

8-1955

Income Tax - Source of Eternal Revenue

Pearl M. Isham

Follow this and additional works at: <https://egrove.olemiss.edu/wcpa>



Part of the [Accounting Commons](#), [Taxation Commons](#), and the [Women's Studies Commons](#)

Recommended Citation

Isham, Pearl M. (1955) "Income Tax - Source of Eternal Revenue," *Woman C.P.A.*: Vol. 17 : Iss. 5 , Article 2.
Available at: <https://egrove.olemiss.edu/wcpa/vol17/iss5/2>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Woman C.P.A. by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

INCOME TAXES—SOURCE OF ETERNAL REVENUE

By PEARL M. ISHAM, C.P.A., Los Angeles Chapter, ASWA

You ask when income taxes were inaugurated and the majority of answers will be March 1, 1913. Nothing could be much further from the truth, even in the United States. Is any country free from the curse of taxes? Yes, there is a little island in the vast expanse of the South Seas where there are no beggars, no crime, no swing orchestra, no radios, no unemployment, no taxes—and no inhabitants.

In considering income taxes in the not so modern world we'll start with the United States, youngest of the major countries of the world. In 1894, an income tax—2% on incomes above \$4,000—was reintroduced in Congress but declared unconstitutional in this form in May of 1895. The same year, the Payne-Aldrich tariff act also authorized a special excise tax of 1% on incomes above \$5,000 of all corporations organized for profit. The constitutionality of this tax was upheld and it was finally merged into the income tax law in 1914.

Earlier in United States history we find an income tax imposed on August 5, 1861, which was not to take effect for six months. It amounted to 3% on incomes above \$800. This was increased in 1862 and 1865 until incomes between \$600 and \$5,000 were taxed at 5% and above \$5,000 at 10%. As the immediate war necessities became less pressing, the limit of exemption was increased to \$1,000 and, in 1867, to \$2,000. This income tax was finally abolished in 1872.

In Massachusetts, in 1646, there was a faculty or income tax imposed on all laborers, artificers and handicraftsmen. Other New England colonies followed her lead, and it was later introduced into Pennsylvania, Delaware, Maryland and a few of the Southern colonies. Although called a faculty or income tax, it was not a true income tax because it was assessed in fixed amounts according to occupation. It was assessed more on the basis of what remuneration each occupation was expected to earn—not on the basis of individual earnings. So much for the United States.

England is another of the larger nations with an early history of income taxes. The first income tax in effect in England was levied on the churches. The Roman See demanded that English churches and monasteries pay one fifth of their income for the

year 1240 to the Roman Curia. England's debt in the late 18th century was mounting so rapidly that the ministry was forced to lay a heavy income tax on the wealth of the nation. The rate was 10% and the tax proved so unpopular that after a time it was wholly dropped. However, it was later revived and still remains an important source of revenue. The budget of 1909 included a heavy income tax with a special additional tax on incomes over 5,000 pounds and heavier on earned than on unearned incomes.

Next in line for consideration is France. In the late 13th and early 14th centuries Philip the Fair found various ways of increasing his income and among them was the income tax. The nobles who were landlords exacted from the peasants certain payments in money and produce, a practice which had originated in the Middle Ages. It was quite common for the landowner to take a certain portion of the peasants' crops—perhaps not a true income tax, but nevertheless a tax based on income. The practice included a form of the capital gains tax. When the peasant owned his land, the neighboring lord often had the right to take one fifth of its value whenever it was sold.

In 1893, about one third of the successful political candidates had subscribed to the introduction of an income tax, but it had still not passed the following year although a progressive income tax to relieve inequities was proposed. An income tax was not finally imposed until 1916, when it was passed in spite of opposition of the Bourgeois or middle class. Collection was only effective from wage earners and salaried employees whose revenue could be easily checked. It never persuaded or compelled the Bourgeoisie to pay a fair share of the burden.

In India during the late sixteenth century the peasant had to surrender one sixth to one half of his crop in taxes. What—fifty percent of income in taxes?

In Rome, in October of 1858, an edict was issued by the Secretary of State according to which all the arts, industries and trades were taxed in proportion to locality and returns, or income.

China is another of the great nations of

the past and present. During the late first and early second centuries all incomes had to be registered with the government and an annual tax of 5% had to be paid. Did they use forms 1096 and 1099 for registering these incomes with the government?

We hear much of the art and philosophy of Athens, but little of their income tax. The citizens who were able, based on income, had to render certain services for the government which involved the spending of large sums of money and which were in some ways like our taxes. However, these payments were made in a more gracious manner than our taxes, due largely to the fact that the taxpayer could direct how the money was to be spent. Even citizens of moderate means often made small voluntary gifts.

Did you say form 1040 ES was new? Well, perhaps the form, but not the tax. Early in the fourth century B.C. a property tax formerly employed only in times of special need was instituted. This impost somewhat resembles our graded income taxes of today. It took into account the actual and estimated income and assessed value of property of each citizen. Deductions were allowed intermediate holdings and the smallest were completely exempt. Only the largest were taxed at face value.

The responsibility for assessment and collection of these taxes fell to the taxpayers themselves. The people were divided into twenty groups of approximately equal aggregate wealth and with equal tax quotas. The assessments were made by the members themselves. This was a sufficiently irresponsible method, but a few years later there was a provision that further aggravated the evil. Three hundred of the wealthiest citizens were required to pay in advance the full amount of the tax. Then they were entitled to collect from the various members. There was also a legal action available at this time whereby a person upon whom an assessment had been levied might be relieved if he could establish the fact that another richer citizen was available to bear it.

Last, but by no means least, comes Egypt. In the second and third century B. C. the Egyptian economy showed the Greek influence. The Minister of Finance was Apollonius, whose minute regulations (where have I heard that word before?) have been preserved in part in the famous "Revenue Laws".

The system of taxes levied was closely adapted to the varying conditions of the districts. The government specified what crop was to be sowed and supplied the seed.

At the harvest, the grain was brought to the public threshing floor where the officials measured out the rent or taxes before the farmer was allowed to remove his share of the crops. Did you say the withholding tax was a recent innovation?

New private orchards and vineyards paid taxes on estimated yield. The taxes were originally paid in kind but later in currency, as its use increased. In addition to the tax on yield or income, certain minor payments were required to cover cost of transporting, storing and supervising the king's grains.

Again we see a capital gains tax. At a rate varying from five to ten percent, a tax was assessed on sales of slaves and real property.

Taxation was not uniform but nicely adjusted to the capacity of the various districts. Provision was made for exemption or lower rates for Greeks and Macedonians. A veritable army of officials was required to manage the elaborate system. The Minister of Finance was the most important official and ranked next to the king himself. His immediate subordinate was a chief accountant whose business was to check the endless accounts and reports. Local accountants were under him throughout the country.

There was an income tax paid in Egypt during the regime of Joseph as prime minister, according to Biblical History. This was in the vicinity of 1900 B.C. There was a time of abundance throughout the land when for seven years there were crops such as had never been known. During the period of abundance the surplus, rather than being dumped or plowed under, was stored for future use. The corn of Egypt was a product that supplied most of the needs of a well rounded diet. The basis of collecting this corn for storage I do not know—whether on an income basis or some other—nevertheless it was collected and stored. Immediately following the period of abundance there was a seven year dearth of crops such as had never been known. When their crops failed the Egyptians came to their government for the surplus foods of the time of plenty. When all other means of payment were exhausted, they sold their land to the government for food. After the famine period was over, they were all required to pay twenty percent of the increase of their crops to the government in taxes.

The taxes received from the people under the Pharaohs were not in coined money, since this did not yet exist, but in produce, such as livestock, grain, wine, honey, linen,

(Continued on page 11)

of Greater Cleveland and Elyria in setting up their accounting records and budgets. This speaker has also made appearances with general information panels for the Federation of Women's Clubs.

Several speakers collaborated on a Personal Income Tax Panel for Inter-Club Council, the ASWA all-day tax session, and the Public Relations tea for outstanding bookkeeping students.

Springtime always brings problems to high school students who will be graduated in June. They find it difficult to decide whether they should go to college or find a job. Their most important question is what career to pursue? Who will answer their questions? Most schools now provide Career Day programs for this purpose. For bookkeeping students during year 1954-55 ASWA furnished speakers to twelve different schools in connection with these ceremonies.

The youth of today is definitely looking for inspiration, guidance and assistance. What better project can ASWA find than to offer thoughtful help to those who contemplate a career in accounting? Pointing out the advantages, as well as the drawbacks, of such a career can be infinitely helpful to those young people to whom may pass the responsibility and privilege of carrying on and upholding the time honored standards of accountancy.

—Gertrude M. Hunkin

(Continued from page 7)

submit a number of proposed revisions to our by-laws, to be voted upon at the annual meeting in October.

Our magazine, The Woman CPA, has continued its high standard of quality under the editorship of Margaret Tuma, assisted by Louise Sallman as Tax Editor, and Theia Cascio as editor of the "Idea Exchange." Theia has found it necessary to resign this position, and her work will be taken over by Mildred Swem, of Los Angeles, beginning with the October issue. In addition, Doris Parks, of Seattle, has agreed to become a contributing editor of the feature, "What's New in Reading" which will be returning to the magazine in the near future.

Miss Beatrice Langley, supervisor of our national headquarters, assumed the responsibility for managing the financial affairs of The Woman CPA, and this arrangement has worked out very satisfactorily. It is anticipated that, after further discussion at the annual meeting, means will be found to expand the size of the magazine in order to accommodate additional technical material and other features.

I sincerely hope that I shall have the opportunity of meeting and greeting every member of AWSCPA at the joint annual meeting of our society and ASWA, which will be held at the John Marshall Hotel, Richmond, Virginia, on October 20-23, 1955. The meeting has been extended one day, starting on Thursday, in order to allow more time for technical sessions and workshops.

It has been an honor and privilege to have served as your president during the past year, and I am grateful for the interest and support received from each of you. The advice and criticism of the members of my board of directors has been particularly valuable and helpful, and it has only been with their cooperation that AWSCPA has

been able to progress during my year of administration.

* * *

(Continued from page 5)

and the like. The produce was kept in cattle yards, granaries, and storehouses—a large group of buildings which formed the treasury and central offices of the king, where hundred of clerks with their reed pens and their rolls of papyrus were daily keeping the king's records and accounts. The clerks had lists of the taxpayers' names and how much they owed. They issued receipts when the taxes were paid just as in the present day. Such arrangements as these were not found in Europe until the time of the Roman Empire.

Still earlier than this, the peasants under the Pharaohs had to pay from ten to twenty percent of their crops in taxes. The Pharaoh's collectors went about in boats and carts gathering taxes in the form of grain. How is that for the life of a tax collector, a leisurely boat trip up the Nile River collecting taxes as you go?

What was probably the earliest form of income taxes dates back to 2500 or 3000 B.C. As we know, springtime brings large floods in the vicinity of large rivers. Such was the case along the Nile River. Often these overflows would clog the irrigation canals with mud which had to be cleaned out or there would be no water for the crops. This would eventually lead to no grain and hence to no bread. Groups of people had to get together to clean the mud from the canals.

Wherever there is a group of people, eventually a leader develops. These leaders came in time to be local chieftains and the rest of the people had to take to him a share of their crops each season. These became the earliest taxes. The collection of these taxes formed the earliest government. It all adds up to—income taxes, a source of eternal revenue.