

**The article:****Following Perry, we dive into income tax history**By [Meghan Ashford-Grooms](#)

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Think Republican Gov. Rick Perry's beef with the federal government begins with the current administration in Washington? Think again.

During recent appearances to promote his book "Fed Up! Our Fight to Save America From Washington," Perry pointed to an early 20th-century leader — Democrat Woodrow Wilson — while bemoaning the creation of the federal income tax.

Appearing Nov. 4 on the CNN show "Parker Spitzer," Perry was asked what he is "most fed up about."

The governor's response: "Washington has abused the Constitution. You go back to ... Woodrow Wilson, we start, you know, with the 16th Amendment and allow for the income tax to be used to start funding all of these programs of government."

Four days later, Perry brought up the nation's 28th president again on Comedy Central's "The Daily Show," telling host Jon Stewart that Washington lost its way about 100 years ago.

"Seriously?" Stewart said.

"Yeah," Perry said. "Wilson and the Progressive movement started ..." He paused and then continued. "The 16th Amendment. If you want to know when Washington really got off the track, the 16th Amendment, giving them the opportunity to take your money with a personal income tax."

On Nov. 9, an entry on the Houston Chronicle's Politics blog said: "Perry told Stewart, basically, that all our trials, Lord, began with Woodrow Wilson and the Progressive Era, particularly the passage of the 16th Amendment establishing the federal income tax."

Although Perry's statements about Wilson and the 16th Amendment have largely been of the guilt-by-association ilk — difficult to test on the PolitiFact Truth-O-Meter — they piqued our curiosity. We decided it was time for a history lesson.

Objecting to the 16th Amendment isn't new, particularly in Texas. In 1959, the Texas House and Senate joined a handful of state legislatures in passing a resolution in favor of the so-called Liberty Amendment, which, among other things, called for repeal of the 16th Amendment. U.S. Rep. Ron Paul, R-Lake Jackson, who has twice run for president, has repeatedly introduced the same proposal as a constitutional amendment in the U.S. House.

Recently, conservative commentator Glenn Beck has pounded the Progressive Era and Woodrow Wilson on his Fox News show, arguing that the period of political and social reform was the origin of the United States' embrace of big government. And the push for a repeal of the 16th Amendment gained further traction this year as some so-called tea party candidates, including Republican U.S. Senate nominee Sharron Angle of Nevada, expressed support for such a move, according to Associated Press reports.

But the income tax didn't originate in Wilson's era. Indeed, Americans first paid an income tax 50 years earlier. Congress approved a federal income tax in 1861 to help cover the expenses of the Civil War; it expired in 1872.

Then in 1894, Congress agreed to impose a flat-rate income tax of 2 percent on incomes over \$4,000. But in 1895, the U.S. Supreme Court declared that approach unconstitutional because the tax was not apportioned according to the population of each state, as the Constitution then required. (That meant, for example, that if 5 percent of the U.S. population lived in Virginia, no more than 5 percent of the tax's total revenue could come from Virginia.)

The 16th Amendment removed this constitutional barrier by authorizing Congress to collect taxes on individual incomes "without apportionment among the several States, and without regard to any census or enumeration." It was ratified by the states in February 1913, a month before Wilson's inauguration.

But the groundwork for the reintroduction of the federal income tax had been laid years earlier, and both parties wielded the shovel. One of the major issues was fairness. That's because in the late 1890s, the government's primary revenue source was tariffs — essentially, consumption taxes on items imported into the United States, said Joseph Thorndike, director of the Tax History Project at the Falls Church, Va.-based group Tax Analysts.

As historian John Buenker wrote in a 1981 article in the Cato Journal, a publication of the libertarian Cato Institute, there was no federal tax that "did not fall directly upon what economist E.R.A. Seligman referred to as 'things men eat and wear.'"

Consumption taxes are typically seen as regressive, meaning they are most burdensome to people with the least money. "The nation was becoming increasingly aware that high tariffs and excise taxes were not sound economic policy and often fell disproportionately on the less affluent," according to

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the U.S. Treasury Department's "History of the U.S. Tax System" Web page.

Among the proponents of a new federal income tax were groups associated with the Progressive era, which began around the turn of the century as a response to changes wrought by industrialization, urbanization and corporate capitalism.

"The single most important reason for the eventual enactment of the federal income tax," wrote Buenker, "was a growing conviction among people from all walks of life that the existing tax system failed to reach the great fortunes that had amassed as a result of industrialization."

When President Theodore Roosevelt, a Republican, gave a 1906 speech in which he spoke in favor of a graduated income tax, he "emphasized the responsibility that men of wealth owed to the state because they derived 'special advantages from the mere existence of government,'" according to Roy and Gladys Blakey's 1940 book "The Federal Income Tax."

In 1909, during Republican William Howard Taft's presidency, Southern and Western lawmakers from both parties helped bring the issue to a head. According to Buenker, these groups favored a federal income tax, feeling that their regions were bearing too much of the national tax burden compared with the industrial Northeast, with its strong manufacturing base and concentrated wealth.

Taft was no fan of a personal income tax, but he agreed to back a constitutional amendment that would authorize it anyway.

How come? According to the Tax History Museum, a website maintained by Tax Analysts, Taft took the view that since ratification by the states was "far from certain anyway, the amendment might defuse the income tax issue indefinitely, allowing it to simply fade away in the state legislatures."

But it didn't fade away. In 1909, Congress approved what would become the 16th Amendment "by overwhelming votes," according to the "Historical Dictionary of the Progressive Era." Three-fourths of the states were required to ratify the proposed amendment for it to take effect. In August 1910, Texas became one of the earliest to sign off on the amendment. By 1913, the year Wilson became president, ratification was complete, and Congress approved legislation creating the new income tax that October. Wilson signed it into law.

Clearly, others besides Wilson — including Republicans — were also instrumental in bringing about the income tax. Professor Ann Thomas of New York Law School, who is writing a book on the development of the modern income tax system, told us: "Whatever may be said about its place in party politics today, the enactment of the 1913 income tax resulted from wide bipartisan support for the kind of political compromise that it represented. ... Most historians agree that all three of the major presidential candidates in 1912 — Taft, Theodore Roosevelt and Wilson — supported the federal income tax."

Thorndike, of the Tax History Project, told us that Wilson was "enthusiastic about income taxation because he was a Democrat, but to lay it at his feet is to exaggerate the role of that particular president."

In his book, Perry cites Buenker's article to say that the new federal income tax was promised as a levy that would be paid by only the wealthiest Americans.

Other accounts support this notion. According to the Tax History Museum, the new legislation included a tax of 1 percent on individual incomes over \$3,000, plus a variable surtax on incomes above \$20,000. The highest surtax — 6 percent — was paid by people earning more than \$500,000. At that time, according to the Treasury Department's site, "less than 1 percent of the population paid income tax."

During World War I and Wilson's presidency, which lasted until 1921, Congress greatly increased tax rates to pay for expenses related to the conflict. Even so, only about 5 percent of the U.S. population paid federal income taxes in 1918, according to the Treasury site.

During World War II, as a result of new changes in tax law, the number of payers went from less than 8 million to nearly 50 million — about 35 percent of the U.S. population. Today, about 55 percent of Americans pay personal federal income taxes, according to the Washington-based Tax Policy Center.

Although Perry in his book suggests repealing the 16th Amendment to choke off the revenue stream from income taxes, Thorndike says some experts question whether repeal would have that effect. "The Constitution grants Congress very broad taxing powers" that could be used to keep an income tax in place, he said.

In his book, Perry proposes the adoption of "an alternative model" of taxation such as a national sales tax to make up for the lost revenue from individual income taxes, which totaled \$915 billion in 2009, according to the federal budget.

Such a move would return the United States to a tax system based on the consumption of goods — right where we were a century ago.

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