

**Using Documentary Film, News Segments and  
Other Non-fiction Resources to  
Enhance Tax Courses**

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# Using Documentary Film, News Segments and Other Non-fiction Video Resources to Enhance Tax Courses

Many students today are profoundly “visual learners.” They have grown up bombarded by a visual culture that includes the internet, video games, television and the movies. In contrast, “visual teaching” by tax professors often consists of a batch of PowerPoint slides and computations made on a blackboard. Until the last decade, tax academics have had few viable audio-visual alternatives. But things have changed. Valuable non-fiction film and video resources for tax courses, specifically documentary films, news segments, news stories and historical resources, can be found at many on-line databases.

The use of non-fiction video to supplement lectures is not a new idea. Most of us have viewed non-fiction film in the classroom since elementary school. But until recently, very few documentaries or news segments suitable for a tax course had been produced. This was due to the changing nature of the subject matter, the complexity of the material and the cost of video production. Non-fiction filmmakers understandably prefer topics with a long shelf life and that are easy to understand. As production costs have decreased, a new wave of documentary films and non-fiction video has emerged that will help tax professors emphasize important social justice issues and explain the role that taxes play in politics and politics play in taxes. Other resources provide case studies to supplement course material.

## *Organization of this Project:*

The project is presented in four parts:

- I. Using documentary films and news segments in the classroom: the role these resources can play in teaching tax.
- II. Specific video resources for tax courses.  
Documentaries, news segments and other teaching resources are organized by topic, allowing the user to select specific items to supplement specific courses. A content summary is provided for primary video resources. Hypertext links in the footnotes enable access to documentaries and news stories that are available on the internet. If a link is not available, a footnote explains how the video may be obtained. Secondary video resources are provided for many topics in the footnotes.
- III. A list of major video news sources for further inquiry.
- IV. A course design that integrates most of these video resources into a single course entitled, Contemporary Tax Issues.

## **Part I: Using Documentary Films and News Segments in the Classroom: the role these resources can play in teaching tax**

The value of a well-made documentary or news segment is many-fold. First, it often imparts knowledge in a way students will remember. A well-made documentary or news segment tells a compelling story. And students often remember a story when they can't remember facts or concepts. Second, it invites discussion, engaging students in a way that allows professors to reinforce those elusive facts and concepts. Third, it encourages critical thinking of the subject matter, along with critical viewing of the documentary by the student audience. And fourth, many documentaries are fine examples of the use of rhetoric, enabling students to examine how arguments are constructed both orally and visually. With these pedagogical goals in mind, non-fiction video must be carefully chosen to enable teachers to enhance student learning. Because class time is a constrained resource, the videos must use time effectively. And they must be accurate.

The video resources discussed in this project are not meant to be a substitute for responsible teaching. A teaching professional should be able to explain the tax law as well as almost any e-learning opportunity. The role of the resources selected here is to enhance the power of a lecture, supercharge class discussions and increase student understanding. Many of the non-fiction tax films and videos have an intensely ethical component, providing a launching pad for a discussion of the ethics of tax policy or the tax profession. Others allow students to move beyond tax theory and number-crunching to see the effect of the tax law on real people. They often expose the student to social justice and tax fairness issues that they might not confront or even think about in the real world. In short, many of these film and video resources give a teacher the opportunity to make a lasting impression on the minds of students. And isn't that what education is all about?

## **Part II: Specific video resources for tax courses**

What follows is an offering of thumbs-up films and news stories that will enhance tax courses. The resources are grouped by subject. For the reader viewing an electronic version of this article, hypertext links are provided in the footnotes for videos available on the internet.

### **2.1 The History of the U.S. Federal Income Tax:**

*An Inconvenient Tax*<sup>1</sup> is a recent, 79 minute documentary that is actually two films in one. Included in the first half of the film is a concise 27 minute history<sup>2</sup> of the U.S. tax

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<sup>1</sup> *An Inconvenient Tax*, directed by Christopher Marshall, produced by Vincent Vittorio and Nathaniel Thomas McGill, Observer Productions/Lifeismymovie Entertainment, 2011. The DVD is available for viewing on iTunes and Amazon Instant Video for about \$4 or for purchase for about \$15. It is also available on Netflix. The Atlanta-based producers will screen the film at universities. Screenings can be arranged by contacting Jessica Vittorio at (678) 590-2042 or at <http://aninconvenienttax.com>. The history of the U.S. income tax begins about 11 minutes into the film.

<sup>2</sup> This film, as well as others in the project, is recommended despite some minor factual errors by interviewees.

system from the Boston Tea Party and the Whiskey Rebellion to the near-present. Particular attention is paid to the development of the federal income tax since the start of World War II. The second half of the film (discussed at 2.16) encapsulates its true agenda: a discussion of how to fix the federal tax system including the basic elements of tax reform and a presentation of alternative approaches to taxation.

The film is suitable for a variety of introductory taxation, tax policy, political science and history courses. It can be presented in two offerings (The History of the Federal Income Tax and Tax Reform/Alternative Approaches to Taxation) or it can be presented in one screening.

## **2.2 World War II Tax Propaganda Films:**

As part of the United States war effort in World War II, the Treasury Department enlisted Walt Disney to produce two animated shorts to encourage citizens to pay their income tax. Both films starred Donald Duck. The first, released in 1942, is a stunning piece of war propaganda entitled, *The New Spirit*.<sup>3</sup> The film begins with Mr. Duck listening to a radio broadcast that suggests that there is something every American can do for the war effort: pay income taxes. The radio announcer says that the country, "...needs taxes for guns. Taxes for ships. Taxes for democracy. Taxes to beat the Axis." Imbued with patriotic fervor, Donald fills out his new, simplified tax return. With \$2,501 of income, and three dependents (Huey, Dewey and Louie) Donald is left with a \$13 tax liability.

The last third of the film is a loud but poetically written rallying cry for the war effort:

(O)ur taxes run the...American factories. Working day and night.  
Factories making guns. Machine guns. Anti-tank guns. Long range guns.  
Guns. Guns. All kind of guns.  
To blast the aggressors from the seas.

Taxes for American factories working full-blast.  
Making planes. Bombers. Dive bombers. Flying fortresses. Interceptors.  
To stalk the birds of prey that fly by night.  
Taxes to bury the Axis.

Taxes.  
Taxes for ships. Battleships. Battle cruisers. Destroyers.  
All kinds of battle wagons.  
Taxes to sink the Axis.

Taxes to keep them flying.  
Taxes to keep them rolling.  
Taxes to keep them coming.  
Taxes to beat to earth the evil destroyer of freedom and peace.

This is our fight. The fight for freedom.  
Freedom of speech. Of worship.  
Freedom from want. And fear.  
Taxes will keep democracy on the march....

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<sup>3</sup> *The New Spirit*, produced by Walt Disney Productions for the Department of the Treasury, 1942. Available at <http://www.youtube.com/watch?v=00u6qUelp6c>

The art deco animation reinforces the words. It shows factories at work and their military production sinking Japanese ships, downing Nazi planes and obliterating Nazi tanks.

About a year later, a second Disney-created income tax film, *Spirit of '43*<sup>4</sup> was released. Here, Donald is a conflicted factory worker confronted by his “good self” and “bad self.” The good personality is a thrifty duck with a thick Scottish brogue that encourages Donald to save to pay his taxes. The alter-ego is a zoot suit wearing spendthrift who takes Donald to the Idle Hour Club to spend his earnings. This establishment is complete with signs that say “Blow Your Dough” and “Welcome Sucker.” It also has Old West swinging doors in the form of Nazi swastikas. After a battle of conscience in which Donald is confronted with whether to “spend for the Axis or save for taxes,” the good duck rescues Donald. The last half of the film is a repeat of the closing minutes of the war cry from *The New Spirit*.

These films are little masterpieces, at seven and six minutes respectively. They would be ideal to supplement a discussion of the history of the income tax or a discussion of civic obligation and responsibility. One can easily contrast the film’s message with today’s attitudes toward taxes and the recent war effort. The films are also suitable for some political science and history courses. Although the two films seem equally good, *The New Spirit* was nominated for an Academy Award in the best documentary category.<sup>5</sup> Since the films were sponsored by the Treasury Department, both are in the public domain and can be accessed through the internet.

### **2.3 Presidential Political Commercials:**

The Museum of the Moving Image has designed a web project that includes over 400 U.S. Presidential television campaign advertisements. The project entitled The Living Room Candidate: Presidential Campaign Commercials 1952-2008 has a search feature that allows the user to group commercials by subject matter.<sup>6</sup> Over one hundred commercials make some reference to tax, although in many cases that reference is limited. The search engine sorts by relevance. There are commercials from at least one campaign for every election of the period. One observation: almost every commercial either extols the tax-cutting virtues of the candidate or blasts the taxing propensities of his opponent.

The political advertisements provide an interesting starting point for a discussion of the role that taxes play in politics and politics play in taxes. Since most of the commercials are about a minute, and all are under five minutes, several can be played without using significant class time. Selected commercials can be played chronologically or commercials from one campaign can be grouped and analyzed. The Obama-McCain campaign is particularly well-suited for this approach since there were so many commercials related to taxes, along with a considerable amount of misinformation.<sup>7</sup>

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<sup>4</sup> *Spirit of '43*, produced by Walt Disney Productions for the Department of the Treasury, 1943. Available at <http://www.youtube.com/watch?v=rQsOOofU59SM> .

<sup>5</sup> According to Infoplease, at <http://www.infoplease.com/ipa/A0148205.html> and the Internet Movie Database at <http://www.imdb.com/event/ev0000003/1943> there were 25 films nominated for the Best Documentary Oscar in 1942 with four winners. The majority of the films were war-related.

<sup>6</sup> The search feature is available at <http://www.livingroomcandidate.org/> .

<sup>7</sup> There are so many interesting political commercials at the website that there is a certain injustice in singling out any. A few that are definitely worth a viewing are: Taxman (McCain, 2008) at

## 2.4 Taxes and Fiscal Policy:

Three documentaries focus on tax and spending policies in the United States and the future problems posed by the burgeoning national debt. In 2009, the Public Broadcasting System's (PBS) investigative reporting series, Frontline, aired *Ten Trillion and Counting*.<sup>8</sup> It provides an informative history of the politics surrounding fiscal policy over the past thirty years, with particular emphasis on the tax and spending policies of the past decade. The documentary explains how two major tax cuts, two wars, the lapsing of PAYGO, the passage of Medicare Part D and an aging population have combined to create a situation where the nation's future obligations exceed the net worth of the country. The 53 minute documentary justifies large current deficits as necessary to prop up demand at a time when consumers and businesses are pulling back. But it also warns that without fiscal reform, the country and the world may one day face a financial crisis that is much worse than the present one.

*I.O.U.S.A.*<sup>9</sup> is a slightly older, slightly longer and more detailed examination of the causes of our spiraling national debt. *I.O.U.S.A.* features David Walker, former Comptroller General of the United States, who is one of the most outspoken proponents of fiscal responsibility in government. The documentary examines what Walker characterizes as the four deficits: the budget deficit, the savings deficit, balance of

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<http://www.livingroomcandidate.org/commercials/2008/taxman> , Tax Cutter (McCain, 2008) at <http://www.livingroomcandidate.org/commercials/2008/tax-cutter> , 477 (Obama, 2008) at <http://www.livingroomcandidate.org/commercials/2008/477-web> , Al Bundy gets a Tax Cut (Obama, 2008) at <http://www.livingroomcandidate.org/commercials/2008/al-the-shoe-salesman-gets-a-tax-cut-web> , Rearview Mirror (Obama, 2008) at <http://www.livingroomcandidate.org/commercials/2008/rearview-mirror> , Wacky (Bush, 2004) at <http://www.livingroomcandidate.org/commercials/2004/wacky> , Morning (Clinton, 1992) at <http://www.livingroomcandidate.org/commercials/1992/morning> , Maine (Clinton, 1992) at <http://www.livingroomcandidate.org/commercials/1992/maine> , Second (Clinton, 1992) at <http://www.livingroomcandidate.org/commercials/1992/second> , Guess (Bush, 1992) at <http://www.livingroomcandidate.org/commercials/1992/guess> , Reaganomics (Reagan, 1984) at <http://www.livingroomcandidate.org/commercials/1984/reaganomics> , Workers: Tax Reduction (Ford, 1976) at <http://www.livingroomcandidate.org/commercials/1976/workers-tax-reductions> , McGovern Turnaround (Nixon 1972) at <http://www.livingroomcandidate.org/commercials/1972/mcgovern-turnaround> , Punchcard (Goldwater, 1964) at <http://www.livingroomcandidate.org/commercials/1964/punchcard> , The Man From Libertyville: The High Cost of Living (Stevenson, 1956) at <http://www.livingroomcandidate.org/commercials/1956/the-man-from-libertyville-high-cost-of-living> , Sturdy Lifeboat (Eisenhower, 1952) at <http://www.livingroomcandidate.org/commercials/1952/sturdy-lifeboat>

<sup>8</sup> *Ten Trillion Dollars and Counting*, Frontline, PBS, aired Mar 24, 2009. The program can be viewed online at <http://www.pbs.org/wgbh/pages/frontline/tentrillion/view/> . It can also be viewed at Netflix and Amazon Instant Video. The documentary can be purchased for educational use for about \$50 plus shipping and handling at ShopPBS for Teachers at <http://teacher.shop.pbs.org/product/index.jsp?productId=3450835> The site map at <http://www.pbs.org/wgbh/pages/frontline/tentrillion/etc/sitemap.html> provides additional analysis, interviews and a teacher's guide.

<sup>9</sup> *I.O.U.S.A.*, directed by Patrick Creadon, produced by Addison Wiggin, Christine O'Malley, Sarah Gibson, theatrical release Aug. 22, 2008. The film has been uploaded to free sites including Google Video where it can be viewed at <http://video.google.com/videoplay?docid=270867650600562607#> It is also available on Netflix. *I.O.U.S.A.* was purchased by the Peter G. Peterson Foundation which encourages educational screenings. An enhanced DVD of the film with additional features can be borrowed from the foundation by contacting them at [screening@pgpf.org](mailto:screening@pgpf.org) The Peterson Foundation also provides a downloadable citizen's guide that some professors will find helpful as a study guide for students. A DVD of *I.O.U.S.A.* with educational license can be purchased from PBS for about \$50 plus shipping and handling at <http://teacher.shop.pbs.org/product/index.jsp?productId=3445714>

payments deficit and the leadership deficit in government to deal with these issues. It argues that the toxic mix of these four deficits threatens our country's future. Particular emphasis is placed on the unfunded liabilities of the nation. The 84 minute film is supplemented by an equally impressive 42 minute sequel entitled *I.O.U.S.A. Solutions*.<sup>10</sup> The sequel focuses on a range of long term solutions including budget process reform, re-imposition of PAYGO,<sup>11</sup> discretionary spending caps, stabilizing the debt as a percentage of gross domestic product, and Social Security and Medicare reform. The last portion of the film is a discussion of the need to reform and modernize the federal tax system.

It is interesting to note that the oldest of these documentaries is less than four years old. In that span of time, the U.S. federal debt has grown by \$5.6 trillion or over 58 percent. Professors should expect to provide statistical updates to these documentaries. All are useful in a variety of tax, finance, economics and political science courses.

### **2.5 The Tax Gap:**

In 2005, the Internal Revenue Service (IRS) estimated the "tax gap," the difference between what taxpayers should pay and the amount received through timely voluntary compliance, to be \$345 billion. Although long interviews often test a student's attention span, a C-SPAN interview in 2007 with Nina Olson, the IRS Taxpayer Advocate addresses the components of the tax gap as well as other issues.<sup>12</sup> Discussion of the tax gap leads off the 33 minute interview. Viewing can be terminated at several points after the first eight minutes.<sup>13</sup> This interview is suitable for any course where the tax gap is discussed.<sup>14</sup> In early 2012, the tax gap was revised based on 2006 data to \$450 billion.<sup>15</sup>

### **2.6 The Internal Revenue Service:**

National Geographic Channel's *Inside the IRS*<sup>16</sup> discusses the processing, auditing, collection and taxpayer assistance functions of the IRS and highlights the work of the Criminal Investigations Division. It discusses, in a frank manner, the problems the Service has experienced in modernizing its technology, and the effect of the revenue

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<sup>10</sup> *I.O.U.S.A. Solutions*, directed by Patrick Creadon, produced by Christine O'Malley, 2010. It can be viewed at <http://www.pgpf.org/Media/Video/2010/09/iouasa-solutions.aspx>. It can be borrowed from the Peterson Foundation for screenings (note 9).

<sup>11</sup> On February 12, 2010 President Obama signed into law a weaker version of PAYGO than was in effect from 1990-2002.

<sup>12</sup> *Tax Collection Methods*, Washington Journal, C-SPAN, Feb. 5, 2007. Available at <http://www.c-spanvideo.org/program/196405-6>

<sup>13</sup> Ms. Olsen suggests an exercise that would be interesting for introductory tax courses: ask students how they feel government revenues should be spread among different functions of government (Defense, Social Security, Medicare and Medicaid, Education, etc.). Ideally this would be done electronically with students indicating the percentage they feel should be allocated to each function. Class averages could be developed and compared to real spending practices.

<sup>14</sup> There are also tax gaps at the state and local level. For example, in 2006 California estimated an income tax gap of \$6.5 billion. IBM Solutions has designed software to help state and local governments more efficiently collect taxes. An advertisement for the product is at:

<http://www.youtube.com/watch?v=VGKp13APsBg>

<sup>15</sup> See IRS Releases New Tax Gap Estimates; Compliance Rates Remain Statistically Unchanged From Previous Study, IR-2012-4, Jan. 6, 2012. See also *Billions of Dollars of Unpaid Taxes*, CBS News, Jan 7, 2012 for a brief, non-substantive news story at

<http://www.cbsnews.com/video/watch/?id=7394276n&tag=mncol;lst:2>

<sup>16</sup> *Inside the IRS*, National Geographic Channel, Apr. 9, 2007. It can be viewed at iTunes for about two dollars. The DVD can also be purchased from the National Geographic Channel or Amazon for about \$20.

agent abuse hearings conducted by the Senate Finance Committee in 1997. The 44 minute video is suitable for basic tax courses.<sup>17</sup>

### **2.7 Public Attitudes toward the IRS:**

In a report at CNNMoney.com, a Sacramento car wash owner explains how a four cent tax bill escalated to \$202.<sup>18</sup> The report lasts a little over a minute and will supplement a discussion of attitudes of the American public toward the IRS.<sup>19</sup>

### **2.8 The Use of Tax Professionals:**

In *Taxes Three Ways*, Bookworm Brown (producer Carlos Aguilar) of Current TV compares three ways of doing his taxes—doing his own federal income tax return, using online software and going to a tax professional. Although it is aimed at low and mid-level filers, the comical four minute piece shows the value of using an experienced tax preparer.<sup>20</sup> A CBS Early Show segment made a similar, three way tax preparation comparison. In the four minute segment, a Miami couple compared on-line Turbo Tax, an H&R Block tax preparer and a certified public accountant. Although more expensive, the couple netted about five hundred dollars using the CPA.<sup>21</sup> Both segments are appropriate for introductory tax classes.

Overpromises and deceptive sales practices by the TaxMasters tax resolution business was the subject of a Brian Ross/ABC News investigative feature entitled *Tax Masters Racket*. The program presents some of the evidence against TaxMasters that resulted in active investigations for deceptive practices by the states of Minnesota and Texas. A longer, 17 minute piece includes an interview with Nina Olson, the IRS Taxpayer Advocate, who explains some of the nuances of dealing with the IRS collections process.<sup>22</sup> The program will supplement a discussion of ethics standards of tax professionals as well as the IRS collections process.

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<sup>17</sup> See also *The American Tax Cheat*, CNBC, Apr. 14, 2011 which can be viewed at Amazon Instant Video or iTunes for about two dollars. This 43 minute program focuses on an assortment of tax cheaters but also includes a segment on the CSI-type forensics lab that the IRS has at its disposal.

<sup>18</sup> *Car Wash Owes 4 Cents to IRS*, CNNMoney.com, Mar. 16, 2010 at [http://money.cnn.com/video/news/2010/03/16/n\\_irs\\_taxes\\_car\\_wash.cnnmoney/](http://money.cnn.com/video/news/2010/03/16/n_irs_taxes_car_wash.cnnmoney/)

<sup>19</sup> An unusual international view of this topic highlights a group of five transgender tax collectors in Pakistan who threaten to hang out at businesses that don't pay taxes. The potential shame yields tax collection. See *Pakistan's dual gender tax collectors*, CNN, Apr. 15, 2011. The news segment is available at:

<http://edition.cnn.com/video/#/video/world/2011/04/14/walsh.pakistan.transgender.cnn?iref=videosearch>

<sup>20</sup> *Taxes Three Ways*, Current TV, Apr. 9, 2008. Available at: [http://current.com/groups/on-current-tv/88881585\\_taxes-three-ways.htm](http://current.com/groups/on-current-tv/88881585_taxes-three-ways.htm).

<sup>21</sup> *Couple Files Taxes 3 Ways: Which is the best?* CBS Early Show, Mar 5, 2011. Available at: <http://www.cbsnews.com/video/watch/?id=7358568n&tag=mncol;lst:1>

<sup>22</sup> *Tax Masters Racket*, ABC Nightline, Apr 13, 2011. The longer version of the story appears in three parts at the ABC News website at <http://abcnews.go.com/Blotter/video/taxmasters-investigation-13383505?tab=9482931&section=10268699&playlist=13384076>. According to a report by a Sacramento TV station, a prosecution by the state of California has put another well-known tax resolution specialist, Roni Lynn Deutch, out of business. See *Roni Deutch Announces Business Closure*, KCRA.com, May 12, 2011 at <http://www.kcra.com/video/27876995/detail.html>

## 2.9 The Unintended Consequences of Tax Legislation:

*Rising Tide*<sup>23</sup> tells the story of the effect on one New Jersey boat builder of a ten per cent luxury tax levied on new boat purchases over \$100,000. The legislation took effect on January 1, 1991. After the legislation was passed, product demand dropped off dramatically, with potential boat owners buying in foreign countries, purchasing used boats (not subject to tax) or forgoing the purchase. The owners of the company, Viking Yachts, liquidated their 401(k) plans in an attempt to maintain staff but eventually had to lay off or furlough most of its workforce. The company of 1400 shrunk to 68 active employees. One worker committed suicide after being laid off. Many of the employees affected were carpenters, craftsmen and support personnel. Eventually, the federal government estimated that the cost of unemployment benefits plus lost individual taxes exceeded the revenue raised by the luxury tax. The tax was repealed in August, 1993. Today, Viking is a thriving company. *Rising Tide* is 39 minutes and is useful to supplement to discussions of the unintended consequences of tax policy.

## 2.10 State Tax Structure:

In some states, total state and local taxes are regressive when income is used as a comparative base. That is, poor taxpayers pay a higher percentage of their income in state and local taxes than do middle class taxpayers. And middle class taxpayers pay a higher percentage of their income in state and local taxes than do wealthy taxpayers. An episode of the PBS newsmagazine NOW focused on the tax system in one of those states, Alabama. The episode is entitled, *Taxing the Poor*.<sup>24</sup>

In recent years, the state income tax rate structure in Alabama has been almost flat, with a maximum five percent rate on all taxable income over \$3,000 for single taxpayers, and over \$6,000 for married taxpayers. Alabama is also one of only six states that allow an income tax deduction for federal income taxes paid.<sup>25</sup> Alabama state and local tax revenues depend heavily on a high sales tax. The regressive nature of the state tax structure is compounded by a sales tax on groceries. *Taxing the Poor* investigates the effect of the Alabama tax structure on the lives of two low income working families.

The program also tracks a failed attempt by one state legislator, John Knight, to terminate the state sales tax on groceries and pay for the revenue shortfall by eliminating the federal income tax deduction. Knight also wants to exempt families below the federal poverty

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<sup>23</sup> *Rising Tide*, directed by George Valencia, SLU Productions, 2009. There are two versions of this film. A 26 minute version, made for New Jersey Public Television, has sometimes been available at Snag Films at <http://www.snagfilms.com>. The longer, 39 minute version is preferable. A DVD including both versions can be purchased for about \$18 including shipping from SLU Productions, P.O. Box 64, Caldwell, NJ 07006. On Jan. 1, 1996 the PBS News Hour did a similar story on the boat building industry. The video is unavailable online but there is a transcript at [http://www.pbs.org/newshour/bb/budget/budget\\_1-1.html](http://www.pbs.org/newshour/bb/budget/budget_1-1.html)

<sup>24</sup> *Taxing the Poor*, NOW, PBS, Apr 11, 2008. Streaming version is available at <http://www.pbs.org/now/shows/415/video.html>. The website includes some supplementary teacher's resources. The DVD can be purchased with educational use license for about \$46 including shipping and handling at: <http://teacher.shop.pbs.org/>.

<sup>25</sup> See "State Individual Income Tax Rates", Tax Foundation, Mar. 3, 2011 at <http://www.taxfoundation.org/taxdata/show/228.html> (last visited Jan 20, 2012). In 2010, Alabama, Iowa, and Louisiana allowed the full federal income tax deduction. Missouri and Montana limited the deduction to the amount of federal income taxes paid up to \$5,000 for single taxpayers and \$10,000 for married taxpayers. Oregon limited the deduction to \$5,850 per taxpayer (\$2,925 for married filing separately).

line from state income tax. The documentary asserts that Alabama is one of fifteen states that impose an income tax on a family of four with income below the poverty line.

The program recalls an earlier attempt in Alabama to lower taxes on the poor and raise taxes on the rich. Although Governor Bob Riley's famed Amendment One would have lowered taxes for the majority of taxpayers, it was defeated by a 2 to 1 margin. The documentary attributes the defeat to an aggressive and untruthful political advertising campaign financed by the Alabama Farmers Association, timber companies and other special interests that pay property tax at about one dollar per acre. In opposing the referendum, many low income taxpayers voted against their best interests.

The program also emphasizes that due to the recent recession and housing slump, many state and local governments are collecting less in property tax revenues. Some states like Alabama have, in part, made up this shortfall by increasing sales tax rates and/or cutting services for low and middle income residents.

*Taxing the Poor* is one of the better tax documentaries of recent years, covering one of the least reported-on subjects. The 24 minute program won a 2008 Emmy for Outstanding Analysis of a Business News Story. It is suitable for tax structure discussions in introductory, tax policy and state and local tax courses. It is also recommended for some political science and sociology courses.

A 60 Minutes segment entitled *Deficits: Taxing the Rich*<sup>26</sup> discusses the difficulty of imposing a new tax, even if it falls mainly on the wealthy. It focused on Washington State's Initiative 1098 that would have created a state income tax.<sup>27</sup> The proposed tax would impact wealthier taxpayers, with revenues going mostly to fund education. The tax would have excluded from taxation the first \$200,000 of federal adjusted gross income for singles and \$400,000 for married couples. A five percent tax rate would apply on a taxpayer's income above that amount up to \$500,000 for singles and \$1 million for couples, when a nine percent rate would kick in. The leading proponent of the initiative was Bill Gates, Sr. Opposition was led by Steve Ballmer and Jeff Bezos. Even though the tax would have affected only a small segment of the state's population, 64 percent of voters rejected the initiative. The 13 minute segment, that includes an interesting interview with David Stockman, is ideal to supplement of a discussion of attitudes toward tax as well as state tax structure.

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<sup>26</sup> *Deficits: Taxing the Rich*, 60 Minutes, CBS, Oct 31, 2010. The segment can be streamed at the 60 Minutes website at <http://www.cbsnews.com/video/watch/?id=7009217n&tag=contentMain;contentBody>. This segment, as well as other 60 minutes news segments, can be purchased through Amazon at <http://www.amazon.com/60-Minutes-Rich-October-2010/dp/B004A8ZWQA> for about \$18 plus shipping.

<sup>27</sup> According to the Institute on Taxation and Economic Policy, Washington has the most regressive state and local tax structure of the fifty states when income is used as a comparative base. See "Who Pays: A Distributional Analysis of the Tax Systems in All Fifty States" (third edition), Institute on Taxation and Economic Policy, November, 2009 at p 2 available at <http://www.itepnet.org/whopays3.pdf> (last visited June 1, 2011). One argument in favor of Initiative 1098 was that it would make the state's tax structure more progressive.

KPBS San Diego has produced a 26 minute program entitled *The Legacy of Prop 13*,<sup>28</sup> that relates the history and legacy of Proposition 13, the famed California voter initiative. Prop 13 significantly reduced property taxes by limiting tax assessments to one per cent of the purchase price and capping property tax increases to two per cent each year. The proposition also required a two-thirds super-majority in both houses of the legislature for any new tax increase. The unintended consequences included cutbacks in services, especially public education. This program would be especially useful in state and local tax courses.

### **2.11 State Sales and Use Tax:**

Sales and Use Tax is the largest revenue source for the fifty state governments taken as a whole. Some of this revenue is lost through internet purchases. A two minute local news story entitled *Online Shoppers Avoid Sales Tax in California* addresses the one billion dollars of lost revenue to California.<sup>29</sup> It is suitable for any course that addresses state and local taxation.

Sales tax revenues are also reduced by “tax holidays” that are politically popular in many states. The holidays provide for a reduction or elimination of the sales tax for a limited period of time, usually on school supplies, clothing or computer equipment<sup>30</sup>. In recent years some states have offered holidays for the purchase of energy efficient appliances. A humorous three minute video produced by the state of Missouri explains the state’s “Green Sales Tax Holiday.”<sup>31</sup> On the other end of the political spectrum, at least three states have adopted Second Amendment Sales Tax Holidays that create a sales tax holiday on the purchases of guns and ammo. The state of Louisiana offers a one-minute explanatory video.<sup>32</sup> These short videos are suitable for courses where the value of tax holidays is discussed.

### **2.12 Tax Protestor/Tax Resisters/Tax Defier Movements:**

Western society has a rich history of citizens who express their moral outrage by keeping their money for themselves, rather than paying their share of taxes. From the anti-war/anti-military tax protestors of the sixties and seventies<sup>33</sup> to the current “Tax

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<sup>28</sup> *Legacy of Prop 13*, KPBS San Diego, Mar 28, 2010. Available at <http://www.kpbs.org/news/envision/prop13/>. KPBS has also produced a six minute, fast-paced *History of Proposition 13*, available at <http://www.kpbs.org/videos/2010/feb/23/4678/>.

<sup>29</sup> *Online Shoppers Avoid Sales Tax in California*, ABCNews.com, Dec 12, 2010 available at the ABC News channel on Hulu at <http://abcnews.go.com/Business/video/online-shoppers-avoid-sales-tax-calif-12367745>.

<sup>30</sup> See for example, *2011 Louisiana Sales Tax Holiday*, Louisiana Department of Revenue, June 30, 2011 at <http://revenue.louisiana.gov/sections/general/hottopics/salestaxholiday.aspx>.

<sup>31</sup> *Eccentric Eddie Explains Missouri’s Show-Me Green Sales Tax Holiday*, MOGov, Apr 19, 2011 available at <http://www.mo.gov/media-archive/youtube/eccentric-eddie-explains-the-show-me-green-sales-tax-holiday/>

<sup>32</sup> *Louisiana Second Amendment Weekend Sales Tax Holiday*, Louisiana Department of Revenue available on YouTube at <http://www.youtube.com/watch?v=dAhKy8HaDa8>. Other states with Second Amendment Sales Tax Holidays include Oklahoma and South Carolina.

<sup>33</sup> One of the best known documentary films about the war tax protest movement is *An Act of Conscience*, directed by Robbie Leppzer, Turning Tide Productions, 1997. The film follows a war tax resister couple, Randy Kehler and Betsy Corner whose house was seized to pay back income taxes in 1989. The couple had stopped paying income tax in 1977, as protest against military spending. The film can be purchased from Turning Tide Productions for about \$30 (individual use) or \$249 (institutional use) plus shipping and handling at <http://www.turningtide.com/aoc.htm>

Defier” movement, these protests are well-documented on film and video.<sup>34</sup> In fact, it is rather shocking to discover the extent to which the internet is replete with tax protest sites and video clips calculated to engage the extremes of the political spectrum.<sup>35</sup> The films are often factually inaccurate, meandering and/or poorly made. Any of these shortcomings would make them inappropriate for classroom presentation in most tax courses.

While the left wing, war tax protestor movement is alive and well,<sup>36</sup> the current right wing Tax Defier movement has eclipsed it. The success of the movement resulted in the establishment of the National Tax Defier Initiative by the Department of Justice in 2008. The initiative is designed to investigate and prosecute, “. . .those who take concrete action to defy and deny the fundamental validity of the tax laws.”<sup>37</sup>

The CBS series, 60 Minutes II originally aired a segment entitled *Tax Revolt*<sup>38</sup> in 2001 about a portion of the defier movement. It focused on a group of small business owners who had stopped paying taxes and stopped withholding tax from their employees’ paychecks. Although a decade old, the segment adequately expresses the contorted logic of the movement--that there is nothing in the tax code that compels the average citizen to pay income tax.<sup>39</sup> The 13 minute segment is another good starting point for a discussion of citizen responsibility and can be used in a variety of courses.<sup>40</sup>

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<sup>34</sup> *Death and Taxes*, directed by Jeffery F. Jackson, Country People Productions, 1993 investigates the life and the questionable circumstances surrounding the death of Gordon Kahl, a forerunner of the Tax Defier movement. Kahl may have been responsible for the deaths of three law enforcement officers who were shot in two separate gun battles while trying to arrest him. The film can be purchased for about \$25 by emailing Jeff Jackson at [Jeff@taoslandandfilm.com](mailto:Jeff@taoslandandfilm.com) The Kahl story has also been dramatized in an NBC television movie, *In the Line of Duty: Manhunt in the Dakotas*, directed by Dick Lowry, Patchett Kaufman Entertainment/World International, 1991 and available at Amazon.com for \$15 plus shipping and handling.

<sup>35</sup> While almost all tax protestors are peaceful, there are exceptions. In Feb. 2010, Joseph Stack in Kamikaze fashion crashed a small plane into IRS offices in Austin, Texas. The crash killed an IRS manager, Vernon Hunter. The story is well documented in numerous news stories on the internet.

<sup>36</sup> A film from the United Kingdom, *Contempt of Conscience*, Clarity, 2007 chronicles the attempts of a group of activists to redirect ten per cent of their taxes away from military spending. It can be viewed for a small fee at Journeyman Pictures or purchased for institutional use for €110 at <http://www.journeyman.tv/58992/documentaries/contempt-of-conscience.html> It should be noted that interested readers can download their “Peace Tax Returns” from the National War Resistance Coordinating Committee at <http://www.nwtrcc.org/peacetaxreturn.htm> .

<sup>37</sup> “Nathan J. Hochman, Tax Division’s Assistant Attorney General, Announces the Creation of the National Tax Defier Initiative,” Department of Justice Press Release, Apr. 8, 2008 available at <http://www.justice.gov/opa/pr/2008/April/08-tax-275.html> (last visited June 1, 2011).

<sup>38</sup> *Tax Revolt*, 60 Minutes II, CBS, Apr. 3, 2001. Transcript available at <http://www.cbsnews.com/stories/2001/04/02/60II/main283404.shtml> Old 60 Minutes segments can be obtained by contacting [footage@cbsnews.com](mailto:footage@cbsnews.com) . The cost of obtaining *Tax Revolt* with shipping and education license is \$112. See also, *Inside the IRS* (note 17) for a segment on tax protestor and former IRS special agent, Joe Banister.

<sup>39</sup> For a more complete reprise of the tax defiers logic, see *From Freedom to Fascism*, directed by Aaron Russo, All Your Freedoms Production, 2006 available at <http://video.google.com/videoplay?docid=-1656880303867390173#docid=5355374476580235299> . See also *The 861 Evidence, A Disturbing Expose of the United States Income Tax System*, director unknown, producer unknown, year unknown, available at <http://video.google.com/videoplay?docid=4415453765598154441#> While these films are not recommended for tax courses, they may be helpful for lectures to some militia and anarchist organizations.

<sup>40</sup> Perhaps the best known tax protests of the past half century were the London poll tax riots in 1990. *The Battle of Trafalgar- the UK Poll Tax Riot*, Despite TV, 1990 is a documentary that focuses on the demonstrations, injuries and subsequent arrests rather than on the tax issues. It can be viewed in three parts

### 2.13 Tax Shelters:

In 2004, the PBS series, Frontline, aired *Tax Me If You Can*,<sup>41</sup> a probing examination of a portion of the fraudulent tax shelter industry. As we now know, the program dealt with only the tip of the bogus tax shelter iceberg. Specifically, it examined a lease-in/lease-out (LILO) transaction where a U.S. bank, First Union, leased 65 streetcars from the city of Dortmund, Germany and then immediately leased them back to the municipality. Lacking in economic substance, the transaction was designed to generate large up front tax benefits, mostly in the form of accelerated rent deductions. When the IRS later cracked down on LILOs, the broadcast showed that tax shelter promoters simply modified the lease contracts into a service contract structure. The corporate successor to First Union, Wachovia,<sup>42</sup> used the new arrangement to lease and then lease back to the city of Bochum, Germany its sewer system, trading rent deductions previously received under LILOs for depreciation deductions under the service contract structure.

Perhaps the greatest value of the program was its exposure to the general public of the involvement of KPMG and Brown and Wood.<sup>43</sup> KPMG invented, marketed, sold and then hid from the IRS, fraudulent tax shelter transactions. Brown and Wood provided favorable tax opinion letters supporting the legality of some of the deals. As the moderator, Hedrick Smith said, “Who cooks up the tricks? Highly respected accounting and law firms—the very people we trust to keep the system honest.” The shelters are cited as one of the leading causes of the sharp decline in the percentage of federal tax revenues attributable to corporate income tax.

A few hours before the program originally aired, KPMG issued a press release stating it was undergoing a federal grand jury investigation. Seventeen of KPMG’s partners and managers were accused by the Justice Department of designing, marketing and implementing four questionable tax shelter arrangements that allegedly cost U.S. taxpayers over \$2.5 billion in lost tax revenue. Three of the KPMG partners were eventually found guilty or pled guilty and one partner was exonerated in the criminal tax fraud conspiracy. Charges against thirteen other defendants were dismissed when the District Court found that the Justice Department had violated the defendants’ right to a fair trial because government lawyers pressured KPMG to stop paying the defendants’ attorney costs.<sup>44</sup> One former Brown and Wood partner was also found guilty of fraud. In

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on YouTube or can be purchased from CultureShop.org for about £18 including shipping to the U.S. at <http://www.cultureshop.org/details.php?code=BATT> I could find no offerings about history’s most famous tax protestor, Lady Godiva. OK, maybe Wesley Snipes qualifies. Mr. Snipes is a past proponent of the Section 861 argument (note 39). Coverage of Mr. Snipes has been considerable (see *The American Tax Cheat* at note 17), while it is reported that Lady Godiva had minimal coverage.

<sup>41</sup> *Tax Me If You Can*, Frontline, PBS, Feb 19, 2004. Available for purchase for educational use for about \$56 including shipping and handling at <http://teacher.shop.pbs.org/product/index.jsp?productId=1731937&cp=&sr=1&kw=tax+me+if+you+can&origkw=tax+me+if+you+can&parentPage=search>

<sup>42</sup> First Union and Wachovia merged in September, 2001. Wachovia was acquired by Wells-Fargo in 2008.

<sup>43</sup> Brown and Wood merged with Sidley and Austin in 2001 to become Sidley Austin Brown & Wood. In 2006 the firm changed its name to Sidley Austin.

<sup>44</sup> Lynnley Browning, “Charges Dropped Against 13 in KPMG Tax-Shelter Case,” New York Times, Jul. 17, 2007. Available at <http://www.nytimes.com/2007/07/17/business/kpmg-web.html?hp> (last visited Jan 21, 2012)

2005, KPMG admitted to criminal wrongdoing and agreed to pay \$456 million in fines and restitution.<sup>45</sup>

*Tax Me If You Can* is suitable for basic and advanced tax classes, although an explanation of LILOs<sup>46</sup> prior to viewing will enhance a student's understanding. (Some students may initially believe that LILO is short for Lindsay Lohan.) The program provides an excellent launching pad for a discussion of professional ethics including an exploration of the ethical responsibilities that tax professionals have to their clients and to the public at large. In graduate classes, where many students are full-time tax professionals, the program provides the basis for an examination of the ethical culture of accounting and law firms.<sup>47</sup> The film provides an interesting challenge for law students: how do you structure a law to ban schemes that a taxpayer pursues solely for the tax benefits. Political science students can debate the role of the foreign municipal governments in these transactions. Should politicians participate in these schemes and thereby raise revenue for their city, or is it more proper to set an example for their citizens by refraining from participation in shady tax evasion transactions?

#### **2.14 Tax Haven Scandals:**

There is a second, completely different, documentary also entitled, *Tax Me If You Can* that was shown as part of the Four Corners investigative journalism series on the Australian Broadcasting Corporation network, ABC1<sup>48</sup>. The program chronicles the tax haven scandal involving the LGT Bank of Liechtenstein that received notoriety in U.S. Senate hearings conducted by the Permanent Subcommittee on Investigations of the Senate's Homeland Security and Government Affairs Committee. This *Tax Me If You Can* focuses on the fascinating story of whistleblower, Heinrich Kieber, who worked as a computer technician at LGT for two years. Kieber witnessed the bank's role in the facilitation of massive tax evasion. He subsequently stole detailed bank documents that revealed the names of 1400 LGT clients who may be involved in tax evasion. The LGT Bank is owned by the ruling family of Liechtenstein. It is alleged that virtually all of the bank's profits emanate from "secrecy services." Kieber subsequently sold the incriminating documents to authorities of several western nations who expect to recover hundreds of millions of tax dollars. Kieber is presently in German witness protection. The 45 minute documentary provides an expose of tax haven operations and the practices that LGT used to keep tax officials in the dark. It specifically documents the efforts of the

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<sup>45</sup> Lynnley Browning, "At KPMG, the end of defiance," New York Times, Aug. 29, 2005. Available at <http://www.nytimes.com/2005/08/28/business/worldbusiness/28iht-kpmg.html> (last visited Jan 21, 2012).

<sup>46</sup> See fact pattern in Rev Rul 2002-69 and BB&T Corporation v. United States, 523 F.3d 461 (4<sup>th</sup> Circ 2008), 2008-1 U.S. TaxCas. (CCH) P50,306, 101 A.F.T.R.2d (RIA) 1933. The documentary also references another KPMG fraudulent shelter, a FLIP. For an explanation of this basis shifting scheme, see Calvin Johnson, Tales from the KPMG Skunk Works: The Basis Shift or Defective Redemption Shelter, 108 Tax Notes 431 (July 25, 2005).

<sup>47</sup> See also *Gimme Shelter*, 60 Minutes, CBS, Oct 17, 2003 that discusses the Cobra tax shelter (basis shifting scheme using currency options) peddled by Ernst & Young. Transcript available at <http://www.cbsnews.com/stories/2003/10/16/60minutes/main578497.shtml>. Old 60 Minutes segments can be obtained by contacting [footage@cbsnews.com](mailto:footage@cbsnews.com) (note 38). Four E&Y partners who were involved in selling the fraudulent shelters were indicted for tax fraud and subsequently received prison terms.

<sup>48</sup> *Tax Me If You Can*, Four Corners, Australian Broadcasting Corporation, aired June 10, 2008. The DVD of the program is available through Journeyman Pictures for €100 at <http://www.journeyman.tv/59229/documentaries/tax-me-if-you-can.html>. The program can be viewed at the Four Corners website at [http://www.abc.net.au/4corners/content/2008/20081006\\_tax/interviews.htm](http://www.abc.net.au/4corners/content/2008/20081006_tax/interviews.htm). A similar program appeared as part the BBC investigative series, Panorama airing Feb 2, 2009.

second richest man in Australia, Frank Lowy, and his sons, to allegedly use LGT's services to evade taxes. The documentary is suitable for a variety of tax and tax policy courses.

The UBS banking scandal and the intriguing story of former UBS banker and IRS whistleblower, Bradley Birkenfeld is the subject of a 60 Minutes report entitled, *A Crack in the Swiss Vault*.<sup>49</sup> Birkenfeld's revelations about UBS banking practices will likely yield recovery of billions of dollars of taxes from citizens who used the bank to stash assets and evade U. S. taxes. The bank paid \$780 million in fines to avoid prosecution for aiding tax evasion. The only banker or client to do jail time was Birkenfeld, who pled guilty to fraud after failing to disclose all he knew. Many observers believe that the result will have a chilling effect on potential tax whistleblowers. The 13 minute report is suitable for a variety of tax courses where the role of tax havens is discussed.<sup>50</sup>

### **2.15 Transfer Pricing:**

The ABC World News did a news story that was essentially a transfer pricing case study of the income generated by the anti-depressant drug, Lexapro. Although the drug is sold primarily in the United States, most of the profits end up in the Bermuda subsidiary of Lexapro's maker, Forest Laboratories. The subsidiary consists of a secretary in a Bermuda law office.<sup>51</sup> The estimated tax loss to the United States due to transfer pricing schemes was reported to be at least \$60 billion annually.

A recent 60 Minutes broadcast addressed this issue in more depth in a segment entitled *The New Tax Havens*.<sup>52</sup> It discusses the exodus of American companies and jobs to countries like Switzerland and Ireland because of the difference in corporate tax rates. It also describes some of the methods corporations use to move profits overseas including

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<sup>49</sup> *A Crack in the Swiss Vault*, 60 Minutes, CBS, Jan. 3, 2010 available at <http://www.cbsnews.com/video/watch/?id=6050245n> . It can also be purchased at Amazon for about \$18 plus shipping.

<sup>50</sup> Some of the most interesting reporting on tax havens has been undertaken by Al-Jazeera English in wake of the OECD crackdown. Al-Jazeera English uploads its reports to YouTube. They include reports on Monaco, Jun 21, 2009 at [http://www.youtube.com/watch?v=0c9qRt\\_GoZU&NR=1&feature=fvwp](http://www.youtube.com/watch?v=0c9qRt_GoZU&NR=1&feature=fvwp) ; Jersey, Jun 23, 2009 at <http://www.youtube.com/watch?v=gd5IvT4InzA&feature=channel> ; the Cayman Islands, May 5, 2009 at <http://www.youtube.com/watch?v=J-ft3cbNHo&NR=1> ; and Switzerland (UBS scandal) Feb 24, 2009 at <http://www.youtube.com/watch?v=iVL2ZF-4qM&NR=1> . The OECD uploads its own set of reports to YouTube. A humorous, tax havens take on the new income tax on Romanian witches is presented on Sarcaustic World News. See *Romanian Witches Must Pay Income Tax* uploaded at the GlendaBeckk Channel on YouTube, Jan 6, 2011 at <http://www.youtube.com/watch?v=NITP0JpEfnA> . The original Romanian witches tax story as reported by BBC News: *Romania's witches vow to take revenge on tax-hungry politicians*, BBC, Jan 6, 2011, is available on YouTube at <http://www.bbc.co.uk/news/world-europe-12131220> .

<sup>51</sup> *U.S. Firms Dodge Billions of Taxes by Moving Profits Overseas*, ABC World News, May 13, 2010. The whole newscast is downloadable through Hulu at <http://www.hulu.com/watch/149235/abc-world-news-with-diane-sawyer-thu-may-13-2010> . The Lexapro story is 13:20 into the newscast. The story was reported in greater depth by Bloomberg News. See Jesse Drucker, "Companies Dodge \$60 Billion in Taxes Even Tea Party Condemns," May 14, 2010 available at <http://www.bloomberg.com/news/2010-05-13/american-companies-dodge-60-billion-in-taxes-even-tea-party-would-condemn.html> . Also see <http://www.bloomberg.com/insight/lexapro.html>

<sup>52</sup> *The New Tax Havens*, 60 Minutes, CBS, Mar 27, 2011 available at <http://www.cbsnews.com/video/watch/?id=7360932n> . The DVD can be purchased from Amazon for about \$18 plus shipping.

the transfer of patents, formulas, trademarks, logos, and computer code to foreign subsidiaries in low rate countries. By transferring these intangible assets, companies are able to allocate a portion of their profits to the overseas companies. It is estimated that American corporations have \$1.2 trillion dollars of profits parked overseas.<sup>53</sup> The 13 minute segment is suitable for some Introductory, International and Corporate Tax courses.

### **2.16 Tax Reform/Alternative Tax Systems:**

A segment of the PBS program, Religion and Ethics NewsWeekly entitled *Tax Justice*<sup>54</sup> addresses the elusive concept of what is a fair tax system. The 11 minute segment is an excellent starting point for a discussion of the ethics of tax policy.

Roughly the last half of *An Inconvenient Tax*<sup>55</sup> is dedicated to alternative tax systems and the basic elements of productive tax reform: simplicity, reduced compliance costs, the need for the perception of increased fairness, reduced social engineering, the need for provisions that spur economic growth and the necessity to reward politicians who make difficult tax choices. The film captures the moral outrage stemming from the surge in the complexity of the Internal Revenue Code and the influence of special interests.

The documentary takes an uncritical look at consumption-based alternatives such as the Fair Tax, value-added tax and a progressive consumption tax, as well as income tax overhauls such as the flat tax. The goal of the film is to “fix the tax system.” To make that possible requires a strong President, Congressional leadership and, according to the filmmakers, a grassroots movement. As previously stated it is really two films in one. While the first half of the 79 minute film (the history of U.S. Taxation) is suited for basic tax students, the last half is best appreciated by advanced students.<sup>56</sup>

### **2.17 A Word about Fiction Films:**

Using two criteria: 1) that the film must have as a theme, a timely-presented tax issue and 2) offer teaching points that effectively enhance classroom discussion, it is a stretch to say that any fiction tax film truly qualifies as a primary learning tool for tax courses. There are fiction films where a central character is a tax professional,<sup>57</sup> films where paying taxes or the failure to pay taxes creates character motivation,<sup>58</sup> films with tax

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<sup>53</sup> See also *Is the United States a Tax Shelter*, Al-Jazeera English, Jun. 24, 2009, a “how to” report on setting up a Delaware-Geneva-Seychelles tax shelter uploaded on YouTube at <http://www.youtube.com/watch?v=nnwM7kZMylA&feature=channel>.

<sup>54</sup> *Tax Justice*, Religion and Ethics NewsWeekly, Jan. 28, 2011 available at <http://video.pbs.org/video/1774472886>. The segment begins about five minutes into the program.

<sup>55</sup> Note 1.

<sup>56</sup> A conservative parody of Apple’s Mac/PC advertising campaign as applied to taxes may be a fun addition to this topic. The source of the parody is unknown. *Taxes Mac Parody* is available at ireagan’s YouTube channel: <http://www.youtube.com/watch?v=N7MxFnbbeWE>. The taxation of on-line poker is discussed in a CNN news segment, *Congress ready to play poker?* CNN, Apr 29, 2011 available at <http://edition.cnn.com/video/#/video/bestoftv/2011/04/29/exp.tsr.bolduan.online.poker.cnn?iref=videosearch>

<sup>57</sup> The films are too numerous to catalog as part of this project, but examples include: *The Mating Game*, MGM (1959); *The Young Philadelphians*, Columbia (1959); *Carnal Knowledge*, AVCO Embassy (1971); *Ordinary People*, Paramount (1980); *Jean de Florette*, Orion (1986); *Taxman*, Counterclock Pictures, et al. (1999); *Bringing Down the House*, Touchstone Pictures (2003); *Off the Map*, Independent Artists (2003); *Stranger Than Fiction*, Columbia Pictures (2006); *Seven Pounds*, Columbia Pictures (2008);

<sup>58</sup> Examples: *Gone with the Wind*, MGM, (1939), *The Jackpot*, 20<sup>th</sup> Century Fox (1950); *The Mating Game*, MGM (1959), *Bachelor in Paradise*, MGM (1961), *Boccaccio 70 (La Riffa)*, Cineriz, et al. (1962); *The*

evasion and/or fraud,<sup>59</sup> films with odd tax shelters,<sup>60</sup> films with cool tax references and cool films with tax references,<sup>61</sup> and, frankly, some really bad films.<sup>62</sup> There is even a tax film with Elvis<sup>63</sup> and another where Steven Spielberg plays a clerk in a tax assessor's office.<sup>64</sup> Alas, there are few fiction films that offer insight into the operation of the tax law or tax system. Fiction tax films are probably not suitable as in-class offerings but at least two films may provide interesting "tax entertainment" or perhaps a homework assignment.

The most useful of the fiction tax films is probably *A Taxing Woman*,<sup>65</sup> directed by acclaimed Japanese film director, Juzo Itami. The central character is a methodical and tenacious female tax auditor/investigator, Ryoto Itakura, who works for the Japanese Revenue Service. The film follows Itakura's pursuit of Hideki Gondo, the owner of a chain of "love hotels," who makes a practice of hiding his profits from tax authorities. Gondo uses elaborate evasion schemes involving dummy companies, fake bank accounts, dirty bankers, corrupt politicians and his associates in organized crime to underreport profits. In the end the "good guys" win, or at least the taxing woman does, by following the money and unraveling Gondo's financial schemes.

*A Taxing Woman* combines compelling drama and witty satire. It won nine Japanese Academy Awards in 1988 including Best Picture, Best Director, Best Actress and Best Actor. It is suitable as an out of class assignment, supplementing a discussion of fundamental citizen responsibility and the tax cultures of various nations. It offers a look

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*Blues Brothers*, Universal (1980), *Grumpy Old Men*, Warner Bros. (1993); *Dragonworld*, Paramount/Moonbeam (1994); *The Brady Bunch Movie*, Paramount (1995); *Happy Gilmore*, Universal (1996); *Lagaan*, Aamir Khan Productions (2001); *House of Sand and Fog*, Dreamworks (2003).

<sup>59</sup> Examples: *You Can't Take It With You*, Columbia (1938); *The Producers*, Embassy (1968); *The Untouchables*, Paramount (1987); *Say Anything*, Twentieth Century Fox (1989); *The Dinner Game*, Gaumont (1998); *Taxman*, Counterclock Pictures, et al. (1999); *Strange Bedfellows*, Instinct Eden Rock (2004); *Made in Romania*, Celadon (2010). And the opposite motive—tax largess is found in *What A Way To Go*, 20<sup>th</sup> Century Fox, (1964).

<sup>60</sup> Examples: *The Main Event*, Warner Brothers (1979), *Lobster Man From Mars*, Electric Pictures (1989);

<sup>61</sup> Examples: *A Night at the Opera* Paramount (1935); *Adventures of Robin Hood*, Warner Bros./First National (1938), *Adam's Rib*, MGM (1949); *Giant*, Warner Bros (1950); *The Young Philadelphians*, Columbia (1959); *Son of Flubber*, Disney (1963); *The Wheeler Dealers*, Filmways/MGM (1963) (*The Wheeler Dealers* was co-written by George Goodman, better known as Adam Smith of the PBS program, Adam Smith's Money World); *Danger: Diabolik*, Dino de Laurentiis Cinematografica (1968); *Slap Shot*, Universal (1977); *Popeye*, Paramount/Disney (1980); *The Boost*, MGM (1988) (co-written by Ben Stein); *The Firm*, Paramount (1993); *Shawshank Redemption*, Castle Rock/Columbia (1994). This and the prior four footnotes do not include the dozens of episodes of fiction television and many short films (Three Stooges, etc.) with tax references.

<sup>62</sup> *Panic Button*, Gorton/Yankee (1964); *Harry's War*, Taft International Pictures (1981); *Tax Season*, Paramount (1989). What constitutes a bad movie is in the eye of the beholder. Although it has limited tax references, of special note is *Can't Stop the Music*, E.M.I. Films/AFD (1980). It features the disco group, Village People. Bruce Jenner plays a tax attorney in his only theatrical film appearance. *Can't Stop the Music* was the first winner of a "Razzie" Award for Worst Picture of the Year and is reported to be an inspiration for that award which is now in its 31<sup>st</sup> year.

<sup>63</sup> *Speedway*, MGM (1968)

<sup>64</sup> *The Blues Brothers*, Universal (1980)

<sup>65</sup> *A Taxing Woman*, directed by Juzo Itami, produced by Itami Productions, 1987. It can be purchased through multiple vendors on eBay and at Amazon.

at revenue reconstruction by the government.<sup>66</sup> The film is 128 minutes with English subtitles. It contains nudity and sexual situations.

Itami made a sequel, *A Taxing Woman's Return*.<sup>67</sup> A good film, it nevertheless has less tax, less humor and more violence than the first. Here, Itakura and the Japanese Revenue Service are on the trail of Onizawa, the chief elder of a religious cult who operates the religion as a front to conceal criminal activities. With ties to organized crime, Onizawa owns, through a dummy corporation, a motel, a club, a massage parlor and a pinball arcade, funneling one-third of the revenue to his religion and then, tax-free, to himself. He uses intimidation and coercion to scare away the last few tenants of an apartment building so it can be razed to build a skyscraper. He also uses a loan default scheme to help a crooked politician hide taxable capital gains from authorities. And if he wasn't bad enough, Onizawa impregnates a sixteen year old girl who is in his care as collateral for a loan. Using electronic surveillance and disguises, Itakura again methodically follows the money, eventually infiltrating the cult to find a clandestine vault that holds the secret books of the enterprise.

*A Taxing Woman's Return* is 128 minutes with English subtitles. It has nudity, sexual situations and violence. Both films raise the question of the extent to which authorities should go to discover and prosecute tax evaders.<sup>68</sup>

### Part III: Sources for Further Inquiry

There are many video sources for news stories and documentaries about tax issues. While it is an appropriate practice to obtain an educational use license whenever possible, the "Fair Use" provisions of the U.S. copyright laws enable educators to use some materials in the classroom without permission of the copyright holder. Such use must be directly related to the course and be part of face to face teaching activities. The film or news segment must be legally acquired. Classroom viewing of streaming video created by a news organization and uploaded to its own website for public consumption or uploaded by that organization to a third party website is normally within the realm of the fair use provisions.<sup>69</sup> It is recommended, however, that professors consult with copyright experts on their campus for further direction on specific matters.

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<sup>66</sup> One criticism of the film seems to be that it has too much tax. See "A Taxing Woman Movie Review" by Anthony Leong available at <http://www.mediacircus.net/taxing.html> (last visited Jan 21, 2012) where the critic states, "...the problem with ATW is that Itami spends too much time detailing the intricacies of the tax world, to the point of boredom. Though this brings a level of authenticity to the film, it also grinds the story to a halt as we are burdened with scene after scene of pointless detail that does not propel the plot further." Mr. Leong is obviously not a tax person.

<sup>67</sup> *A Taxing Woman's Return*, directed by Juzo Itami, produced by Itami Productions, 1988. It can be purchased through multiple vendors on eBay.

<sup>68</sup> One more addition to the "tax entertainment" genre: there is an early video game by Atari called Tax Avoiders where gamers try to accumulate wealth while avoiding taxes.

<sup>69</sup> For further guidance see "The Code of Best Practices in Fair Use for Media Literacy Education," The Center for Social Media of the School of Communications of American University. Available at: <http://www.centerforsocialmedia.org/fair-use/related-materials/codes/code-best-practices-fair-use-media-literacy-education> (last visited May 25, 2011)

### **3.1 Network News Organizations:**

Most U.S. television network news organizations<sup>70</sup> have websites that provide streaming news stories. Each website has a feature that allows the user to search by topic. CBS News (<http://www.cbsnews.com/>) has a search feature that allows the user to search by topic then further narrow the search by time range, news story subject, media type, and type of news program. CBS also has a YouTube channel. ABC News (<http://abcnews.go.com/>) includes a search function that allows a limited organization of videos by date or relevance. ABC News has a YouTube and Hulu channel. When ABC removes old videos from its website they can often be found on Hulu. CNN (<http://www.cnn.com/>) allows a subject search of videos by date or relevance. CNN also has a YouTube channel. Fox News Channel (<http://www.foxnews.com/>) allows for search by topic with further narrowing by media type and date or relevance. Fox has a YouTube and Hulu channel. Bloomberg (<http://www.bloomberg.com/>) allows a search by subject with a sort by media type and date or relevance. Bloomberg also has a YouTube channel. PBS (<http://www.pbs.org/>) allows a keyword search of the whole website or by program. The latter seems to yield the most fruitful results.<sup>71</sup>

### **3.2 Vanderbilt Television News Archive: <http://tvnews.vanderbilt.edu/>**

This archive, collected in partnership with the Library of Congress is one of the most complete television news archives in the world. The archives include the ABC, CBS and NBC evening news programs since 1968 as well as one hour a day of CNN news since 1995 and Fox News since 2004. There are also special collections of other news programs. News broadcasts can be borrowed by universities for instructional use at \$50 per half hour of programming. The librarians will compile a group of news segments as a DVD at a cost of \$17 per news segment. It should be emphasized that because of copyright restrictions, these DVDs are considered loans and the DVD must be returned. An institutional sponsorship is available for universities in the U.S. and Canada, the cost of which is based on the number of full-time equivalent students at the borrower university. The sponsorship allows streaming video for some parts of the collection.

### **3.3 NBC News Archives: <http://www.nbcnewsarchives.com>.**

This site has a search and advanced search function that allows for search and ordering from decades of NBC news archives.

### **3.4 C-SPAN Video Library: <http://www.c-spanvideo.org/videoLibrary/> .**

Again, one can search by topic that can be sorted by date or relevance.

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<sup>70</sup> This section of the project is limited to U.S. television networks. Many foreign news networks have similar resources. For example the Canadian Broadcasting Corporation allows keyword searches sorted by date or relevance at <http://www.cbc.ca/>

<sup>71</sup> CNBC has a website that allows searches of their video resources by topic. The Fox Business Channel can be searched at the Fox News Channel website. The tax videos of both CNBC and Fox Business often yield opining rather than reporting.

## Part IV: Course Design of *Contemporary Tax Issues*:

It is anticipated that most users of this project will employ it to identify specific video resources to incorporate into already existing tax courses. An alternative would be to combine the use of many of these resources and a few others into a single course, entitled *Contemporary Tax Issues*. The videos listed below would require about 8 ½ hours of class time over the course of a semester or quarter. There are about 4 ½ hours of homework video viewing. Some issues such as capital gains and the alternative minimum tax, at least as of now, do not lend themselves well to news-related video supplementation. A course design outline follows:

**Course Title:** Contemporary Tax Issues

**Prerequisite:** A basic tax course

### Learning Objectives:

1. To better understand some of the most important tax issues of this generation.
2. To better understand the influence of taxes on politics and politics on taxes.
3. To understand major tax reform proposals and the issues they raise.
4. To reinforce critical concepts learned in basic taxation courses.
5. To learn to “read” documentary film as argument through analyzing elements of rhetoric.

### Course Outline: (Organized by Instruction Block)

1. American Attitudes Toward Taxation
  - Video: *A New Spirit* (note 3)
  - Video: Irate telephone caller to C-SPAN’s Washington Journal *Tax Collection Methods*, (note 12) at 15:14 of the program.
  - Videos: A selection of Presidential Political Ads (note 7)
2. The History of United States Taxation/ Understanding U.S. Tax Structure
  - Video: The first forty minutes of *An Inconvenient Tax* (note 1)
3. Overview of the United States System of Taxation---How a bill gets passed by Congress and the Role of Compromise
  - A Case Study—The Extension of President Bush’s Income Tax Rate Cuts for High Earners in late 2010. This case study consists of ten news stories viewed chronologically. All are less than three minutes in length. The video clips are preceded by a lecture on the historical background of the cuts.<sup>72</sup>

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<sup>72</sup> For historical reference see, for example, discussion supplement on taxes for “The Choice 2000,” Frontline, 2000 at <http://www.pbs.org/wgbh/pages/frontline/shows/choice2000/issues/taxpolicy.html>

1. Video: *Bush's 2000 Tax Cut Promises*,<sup>73</sup> CBS News, Sept. 3, 2004.
2. Video: President Bush's State of the Union Address Jan. 20, 2004.<sup>74</sup>
3. Video: *Goodbye to Bush tax cuts?*<sup>75</sup> CBS News Feb. 26, 2009
4. Video: *Tax Cuts for the Wealthy To End*,<sup>76</sup> CBS News, Aug 6, 2010.
5. Video: *Obama Pushes for New Recovery Plan*,<sup>77</sup> CBS Early Show, Sept 8, 2010
6. Video: *Obama's Plan for Bush Tax Cuts*<sup>78</sup> CBS News, Sept. 13, 2010
7. Video: *Tax Cut Showdown*,<sup>79</sup> CBS Early Show, Dec. 2, 2010
8. Video: *Obama: Deal With GOP on Tax Cuts*,<sup>80</sup> CBS Evening News, Dec. 6, 2010
9. Video: *Tax Cut: Deal or No Deal?*<sup>81</sup> CBS News, Dec. 15, 2010.
10. Video: *Obama Signs Tax Cut Bill*,<sup>82</sup> CNN, Dec. 17, 2010.

#### 4. Taxes and Fiscal Policy

- Homework Assignment: *I.O.U.S.A.* (note 9)
- Video: *I.O.U.S.A. Solutions* (note 10)

#### 5. The Tax Gap

- Video: Tax Collection Methods, a C-SPAN interview with Nina Olson, I.R.S. Taxpayer Advocate. (note 12)

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<sup>73</sup> *Bush's Tax Cut Promises*, CBSNews.com, Sept. 3, 2004 at

<http://www.cbsnews.com/video/watch/?id=639558n>

<sup>74</sup> *Bush's View on Tax Cuts*, Excerpt from the State of the Union Address, CBS News, Jan. 20, 2004 at

<http://www.cbsnews.com/video/watch/?id=594652n&tag=mncol:lst:4> . President Bush reiterated his position in subsequent State of the Union Addresses. See, for example, *Bush: Make Tax Cuts Permanent*, CBS News Jan.31, 2006 at <http://www.cbsnews.com/video/watch/?id=1264927n&tag=mncol:lst:5>

<sup>75</sup> *Goodbye To the Bush Tax Cuts*, CBS Evening News, Feb. 26, 2009

<http://www.cbsnews.com/video/watch/?id=4832588n&tag=mncol:lst:1>

<sup>76</sup> *Tax Cuts for the Wealthy To End*, CBS Evening News, August 6, 2010 at

<http://www.cbsnews.com/video/watch/?id=6750826n&tag=mncol:lst:3>

<sup>77</sup> *Obama Pushes for New Recovery Plan*, CBS Early Show, Sept 8, 2010 at

<http://www.cbsnews.com/video/watch/?id=6845395n&tag=mncol:lst:1>

<sup>78</sup> *Obama's Plan for Bush Tax Cuts*, CBS Evening News, Sept. 13, 2010

<http://www.cbsnews.com/video/watch/?id=6863138n>

<sup>79</sup> *Tax Cut Showdown*, CBS Early Show, Dec. 2, 2010 at

<http://www.cbsnews.com/video/watch/?id=7110004n&tag=mncol:lst:8>

<sup>80</sup> *Obama: Deal With GOP on Tax Cuts*, CBS Evening News, Dec. 6, 2010 at

<http://www.cbsnews.com/video/watch/?id=7123766n&tag=mncol:lst:1>

<sup>81</sup> *Tax Cut: Deal or No Deal?* CBS Early Show, Dec. 15, 2010.at

<http://www.cbsnews.com/video/watch/?id=7152381n&tag=mncol:lst:10>

<sup>82</sup> Obama Signs Tax Bill, CNN, Dec. 17, 2010 at

<http://www.cnn.com/video/#/video/politics/2010/12/17/bts.obama.tax.bill.signing.cnn?iref=videosearch>

6. The Role of Tax Professionals
  - Homework Assignment: *Inside the I.R.S.* National Geographic (note 16)
  - Video: *Taxes Three Ways*, Current TV (note 20)
  - Video: *Pakistan's dual gender tax collectors*, CNN (note 19)
  - Video: *Tax Masters Racket*, ABC Nightline (note 22)
  
7. Specific Federal Taxation Issues: The Cost of Federal Income Tax Exclusions, Deductions and Credits; Capital Gains and Dividends Tax Rates; Double Taxation of Corporate Profits; and the Alternative Minimum Tax.
  
8. The Problem of Tax Shelters
  - Video: *Tax Me If You Can*, Frontline (note 41)
  - Video: *Is the United States a Tax Shelter?*, Al-Jazeera English (note 53)
  
9. The Problems of Transfer Pricing and Tax Havens
  - Video: *U.S. Firms Dodge Billions of Taxes by Moving Profits Overseas* (note 51).
  - Video: *The New Tax Havens*, 60 Minutes, CBS (note 52)
  - Video: *A Crack in the Swiss Vault*, 60 Minutes, CBS (note 49)
  - Homework Assignment: *Tax Me If You Can*, Four Corners, Australian Television (note 48)
  
10. The Unintended Tax Consequences of Legislation
  - Video: *Rising Tide* (note 23)
  
11. State Tax Structure
  - Video: *Taxing The Poor* (note 24)
  - Video: *Deficits: Taxing the Rich* (note 26)
  - State Tax Gap:
    - Video: *The Legacy of Prop 13* (note 28)
    - Video: *Online Shoppers Avoid Sales Tax in California--* taxing internet sales (note 29)
    - Video: *Eccentric Eddie Explains Missouri's Show-Me Green Sales Tax Holiday*, MOGov (note 31)
    - Video: *Louisiana Second Amendment Weekend Sales Tax Holiday*, Louisiana Department of Revenue (note 32)
  
12. Public Attitudes Toward the I.R.S. and Tax Protestors
  - Video: *Car Wash Owes 4 Cents to I.R.S.*, (note 18)
  - Video: *Tax Revolt*, (note 38)
  - Video: *Battle of Trafalgar- the UK Poll Tax Riot*, Despite TV (note 40)
  - Homework Assignment: How far should a government go to recover tax revenue? Video: *A Taxing Woman* (note 65)

### 13. Elements of Tax Reform and Alternative Tax Systems

- Video: *Taxes Mac Parody* (note 56)
- Video: *Tax Justice*, Religion and Ethics NewsWeekly (note 54)
- Video: *Congress ready to play poker?* CNN (note 56)
- Video: The last half hour of *An Inconvenient Tax* (note 1)

### ***Conclusion:***

The goal of this project is to provide tax educators with a bank of tax-related non-fiction film and video resources to enliven courses and enhance student learning. Capturing and cataloging tax and other video subjects on the internet are in their infancy and improvements are needed. It is still easy to miss worthwhile video offerings, especially those produced at the local and international levels. What is clear is that new opportunities to advance tax education through video resources are now only a few keystrokes away.