

Learning about Legislation #14 - The American History of Income Taxes

With this wretched GOP tax bill on the precipice of being signed into law, I thought it would be interesting to look at some snippets from the American history of taxation. The Library of Congress provides a short recap of [the history of income taxation](#) in their Business Reference Services section.

The origin of the income tax on individuals is generally cited as the passage of the 16th Amendment, passed by Congress on July 2, 1909, and ratified February 3, 1913; however, its history actually goes back even further. During the Civil War Congress passed the Revenue Act of 1861 which included a tax on personal incomes to help pay war expenses. The tax was repealed ten years later. However, in 1894 Congress enacted a flat rate Federal income tax, which was ruled unconstitutional the following year by the U.S. Supreme Court because it was a direct tax not apportioned according to the population of each state. The 16th amendment, ratified in 1913, removed this objection by allowing the Federal government to tax the income of individuals without regard to the population of each State.

In the process of reviewing the history of tax policy, I also found [a great letter](#) from President Franklin D. Roosevelt to the Ways and Means Committee in the House of Representatives. It is currently hosted on the Department of the Treasury's website, and I am kind of surprised the minions of Treasury Secretary Mnuchin have left it up there. The letter is from June 19, 1935, and it states, in part:

As the fiscal year draws to its close it becomes our duty to consider the broad question of tax methods and policies. I wish to acknowledge the timely efforts of the Congress to lay the basis, through its committees, for administrative improvements, by careful study of the revenue systems of our own and of other countries. These studies have made it very clear that we need to simplify and clarify our revenue laws....

With the enactment of the Income Tax Law of 1913, the Federal Government began to apply effectively the widely accepted principle that taxes should be levied in proportion to ability to pay and in proportion to the benefits received. Income was wisely chosen as the measure of benefits and of ability to pay. This was, and still is, a wholesome guide for national policy. It should be retained as the governing principle of Federal taxation. The use of other forms of taxes is often justifiable, particularly for temporary periods; but **taxation according to income is the most effective instrument yet devised to obtain just contribution from those best able to bear it and to avoid placing onerous burdens upon the mass of our people.**

The movement toward progressive taxation of wealth and of income has accompanied the growing diversification and interrelation of effort which marks our industrial society. Wealth in the modern world does not come merely from individual effort; it results from a combination of individual effort and of the manifold uses to which the community puts that effort. The individual does not create the product of his industry with his own hands; he utilizes the many processes and forces of mass production to meet the demands of a national and international market.

Therefore, in spite of the great importance in our national life of the efforts and ingenuity of unusual individuals, the people in the mass have inevitably helped to make large fortunes possible. Without mass cooperation great accumulations of wealth would be impossible save by unhealthy speculation. As Andrew Carnegie put it, "Where wealth accrues honorably, the people are always silent partners." Whether it be wealth achieved through the cooperation of the entire community or riches gained by speculation—in either case the ownership of such wealth or riches represents a great public interest and a great ability to pay.

As we watch our current Congress pass a tax plan that will greatly burden the middle class and the poor while providing nearly immeasurable benefits to corporations and the wealthiest 1%, I find comfort in the words of FDR. I hope that future sessions of Congress will returned to this well-reasoned and planned philosophy of taxation.

Are there questions that you have about how Congress works, about elections, about voting... or anything to do with government processes? I am looking for topics for future "Learning about Legislation" topics, so please - email me your questions at KierstynPZ@gmail.com - I can't promise that I already know the answer, but I will research the issue and share my findings with our readers in a future segment.