In a letter to Jean-Baptiste Leroy, Benjamin Franklin wrote, “Our new Constitution is now established, and has an appearance that promises permanency; but in the world nothing can be said to be certain except death and taxes.” Franklin knew that a country could not grow or even maintain without income.

Taxes were a prominent issue in regards to the Revolutionary War. England’s taxation of the colonies while providing no representation in Parliament proved to be the breaking point for the colonists. By 1790, the United States government was in debt for 75 million dollars spent on the Revolutionary War. The federal government relied on tariffs and excise taxes to repay the country’s debt. The debt from the Revolutionary War was not paid in full until the 1830s. Tariffs seemed to provide enough income for the government until the late 1890s when tariff revenue declined and government spending increased.

The United States Constitution prohibited the implementation of unapportioned and direct taxation so an amendment to the Constitution was set into motion. The Sixteenth Amendment reads, “The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states and without regard to any census or enumeration.” This amendment was passed by Congress on July 2, 1909 by a vote of 77 to zero in the Senate and 318 to 14 in the House. Ratification did not happen quickly, the required three-fourths of the states to ratify the amendment was not secured until February 3, 1913.

In the beginning, the income tax was modest and affected only one-half of one percent of the population. Personal income was taxed at one percent, but married couples earning less than $4001 dollars were exempt in order to maintain their families. During this time, state officials, federal judges and the president of the United States were exempt from paying taxes.

America’s involvement in World War I would again cause government expenditures to rise. By 1919, the minimum taxable income was reduced to $1000 dollars and the top tax rate was 77 percent. In 1939, only 3.9 million Americans filed income taxes, by 1945, 42.6 million filed. Congress introduced tax withholding in 1943, which was vetoed by President Franklin Roosevelt but Congress overrode his veto.

By World War II, the number of Americans paying income tax rose to 64 percent. Tax rates were relatively low due to tax cuts. Many Americans saw surges in Social Security tax, Medicare, Medicaid, and property taxes. Some local and state taxes increased at a rate of 44 percent faster than inflation. Even with increases, Americans are still among the least taxed citizens of advanced industrial nations.
It is nearly impossible to avoid taxes. Whether you are filling your car at the pump, grabbing a soda or picking up dinner at the grocery store, everything we purchase has tax added to the price. Until the Great Depression, the main source of income for state and local governments was property tax. Illinois included the ability to collect property tax in the first constitution in 1818. The amount of tax owed is in proportion to the value of the property. Originally the state government collected and used property taxes, but in 1839 counties were allowed to tax personal property. The Great Depression brought a collapse in personal income and the state stopped collecting property tax in 1932 replacing it with a state sales tax. Property taxes continued to be the main source of revenue for local government.

In 1930, twenty-three states began using sales tax as a revenue source. In 1933, Illinois adopted a temporary two percent sales tax. The sales tax became permanent and raised to three percent in 1935. The tax again increased in 1984 to five percent and on January 1, 1990 the 6.25 percent sales tax was established. Sales tax revenue is second only to personal income tax in Illinois.

Governor Richard Ogilvie signed the first income tax bill into law in 1969. Illinois had a one billion dollar budget deficit. The flat rate for income tax was set at 2.5 percent, yet this rate has fluxuated over time.

Some people just feel like skipping this whole tax business. Celebrities Martha Stewart, Willie Nelson, Wesley Snipes and many others have been convicted of tax evasion. Stewart had to pay $220,000 dollars in back taxes, Nelson was forced to pay 16 million dollars in back taxes and fines, while Snipes owed 17 million to the government and was sentenced to three years in jail. Illinois has had its share of tax evaders, most famously Al Capone. Capone ran Chicago speakeasies, bookie joints, gambling houses, brothels, horse and race tracks, nightclubs, distilleries and breweries. He also planned the Valentine’s Day Massacre, bribed officials and committed murder, but the government was unable to apprehend him until he didn’t pay taxes on his income reported to be $100,000,000 dollars a year. Capone was found guilty of tax evasion and sentenced to ten years in federal prison serving out his term at Alcatraz.

How did tax day become April 15th? Congress decided which day taxes would be due, but it wasn’t always April 15th. After the Sixteenth Amendment was adopted, Congress declared March 1st as the deadline for taxes. With the Revenue Act of 1918 the date moved to March 15th, and in 1955, Congress decided on another change to April 15.

Places to go & primary sources to see

Your Tax Dollars at Work:

When we think of paying taxes, it usually isn’t a warm, fuzzy feeling. There will always be taxes to pay, so with that in mind we should look at it differently. The roads and bridges on which we travel, schools our children attend, parks where we relax or play, and some local buildings are primary sources paid for with tax dollars. Many education and health and safety resources are funded by taxes. Imagine no parks for play, no museums to view amazing artifacts or no one to help in times of emergency. These are a fraction of entities supported by tax dollars. If this is not enough and you received a tax refund check, take a good look at it because it is also a primary source.
It was believed the Civil War would be a relatively short war and fairly inexpensive, but in reality it was exhaustingly long, extremely bloody and very expensive. In the beginning, Treasury Secretary Salmon Chase believed the North could finance the war by borrowing money. The war proved to be too long to fund just by borrowing, President Lincoln signed the Revenue Act of 1862 to help partially fund the war. This act created the first federal income tax. It also created the Office of Internal Revenue and federal adhesive revenue stamps. The Revenue Act of 1862 was passed by Congress on July 1, 1862. The income tax was the largest single tax source bringing in over $340 million over ten years. Taxes were paid by residents of Union states. When a Confederate state fell under Union control, their residents began paying these Civil War taxes. The income tax was a progressive tax with rates starting at three percent on incomes between $600 and $10,000 dollars, above $10,000 dollars the tax rose to five percent. Wage and salaries, interest and dividends were all taxed and there were no exemptions for children.

Penalties were steep for those who didn’t pay taxes. The Revenue Act of June 30, 1864 made it the duty of any citizen liable to annual tax to file a list of income or luxury items by the first Monday in May. Failure to file resulted in an assistant assessor estimating the taxpayers worth plus a penalty of an additional 25 percent of the tax. If a false or fraudulent statement was submitted, an assessor would estimate the true value and tax accordingly with a fine of 100 percent of the taxed total. If taxpayers felt the amount of tax was incorrect or unfair there was no recourse since the tax forms stated “there can be no appeal.”

Civil War taxes continued after the end of the war. Citizens continued to pay income and other taxes for seven years after the war ended. Constitutional challenges began to rise between 1868 and 1881 to the validity of the Civil War taxes on income. Fifteen years after the end of the Civil War taxes, Congress passed a two percent income tax. The Supreme Court declare that income tax was a direct tax and thus unconstitutional. This decision would lead to the ratification of the Sixteenth Amendment.

The Civil War income tax was just a part of a system that included federal duties, stamp taxes and fees. David A. Wells, Chairman of the United States Revenue Commission in 1865, described the tax system as “whenever you find an article, a product, a trade, a profession, or a source of income, tax it!” The Civil War cost the United States Government almost three billion dollars. Even with these taxes the debt of the Civil War still would not be paid off by World War I.

The Confederacy had difficulty funding the Civil War. High tariffs were one of the reasons the southern states was at war, so substantially increasing tariffs was not an option. Taxes would prove ineffective because land and slaves were the bulk of southern capital and the citizens did not have the means to remit payments. The Davis administration turned to loans to finance the initial bulk of war debts. The Confederate Treasury began issuing bonds. The first issue proved profitable earning 15 million. A second issue proved less popular with few southerners having the cash to purchase them. The Confederate fell victim to the printing press and began printing Confederate Treasury notes to pay the ever rising amount of bills accumulated in running a war. In just the first year, 75 percent of the Confederate government’s total revenue was from printed Confederate Treasury notes. The whole foundation of financing the war for the Confederacy consisted of over 1.5 billion in paper dollars that began to depreciate as soon as they left the printing press. Not only was this paper money nearly worthless, it could also be easily counterfeited.

In April 1863, the Confederacy followed the Union in enacting comprehensive legislation that included a progressive income tax, an eight percent levy on certain goods held for sale, excise, and license duties, and a ten percent profits tax on wholesales. The legislation gave an exemption on slaves, the one lucrative property owned by the wealthy. A tax on slaves was considered to be a direct tax and permissible only after an apportionment on the basis of population, since the Confederacy was formed so quickly there was no time to perform a census. In February 1864, a five percent tax was imposed on land and slaves but it was too late to help the Confederate war effort.
The Library of Congress offers classroom materials and professional development to help teachers effectively use primary sources from the Library’s vast digital collections in their teaching. http://www.loc.gov/teachers

Presentations and Activities offer media-rich historical context or interactive opportunities for exploration to both teacher and students. http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/

American Memory Timeline: To The Worthy Inhabitants of New York, 1773 http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/presentations/timeline/amrev/rebelln/worthy.html Students can read a broadside concerning the right of England to tax tea.

American Memory Timeline: A Committee Reports on Import Duties http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/presentations/timeline/newnatn/confed/doctwo.html In the following document, a committee of the Confederation Congress reported on an act passed by the New York State legislature concerning the collection of import duties.


The Colonies Move Toward Open Rebellion, 1773-1774 http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/presentations/timeline/amrev/rebelln/ King George and Parliament were facing money problems and were determined to assert their power to tax the colonies.

Teacher created lesson plans using Library of Congress primary sources. www.loc.gov/teachers/classroommaterials/lessons

The Huexotzinco Codex http://www.loc.gov/teachers/classroommaterials/lessons/codex/index.html Students will analyze a set of pictograph documents created by native peoples of Puebla, Mexico in 1531. Students will take on the role of historians, study the documents, and create a scenario to explain what these documents were for, who created them, and why. The codex was an accounting of excess taxation and students will decode the images and tabulate the quantities of goods paid to the local government.


“I do Solemnly Swear ..” Presidential Inaugurations http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/ The reduction of taxes and the national debt have been familiar presidential platforms since Thomas Jefferson discussed them in his 1805 inaugural address. In eras of both prosperity and recession, the economic outlook for the nation has been a familiar part of the inaugural address,
America’s Story
Created for children, the Library of Congress, America’s Story wants you to have fun with history while learning at the same time through interactive games and stories. http://www.americaslibrary.gov

Jump Back in Time
Take a trip to an era in American History http://www.americaslibrary.gov/jb/

April 15, 1913: Tax Day http://www.americaslibrary.gov/jb/progress/jb_progress_taxday_1.html Income taxes have become such a common part of our lives, that it is hard to imagine that at one time there was no income tax in the United States.

Exhibitions
Discover exhibitions that bring the world’s largest collection of knowledge, culture, and creativity to life through dynamic displays of artifacts enhanced by interactivity. www.loc.gov/exhibits

Benjamin Franklin In His Own Words http://www.loc.gov/exhibits/treasures/franklin-cause.html Benjamin Franklin briefly support the 1765 Stamp Act that levied a tax on the colonies. He later became an opponent when he learned of the colonial opposition to the act.

Huexotzinco Codex, 1531 http://www.loc.gov/exhibits/treasures/trt045.html The Huexotzinco Codex is an eight sheet document used in the testimony of a legal case against representatives of the colonial government in Mexico. The Spanish colonial administrators forced Nahau Indians to pay excessive taxes in the form of goods and services.

Today in History
Each day an event from American history is illustrated by digitized items from the Library of Congress American Memory historic collections. http://www.loc.gov/ammem/today

April 15, 1913: Tax Day http://memory.loc.gov/ammem/today/apr15.html From the beginning, the United States raised revenue through taxes. The first income tax was collected during the Civil War, but not until the Sixteenth Amendment was ratified in 1913 would income tax become constitutional.

Wise Guide


Webcasts
Streaming video presentations on all sorts of subjects from book talks by authors, scientific breakthroughs in preservation, and historical footage from the dawn of film. http://www.loc.gov/today/cyberlc


Chronicling America
Search America’s newspapers from 1836-1922 or use the U.S. Newspaper Directory to find information about American newspapers published between 1690-present. A search for taxes returns thousands of results both for and against taxes. http://chroniclingamerica.loc.gov/
American Memory provides free and open access through the Internet to written and spoken words, sound recordings, still and moving images, prints, maps, and sheet music that document the American experience. It is a digital record of American history and creativity. These materials, from the collections of the Library of Congress and other institutions, chronicle historical events, people, places and ideas that continue to shape America, serving the public as a resource for education and lifelong learning. http://memory.loc.gov/ammem/index.html

Abraham Lincoln is one of 23 presidents whose papers are in the Library of Congress. Abraham Lincoln was the first president to issue an income tax during the Civil War. A search for taxes will result in over 100 returns. Many different tax issues are found in the Lincoln papers, issues dealing with taxing Confederate states not in rebellion, forgotten property taxes and an assessed tax of one hundred and fifteen cents on one hundred dollars of real property are just a few of the letters found that deal with taxes.

The Thomas Jefferson Papers, 1606-1827 http://memory.loc.gov/ammem/collections/jefferson_papers/
The complete Thomas Jefferson Papers consist of approximately 27,000 documents, the largest collection of original Jefferson documents in the world. Dealing with the matters related to a new country, you can read letters to and from Thomas Jefferson on the topic of taxes. Most taxes during this time were in the form of tariffs and duties, Jefferson kept detailed receipts and reports, many resemble a spreadsheet, on estimated taxes and duties, French wine taxes and many more.

This complete collection of George Washington Papers consists of approximately 65,000 documents, like Thomas Jefferson’s papers, this is the largest collection of original George Washington documents in the world. Even during Washington’s term as president taxes were a point of debate. Washington was a general during the Revolutionary War, a war fought over taxation and other issues. But how do you run a country without income? That was a problem that needed tackled. In Washington’s papers you can find documents dealing with land tax, revenue tax, a Revolutionary War expense account and many letters discussing taxes.

Nineteenth Century in Print: Periodicals http://memory.loc.gov/ammem/ndpcoop/moahtml/snchome.html
Taxes seem to be a hot topic no matter what the year. In these nineteenth century periodicals, journalist wrote articles both for and against many different kinds of taxes. Included are magazines of general interest such as Atlantic Monthly and Harper’s New Monthly Magazine and titles catering to a specific audience like Scientific American and Manufacturer and Builder. Articles that pertain to taxes include, Napoleon Bonaparte on the Despotism Tax, Shall Incomes be Taxed, Tom Thumb and the Income Tax plus much more.

By the People, For the People: Posters from the WPA http://memory.loc.gov/ammem/wpaposters/wpahome.html
In 1935, President Franklin Delano Roosevelt established the Works Progress Administration (the name was changed to Work Projects Administration in September of 1939), as part of his New Deal program to put millions of unemployed Americans back to work. In July of 1935, Federal Project Number One was established within the WPA as a central administration for the arts-related projects. Federal One provided funds specifically for artists, musicians, actors, and writers funded through tax dollars. FAP employed more than five thousand artists in various art projects including the many poster divisions that were created throughout the United States.

American Life Histories Manuscripts from the Federal Writers’ Project, 1936-1940 http://memory.loc.gov/ammem/wpaintro/wpahome.html
During the Great Depression of the 1930s, when as many as one out of four Americans could not find jobs, the federal government stepped in to become the employer of last resort. The WPA included a provision for unemployed artists and writers: the Federal Arts Projects. If they
were poor enough to qualify, musicians, actors, directors, painters and writers could work directly for the government. At its peak, the Writers' Project employed about 6,500 men and women around the country, paying them a subsistence wage of about $20 a week. The Federal Writers' Project left a hidden legacy. In the late 1930s, Federal Writers recorded the life stories of more than 10,000 men and women from a variety of regions, occupations and ethnic groups some are found in this collection.

The New Deal Stage: Selections from the Federal Theatre Project 1935-1939 http://memory.loc.gov/ammem/fedtp/fthome.html The Federal Theatre Project was the largest and most ambitious effort mounted by the Federal Government to organize and produce theater events. It was an effort of the administration of President Franklin Delano Roosevelt to provide work for unemployed professionals in the theater during the Great Depression. The Federal Theatre Project was one of four (subsequently five) arts-related projects called Federal Project Number One, established under the Works Progress Administration during Roosevelt's first term. The WPA was created through Executive Order No. 7034 issued on May 6, 1935. While the primary aim of the FTP was the reemployment of theater workers on public relief rolls, including actors, directors, playwrights, designers, vaudeville artists, and stage technicians, it was also hoped that the project would result in the establishment of theater so vital to community life that it would continue to function after the FTP program was completed.

A Century of Lawmaking for a New Nation, U.S. Congressional Documents and Debates, 1774-1875 http://memory.loc.gov/ammem/amlaw/lawhome.html Beginning with the Continental Congress in 1774, America’s national legislative bodies have kept records of their proceedings. The records of the Continental Congress, the Constitutional Convention, and the United States Congress make up a rich documentary history of the construction of the nation and development of the federal government and its role in the national life.

Prints and Photographs The collection of the Prints and Photographs Division include photographs, fine and popular prints and drawings, posters, architectural and engineering drawings. http://www.loc.gov/pictures

Harris and Ewing Collection http://www.loc.gov/pictures/collection/hec/ The Harris and Ewing Collection of photographic negatives include glass and film negatives taken by Harris & Ewing Inc. Politics dominate this collection since the photographs are taken in Washington D.C., congressional tax hearings, tax evasion hearings and representatives from different groups opposing tax increase or requesting an increase are topics of images found in this collection.

National Photo Company Collection http://www.loc.gov/pictures/collection/npco/ The National Photo Company Collection documents virtually all aspects of Washington, D.C., life. During the administrations of Presidents Wilson, Harding, Coolidge, and Hoover, the National Photo Company supplied photographs of current news events in Washington, D.C., as a daily service to its subscribers. It also prepared sets of pictures on popular subjects and undertook special photographic assignments for local businesses and government agencies. The images date between ca. 1850 and 1945; the bulk of the images were created between 1909 and 1932.

Cartoon Drawings http://www.loc.gov/pictures/collection/acd/ The Cartoon Drawing filing series offers more than 9,000 original drawings for editorial cartoons, caricatures and comic strips spanning the late 1700s to the present, primarily 1880 to 1980. The cartoons cover people and events around the world, but most of the images were intended for publication in American newspapers and magazines. Taxes is a popular subject with a search producing over 200 cartoons. Income tax, wartime tax, taxes on businesses and the politicians that support the taxes are humorously portrayed in these cartoons. Before you pay your income tax this year read a few of these cartoons and have a laugh.
The Source             www.eiu.edu/eiutps

Prints and Photographs

Library of Congress
Camp Lee, Virginia. Even as you and I, the soldier at this time of year may be found, whenever there is time, scratching his head over the complexities of his income tax return. Private Jack Lewis is deep in the annual problem.

Library of Congress
Confederate one hundred dollar bill

Library of Congress
Children playing on jungle gym, Greenbelt Md.

American Memory

Library of Congress
Photographs from the Chicago Daily News, 1902-1933
Forged tax receipt

Library of Congress
An American Time Capsule: Three Centuries of Broadsides and Other Printed Ephemera
Collector’s notice. To the tax payers of Macoupin County  B.T. Burke, Collector of Macoupin County, Carlinville, June, 1839

Library of Congress
Photographs from the Chicago Daily News, 1902-1933
Crowds paying special assessment taxes at City Hall

Library of Congress
A Century of Lawmaking for a New Nation: U.S. Congressional Documents and Debates, 1774-1875
H.R. 312

Citations: