

107TH CONGRESS
1ST SESSION

H. R. 1364

To restore to taxpayers awareness of the true cost of government by eliminating the withholding of income taxes by employers and requiring individuals to pay income taxes in monthly installments, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 2001

Mr. PAUL introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To restore to taxpayers awareness of the true cost of government by eliminating the withholding of income taxes by employers and requiring individuals to pay income taxes in monthly installments, and for other purposes.

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 “Cost of Government
5 Awareness Act of 2001”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds the following:

1 (1) Withholding of income taxes originally was
2 imposed as a means of meeting financial burdens
3 created by World War II; the Treasury Department
4 believed taking tax payments directly from workers'
5 paychecks would make it easier to fund government
6 without objection from taxpayers.

7 (2) Income tax liabilities have increased expo-
8 nentially since the imposition of withholding of in-
9 come taxes. Withholding taxes now represent a very
10 substantial portion of working taxpayers' paychecks.

11 (3) Withholding of income taxes is inherently
12 deceptive, because taxpayers often are not aware of
13 the total amount of Federal taxes they pay or what
14 percentage of their income they pay in Federal
15 taxes. Thus, withholding taxes hide the true cost of
16 government from taxpayers, making tax increases
17 more feasible.

18 (4) Many taxpayers overpay their Federal in-
19 come taxes every year through withholding taxes.
20 The tax refund they receive is their own money, pre-
21 sumptively taken by the Federal Government. Be-
22 cause taxpayers receive no interest on overpaid with-
23 holding taxes, the Federal Government benefits from
24 an interest-free loan of taxpayer funds. Taxpayers

1 would be far better served by saving or investing
2 such money.

3 (5) Withholding taxes impose an unfair burden
4 on American employers, who incur tremendous costs
5 complying with the Federal withholding scheme. Pri-
6 vate employers should not have to act as agents of
7 the Federal Government by determining and col-
8 lecting income tax liabilities of their individual em-
9 ployees.

10 (6) Withholding of income taxes effectively cre-
11 ates an unfair tax on amounts withheld. According
12 to the Internal Revenue Service, the term “wages”
13 excludes collected taxes within its definition. Yet the
14 Service does not follow its own rule when it collects
15 withholding taxes on a taxpayer’s total paycheck.

16 (b) PURPOSE.—The purpose of this Act is to restore
17 to taxpayers an awareness of the cost of government, by
18 abolishing the withholding of income taxes.

19 **SEC. 3. REPEAL OF INCOME TAX WITHHOLDING.**

20 (a) IN GENERAL.—Chapter 24 of the Internal Rev-
21 enue Code of 1986 (relating to withholding from wages)
22 is amended by adding at the end the following new section:

23 **“SEC. 3407. TERMINATION.**

24 “No tax shall be imposed by this chapter on any
25 amount paid after December 31, 2001.”

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for such chapter 24 is amended by adding at the end the
3 following new item:

“Sec. 3407. Termination.”

4 **SEC. 4. MONTHLY PAYMENTS OF ESTIMATED TAXES.**

5 (a) IN GENERAL.—Subsection (c) of section 6654 of
6 the Internal Revenue Code of 1986 (relating to estimated
7 income tax for individuals) is amended to read as follows:

8 “(c) NUMBER OF REQUIRED INSTALLMENTS; DUE
9 DATES.—For purposes of this section—

10 “(1) PAYABLE MONTHLY.—There shall be 12
11 required installments for each taxable year, one for
12 each calendar month.

13 “(2) TIME FOR PAYMENT OF INSTALLMENTS.—
14 The due date for each required installment shall be
15 the 15th day of the following month.”

16 (b) CONFORMING AMENDMENTS.—

17 (1) Subparagraph (A) of section 6654(d)(1) of
18 such Code is amended by striking “25 percent” and
19 inserting “8.25 percent”.

20 (2) Clause (ii) of section 6654(d)(2)(C) of such
21 Code is amended to read as follows:

22 “(ii) APPLICABLE PERCENTAGE.—The
23 applicable percentage is—

24 “(I) 7.5 percent for the 1st re-
25 quired installment, and

1 “(II) for each installment there-
2 after during the taxable year, the sum
3 of 7.5 percentage points and the ap-
4 plicable percentage for the prior in-
5 stallment.”

6 (3) Section 6654 of such Code is amended by
7 striking subsection (j) and by redesignating sub-
8 sections (k) and (l) as subsections (j) and (k), re-
9 spectively.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2001.

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