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## **Problems within US Treasury Including Filing Tax Returns and More Together with Solutions**

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All things are connected from nation state treasuries and systems of taxation to global climate change.

I am actually an optimist in these troubled times. There are solutions. Solutions that do get to a better quality of life for each and every one of us on this planet earth. No need to move.

I take particular note of President Carlos Alvarado Quesada's recent inaugural address to the citizens of the Republic of Costa Rica. He arrived by electric bus then explicitly affirmed Costa Rica's long and extraordinary role in law and diplomacy, among other matters, leading in this very area of limiting violence, limiting contamination, limiting our consumption and returning, if you will, to human principles and, as we are wont to say here, the *pura vida* or the pure life.

It is an honor for me personally and Chapple Blondet SRL to live and work in this great republic by the grace of a proper visa issued by Costa Rica commencing in 2003.

However, I was born in the United States of America. I grew up there, largely in the State of South Dakota and the State of Iowa. As I sit here today, I have been blessed with education from *maestros* throughout the world some of whom are indeed my family. A large portion of my family is not from nor were we born in

the United States of America. Some hail from the Republic of Peru and the Bolivarian Republic of Venezuela.

One immediate point of sheer anxiety for so many is the mere ability to file one's income tax return with the United States of America, paying the attendant taxes where one is subjected to the jurisdiction of the United States of America. This alone has become a problem of crisis proportion and so very unnecessarily.

The purpose of this memo is to begin to put this problem in proper perspective and implement true solutions for my family, our clients, our colleagues and our friends within the United States of America and throughout the world.

I ask a bit of patience as this memo has evolved, and I think properly so, to near small book length being in excess of 30 pages. I will add that I hope those who are fortunate enough to have no practical problem in this area might find this memo of some interest as well.

A small bit of housekeeping is in order before we proceed.

This memo is rather long of tragic necessity. It is necessary for us to properly describe this unholy mess and then conclude with some practical solutions for us as real human beings. It will even appear to wander far afield.

These wanderings provide the background and context to better understand the problems and, consequently, better understand and devise the solutions.

My style is not typical. Some of it is actually intended to make this subject matter sufficiently interesting so one is less likely to nod off and doze. Given the overall subject matter of treasuries, taxes and money, nodding off is typically entirely appropriate and most understandable.

I use extensive footnoting. One reason is to provide the background history and larger view in terms of both time and space. It is difficult to grasp this problem without an understanding of its underlying source including from whence it arises in a time relatively long ago.

There are two documents imbedded at the end, one from the United States Department of Treasury and one from The Washington Post.

Chapple Blondet does not assert intangible property rights over memos such as this. So, please feel free to copy or share and use this as may be appropriate to you. The goal is to communicate. We certainly do appreciate proper attribution where it is appropriate. This memo is available in Word format should anyone care to have it.

Allow me to add here that Chapple Blondet is looking for people to work with us in translating some of these memos from English into Spanish and perhaps German and French as well.

In the past when we were working extensively in Germany, this provided an opportunity for students. We we taught them and they taught me. Translating this kind of discussion has to be done on a conceptual and cultural level which can be painfully difficult. Thus, if any of you happen to know of someone interested in this, I would be grateful for the referral.

We have a student from the Universidad Latinoamericana de Ciencia y Tecnología (“ULACIT”) working with us on a part time basis. He has done some really wonderful work but there are only 24 hours in a day. He is studying accountancy. His Spanish and English are both well done. Indeed, as a condition of graduating, he must demonstrate a rather high proficiency in *lingua franca* English.

In any event, sometimes a student in law, international relations or linguistics can provide a wonderful complement.

One of the benefits to the student is access to Chapple Blondet’s libraries, including an extensive library in linguistics. The languages covered include English, Spanish, German and French but, among other curiosities, Icelandic as well.

So, on to the substance of this matter.

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On 17 April 2018 at 6:41 in the afternoon Washington, D.C. time, the Internal Revenue Service (“IRS”) issued a notice indicating the IRS computer systems, including e-file and e-pay, had failed sometime prior to 6:41 in the afternoon. Chapple Blondet is on the notice list for these and similar matters directly from the United States Department of Treasury (“US Treasury”).<sup>1</sup> A copy of this notice is imbedded below in this memo.

USA is a union of sovereign states and, in some respects, is not a nation state, in and of itself. Each member of the union such as the State of New York, the Commonwealth of Massachusetts, the State of Texas and so on are independent sovereign states not too different than the 5<sup>th</sup> Republic of France (“France”) or the Republic of Costa Rica (“Costa Rica”).

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<sup>1</sup> The IRS is a portion of US Treasury where it has primary responsibility for administering the portion of US Treasury systems which deal with taxation with respect to the United States of America (“USA”).

USA today celebrates on 4 July its independence from the Kingdom of Great Britain<sup>2</sup> ("Great Britain") after its revolution. 4 July 1776 was the date upon which the representatives of the original 13 sovereign states agreed to negotiate the formation of a union, not the date the union commenced.

What we reference as USA today actually commences on 15 November 1777 with the ratification of the Articles of Confederation and Perpetual Union or the "Articles of Confederation" by the representatives of the original 13 sovereign states to the Second Continental Congress. The Articles of Confederation came into force and effect on 1 March 1781 when all of the 13 sovereign states ratified the agreement.

In broad general principle, the sovereign states making up this union ceded far fewer powers typically reserved to a sovereign state to the central administration of this union than generally believed today.

In 1787, there was a movement to re-convene the sovereign states in congress for the purpose of changing the Articles of Confederation. The first meeting was set for 14 May 1787. A proper quorum was not achieved until 25 May 1787. To put the issue in more contemporary terms, it was believed that the member sovereign states had failed to concede enough sovereign power to the collective or union administration which was perceived to be causing difficulties both internally and externally. One of the difficulties involved the issuance of money and taxation.

A consensus was achieved in this process which was embodied in the then new United States Constitution becoming fully effective and supplanting the Articles of Confederation on 4 March 1789 some 13 years after their revolution resulting in independence as to governance from Great Britain.

From 4 March 1789 to this moment, there have been 27 amendments to the United States Constitution, some of which interact. The 27<sup>th</sup> Amendment was

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<sup>2</sup> The Kingdom of Great Britain commences in 1707 as a political union. In some respects, this marks the beginning of the postmodern era or the commencement of the Industrial Revolution. Anne then became Queen of Great Britain. Anne was of the House of Stuart and died without a direct heir.

Thus, enters the House of Hanover or the Hanoverian succession which sources in Hanover in Prussia, now contemporary Germany.

It was George III or George William Frederick who ceded control of the 13 colonies which then commenced the formation of this union.

There is some truth to the observation that some of the instigators of the revolt against Great Britain believed they paid a bit more in tax than they believed to be appropriate. Nonetheless, this is not the sole reason. A few of these revolutionaries were rather wealthy, if truth were told.

All things are, indeed, connected.

initiated in 1992 remaining unratified by the now 52 sovereign states which make up the union. Further, this 27<sup>th</sup> Amendment impacts another which has remained pending for over two centuries.

Proposed amendments not yet ratified number four where the oldest was proposed in 1789, just two short years after the United States Constitution was first ratified. Two amendments, one proposed in 1972 and one in 1978, were affirmatively not ratified and, thus, never became effective.

In short, the governance process of USA is not stable nor has it been from founding. Constitutions and similar are statements of collective principle, no longer subject to debate or controversy within the defined culture and, thus, providing a fixed and orderly system of administering human behavior to the best benefit of all.

When one has to include this discussion in a memo such as this to bring some modest understanding, it tells all there are really big problems a bit beyond the scale and scope of computers and software. The computers and software are translating these principles into a more efficient tool for administration, nothing more and nothing less.<sup>3</sup>

The treasury function within any functioning culture is all about helping us human beings administer our affairs in an efficient, thoughtful and transparent manner.

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<sup>3</sup> Dr. Joseph Tainter, currently of the University of Utah, has written and spoken of these matters with excellence. His book "The Collapse of Complex Societies" published in 1988 is helpful. I note this is translated into Spanish entitled "El Colapso de Civilizaciones Complejas". Another is Edward Bellamy of Shawmut College in Boston, specifically, "Looking Backward" published 26 December 2000.

For those interested, some of this is freely available on the internet while some can be purchased from (I shudder) amazon.com. Some can be purchased via LibroMax Internacional here in Costa Rica. I am fond of their location up the street from Chapple Blondet's offices in Mall Atlantis and, of course, there are other internet businesses similar to amazon.com where those of us in Costa Rica and elsewhere do not need to use special arrangements or private conveyancing systems like FedEx together with foreign post office boxes.

A third is "The Limits to Growth" by Dra. Donella H. Meadows, Dr. Dennis L. Meadow, Dr. Jørgen Randers and Dr. William W. Behrens III. The principal work was done at the Massachusetts Institute of Technology or MIT in Cambridge, Massachusetts. The book was first published in 1972. This is one of the extraordinary developments in computer technology and software which remains freely available on the internet yet today.

The Club of Rome was and remains the funding and sponsorship behind this work. Dr. Ugo Bardi is a part of the founding. He teaches physical chemistry at the University of Florence. One of his blogs can be seen here: <https://cassandraleqacy.blogspot.cz/2018/05/five-things-you-should-know-about.html#comment-form> .

The books above are here in Chapple Blondet's libraries. These books are certainly available here to clients, colleagues and friends.

The treasury function typically does administer “money” which is the conveyancing system. The conveyancing system is how us human beings distribute what we produce in physical stuff and services, including food; distribute the “intangible” side of life such as music, art, literature as well as the form in which these take such as the marks Shakespeare made on paper during the time of Elizabeth I and Sir Walter Raleigh or, today, Calle 13 creates via sound and video. Calle 13 originates from Puerto Rico in the style of *rap fusión*. I find their performance of “Adentro” to be profoundly relevant to this very area of governance and responsibility. Music, art and literature count. Should you choose to view this, they are not gentle. One might be bold and suggest this is how human beings share the fruits of our labor and toil.

Nothing in life is free regardless of what some contemporary economists propounding the likes of Modern Monetary Theory may say to the contrary. *E.g.*, those fabulous people who program the computers in US Treasury need to be paid by US Treasury to convey their intelligent translation of “law English” into “law binary” (the language of computing machines) so they can buy or have someone else convey their lunch to them.

Thus, we return to the subject of taxation administered by the treasury function which requires all of us to chip in and pay our share via a system, typically in the form of taxation.

Hence, the reason for this apparent detour from the subject at hand. When the US Treasury systems of which IRS is a part physically fail, well, all hades breaks loose.

I will add here a small discussion of system failure.

First of all, this is not the first time in recent times for system failure in USA. The Bank of New England Case commencing in January 1991 where I was one of the three senior people who helped resolve this failure was, in fact, a failure of the US Treasury including the conveyancing system. We worked very hard to get that thing fixed and, I think, we did so until others decided to wander afield.

In general when systems fail they do not suddenly physically and procedurally (the human factor) go full stop, full dark like one observes when one turns out a light. This can happen but, among other matters, human beings will and do intervene, even those who are a big part of the problem. While the machines do not work and this is our immediate problem, the real problem is the human beings charged with the responsibility of managing the entire system of which computing machines are a part.

On that fateful day of 17 April 2018, a client of some 30 years and I were logged onto US Treasury/IRS.<sup>4</sup> He was in Boston while I was here in Escazú. We sat in stunned awe as we watched live the melt down of US Treasury. This event required the IRS to issue a blanket extension of time to file USA tax returns and, likely, pay any sum due. What the [Charles] Dickens is going on with USA tax filings and a little more?

Back in the early 1980s, I was on the team which did the first computer programming for these very systems.<sup>5</sup> From my memory, by the mid 1980s, we had optimized these systems including that which is necessary for e-file. We did not suggest or try to install or ask US Treasury/IRS to install the “e-file” node or portion in the US Treasury/IRS systems. We used this e-file or e-transfer node for data internally within the individual firms or similar including the vendor or custodian of the software when we had problems with this software.

Again here we need to digress a bit including constitutional level of USA. USA is an odd construct. In this area of taxation, the “nation state” or “union” or “Washington D.C.” taxes to fund the cost of the union level of administration.<sup>6</sup> Additionally, each and every sovereign state plus a few territories, protectorates and similar must fund sovereign or quasi-sovereign administration.

Thus, one must first program the US Treasury/IRS law dictating the calculation of the sum of tax each person owes to the union. Then one must do the same for 52 plus other sovereign systems sometimes referenced as “the states”. Some

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<sup>4</sup> This same fabulous client claims I called this very and tragic event to the day in a prior written discussion. He gives me far too much credit for prescience versus dumb luck.

<sup>5</sup> To be clear, the local office I managed commencing in 1979 with the then 9<sup>th</sup> largest global accounting firm was one of the *beta* sites which began the process of testing this software thankfully programmed by others in the relevant compiling languages.

My work with this group in this area continued in Chapple Blondet through 2014. We were instrumental in the implementation of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“FIRREA”) including as a member of the team which mounted the USA Constitutional challenge and my personal testimony before US Treasury. FIRREA is another example of complexity run amuck in the USA tax and conveyancing system management which focused on insolvent financial institutions, including their taxation, their administration upon failure and their role within the USA system.

<sup>6</sup> Military or, more appropriately, security is cultural overhead.

It does not take much to wander into matters of pensions and health care in this discussion. The USA system is so extreme that these matters do get wrapped up in this mess. However, the general subject matter is best left for another day other than to observe that USA does, indeed, currently have, in part, three public health care systems and three public pension systems.

To this extent, these public health care and pension systems are administered via their union level tax regime which is the subject of this memo.

but not all of these states impose an income tax which sometimes but not always explicitly references the union's calculations. Then one must remit this money to pay this second layer of income or other tax to the various individual states including their explicit and separate treasury function. *E.g.*, with respect to the Commonwealth (not state) of Massachusetts, the sovereign treasury function is "The Department of Revenue of the Commonwealth of Massachusetts".

Thus, to fully mechanize the USA system, one has to repeat this process of programing (software) computing machines (computers) in excess of 52 times for each and every fiscal year.

This culture of USA, to my memory commencing in about 1972, has never failed to materially change the law defining the calculation of tax due at least annually.

This process of administering the computers must be done, at my last best estimate based on a three dimensional matrix, in excess of 380 times with respect to fully independent and yet intertwined systems.<sup>7</sup>

The number of human hours to do this task is staggering.

This original work was done on mainframe computers which was subsequently migrated to a PC or "personal computer" environment.

In this timeframe of the early 1980s, the USA union level tax law comprised about 24,000 pages in a font size the human eye can read and on normal stock paper. This does not include the 52 plus individual sovereign states' law within the union system. It does not include non-sovereign taxing jurisdictions such as municipalities, all of which assess taxes or fees some of which do so via an income based tax.

Today, this approximate 24,000 pages has exploded to about 74,000 pages of law at union level. As for the individual states and political subdivisions, I have no current benchmark other than "really big".

In December 2017, the US Congress made large and meaningful changes to the USA tax law. In paper, these changes came to about 500 pages which then had

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<sup>7</sup> Some of the difference between the 52 and 380 iterations rests in the fact that the USA system of taxation treats corporeal persons (real human beings) and incorporeal persons such as corporations differently and separately in the extreme including within their union and the various sovereign states income and other tax regimes.

In the world of computer programing and administering software and computers, these must be broken down into separate nodes or subsystems. One estimate is 53 (52 plus union) primary systems with about 7 subsystems' driven by corporeal persons and quantity of incorporeal person or systems plus 2 more. One can add others. National associations are not included in this matrix which include commercial banks. Incorporeal persons include corporations, partnerships, trusts and more and do vary by state.

to be programmed within the 74,000 page existing system in both paper and electronic or software form. Please bear in mind, USA uses a 31 December fiscal year end for tax compliance purposes, not 30 September like Costa Rica.

There were additional law changes made after 31 December 2017.

Then on 6 April 2018, someone<sup>8</sup> in Washington D.C. made a meaningful change to Subpart F and a bit more retroactive to the 2017 fiscal year and before that as well. There are various payment dates after 31 December of any given year, say 2017, commencing in mid-January through mid-April of 2018.

Subpart F has no common sense label other than “Subpart F”. Among many matters, this dives directly into issues well beyond the common sense borders of USA. Thus, it is entirely reasonable to suggest Daimler Benz (the German holding company for Mercedes Benz), IBM, Apple, Proctor & Gamble as well as more than a few recipients of this very memo, some residing in Costa Rica were impacted. The calculations and software all had to be re-done.

We will discuss this issue in greater detail but in a separate memo.

Suffice it to say, this might well have been the straw that broke the camel’s back. I can imagine the scramble, internally and externally, which occurred imposing serious stresses on the systems including the cables, the physical machines and the software. I can assure all there was a little stress in Chapple Blondet’s offices here in Escazú when that was announced.

Computers are intensely linguistic. My initial work in linguistics was done under the guidance of the Benedictine Order focused on German and French. Another fabulous teacher was of the Jesuit Order with considerable focus on the law as well as a bit of classical Latin. My initial training in the language of computers was done at Drake University during my studies of accountancy. My doctoral thesis published in 1977 touches on these subjects with a primary focus on coneyancing systems. The specifics involve monetary inflation and the systems to administer this where my subjects were the systems in the Federative Republic of Brazil (“Brazil”) and the State of Israel (“Israel”) in that time frame.

To accomplish this task, we had to translate 24,000 pages of law English into the equivalent “electrons” of law binary.<sup>9</sup> Other than the content of the law, this

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<sup>8</sup> I am actually curious as to who this person is. While I do not approve of this whole mess, had that person delayed announcing this change and its effective date to 19 April 2018, there would have been a whole lot less mechanical stress on the systems. In which case, this meltdown might have been delayed to a future day giving them more time to fix this monster.

<sup>9</sup> Computers in contemporary form have always and remain programed or translated into a binary language written, in nonsense content, 01011001011” or “on” and “off”. This form of language is so intensely simple as to render it obscenely complex. Thus, compiling languages or translating

process is no different for Costa Rica or the Peoples' Republic of China or the 5<sup>th</sup> Republic of France or any other. Of course, unlike most others including the European Union, the 74,000 page translation for USA must then be repeated 52 plus times more.

So, at the end of our time in the 1980s, this system did it all from middle class American individuals to the most complex global businesses such as Bank of New England, Proctor & Gamble, IBM and so on. Indeed, this is one of the systems imbedded in the systems of Chapple Blondet which we use to prepare and administer USA tax filings.

From my early memory in my professions, USA engages in changing its tax law at least annually, thus, requiring us to first re-educate ourselves in both the private and the governance side and then change the software to calculate the sum of tax due and administer its remittance and receipt in excess of 380 iterations.<sup>10</sup>

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languages were invented such as COBOL, FORTRAN, MicroSoft operating system, MicroSoft Word, MicroSoft Excel and so on.

FORTRAN (or Formula Translating System) was first widely used in 1957. COBOL (or Common Business Oriented Language) commences about 1959. The dates of origin will vary by source. The differences are usually idiotic debates of how these languages evolved, there is no single event. Large portions of US Treasury are programmed using these compiling languages. Due to their age, there are few people alive today who actually remember them. Personally, I never studied them or directly used them.

As for computers or computing machines, they are not vaguely new. Indeed, in rather recent times, an analog computer was discovered in 1902 which origins are reliably dated to be within a range of 87 B.C. to 205 B.C. but, in this circumstance, what is a century or two of error, more or less, among friends.

This antiquity has been reverse engineered into a fully functional duplicate. One does not need electricity or fossil fuel to operate it for the explicit purpose of known mathematical calculations. The wiki link is here [https://en.wikipedia.org/wiki/Antikythera\\_mechanism](https://en.wikipedia.org/wiki/Antikythera_mechanism) . The name of this machine is the "Antikythera Mechanism".

This discovery inspired the composition of a bit of music entitled "This binary Universe" and "All That Makes Us Human" which, if you wish, you can sample here <https://www.youtube.com/watch?v=P7bdECd3pQ0> .

Thus, there is nothing new under the sun including this mess of malfunctioning or nonfunctioning computing machines in US Treasury. Furthermore, it would appear the Ancient Greeks did this task using a little better quality of materials and fabrication than those of us sitting in this postmodern era.

<sup>10</sup> If one looks in Chapple Blondet's computers, one will see a "stacked layer" of USA tax compliance software by year. Within our systems and the electronic archives we maintain software back to 1997.

So, back to this software done by Commerce Clearing House (a/k/a “CCH” and then “ProFX”).<sup>11</sup> For the longest while this software was the only available to manage the computer based preparation of USA tax returns. I assure you it saved a lot of time as I do recall “the before” or the “bad old days” when we did this with pen, pencil, paper and an IBM Selectric typewriter.<sup>12</sup> In any event, this software was developed in the private sphere, owned by a single corporate enterprise and was, in fact, a private monopoly. We all know what happens when there is a private unregulated monopoly with respect to needed goods and services, price goes up and quality plunges.<sup>13</sup>

In this circumstance, Commerce Clearing House for the longest while was not abusive. This has certainly changed.

We often speak, analyze and think in the extremes and with no ill effect. It is simpler, of course, but life is typically not simple including in this area of monopoly. So, a monopoly often results when there is more than one provider. I recently read somewhere that the current consensus view is one needs more

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Furthermore and not uncommonly in the USA system, one can, sometimes must, take certain “tax attributes” such as net operating losses and “carry them back” in time requiring one to amend, sometimes with considerable frequency, prior returns.

My personal record is amending 40 years back from 1989 when we did that work in the early and mid-1990s with respect to one of the world’s largest financial institutions consisting in excess of 150 incorporeal legal entities or persons. While scale and scope were a bit extreme in this circumstance, amending back 20 years is not that uncommon including with respect to tax returns required by real or corporeal people like you reading this memo and me.

Furthermore, this can include enterprises and individuals not located in USA. Some will try to disagree with me here based on what is called Subpart F and then the “§1.1502 Treasury Regulations”. They are wrong. In one instance, they were wrong by Deutsche Mark 85 millions fully audited by the IRS and the relevant taxing authorities for the Federal Republic of Germany.

<sup>11</sup> Commerce Clearing House was founded in 1913 centered in the State of Illinois with origins back to 1892. Commerce Clearing House, among other matters, published the opinions of the United States Supreme Court. It also published some of the work done by a predecessor firm to Chapple Blondet including that which I authored. In 1995, it was sold to a company based in the Netherlands for in excess of US\$2 billion, a sad day indeed.

I am in no way less than respectful of the Netherlands. Quite the contrary. I have worked within their system. Common sense, however, suggests any given sovereign state probably should not outsource the publication of its law to interests in another sovereign state whether those interests are private, public or government.

<sup>12</sup> I commenced working with the predecessor firm of Ernst & Young in 1973 at the age of 18 while working on my second degree in accountancy and writing my doctoral thesis published in 1977.

<sup>13</sup> A meaningful portion of my work in economics was done under the guidance of the Isenberg School of Management.

than seven providers to avoid monopoly. How someone came up with this number with such strange precision is beyond the scope of my imagination. There is a big “wink” here. I would guess this sources in the conversion of American Telephone and Telegraph Company or AT&T into 7 regional private unregulated monopolies. The way to say this is when one has too few providers to result in the healthy competition upon which the economic tool known as capitalism relies, one has a monopoly.<sup>14</sup>

There is something in economics which is known as a natural monopoly. These are often found in areas such as grid based electric power generation and distribution systems such as exist here in Costa Rica in our fabulous public company known as Compañía Nacional de Fuerza y Luz S.A. (“CNFL”).

One reason a monopoly in this area is the optimum tool for managing is, to do otherwise, one would have to insist on at least seven separately “owned” wires, poles, transformers and what not out in front of these offices of Chapple Blondet and everywhere else. To adopt the apparent consensus view, this would require those of us in Costa Rica to invest seven times the capital to deliver the same critical service of electric power throughout this great country plus a bit more.<sup>15</sup>

However, when a monopoly is the optimum economic tool in any given area, one has to, in the case of CNFL, have “San José sit on them”, to coin a phrase. The issue is one has to impose limits on management that are absent in a monopoly but typically present, though not always, when using the capitalist tool.

This is usually done by some form or agency within the applicable government. Two of the primary areas of regulation are to be sure the payments for labor are appropriate, not too much nor too little, and that management invests sufficiently in maintenance, renewal and, where appropriate, expansion of the system both in geographic area and generating capacity in the case of electric power, telecommunications and similar. Indeed, Costa Rica’s long standing excellence in this very area is the reason for our extraordinary service at a shockingly

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<sup>14</sup> The USA system largely relies on the capitalist tool to manage its economy. There is a vast and long standing body of USA law which prohibits private monopolies including remedies where they have arisen in the past. It simply needs to be enforced. The word for this law is “anti-trust law”, an odd linguistic construct limited, to my knowledge, to American English.

<sup>15</sup> This is one of the reasons Chapple Blondet located in Costa Rica. We are nearly 100% carbon, oil and natural gas free or nearly 100% renewable fuel source in our grid based electric generation and distribution system known as CNFL. This has been true for a time long before we emigrated the firm in 2003. The average age of our grid I believe remains 5 years. Based on personal observation, it may be less than 5 years. We also export electricity which is brilliantly done.

Nothing in life is free. The capital for a public monopoly sources in those of us who pay for the service or the public monopoly producer will go insolvent in a nano second assuming it ever gets started.

modest cost as well as meeting a really big portion of our responsibility to follow proper behavior in limiting consumption and contamination.<sup>16</sup>

In the context of this problem with USA's tax system, this whole issue is very relevant in more than one area.

Firstly, insufficient electric power or that which is too costly will have a direct impact on whether private, public and government tax and conveyancing systems function. Secondly, power surges or the reverse can do serious physical damage to both the machine and the software.

There have been at least two incidents in the USA power grid and generation system which suggest they may be experiencing problems in supplying a sufficient amount of electricity to run these US Treasury machines. Many of us believe, not without some reason, that computers do not consume a lot of electricity. But when one gets into these systems, especially this scale, scope and complexity, this no longer holds as truth.

One of the incidents was Hurricane Sandy that slammed into the State of New Jersey and then the City of New York. There were major problems keeping the conveyancing system up and running due to power outages where, as a matter of common sense, one should have Plan B in place. In this circumstance, a non-trivial number of nodes or computers in Manhattan had no back up power which will shock Costa Ricans and, I would think, others. I understand that Goldman Sachs finally installed generators. I have heard notable silence as to the others such as Bank of America.<sup>17</sup>

There was another recent incidence where "transformers" in the electric power grid blew out in the State of Maryland during an otherwise normal day. A meaningful portion of US Treasury's staff in the main offices in Washington D.C. were sent home for over a week until power could be restored.<sup>18</sup>

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<sup>16</sup> I wish to note here again that in recent weeks our newly elected president of Costa Rica has spoken forcefully and appropriately in this very area, including in his inaugural address. Chapple Blondet fully supports this process and, indeed, this very process of this building, our systems and practice is all about meeting this challenge of cutting contamination and more.

<sup>17</sup> Back in my time in the offices in Boston and New York, the buildings did not have back up generators in them. These are 40 plus story office towers in the heart of the financial districts. It is not fun to manage these.

<sup>18</sup> One of the reasons this is widely known is the same incidence cut power to the White House press room during a major briefing of reporters from around the world. The amount of time it took to restore power there was appalling.

We will return to this issue of private and public monopoly in a moment. Again. Costa Rica is a shining star in this area including computer based tax compliance, e-file and e-pay.

In any event, let us return to the time of the 1980s when we optimized this private computer based USA tax compliance system. In that time, US Treasury also had, and long before, implemented computer based conveyancing systems<sup>19</sup> and did administer its obnoxiously complex income tax calculations and administration via another “public” or “government” system.

Again, please remember here, that we are simultaneously operating over 52 other treasury and tax systems in this mess which all differ, one from the other and from US Treasury.

What we did not do is install “e-file” from the private system into the “government systems”. One reason is one has to have precisely and exactly the same software on both the private sending side and the governments’ (plural) receiving side. To do this, one must impose a perfect single monopoly explicitly forbidding any more than one “computer system”, let alone seven or more. One then has to have “perfectly one” 52 more times as well as absolutely and only one telecommunications system including the internet. Has this been done? Of course, Costa Rica but thankfully a little smaller in scale and scope and certainly properly simpler.

To return to the USA process, we did not choose to use the Costa Rican model. Rather, we printed the tax returns where one was retained by the preparer and one retained by the taxpayer. The third copy was mailed to various service centers of US Treasury scattered about USA plus any and all relevant “state” systems.<sup>20</sup> The taxing authorities keyed an abbreviated portion of our privately produced documents<sup>21</sup> into the US Treasury computer systems using their

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<sup>19</sup> Credit cards and then debit cards are a part of the electronic conveyancing systems. From memory, this was fully functional down to food market in Des Moines, Iowa in about 1974 or 1975.

When I was working on my second degree in accountancy, some of the people who were actually doing the programming within Dial Finance were graduate students in accountancy. We used to “gossip”.

For those not otherwise aware, Des Moines, Iowa and Sioux Falls, South Dakota are major nodes in these systems sometimes making New York City look like “chump change”.

<sup>20</sup> As I recall, at one time, my wife (not USA citizen) and I had to file our income tax returns with US Treasury/IRS, 40 individual states and New York City in which we did not reside.

<sup>21</sup> For those who are curious, these are the “Sequence Numbers” at the top of the IRS forms, both in electronic and paper form. They can be seen at [www.irs.gov](http://www.irs.gov). I actually forget but I think it was the first 10 “Sequence Numbers” which were typically keyed into the IRS systems.

software including the “accounts receivable” and “cash received” nodes.<sup>22</sup> The complete paper returns were then carefully and properly archived and retrieved when questions arose.

The key to e-file successfully is one must have the same everything down to error on both ends. Thus, were one to successfully implement e-file, the private sending side computers and software must precisely match the public or government receiving side down to error and law change driven updates or changes for other reasons.

So, one part is simple. USA, nation state and all 52 of the other sovereigns, need to do what Costa Rica does. **Nationalize the tax compliance software, perhaps?** If one looks at the [www.irs.gov](http://www.irs.gov) one will see a **limited** array of private junk software trying to interact with US Treasury systems and those are not top shelf. As for the other 52 plus, one system appears to sort of work. At the moment, I do not know about the others.

The private software Chapple Blondet has been using which are the two finest private systems money can buy? They no longer work in terms of e-file despite the fact we have paid for them. It has become blitheringly obvious putting our clients and others at risk.

One of the events indicating this software in USA Treasury was not working occurred in 1999, if I recall the year correctly. The issue involved an USA tax law

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<sup>22</sup> To set the record straight, other economists will criticize me for speaking of these matters in the context of a “household” or a “private business” with more than mere derision positing that “governments are different”.

They are both flat out wrong and flat out correct where so-called Modern Monetary Theory is the latest fad and a dangerous one at that, especially for USA, and the people who live there as well as the rest of us.

I assure those who subscribe to Modern Monetary Theory that USA most certainly can and has been printing money to a scale unprecedented in human history. In addition to 12 central banks and 52 sovereign states in the union, US Treasury has in excess of 27 unconsolidated agencies and similar some, but not all, of which can and do print money via the issuance of sovereign debt.

The problem arises when money is printed merely to pay the bills, whether for health care or military, in excess of what is needed within the conveyancing system for local economy and, in this case, major reserve currency. There is a well known and irrefutable consequence with which those of us who live in Central and South America are well acquainted. To the extent USA is exceptional in this area, it is in the context of scale and scope and, in no way, positive for USA or the rest of the world.

Some critical research in this area was published in 2009 by Princeton University Press via the book “This Time is Different: Eight Centuries of Financial Folly” by Dr. Kenneth S. Rogoff (Harvard University) and Dra. Carmen M. Reinhart (then of the University of Maryland, now of the Kennedy School). A copy of this book is in Chapple Blondet’s libraries.

change in the private pension area which triggered large one time payments due, about US\$2 million in one circumstance I administered. These early payments then rippled through their private pension administration, US Treasury administration and the separate state treasury administrations based on life expectancy which arguably could require tracking these payments for over 200 years in the future, if I recall correctly.<sup>23</sup>

What had happened is the tax law was changed so that one could “pre-pay” or pay early the income tax otherwise due under current law on one’s private pension benefit. As their system works, this can easily blow out at least two generations and then interacts with the US Treasury or union level death tax as well as the death taxes imposed by some, but not all, of the individual sovereign states.

One very real possibility with more than a few factual known system wide incidents is what I see on my screen for a client is not, in whole or part, what arrives on the government side after I go “click send”. This alone has become a serious problem. One of the consequences is the “money owing and paid” does not match the amount the taxing authority believes to be due or receivable.<sup>24</sup>

One way one can imply a problem here is the exponential increase in the number “forms” one is now required to prepare in pdf format in the two dominant tax compliance software providers, both of which Chapple Blondet has in our systems albeit not for all tax periods. Pdf is nothing more than a glorified typewriter with which, in principle, I do not have a problem when used properly and thoughtfully. But this removes a really big portion of the benefits of computer based software for income tax compliance (preparing forms) or anything similar. *E.g.*, how many times do I as preparer or you as taxpayer have to repeatedly type your name and a whole lot more, over and over and over again?<sup>25</sup>

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<sup>23</sup> This mere fact of span of time requires all of the taxing authorities, union to states, plus the private side to maintain very careful archival records for 200 or more years. Why?

In this case if we do not, one could easily pay the US\$2 millions twice or more. Furthermore in this circumstance, one could fail to pay the US\$2 millions actually due. Of course, all of this assumes USA does not again change so much as one time the tax law focused on this area, directly or indirectly, for something like 200 years. Thus, I will opine that “chaos reigns”.

<sup>24</sup> This cuts in both directions. *E.g.*, does the taxing authority owe the taxpayer money or does the taxpayer owe the taxing authority. In one circumstance in Chapple Blondet, US Treasury apparently believes it owes a client in excess of US\$80 millions. In truth, US Treasury owes this client precisely zero. Assistant District Counsel, now retired, to US Treasury and I worked shoulder to shoulder internally on these machines and software to fix that to the correct zero. To my knowledge, not fixed and it is in no way related to the competency or integrity of Assistant District Counsel, the client and me.

<sup>25</sup> This is an easy illustration. However, when we optimized this software, it did a major portion of the mathematical functions and more greatly reducing time and rate of clerical error. Of course the time translates directly into our invoice and, where you do your return without professional

I do want to close this area of our discussion with the observation that I am giving merely a taste of examples of these issues which are imbedded to great quantity within the entire USA system.

While these problems of intense and unnecessary complexity are not the entire problem with respect to preparing the necessary tax returns, remitting them to the proper taxing authority and paying the calculated sum. In my view, the primary issue here rests in age and maintenance of the machines, cables and software as well as a mechanical and policy attempt to inappropriately privatize the US Treasury function and separate state systems.

Indeed, I sense within some of those others<sup>26</sup> who worked on that original software and maintain it to this very moment and I might welcome a “public monopoly” imposed on “us and our system” explicitly including the necessary “government imposed” limitations so we can “bounce those other private fools out” and restore the system we built so the thing will work including e-file and e-pay.

As for modeling on Costa Rica? This is exactly what Costa Rica does. The tax software is on the web site for the Ministerio de Hacienda (treasury function) and Tributacion (subpart administering our income tax). Works like a charm. As I recall, it took me 12.5 minutes to prepare a return for me. One could not buy a private tax compliance software for Costa Rica globally. The Ministerio de Hacienda’s charge to use their software? Zero.<sup>27</sup>

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assistance? Well, time is the most precious thing in life. I have an endless list of where my time would be better spent. Pdf files do not do any of this function by their very nature.

The taxing authority side? I will leave this for a tale for another day. Suffice it to say, not good. The employees, the ones who actually have to operate this system, within US Treasury generally agree with me on this very point. Among other matters, they are on the receiving end of the telephone calls and correspondence from people like me and the average typical taxpayer. There is a reason for an elevated level of early retirement among this group and a consequence. They are the people who know this system. When they leave, the system known as US Treasury is losing the knowledge of how to manage this mess.

More than a few of these people with whom I am acquainted have devoted their entire career to this process.

<sup>26</sup> The technical people for ProFX are centered in Kansas City, Missouri although I would imagine the bosses in Holland might not approve. A proper nationalization, however, does require, as a matter of law, appropriate compensation for the private owners’ loss of capital or loss of wealth.

<sup>27</sup> Nothing in life is free. So, I would think the cost of that software is inherent in the nation state budget and, thus, we pay a tad more tax?

The solution, at this point, with respect to the source of the problem which is in the intense and strange complexity of the law is a full reset.<sup>28</sup> USA has done this in its past history including after what is called “first conveyance”.<sup>29</sup>

Sometimes 1913 is referenced but there are others. I have actually worked on teams and in circumstances where I alone had to administer this or the consequences of prior full resets, both within USA and within other countries and cultures. One circumstance centered in the Federal Republic of Germany and its predecessors.

Costa Rica? Well, I have this book in front of me entitled “Ley del Impuesto sobre la Renta y su Reglamento” which I think would translate into approximate English as “the law concerning income tax and regulations”, or thereabouts. The page count is 214. Chapple Blondet paid 4,000.00 colones for this up the street at Universal. 4,000.00 colones in approximate US dollar at today’s FOREX is about US\$7.11.

May we return to conveyancing systems, money in contemporary English? This is what allows and facilitates a culture’s productive economy.

The productive economy is what we humans produce that we need and want such as food, shelter, health care and art as well. It is the means by which we pay taxes to allow those who manage these systems to convey their services of administration or governance in return for the things and services they need and want.<sup>30</sup>

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<sup>28</sup> To illustrate, one of the practical issues with reset is property values, including real estate. Property values typically have to be “reset”. It can be astounding, sometimes comical, as to the secondary consequences of this process. There are other issues.

<sup>29</sup> While this sounds odd, one view of “first conveyance” occurs in the context of USA when the so-called settlers arrived from Europe. This is why I limit the discussion here to commencing with the effective date of the Articles of Confederation.

<sup>30</sup> I am intentionally omitting the discussion of capital such as roads, bridges, electric power plants and buildings whether or not these are “owned by the government” or by private parties. Suffice it to say, this area actually does not differ a lot. Perhaps later we can discuss this very area?

I think this is the place to reference a truly great book devoted to economics. This book is entitled “The Wealth of Nature: A User’s Guide to the End of the Industrial Age” by John Michael Greer. Mr. Greer does an outstanding job in this very area and more. One of his talents is to explain these matters in a plain and simple manner, no easy task in itself. The book is shockingly and delightfully short in length. This book is in Chapple Blondet’s library.

There is at least one flaw or error in both capitalism as first discussed by Adam Smith and socialism as discussed by Dr. Karl Marx. The flaw or error is the same in both of these tools. Mr. Greer gets part way there. The flaw does, indeed, involve monetary policy, taxes and more directly related to what we need to do to greatly help mitigate the human cost of “global climate change”.

So, here in Costa Rica, the colon is our conveyancing system. In Russia, it is the ruble. In USA, it is the dollar. The tokens we use in these conveyancing systems are in the physical form of paper (mostly forms of more durable plastic today), base (not precious) metal, occasionally precious metals which are seldom, albeit occasionally, in history or today physically moved and electrons which flow through the cables and computer systems. All of these are physical in nature. If in doubt as to electrons, stick your finger in an electric outlet as I recall doing when I was bit younger to rather detrimental effect.

One of the problems with electrons and “wireless” or “*sin cable*” or “Bluetooth” or “Blu-ray” systems is they are not virtual but, rather, us human beings cannot see, feel, smell, taste or touch these electrons or at least if we touch them we receive a bit of jolt. Thus, they are more difficult to manage including preventing others from stealing our money. *E.g.*, private hackers, come immediately to mind. There are obvious matters of privacy but also perhaps not so obvious matters of

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Those who managed economics within the First Nations of the Americas including the Federated Iroquois and the Aztec and Incan Empires did not contain this flaw or did not to the degree it is imbedded in Western postmodern systems. On the contrary, they understood it and managed to far better result prior to the arrival of outsiders largely centered from Europe.

The fundamental issue is accounting for and managing capital or planet earth including the natural systems which provide the foundations of life of itself. Among many issues, this is not “conveyed” via “money”. Furthermore, our contemporary tax regimes have a big impact on this small planet we call home. But, again, this a tale for another day.

In Chapple Blondet’s libraries is an English translation of the Constitution for the Federated Iroquois which is still effective and administered to this very moment. This is one of the explicit areas where US Treasury is experiencing difficulty where the approximate consequences one would think are now in excess of US\$1 trillion and continuing to grow. That US\$1 trillion is money owed by the US Treasury to another sovereign or group of sovereign states known as the tribes we sometimes reference as the First Nations. The debt is evidenced via contractual agreements imposing fiduciary or strict responsibility on US Treasury. These agreements come from what is colloquially referenced as the [North] American Indian Wars. One recent visual is the objections raised in connection with that oil pipeline being brought across the Dakotas.

The recognition of the sovereignty and this constitution is explicitly within the US Income Tax Code, as amended, to this moment. It caused me and a few others more than a bit of trouble in programing computers and managing the collapse of “US Treasury plus” in the 1980s commencing prior to 23 September 1989. That date is one upon which I opined in the Constitutional courts of USA in the early 1990s.

The cultures in that time centered in Asia also appear to have avoided this same flaw.

My initial work in this area was under the guidance of the Chief of the Oglala Sioux in the Rosebud Sioux Indian Reservation which is surrounded, more or less, by the State of South Dakota. At age 16, I was invited to participate in a semester course within the doctoral program of the University of Iowa – Ames Campus under the guidance of Dr. Don Schuster concerning this subject matter.

full transparency as in the means of proving one actually paid for something or conveyed including taxes.

So, if the software or hardware fails and the data in electron form is lost? If one does not have access to electricity including here in Costa Rica with our more than first world first class CNFL system? If one does not have access to a computer or smart phone? Storms? Earthquakes? Normal maintenance and repair? Failures of power generation plants where Japan comes immediately to mind as well as Puerto Rico and Manhattan in recent times? There are never bad people running around?

To give a taste, the treasury of Australia lost its entire data base for 70 million people when they tried to fix their systems, including using privately contracted IT experts. Their new Hewlett Packard Enterprise “system and equipment” appears to have been at the root of this fiasco but let us not forget that machines and software neither program nor install themselves. Human beings are in charge and responsible. The time frame was 2015 and 2016.

The USA system would benchmark at something in excess of 325 million people. The US dollar is a reserve currency. The structure of Australia from a constitutional or governance point of view is simpler.<sup>31</sup>

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<sup>31</sup> The base of a tax is its defined measure. So, most of the discussion in this memo deals with a tax measured by a legally defined calculation of income.

Imbedded in the US Treasury portion of USA are taxes based on defined measures of asset valuation including one tripped by the mere fact that a human being dies as well as excise taxes, import and export measures and more.

Furthermore, USA uses a bizarre concept of space over which it asserts its entire tax regime. Space is how it defines its territory and its “citizens” to a degree that has gone well beyond “extraterritorial sovereign jurisdiction”. All of which has to be administered from compiling data, maintaining data bases, administering the mathematical and other means of imposing taxes and so on. The word or concept imbedded in the word “sovereign” does not necessarily relate to a “right” or “entitlement”. It relates to “responsibility”. So, extraterritorial jurisdiction is where someone is usurping someone else’s responsibility.

While I am not intimately familiar with the Commonwealth of Australia’s treasury including tax regime, it is far simpler than USA. Thus, one would reasonably anticipate greater downside risk in fixing the USA mechanical systems including long historical preservation of necessary data.

On the other hand, as a broad general principle, treasury functions do not and should not differ much in contemporary time or millennially. *E.g.*, these systems are addressing and assisting in a human function within human culture dealing with our production and provision of goods and services for the support of our very life and for development of human beings, individually and collectively.

Thus, benchmarking on other currency and treasury zones is a very valid and logical exercise.

Here are two links with respect to the issue in Australia: <http://www.abc.net.au/news/2017-07-06/ato-launches-investigatiion-into-website-failure-during-tax-time/8682612> and

We can now return to “e-file” and “e-pay” as well as paper tax returns. A little more background with respect to the USA system is helpful here, as well.

USA is, indeed, an odd construct. As discussed above, USA is a union of sovereign states currently 52 which agreed to cede certain sovereign powers to the group or union first via the Articles of Confederation, then the United States Constitution and then via various amendments to this constitution.

One of the sovereign powers ceded and late in the game was the right and responsibility of issuing currency. First, the USA geopolitical land mass as it has evolved over the years has certainly issued more than one currency or conveyancing system and certainly more than one called “dollar” most of which failed rather miserably. Commencing in 1946, the US dollar officially became a reserve currency.

USA has indeed defaulted on its sovereign debt. Under the leadership of President Richard M. Nixon in 1971, USA defaulted on its sovereign debt. As I generally understand this, one of the larger creditors was France.<sup>32</sup>

So, these charts of which I am fond are issued by Société Générale S.A. or “SocGen”, the Paris based private bank.

When evaluating a reserve currency or conveyancing system one should not use FOREX or values measured relative to other currencies. The primary reason is one function of a reserve currency is that of the measuring stick to evaluate the management of other currencies or conveyancing systems. So, SocGen does a wonderful job of this using purchasing power metrics or comparing the “amount of stuff” the USA currency, including contemporary dollar, would buy over periods of history spanning no more than a few hundred years.

A conclusion one can draw from these charts either from founding of USA (post-revolutionary) or from about colonial period (pre-revolutionary but post European occupation) is the “dollar” in its various guises and as administered is a junk currency. As for their responsibility in managing a reserve currency? Legendary irresponsibility.

The reason for this conclusion is monetary inflation. No matter what these postmodern contemporary fools say to the contrary, monetary inflation in a

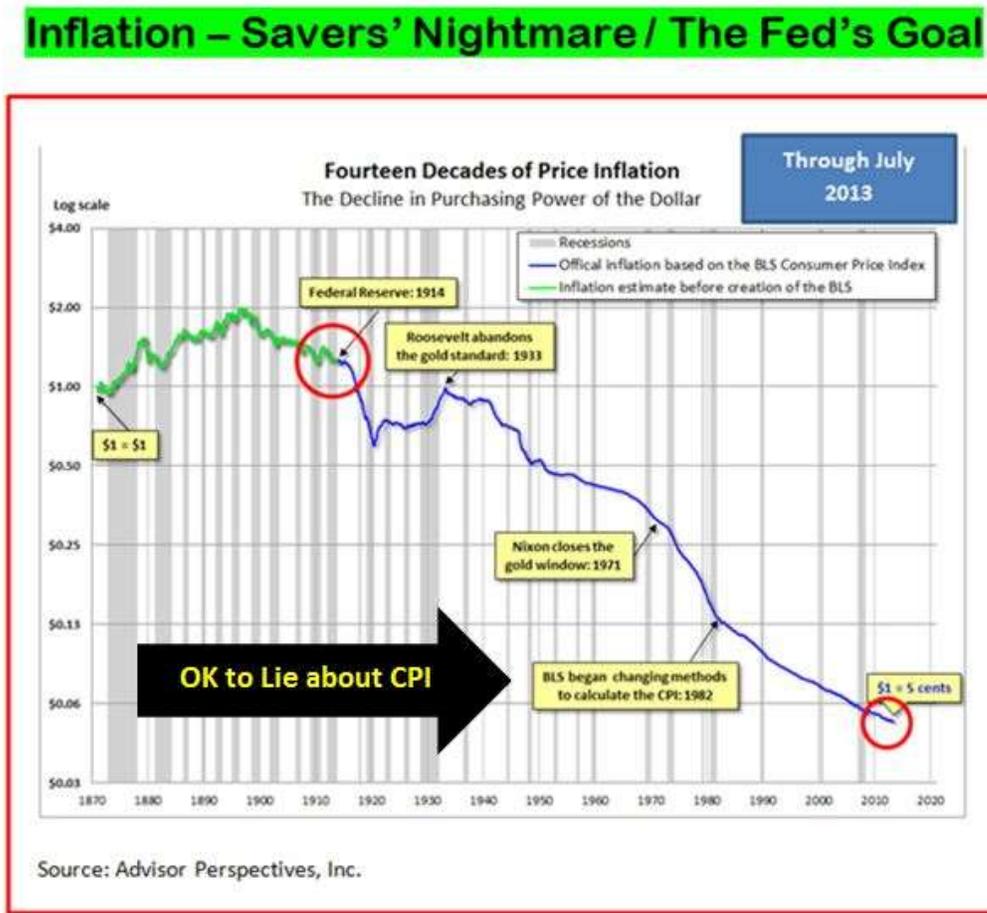
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<http://www.afr.com/technology/enterprise-it/mass-data-loss-fears-as-ato-suffers-hewlett-packard-enterprise-equipment-crash-20161213-gtac9r> .

<sup>32</sup> Of some curiosity, President Nixon visited the People’s Republic of China in 1972 in a diplomatic mission which, among other matters, “opened” China to commerce with USA.

properly run conveyancing system, including taxation, should be precisely zero. No inflation and no deflation.<sup>33</sup>

First is this one:



1913 is one of the reset events I referenced above and easily observed here and in the following illustrations. One conclusion is the contemporary US dollar has lost about 95% of its purchasing power since 1971 via monetary inflation.<sup>34</sup>

<sup>33</sup> This is the very subject of my doctoral thesis published in 1977, specifically focused on the measuring tools for private productive businesses in the face of immensely irresponsible monetary policy. As mentioned previously, the immediate subjects or currency zones of illustration in my work focused on Brazil and Israel.

<sup>34</sup> There are two kinds of inflation. One is where the demand for a good or service outstrips the supply, in which case, the price or cost escalates. The other is a problem of “money” or the token used to convey those goods and services. Monetary inflation is an artificial human construct which should never be and in no way has to be. It is often a tool of destruction.

This next one commences with one of those reset points.



The following and third chart, also by SocGen, is one I always hesitate to reference as it deals with one of the millennial reserve currencies known as gold or a “precious” metal. My hesitation is the vast misunderstanding and mal education concerning money and conveyancing systems will immediately raise its ugly head. Gold is merely a token used in a reserve currency by human beings for a very long time.

Gold has little or no value. It is useless in any practical application such as electronics, military, construction and so on. It is too soft; it is too heavy; it does not conduct electricity; but it is difficult to counterfeit.

The moment the physical substance used as the token in a conveyancing system has any practical or utilitarian value, it disappears from circulation when people use it for some other useful purpose which then leaves a “big hole” in the conveyancing system itself as the token disappears from circulation.

In this context, I am always reminded of the 2 bolivar coin in the Republic of Venezuela (“Venezuela”) which was about the size of a common washer used in plumbing or cars. The washer at the hardware store, due to monetary inflation, suddenly cost more than “dos Bs” or 2 bolivar. Well, tis easy. We all got a drill and put a hole in the coin to fix the kitchen faucet or car. Within a very short period of time, there was not a 2 B coin in circulation.

One big problem? The 2 B coin had been key to vending machines and similar. So, one could not get bus tickets out of the vending machines until they brought back the ladies and gentlemen in the old booths to make change.<sup>35</sup>

<sup>35</sup> Venezuela fixed this problem by issuing the 2 B note which was rather small and rather well done art. My grandmother used them to tip the boys who helped her with her grocery deliveries.

In any event, gold always brings out every wing nut on planet earth down to spiritual which becomes intensely counterproductive to this whole discussion. But it is the same principle, gold has no value.

Here is another one of those reset events I had to administer where the monetary or conveyancing systems used actually worked over a 300 year period.

There is a lease for certain real estate in the City of Lowell in the Commonwealth of Massachusetts where the term of the lease spans 300 years. It predates the founding of USA and spans a period of time when all sundry and various currencies or conveyancing systems were used.

On day one something a bit less than 300 years ago when the parties agreed upon the sum due and then drafted the lease contract, I promise you, the annual rental payment was not stated in US dollar. The question I had to answer was how much is due when that rent stated in “not dollar” not only will be, but arguably, must be settled or paid in US dollar?

The annual sum owed was stated in the lease contract in ounces of gold. When the ounces of gold were converted to the US dollar and compared to other parcels of real estate with more contemporary terms, the sum paid was delightfully and curiously close to comparable properties.

In short, the conveyancing system of gold used in this lease of land survived intact for over 300 years to intended result unaffected by obnoxious monetary inflation, deflation, revolutions and re-issuance of currencies or tokens or conveyancing schemes.

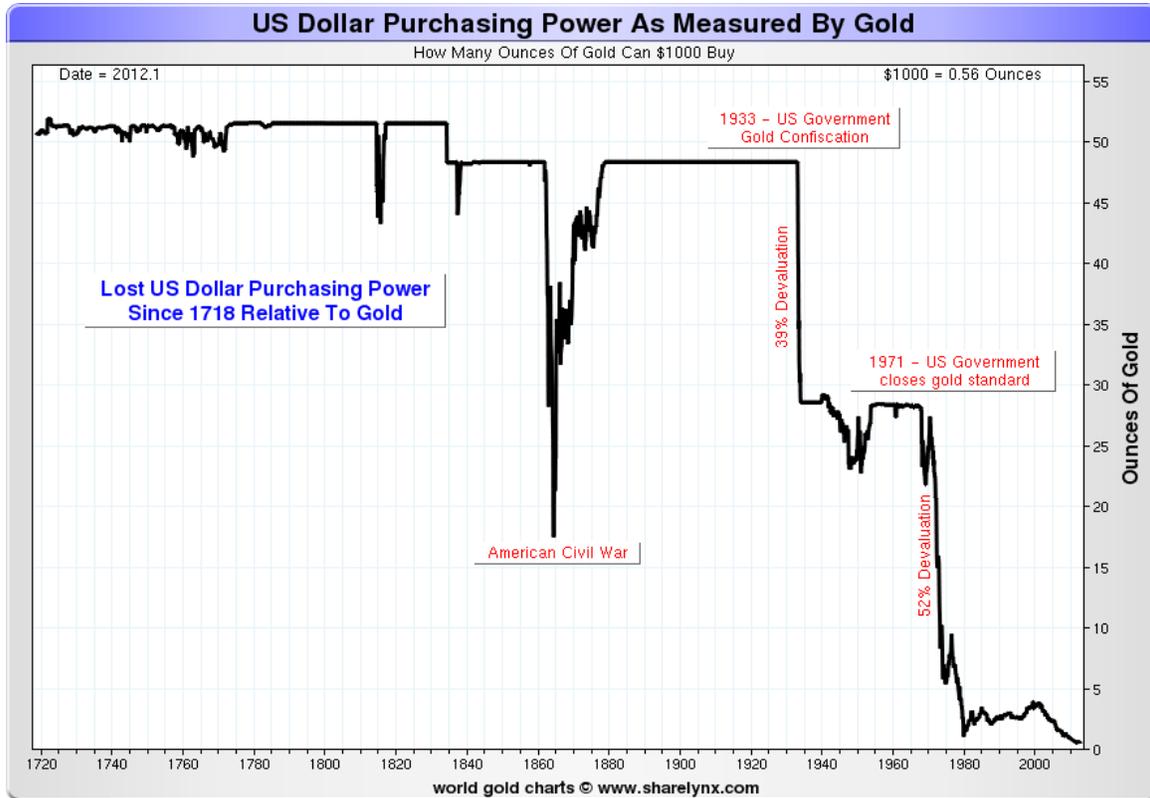
Before the “gold bugs” get too smug, it is entirely possible to engage in monetary inflation in a precious metal, including gold, based conveyancing system. I would think Isabella Queen of Castile and León might be instructive with respect to her dealings with the Columbus Brothers. Charles V, Holy Roman Emperor, in his role as Charles I holding the Castilian Crown via his grandmother Isabella ended up defaulting via monetary inflation and the dual currency conveyancing system operated by the Aztec Empire.<sup>36</sup> One can find additional examples in the time of the Fall of the Roman Empire.

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This is the reason these newer vending machines including those in parking lots were programmed to accept paper bills. Paper has even less practical value than base metal tokens in a conveyancing system reducing the risk of this kind of event.

<sup>36</sup> While Hernád Cortés burned the libraries of the Aztec Empire, he did not get 100% of the Aztec treasury’s gold reserves. Some of the pre-Columbian gold reserves are included in Banco Central for Costa Rica. Those are traced and tracable to physical ounce.

So, here is SocGen's chart balancing the purchasing power of the post colonial "dollar" conveyancing systems against the reserve currency or conveyancing system known as gold:



Some of the issues with the post European occupation of this portion of North America really stand out including the resets. The resets are 1861, 1873, 1913, 1933 and 1971, so far, in my view of these matters. Now, 1986?<sup>37</sup>

One of the reasons I introduce this subject here is this kind of monetary inflation wrecks havoc with a treasury, including its tax administration portion. I think this is especially aggravated by the measure of tax in contemporary systems. Among many matters, imbedded in the USA tax regimes are annual adjustments for monetary inflation which must be included in the software and changed each and every year.

Assisting in USA's management of the dollar conveyancing and tax regimes are 12 fully independent central banks, not one, which trace their origins to that 1913 reset event. This is why we reference "The New York Fed", "The St. Louis Fed" and so on. One key is each of these in some form or another issue currency and

<sup>37</sup> You may recall my reference to my prior work when I opined on an event prior to 23 September 1989? In addition to 1861 and 1913, the US Internal Revenue Code has been "redesignated" or "reissued" in 1939, 1954 and 1986. I will not belabor this. I am still pondering this a bit.

manage the system.<sup>38</sup> All things are connected and we go right back to US Treasury/IRS, taxes and computers and the software.

I am going to reference the enactment of the Glass-Steagall Act in 1932, its companion known as the Banking Act of 1933 and its functional repeal by the Gramm-Leach-Bliley Act in 1999. Among other matters, this deals with the private commercial/utility bank issues which are a fiasco yet today.<sup>39</sup> These private bank systems too are all about computers, cables and software.<sup>40</sup> They interact with US Treasury/IRS, the USA central banks and more.

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<sup>38</sup> I have not been in USA in quite some years. Thus, it has been a while since I have actually held any base metal dollar currency tokens. There used to be and may still be “odd notations” on some base and precious metal coins issued by the various mints that interacted with this nonsense. *E.g.*, one particularly prized by collectors was the US silver dollar issued by the New Orleans mint which had a small “O” imbedded on the face side of the coin.

<sup>39</sup> Fundamentally, one should never permit the mixing of the issuance of demand deposit accounts (checking accounts or accounts with debit or even credit cards attached) with investment banking, insurance and similar, broadly defined. Contemporary checking accounts and those accounts with debit/credit cards are the monetary system or conveyancing system.

Typically, these checking or debit card accounts should be in public, not private banks and, frankly, there is little reason one could not simply imbed them in most central banks.

Contrary to popular memory, USA did in fact have a public banking system, some of which I vaguely recall. Some were operated via the United States Postal Service. There is one USA public bank left which is in the State of North Dakota.

<sup>40</sup> There is a curiosity in American English and I think it is limited to American English. To an American a “private company” is one which does not trade its stock or equity on the New York Stock Exchange or similar. To an American, a “public” company is one which lists and trades its stock or equity on a bourse or stock market such as the New York Stock Exchange or Bolsa Valores here in Costa Rica.

This leaves a void in their English rendering this discussion rather difficult in American English itself.

Public enterprises are often but not always regulated monopolies. The key is in the institutional governance function where no private individual or group controls them. American Telephone and Telegraph was a public company of this nature which was granted a monopoly right and responsibility to develop and operate USA’s once great telephone or, today, telecommunications system. Its stock or equity based capital and bonds were traded on the bourses including the New York Stock Exchange to fabulous benefit for all.

This, of course, has been ruined when, on 1 January 1984, AT&T was “privatized” into seven regional private **unregulated** monopolies. Cost skyrockets; quality plunges. And, today, the USA telecommunications system is a mechanical shabby shadow of its once great self. There is an 8<sup>th</sup> in the spin off known as Ameritech. This is where they shoved the infrastructure including transcontinental cables because none of the new seven “Baby Bells” wanted responsibility for maintaining this capital.

Of course, today, this is the internet upon which US Treasury and a few others rely.

We can now return to the computers, cables and software which run this system. First of all, large portions but not all operate using very old machines and very old software. Cables, computers and software all need to be cleaned, maintained and upgraded from time to time even when their function or purpose, in whole or in part, do not change including mere volume of activity.

It is not vaguely a state secret but many find this very notion of such antiquity in the US Treasury/IRS and USA banking systems to be so absurd as to disbelieve this very fact when advised by the likes of me and a few others. For these very reasons, this state of disbelief is understandable up to a point.

In any event, this is now fully in the mainstream media in USA. From the article below via The Washington Post:

The IRS has more than 60 different IT systems for managing the cases of individual taxpayers, according to a report submitted to Congress by an internal IRS watchdog. Many of them have not been updated in decades, and two of them are nearly six decades old – the oldest anywhere in the entire federal government, the report said.

The fifty year reference is, shall we say, a bit of propaganda. For example, some of the software currently used is based on compiling languages known as FORTRAN and COBOL. These are so old there are actually few alive today who recall their use. These are known as “legacy systems”. They are often “foundational” with older “patch jobs to MicroSoft” stacked on top of them. Both the physical machines and this software should have been replaced decades ago. However, in addition to the programming, one must map the data from the old legacy system to any new system in which case I return to the age of some of these critical systems and the lack of people who have been educated in and have memory of programming and using these ancient computers and the software which makes them function. A crisis indeed.

This is not new. Meaningful degradation in this software and its incompatibility with newer systems began appearing, from my memory, in 1995 with one specific example discussed above.

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Never ever doubt this goes directly to the heart of tax administration including e-file and the conveyancing system including e-pay.

Here in Costa Rica, Banco Nacional is just such a public bank that actually is international in its scale and scope. As I generally understand the local law and lore, it was not until 1972 that a private bank was permitted to issue a demand deposit account under the Costa Rican law and regulatory regime. Frankly, I would like to see that return here.

With respect to this event on 17 April 2018, The Washington Post goes on to say:

IRS officials did not specify exactly what went wrong, saying only that they would undertake a “hard reboot” of their [US Treasury/IRS] systems.

Firstly, I think the unidentified individual knows exactly what that means and I believe they are literally correct. I would imagine everyone reading this memo has done just this – reboot – when your computer has gone “whacko” meaning turning your computer off and restarting it.<sup>41</sup>

While this certainly is mechanically possible within US Treasury systems, simply sit back and grasp the scale and scope of a system wide reboot of US Treasury.

There are a rather large number of machines scattered here and about that run US Treasury and the dollar conveyancing system. Remember 911 and those buildings? That was exactly a part of that tragedy, not in any way to detract from the loss of human life.<sup>42</sup> There are nine IRS Service Centers which are not small.<sup>43</sup> There are, of course, many other physical locations.

In short, the process of rebooting US Treasury systems leaves me simply breathless.

US Treasury people announced these systems are now operational. They are not. I have little doubt, at least for this time, one can log-on and they may appear to work.

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<sup>41</sup> There is a different protocol on the big computers but not by much. There are also strings of networked PCs in and amongst this mess as well.

<sup>42</sup> I had responsibility for the evacuation of a non-trivial portion on that awful day. Among other matters, my office in mid-town Manhattan was opened and re-configured within hours to help assist US Treasury/IRS and private portions to continue functioning in the immediacy of that moment in crisis and for a considerable time after, replacing that which was in those towers.

<sup>43</sup> The condition of these service centers is appalling and has been since before the first large failure of Chrysler commencing in 1979. Chrysler was not alone. Because of these failures, I had the dubious distinction of having to sit in the IRS Service Center in Andover, Massachusetts with a representative of US Treasury from Washington, D.C. I cannot begin to describe the conditions including filth. I know for a fact this had not improved as of about five years ago. I had reason to telephone the IRS and, co-incidentally, it was answered in Andover by a woman I knew back in the 1980s.

Without question, there are large computer installations in these service centers which are interconnected by wiring which is fair and accurate to describe as the internet today.

When Chapple Blondet, Ernst & Young, other paid preparers or individual taxpayers go “click send or file” as in e-file, the electrons are let loose on the internet and arrive in what I would call “private buffers” such as ProFX. The private buffer then splits the e-file into Federal or union or nation state portions and the portions which are then sent to the various individual states such as the Commonwealth of Massachusetts or State of Missouri as well as a few cities such as New York. The private buffer then goes “click send” a second time, likely in batches of individual returns albeit not always.<sup>44</sup>

Thus, again from The Washington Post article:

A spokeswoman for Intuit, the company that owns the TurboTax<sup>45</sup> software said Tuesday before the delay was announced that taxpayers should continue as normal.

“Taxpayers should go ahead and continue to prepare and file their taxes as normal with TurboTax,” said spokeswoman Ashley McMahon. “TurboTax has uninterrupted service and is available and accepting e-filed returns. We will **hold returns until the IRS is ready to begin accepting them again.**” [Emphasis added.]

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<sup>44</sup> Some of the income tax returns which Chapple Blondet prepared here in Costa Rica and within our predecessor firms are so large they will not go through the pipes or cables. These returns had to be filed in paper form. In one case, I do not think it was even keyed into the IRS systems due to size. When we printed this in paper form, it was about a meter or yard of paper for a single copy or about 2 cartons of copy paper. This was for the IRS or union only. This benchmark does not include the various states. I had to sign one copy 365 times while the client signed one copy 360 times, both attesting under oath as to their accuracy.

Indeed, Assistant District Counsel to the US Department of Treasury and I advised the staff not to do so. In later years, they appeared to attempt to do so generating annual notices to which I had to respond. Fortunately, the taxpayer in question is fully liquidated and dissolved and, thus, we no longer have to administer it.

<sup>45</sup> Chapple Blondet has used the big version of TurboTax known as ProSeries (not ProFX). TurboTax is owned by Intuit of QuickBooks and Quicken infamy. Intuit also owns Lacerte. The equity of Intuit trades on the USA bourses. Apparently, Intuit sold Quicken to H.I.G. Capital which is a Miami based private equity and alternative assets investment firm. So, Quicken has been cut loose and, if experience holds, is in functional liquidation.

Back in 1978 and the time I worked on Commerce Clearing House systems, Lacerte was working on another USA tax compliance software system. They did not do well as I recall.

In any event, what we have today is a labyrinth of private cartels in this whole area of bookkeeping to tax compliance systems some of which is global and some of which is USA only. “Private cartels” is simply another way of saying private unregulated monopoly.

The TurboTax/ProSeries systems have, in fact, meaningfully deteriorated in recent years and continue to do so.

Ms. Ashley is flat out wrong by the very nature of the circumstance. TurboTax explicitly does not have “uninterrupted service” by her explicit words and likely more. And TurboTax itself is not flawless as well as not intended nor programmed for this use. And more... .

TurboTax and, I trust, the other private services, are apparently suddenly re-programmed to electronically and privately archive tax returns for US Treasury/IRS and the various states (?) until US Treasury systems are sufficiently “fixed” at some indeterminate date in the future to receive all of these returns from all of the private tax compliance software providers? Breathtaking, if true or not.

Long before this event, one no longer had any guarantee or any evidence whatsoever that any given tax return made it to the private buffer and then made it from the private buffer on to the appropriate government agency including US Treasury/IRS, in whole or in part, and then within the statutory time frame.

Chapple Blondet and a few others have been a bit pre-occupied for over four years concerning these very matters. Chapple Blondet cannot “fix US Treasury” in its current circumstance. Indeed and tragically, I do not think anyone can “fix” US Treasury at this point in the common sense meaning of that word. The responsibility is with others such as head of state, various secretaries and, of course, the United States Congress.

However, now after investing a lot of hard work leading to our understanding of this tragic and horrible state of affairs as well as years of experience, we continue to have the ability to assist our clients and colleagues to properly administer our collective tax obligations explicitly including proper planning to minimize within the bounds of law and ethics our tax liability, remit the necessary filings and remit the necessary payments for USA and a few others.

Of course, there are many other areas in which we advise and assist our clients, in no way limited to taxation. Like we have over the years, we also work with groups or on teams bringing our skills to bear with respect to the issues at hand.

So, on to solutions with respect to USA tax matters.

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1. Chapple Blondet will not engage in anything that would vaguely resemble e-file for the foreseeable future within the USA systems.<sup>46</sup> Of course, Costa Rica is a notable and celebratory exception where e-file does indeed work and, to my knowledge, is perfectly OK.<sup>47</sup>
2. Chapple Blondet has already begun and has largely completed a change in our systems to meet this challenge. Among other matters, this Ludite known as “me” does know how to program and configure computer systems...when I set my mind to it. I confess it is not a favorite activity.<sup>48</sup>
3. Chapple Blondet has approximately US\$70,000 of systems currently in place and functioning including cables, computers and software. These systems are not typical. They were designed and engineered in function by me. The average age of our cables and computers is approximately five years.<sup>49</sup> The software is newer on a rotating basis.

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<sup>46</sup> There is one possible exception with respect to certain filings of a disclosure, not tax, nature where they seem to have removed any physical mailing address. The US Treasury software here does appear to be new and may sort of physically function.

There are annotations literally within this system which are clear but, at the same time, are cryptic giving us a bit of notice that they continue to have problems. The notations deal with standard excuses for filing late explicitly referencing and limited to e-file. I remain uncertain, but where there is no option, we simply do what needs to be done to the best of our ability.

I do not mean to be obtuse. This is known as the infamous FBAR to those of us with accounts in non-USA banks. The US Treasury Regulations on this subject alone are about 500 pages when printed in a font the human eye can read.

<sup>47</sup> I think we still have a few kinks to work out of Costa Rica’s new systems but this is one of those “*poco a poco*” moments which, from time to time, can be modestly irritating but not a crisis.

<sup>48</sup> I will likely go back to ProFX to obtain a quotation to reinstate their system but not for purposes of e-file. Back in 2003, Chapple Blondet’s predecessor firm was paying in excess of US\$1,000,000 annually for access to this software. The last quote I received for Chapple Blondet with our current client base was in excess of US\$10,000 annually, sometimes more.

The firms have to cover our costs for obvious reasons. These sums are way beyond value received at this point. In any event, whether or not we have this software in no way limits our ability to serve our clients. Rather, they are merely a part of the panoply of tools available.

This is a routine part of our process of innovation and planning.

<sup>49</sup> One of the very issues here is computers and software are not new or “new tech” any longer and thankfully so. So, much of the on-going innovation I am doing and looking at is more akin to process innovation. This is a sign of serious positive human accomplishment over the years.

Over the years, I typically benchmark the firms' technology to at least 10 years in front of typical. I typically do this in stages or step by step as this is the only way one can responsibly manage rapid change.

This very building is a part of this process. *E.g.*, without fabulous infrastructure including electric wiring and more, the machines will not work. This building is designed and renovated to this standard.

I believe some of the solutions are now here in the market place with a declining capital cost now to about 90% below my prior expectations. The tech market prices for computers, cell phones and similar are collapsing as I write this for some curious reasons. Thus, over the coming year or so, Chapple Blondet expects to gradually introduce this technology.

One of the unexpected positives here is I now think we will not need to change fundamental operating software as it looks like this is fixed by others. If I am correct, this alone is a wonderful thing for Chapple Blondet and everyone else as well.

4. We will continue to monitor this circumstance with respect to US Treasury and others. I realize and fully understand this is upsetting to many, me as well. In part, this means we will be doing some tax returns manually and we will be filing them via Federal Express. One reason, among several, for this is to allow US Treasury/IRS the time to hopefully get a little more internal control and order on the receiving side.

I do want to be clear that we are going to continue right along but at the same time carefully monitoring the actual filing of the returns on a one by one by one basis via Federal Express or, if available, the United States Postal Service.<sup>50</sup>

**#####**

I am outraged at the amount of time and "style" I had to use to get these matters resolved. This circumstance is in no way a "state secret" or some such nor

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This should then allow us to get on with serious innovation that is, in fact, new. Indeed, I have started this process as well. This is an area which fascinates and energizes me. This is the productive economy. These are our clients.

<sup>50</sup> Those of us who live and work outside of USA are, for the moment, relegated to Federal Express only, in my view. I am not comfortable at the moment with either DHL or UPS. However, Chapple Blondet has clients fully within USA where we have recently and rather successfully returned to the United States Postal Service for filing USA tax returns and paying USA taxes.

should it be. Indeed, the wall of silence is a part of the problem and has greatly aggravated this whole area on a global scale.

I am appropriately viscerally angry and disappointed with more than a few explicitly including the members of the American Bar Association (“ABA”). So called elite professional groups have an explicit elite **responsibility** to stand up, be heard and, if necessary, denounce. Unlike the past, the ABA has been particularly deficient in this very area in recent years.

As for a real solution for this mess within US Treasury and more, Chapple Blondet will likely begin writing a bit more on this very subject but in smaller doses.

I want to add here that I detest sending out memos like this with copious references to the “big cases”. This is intimidating leaving many with a sense that we do not represent real people and real families with most in that fabulous group known as the optimum life style of the middle class.

Chapple Blondet, our family and our predecessors go back some 400 years in an uninterrupted line working in these professions. We have always focused on and represented many in this group. Our billing rates are in no way limiting.

Furthermore, the majority of our clients have always been in the productive economy. At the time in 1991 when we accepted the Bank of New England Case, the firm had an explicit advisory board level prohibition with respect to representing a “financial institution”.

The productive economy is far more interesting and, at the end of the day, this is where one finds the essence of human culture in no way limited to mere money. Dare I suggest this is *pura vida*?

Please never hesitate to call or e-mail with questions or concerns.

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The attachments follow.

	
e-News for Tax Professionals <span style="float: right;">April 17, 2018</span>	
<p><b>Useful Links:</b></p> <p><a href="#">IRS.gov</a></p> <p><a href="#">Tax Professionals Home</a></p> <p><a href="#">All Forms and Instructions</a></p> <p><a href="#">Stakeholders Partners' Headliners</a></p> <p><a href="#">Training and Communication Tools</a></p> <p><a href="#">IMRS</a></p> <p><a href="#">e-Services</a></p> <p><a href="#">Taxpayer Advocate Service</a></p> <p><a href="#">Disaster Relief</a></p> <p><a href="#">Internal Revenue Bulletins</a></p> <p><a href="#">IRS Social Media</a></p> <hr/> <p><b>Upcoming Events</b></p> <p><b>Seminars, Workshops, Conferences, and Other Practitioner Activities By State:</b></p> <p><a href="#">Nationwide Webinars</a></p> <p><a href="#">Alabama</a></p> <p><a href="#">Alaska</a></p> <p><a href="#">Arizona</a></p> <p><a href="#">Arkansas</a></p> <p><a href="#">California</a></p>	<p><b>Issue Number: <b>**SPECIAL EDITION**</b></b></p> <hr/> <p><b>IRS Provides Additional Day to File and Pay for Taxpayers Through Wednesday, April 18; IRS Processing Systems Back Online</b></p> <p>The Internal Revenue Service <a href="#">announced</a> that it is providing taxpayers an additional day to file and pay their taxes following system issues that surfaced early on the April 17 tax deadline. Individuals and businesses with a filing or payment due date of April 17 will now have until midnight on Wednesday, April 18. Taxpayers do not need to do anything to receive this extra time.</p> <p>The IRS encountered system issues Tuesday morning. Throughout the system outage, taxpayers were still able to file their tax returns electronically through their software providers and Free File. Taxpayers using paper to file and pay their taxes at the deadline were not affected by the system issue.</p> <p>“This is the busiest tax day of the year, and the IRS apologizes for the inconvenience this system issue caused for taxpayers,” said Acting IRS Commissioner David Kautter. “The IRS appreciates everyone’s patience during this period. The extra time will help taxpayers affected by this situation.”</p> <p>The IRS advised taxpayers to continue to file their taxes as normal Tuesday evening – whether electronically or on paper. Automatic six-month extensions are available to taxpayers who need additional time to file can visit <a href="https://www.irs.gov/forms-pubs/extension-of-time-to-file-your-tax-return">https://www.irs.gov/forms-pubs/extension-of-time-to-file-your-tax-return</a>.</p>

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## IRS to delay tax deadline by one day after glitch delays filing

Updated Apr 17; Posted Apr 17



1040 Individual Income Tax forms for the 2017 tax year. *(Daniel Acker/Bloomberg)*  
By [The Washington Post](#)

WASHINGTON -- The Internal Revenue Service announced late Tuesday that it will let taxpayers submit tax returns without penalty through Wednesday, after a long day of technical problems that fueled confusion about what is already one of Americans' most frustrating interactions with their government.

A computer glitch at the IRS knocked offline the agency's ability to process many tax returns filed electronically, a stunning breakdown that left agency officials flummoxed and millions of Americans baffled. Senior government officials were at a loss to explain what happened, even as close to 5 million Americans were expected to try to file their taxes before the midnight deadline.

IRS officials did not specify exactly what went wrong, saying only that they would undertake a "hard reboot" of their systems. By late Tuesday, the IRS said its systems were back online, and taxpayers could proceed to file returns through the end of Wednesday. Taxes had been due on Tuesday, April 17. (That was two days later than the usual tax-due date, April 15, which fell on a Sunday. Monday was Emancipation Day in the District of Columbia.)

"This is the busiest tax day of the year, and the IRS apologizes for the inconvenience this system issue caused for taxpayers," said the agency's acting commissioner, David Kautter.

The embarrassing episode recalled other high profile government technology breakdowns, such as the challenging launch of the Affordable Care Act marketplaces, and raised fresh questions about whether the IRS, which has long complained of antiquated computer systems, is prepared for the massive overhaul that is required by last year's sweeping tax cut law.

Each year, millions of Americans are required to file tax returns by mid-April for money they earned the prior year. The process can be a financially and administratively painful one, but the IRS is supposed to have sophisticated computer systems that can process millions of last-minute filers. That process faltered between 1 a.m. and 3 a.m. on Tuesday.

It wasn't immediately clear how many people were affected or could still take advantage of the one-day delay in the filing deadline - but IRS officials said taxpayers wouldn't have to do anything special to take advantage of the postponement. Many filers who use online tax preparation software like TurboTax or H & R Block or pay their taxes directly to the IRS online were affected. The vast majority of tax preparers, such as accountants, are required to file taxes electrically.

The IRS is often at the center of political fights in Washington, with Democrats calling for more funding so the agency can do its job while Republicans had for years worked to pare it back before agreeing to fund the agency at higher levels earlier this year.

The IRS has faced steady budget cuts for nearly a decade, with its staff size falling by about 18,000 employees from 2010 to 2017 and a recent report showing it can answer only about 60 percent of calls from tax filers.

The IRS is working to implement changes from a sprawling overhaul of the tax code that Republicans passed in December. The agency has been working with businesses to make sure they are withholding the correct amount from workers' paychecks, as well as rolling out online tools that workers can use to ensure their employers calculations are correct.

"The IRS is highly vulnerable to IT breakdowns and cyberattacks," said Pete Sepp of the National Taxpayers Union, a nonpartisan group that has pushed for changes to the IRS.

Members of Congress also expressed frustration with the agency's performance.

"Unfortunately, it's another example where they're not capable of dealing with the volume," said Sen Rob Portman, R-Ohio, who has called for reforms at the IRS partly because of the agency's technological shortcomings.

"This is game-day for the IRS, and it seems the IRS can't get out of the locker room," said Rep. Greg Gianforte, R-Mont.

Sen. Ron Wyden, D-Ore., noted the agency's budget has been repeatedly cut in recent years, which he said he believes could have contributed to the problems.

"While we don't yet know what has caused this systems failure, the lack of Republican funding for the IRS to serve taxpayers will only compound the issue. Americans should not be punished for being unable to file their tax returns or pay their tax bills today," said Wyden, the top Democrat on the Senate Finance Committee, which oversees the IRS.

IRS officials were caught surprised by the breakdown Tuesday morning.

"On my way over here this morning, I was told a number of systems are down at the moment," Kautter told lawmakers at an oversight hearing Tuesday morning. "We are working to resolve the issue and taxpayers should continue to file as they normally would."

"If we can't solve it today, we'll figure out a solution," Kautter said. "Taxpayers would not be penalized because of a technical problem the IRS is having."

Tuesday's outage caught at least one White House official off guard. Larry Kudlow, President Donald Trump's top economic adviser, appeared not to know about the problems when asked about them shortly after noon on Tuesday.

"The IRS is crashing?" he said, repeating a reporter's question. "It sounds horrible. It sounds really bad. Hope it gets fixed."

A spokeswoman for Intuit, the company that owns the TurboTax software, said Tuesday before the delay was announced that taxpayers should continue as normal.

"Taxpayers should go ahead and continue to prepare and file their taxes as normal with TurboTax," said spokeswoman Ashley McMahon. "TurboTax has uninterrupted service and is available and accepting e-filed returns. We will hold returns until the IRS is ready to begin accepting them again."

The IRS has more than 60 different IT systems for managing the cases of individual taxpayers, according to a report submitted to Congress by an internal IRS watchdog. Many of them have not been updated in decades, and two of them are nearly six decades old - the oldest anywhere in the entire federal government, the report said.

In testimony last October, two senior IRS officials warned the agency's systems were at high-risk.

"We are concerned that the potential for a catastrophic system failure is increasing as our infrastructure continues to age. Thus, replacing this aging IT infrastructure is a high priority for the IRS," wrote Jeffrey Tribiano, deputy commissioner for operations support, and Silvana Gina Garza, chief information officer, in prepared testimony.

For several hours Tuesday, an erroneous page linked to in the IRS' online payment section described a "Planned Outage: April 17, 2018 - December 31, 9999."

In his testimony before Congress Tuesday, Kautter said the IRS had prioritized the core filing system in its technology spending.

While Republicans had previously favored scaling back the IRS, the party supported more recently efforts to better support the agency. Congress approved \$320 million in short-term funding to help the agency implement the new tax law as part of the massive budget deal it passed in March, but many lawmakers say more funding is needed.

The House is scheduled to vote this week on a bipartisan bill making major changes to the agency, including by beefing up free tax advisory programs for the poor and by giving taxpayers several new rights and protections.

-- *Jeff Stein, Damian Paletta, Mike DeBonis*

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