

## Background to the 16<sup>th</sup> Amendment

The high costs of the Civil War led to the first income tax in the US in 1861. Initially it was a flat tax for all incomes over \$800, meaning that all persons making more than \$800 a year had to pay 3% to the government, regardless of total income earned in a year. Later this was changed to include a graduated tax, meaning that the more money one earned, the more money one paid. By 1872 the income tax was discontinued, but not for long.

The economy after the Civil War did not grow equally throughout the nation, eastern industrial and financial markets went way up, while southern and western farmers struggled due to low prices of their products versus high costs of manufactured goods. Farmers rallied behind various political organizations whose aims were to reform the economic inequalities throughout the second half of the 19<sup>th</sup> century.

The Supreme Court struck down a 2 percent tax on income over \$4,000 passed by Congress in 1894, leading many to cry conspiracy against the farmer by business and government. The upswing of the economy by the turn of the century, however, resulted in a quieter call for reform.

During the Progressive Era, in 1909, an income tax was proposed in Congress. Believing that it would never be passed by three-fourths of state legislatures, conservatives proposed a constitutional amendment (for an income tax). However, by February of 1913, the 16<sup>th</sup> amendment had the required number to be ratified.

Controversy surrounding the income tax still exists today, with many on both sides of the issue arguing passionately for or against it.

## Transcript of 16th Amendment to the U.S. Constitution: Federal Income Tax (1913)

### Sixty-first Congress of the United States of America, At the First Session,

Begun and held at the City of Washington on Monday, the fifteenth day of March, one thousand nine hundred and nine.

#### JOINT RESOLUTION

#### Proposing an amendment to the Constitution of the United States.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein),* That the following article is proposed as an amendment to the Constitution of the United States, which, when ratified by the legislature of three-fourths of the several States, shall be valid to all intents and purposes as a part of the Constitution:

"**ARTICLE XVI.** 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."

### Questions

1. What is an income tax? (If needed, use a dictionary or encyclopedia)
2. When and why was the first income tax introduced in the US?
3. Describe a flat tax in your own words as much as possible. (If needed, use a dictionary or encyclopedia)
4. Describe a graduated tax in your words as much as possible. (If needed, use a dictionary or encyclopedia)
5. In your opinion, which type of income tax seems "fairer" or more equitable and why?
6. Was the income tax ever stopped in the US, if so when?
7. What does it mean when the Supreme Court strikes down a law? (Might need a textbook to answer)
8. Why might an improved economy lead to people abandoning the call for change, in your opinion?
9. What is the difference between a law and a constitutional amendment? (If needed use a dictionary or encyclopedia)
10. What percentage is three-fourths?
11. When was the 16<sup>th</sup> amendment passed and how was it done?
12. In reading the text of the 16<sup>th</sup> amendment, who will Congress collect taxes from?
13. The second half of the sentence makes it clear that it does not matter how many people are counted in the census, that Congress can still collect taxes. Do you agree or disagree with this? In other words, if there are less/more citizens should it matter how much money Congress collects? Why or why not?
14. What types of things do income taxes in the US pay for? (If needed, use an encyclopedia, textbook, or other research tool)

## Answers

1. Money paid on a persons earnings.
2. In 1861 to help pay for the Civil War.
3. Answers will vary but ought to address: A flat tax is when all persons pay the same percentage of their income regardless of how much you make.
4. Answers will vary but ought to address: A graduated tax requires higher earners to pay more and lower earners to pay less; it is like a sliding scale.
5. Answers will vary but ought to include reasons.
6. It was stopped after 1872.
7. The Supreme Court overturns a law and deems it unconstitutional.
8. Answers will vary but might include: If people are more comfortable and able to provide for themselves generally they do not want to change anything.
9. A law can only be passed by Congress, is subject to Supreme Court analysis if challenged, while a constitutional amendment cannot be changed once ratified except by another amendment.
10. 75
11. It was passed by state legislatures and ratified in 1913.
12. Individuals, rather than states for example
13. Answers will vary but ought to include reasons
14. Policemen, firemen, roads, highways, Department of Motor Vehicles, etc