



Taxes, Fines and Government Extortion

BY RICHARD W. RAHN

AMERICANS MUST ROOT OUT OFFICIALS WHO CONTRAVENE THE CONSTITUTION TO FLEECE TAXPAYERS

When the government "fines" you for not buying health insurance, is it, in fact, a fine, a tax or government extortion? The biggest U.S. banks have been "fined" something in the neighborhood of \$125 billion (yes, billion) over the past five years, without anyone in the banks or the banks themselves charged or convicted of criminal wrongdoing. How can that be?

Countless individuals have had their property (automobiles, cash and bank accounts) seized by state, local and federal law enforcement officials, including the Internal Revenue Service (IRS), without being convicted of wrongdoing. How can that be?

The distinction between a tax, a fine and government extortion is not trivial, particularly when fines are running into the tens of billions or even hundreds of billions of dollars of revenue for the government. Article I, Section 7 of the U.S. Constitution states: "All Bills for raising Revenue shall originate in the House of Representatives." The Fourth Amendment states: "The right of the people to be secure in

their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated," and that warrants can only be issued with probable cause. The Fifth Amendment in part states: "No person shall be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation." Unfortunately, these basic and clear provisions of the Constitution are violated on a daily basis by all too many ignorant or corrupt law enforcement officials, and upheld all too often by judges who think their own opinions trump the Constitution.

In the Obamacare case, Chief Justice John Roberts upheld the law by ruling that a "fine" for not buying health insurance, which would not be legal, was actually a "tax," which was legal — even though the Obama administration and most members of Congress who voted for the bill denied they were voting for a tax. (A very short and amusing interview on this issue, with well-known constitutional scholar and Cato board chairman, Bob Levy, is available on the websites of [The Washington Times](http://www.washingtontimes.com) and of the [Center for Freedom and Prosperity Foundation](http://www.cato.org).)

The government, merely by threatening to bring charges against banks and their officers, has been able to extort multibillion-dollar fines, because a charge of criminal wrongdoing against a bank could cause depositors to flee, undermining its viability. The Justice and Treasury departments have also engaged in this type of extortion against foreign banks, including destroying a 350-year old bank in Switzerland that had no offices in the United States and was not in violation of Swiss law. Justice and Treasury are able to get away with this type of extortion because a number of the bank regulations contradict each other. Thus, it is impossible for the banks to be in total compliance with all of the regulations, and they are sitting ducks for extortion by intellectually and politically corrupt government officials.

Asset-forfeiture laws were passed to make it easier to convict drug dealers, tax evaders and "money launderers," but the idea has been expanded to now

include more than 200 crimes. For many years, the IRS has been seizing bank accounts without bothering to get convictions for tax evasion. Some law enforcement officials have used the seized cash and property to fund their own operations, even though those whose property was taken were in many cases not convicted of any wrongdoing. This corruption has led the first two directors of the Department of Justice Asset Forfeiture and Money Laundering Office (John Yoder and Brad Cates) to call for repeal of the asset forfeiture and anti-money laundering laws. The abuses have been so widespread that demands for reform are growing. Even The Washington Post has taken notice, publishing an article two weeks ago by Mr. Yoder and Mr. Cates in which they wrote: "Civil asset forfeiture and money-laundering laws are gross perversions of the status of government amid a free citizenry. The individual is the font of sovereignty in our constitutional republic, and it is unacceptable that a citizen should have to 'prove' anything to the government. If the government has probable cause of a violation of law, then let a warrant be issued. And if the government has proof beyond a reasonable doubt of guilt, let that guilt be proclaimed by 12 peers."

The citizens of Hong Kong have been courageously standing up to the Chinese government for violations of their basic rights. Yet, too many Americans have become timid (unlike the American Founders, who were not wimps) in protecting our own rights against the abuses by the IRS, some law enforcement officials and irresponsible judges. It would be interesting to know where all of those who are now running for the House and Senate stand on asset forfeiture and other forms of government extortion — and what they intend to do about it.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

<http://www.washingtontimes.com/news/2014/oct/6/rahn-taxes-fines-and-government-extortion/>