

# "WHY PAY INCOME TAXES?"

A Lesson Learned the Hard Way

by Daniel J. Pilla

(Note: Written in 2003 - Irwin Schiff died in federal prison in 2015\*)

On a large marquee outside his Las Vegas office, Irwin Schiff asks the question, "Why Pay Income Taxes?" Irwin Schiff is a long-time tax protester who claims that "no law" requires the filing of tax returns or the payment of taxes. For nearly three decades, Schiff has made radio appearances arguing that no one has a legal obligation to pay income taxes.

As attractive as that idea might sound, Schiff's legal theories are completely bogus. For more details on the errors of these and other "untax" legal arguments, see my special report entitled, "[The Untax Promise](#)." Nearly as long as Schiff has been peddling his theories, I've been helping his former clients extricate themselves from the legal morass in which they find themselves. The reality is, Schiff has never won a single court case using his legal arguments and in fact, he himself has gone to jail on three separate occasions for following his own advice.

But it's been more than ten years since his last stint and during that time, Schiff has duped a lot of people. And those he doesn't manage to dupe are naturally curious about his claims. I get calls and questions all the time about Schiff's ideas. Some come from citizens trying to investigate his claims and others come from those arguing that Schiff is the preeminent guru of tax knowledge.

It is this endless string of questions that promoted me to write the "[Untax Special Report](#)" in the first place. This report is a detailed analysis of leading legal arguments that suggest you don't have to file tax returns to pay taxes. The report thoroughly debunks the myths about "untaxing" yourself. It should come as no surprise that Schiff's arguments are featured prominently in the report.

After reading my explanation of why Schiff's arguments fail, people invariably ask two questions: "How can Schiff be allowed to sell his books if they're based upon false legal premises?" and "Why is he not in jail?"

These are reasonable questions, especially for those who don't realize that Schiff is not without his legal problems, both with the IRS and others. As I already stated, he did three separate stints as a compulsory guest of the federal government. He has tax assessments against him for unpaid income taxes well in excess of two million dollars. He's had untold amounts of money levied from his bank accounts over the year and the Justice Department is aggressively pursuing collection action against him.

As if all that's not enough, he's had several civil scrapes with clients and others, over his claims. In a recent suit by one former client, Mr. Steven Swan, a suit alleges fraud and deception in connection with the bogus tax advice that landed Swan hip-deep in IRS trouble. Schiff's response to questions about the merits of Swan's lawsuit speaks volumes about whether Schiff believes his tax scam really works. Schiff is quoted as saying, "If I told (Swan) to go rob a bank, would he do it? What is he, an idiot?"

But that Schiff is still "on the loose" and continuing to dupe people with his scam sends the message that he's getting away with something, even if he himself thinks you're an idiot for following his advice. So in fairness, let's answer the two questions identified above.

My answer to the first question is simple. We have a First Amendment that protects free speech. You can't go to jail just for writing a book. That is not to say, however, that the First Amendment gives you carte blanche to say anything you wish, free of ramifications. It does not. Swan's civil suit against Schiff will ultimately prove that.

But even in the face of the First Amendment, the Justice Department has obtained a preliminary injunction against Schiff, preventing him from continuing to market his tax scams. The suit was filed under the authority of code section 6700, which gives the court the authority shut down those marketing "abusive tax shelters." At the very least, Schiff's program is an abusive tax shelter.

My answer to the second question, "Why is he not in jail?" is just as simple: Give it time. As usual, my predictions about the fate of those pushing these tax scams have come to pass.

For some time, I've known that Schiff was the target of yet another IRS criminal investigation. This time, they really mean business. On February 10, 2003, fifteen armed IRS investigators showed up at Schiff's Las Vegas office with a search warrant. Several hours later, the agent's drove off with a moving van loaded with dozens of boxes constituting the contents of Schiff's office.

This would be just one way to answer the question Schiff poses on his marquee.

I've had the chance to review the search warrant served on Schiff's headquarters. From the nature of the information sought, it is clear to me that the scope of the current investigation is much broader than the prior ones that landed him in jail. On the basis of the language of the warrant, I can easily imagine Schiff being charged not only with tax evasion as he was in 1985, but with aiding and assisting others in filing false claims and with orchestrating a broad conspiracy to defraud both the IRS and individuals.

When the IRS is finished with him this go-around, one has to wonder whether the 75-year old Schiff will not spend the rest of his life in jail.

\* On October 24, 2005, Schiff was convicted in the U.S. District Court in Las Vegas, Nevada, on multiple counts of filing false tax returns for the years 1997 through 2002, aiding and assisting in the preparation of false tax returns filed by other taxpayers, conspiring to defraud the United States, and (for his own income taxes for tax years 1979 through 1985) tax evasion, and he again began serving jail time.

Despite Schiff's age (he turned 78 years old on the day of sentencing), on February 24, 2006, Schiff was sentenced to 151 months (12 years and 7 months) in prison and was ordered to pay over \$4.2 million in restitution to the Internal Revenue Service. As a result of judicial rulings Schiff was in a hospital prison serving a sentence of 162 months (13.5 years) at the time of his death at the age of 87. The Federal Bureau of Prisons reported that Schiff died on October 16, 2015. See [Irwin Schiff - Wikipedia](#)