gold coin each week, that person takes home an annual income of \$2,600 based on the precious metal system, which is below the income-tax reporting threshold for an employee. However, the value of the coins in FRNs — \$41,912 — is not. That's the basic idea.

The IRS did not fancy Kahre's gold-and-silver payroll system, and after seven years of operating his family businesses in this fashion, he and eight others found themselves as defendants in a Las Vegas federal courtroom. Kahre was charged with 109 counts of tax-related crimes, varying from tax evasion to willful failure to file and conspiracy to evade taxes. Fifty-two other counts were divided among the other defendants.

While the case was about the intent of the defendants, it raised several issues. There was the issue of whether or not Kahre's workers were considered independent contractors, who are responsible for paying their own taxes, or employees, who have their taxes withheld by their employer each pay period. Then there's the issue of America's dual monetary system. If there are two monetary systems, and the value of one system's currency is greater than the other beyond its face value, what is the standard for determining the value of taxable income?

No Federal Court of Appeals has ever ruled that the gold coins in question must be reported to the IRS based on FRN market value.

"The defense showed that the defendants believed in good faith that a Federal Reserve Note is not the standard because Congress created the dual monetary system," Hansen said. "The defendants believed that gold and silver coins are just as legitimate and legal as our other tender, the FRN."

Kahre certainly caught the attention of the IRS. In addition to operating his businesses via the gold-and-silver payroll system, according to testimony at the trial, he helped 35 other contracting companies do the same.

But even though Kahre and his colleagues followed the dual monetary system mandated by Congress, the IRS didn't care. To America's most feared agency, the bottom line was Kahre's workers weren't taxed enough for their labor.

Based partially on cases that pre-dated the 1985 Gold Bullion Coin Act, the judge in the case did not allow defense attorneys to argue that Kahre was justified to pay workers based on the face value of the coins. Based on case law, the court concluded that income had to be calculated based on the FRN fair market value, rather than upon the face value.

A flaw with some of those cases was that each referred to double-eagle gold coins, which Franklin D. Roosevelt outlawed in 1934. Those coins are no longer in circulation like the coins minted by the U.S. government following the 1985 Act. The double-eagle coins were deemed to be property for tax purposes in those old cases.

Of course, the judge's rule was binding upon the parties and was followed by the defense attorneys at the trial. Hansen, under the good faith belief defense, was able to present evidence that his specific client, Alex Loglia, who performed research work for Kahre, did not have intent to commit tax crimes. This interesting twist allowed jurors to still hear the argument that Kahre was justified to pay workers based on the face value of the coins. The U.S. Supreme Court had long before ruled, in the Cheek case, that a good defense in a tax-evasion case is a person had good faith in not following certain tax laws.

"The Supreme Court said, if they don't have criminal intent, then they are not guilty of tax evasion," Hansen explained. "That doesn't mean you don't have to pay the tax, but it means you didn't commit a crime and won't go to jail for a felony."

In 2005, Loglia penned a paper that earned him an 'A' from his law school professor Jay Bybee

(who just happens to also be a 9th Circuit judge) on the gold-coin issue and the separation of powers. His paper took the position that, under Article 1, Section 8, Clause 5 of the Constitution, Congress alone had the power to coin money and set its value.

Loglia's position was that the judicial branch does not have this power.

"The judge applied those old court cases, but we were still able to make the argument that Alex was not criminally liable because he believed in good faith in the use of the face value of the gold and silver coins for tax purposes," Hansen said. "Loglia's 100-page legal paper was great evidence for the jury of his good faith belief."

Beyond the courtroom, there is another significant issue with the Kahre case — it gives attention to the ever-decreasing value of the Federal Reserve Note.

One Euro is now worth \$1.45 in FRNs. A Chinese Yuan buys the same as \$1.34 in FRNs. Even the Canadian dollar is now more valuable than our paper currency. Compared to the American buck, it'll buy seven cents more in goods and services.

"Because of how much stronger the Euro is compared to an American FRN, the Federal Reserve just pumped up to \$50 billion of FRNs into Federal Reserve banks to prop up the banks," Hansen said. "But when they do that, every dollar that you have in your pocket is now worth less."

However, America's other monetary system — gold and silver coins — does not decrease in value. It becomes more valuable in terms of FRNs. Americans, though, rely on the FRN, and its rapid decline will sooner than later decimate the middle class, Hansen said.

Take socialist Karl Marx's theory, for example. He believed the most effective way to obliterate the middle class involved a system of progressive taxation coupled with inflation. In the Federal Reserve's case, if the bank continues to inflate the currency so that everybody moves into higher and higher tax brackets, eventually everybody will pay 30 to 40 percent of their income to taxes in Federal Reserve Notes, all while the FRN decreases in value due to inflation.

"By using the gold coins, Kahre was beating Karl Marx, the socialists and the liberals who want people to pay more and more so they can have bigger and bigger government," Hansen said. "Kahre challenged the whole system and that's why the IRS came down so hard on him and his associates."

"The IRS doesn't want this going on; they want you to use their fiat money and be forced into higher tax brackets through progressive taxation coupled with inflation. That way there's no limit on the money they can issue and inflate."

On Sept. 17, after four months of trial and days of deliberation, the Las Vegas federal jury returned with its verdicts. The courtroom was crowded as the IRS and Department of Justice filled the entire area on their side of the chambers with its officials.

Hansen was uncertain of what to expect. He just hoped that the jurors listened closely to the evidence presented.

"I could tell in the closing arguments, as I was watching the jury, that they were sympathetic to what I was saying. But what they were going to do, I did not know," he recalled. "I think the government, because it had packed the courtroom, was confident they were going to get numerous guilty verdicts."

Rather, jurors delivered zero guilty verdicts. Three defendants, all workers, were acquitted as

well as Kahre's mother, who worked as a runner for her son's businesses. Two other defendants were partly acquitted — the jury hung on one count each. The jury also hung on all counts faced by Kahre, Loglia and Kahre's sister, resulting in mistrials.

"I'm telling you that I have never seen such a dejected group of people leave a courtroom in my life," Hansen said of DOJ and IRS officials. "They were shocked. Of course, we were pleased.

"The thing is, they had 161 counts and they did not get a guilty verdict on a single one. They got a big goose egg. We didn't get not-guilty verdicts for everyone, but the government didn't get anything."

The IRS was supposed to notify the judge in late October if the agency intended to retry the five defendants on the charges that resulted in a hung jury. The government waffled, indicating they would pursue another grand jury and issue superceding indictments. More information will be known by mid-November.

Looking back, Hansen recalls what may have been a key turning point in the trial. The government called three accountants to testify. The defense asked each one, "What is the proper way to calculate income for purposes of the Internal Revenue Code if you are paid in a gold coin that has a \$50 face value on it?" All three of them responded, "I do not know; I'll have to research that."

"One of them had a masters degree in taxation!" Hansen observed, saying their answers made it difficult to prove the defendants willfully committed tax crimes. "If accountants and masters of taxation don't know the answer to this question, how in the world can they expect anything different from an ordinary person who is confronted with a dual monetary system created by Congress?"

Hansen believes it was uncalled for to prosecute Kahre and the other eight defendants criminally. The case revolved around a complicating and confusing legal issue. It should have been handled civilly, Hansen said, but the IRS wanted to make an example of these defendants because the federal government simply doesn't want anyone paying a lower tax than what the feds determine should be paid.

"If a coin says it is a \$50 gold piece, and it says 'In God We Trust,' and the law says that it is legal tender, and it is in circulation, isn't it reasonable for people to think that they can calculate their tax liability based on that?" Hansen asks. "If a tax accountant can't answer that question, how can a common worker be guilty of a crime? The outcome of this case is a magnificent victory for those of us who believe that the United States of America should have an honest monetary system."

<http://www.liberty-watch.com/volume03/issue08/coverstory.php>

Thanks
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"The great end in life is not knowledge but action."
Thomas Henry Huxley