

The Language of Liberty Series



"The Forgotten History of the Federal Income Tax"

By Idaho CSG student, Susan Frickey

"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." – The 16th Amendment, Ratified 1913

The birth of the income tax! Prior to 1913, the constitutionally limited responsibilities of the federal government were generally covered by import tariffs. Occasionally, temporary taxes were imposed to pay for wars, but were to be apportioned by the states and could not be direct, personal taxes, according to the Constitution in Article I, sections 2 and 9. W. Cleon Skousen wrote a very informative and entertaining "History of the 16th Amendment".

Skousen begins, "Strange as it may seem, the Sixteenth Amendment (which gave the American people the affliction of confiscatory income taxes) was never supposed to have passed. It was introduced by the Republicans as part of a political scheme to trick the Democrats, but it backfired."

Our Founding Fathers, having just rebelled against England because of imposed taxes, were not supporters by any means of a federal tax unless it was apportioned by population so the small states wouldn't have the same burdens as the bigger states. This was one of the biggest bones of contention in the formation of our government.

The 16th Amendment, and the debates regarding it, is what spawned the class envy sentiment of "soak the rich" still present today. Mr. Skousen writes, "In April 1909, Sen. Joseph Bailey, a conservative Democrat from Texas who was opposed to income taxes, decided to embarrass the Republicans by forcing them to openly oppose an income tax bill similar to those which had been introduced in the past – and always shot down by the conservative Republicans (which is how they got labeled "the party of the rich"). He introduced his bill, expecting it to get the usual opposition. However, to his amazement, Teddy Roosevelt and a growing element of liberals in the Republican party came out in favor of the bill and it looked as though it was going to pass."

The Democrats were astounded and quickly circled the wagons trying to figure out how to kill their own bill. Their ultimate strategy was to try a political end run. The Dems announced they favored an income tax but only if it were an amendment to the Constitution. They hoped to make the Republicans look uncooperative and they were SURE there would be no way it would pass, creating a win-win for the Dems. Some

things never change.

The Dems were stunned when President Taft, who worked with them to demolish the original Bailey Bill, unexpectedly came out recommending passage of a Constitutional amendment to legalize the federal income tax legislation. The Republicans, it turned out, already had an amendment written. Democratic Congressman Cordell Hull took the floor to excoriate the Republican leaders for this “political trick”, but the snowball was already rolling down the hill.

Skousen continues, “When Republican Congressman Sereno Payne of New York, who had introduced the amendment to the House, saw that this end run was turning into a winning touchdown for the opposition, he was horrified, and openly denounced the bill he had sponsored.

“It turned out that the slogan “soak the rich” had aroused Pavlovian salivation among politicians both Federal and State. The Senate approved the Sixteenth Amendment with an astonishing unanimity of 77-0. The House approved it by a vote of 318-14. The end run of the Republican leadership did indeed backfire. State after state ratified this “soak the rich” amendment until it went into full force and effect on February 12, 1913.”

But there’s another part of this story. The wealthy, especially the super-wealthy, had seen the handwriting on the wall and had created a clever device to protect their riches. It was called a “charitable foundation.” Tucked away in the language of the 16th Amendment under Section 2, paragraph C, is that precious key which safely preserved the riches of the super wealthy:

“Provided, however, that nothing in this section shall apply . . . to any corporation or association organized and operated exclusively for religious, charitable, scientific or educational purposes.”

So, that’s how middle-class Americans became stuck with an ever-increasing income tax burden – all because of the class envy motto of “soak the rich” and political shenanigans that no one thought would pass. Congress had violated two founding natural law principles: “Thou shalt not covet” and “Thou shalt not steal”.

Within five years of ratification, the federal income tax became the principal source of income for the federal government. The first tax ranged from 1% on the first \$20,000 of taxable income and was only 7% on incomes above \$500,000. In 1943, FDR changed the collection process, called “withholding from wages and salaries”. The tax was collected from payrolls before it was even due to be paid by the taxpayer, shifting the tax from its original design as a tax on the wealthy to the masses.

Fast forward to today: according to [Pew Research](#), only 38% of taxpayers earn \$50,000 or more, but pay almost 95% of all federal income taxes collected.

Former IRS Commissioner T. Coleman Andrews stated, “Please remember that under the Sixteenth Amendment, Congress can take 100% of our income anytime it wants to.

This is downright confiscation and cannot be defended on any other grounds.” Supreme Court decisions prior to 1913 agreed with Andrews.

For the first time in American history, the federal level of government interfaced directly with private citizens through the 16th Amendment, bypassing the states and violating the Constitution. This was something the framers never intended to happen and is one important reason that state and local governments must not be bought off with federal funding.

The framers intended state and local governments to remain sovereign and financially independent so they could provide layers of protection for citizens from the tyranny of large centralized government. Otherwise, we become slaves to tyrants allowed to run roughshod over citizens and liberty is lost.

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