

The Public Thing

A monthly talk and discussion

The phrase, “No Taxation Without Representation” first appeared in a major publication as the February 1768 London Magazine’s headline, in its printing of Lord Camden’s “Speech on the Declaratory Bill of the Sovereignty of Great Britain over the Colonies.”

Taxation; A Brief History

Colonial times to 1978

1768. No Taxation without Representation.

89

c—’s first begin? when, —————, it began with the constitution; it grew up with the constitution; there is not a blade of grass growing in the most obscure corner of this kingdom, which is not, which was not ever represented since the constitution began; there is not a blade of grass, which, when taxed, was not taxed by the consent of the proprietor. There is a history written by one Carte, a history that most people now see through; and there is another favourite history, much read and admired. I will not name the author, your ——— must know whom I mean, and you must know from whence he pilfered his notions, concerning the first beginning of the h—— of c—’s. —————, I challenge any one to point out the time when any tax was laid upon any person by p——, that person being unrepresented in p——. ————— the p—— laid a tax upon the palatinate of Chester, and ordered commissioners to collect it there; as commissioners were ordered to collect it in other counties; but or assembly. As to Ireland, —————, before that kingdom had a p—— as it now has, if your ————— will examine the old records, you will find, that when a tax was to be laid on that country, the Irish sent over here representatives; and the same records will inform your —————, what wages those representatives received from their constituents. In short, my —————, from the whole of our history, from the earliest period, you will find that taxation and representation were always united; so true are the words of that consummate reasoner and politician Mr. Locke. I before alluded to his book; I have again consulted him; and finding what he writes so applicable to the subject in hand, and so much in favour of my sentiments, I beg your ————— leave to read a little of his book. “The supreme power cannot take from any man, any part of his property, without his own consent;” and B. II. p. 156—159, particularly 140. Such are the words of this great man, and which are well worth your

Image of actual the article about the Camden speech



Libertas/Columbia

This representation of the Roman Republic's goddess of liberty sits atop our nation's capital.

The “public thing” is the literal meaning of the word, “republic”. It is derived from the latin, res publica, “res” (thing or matter) & “publica”, (not private, held in common). A republic is the form of government wherein the people elect representatives from amongst themselves, to do day-to-day governance Our local governments are republics.

"Taxes are what we pay for civilized society."

Mr. Justice Oliver Wendell Holmes (1904)

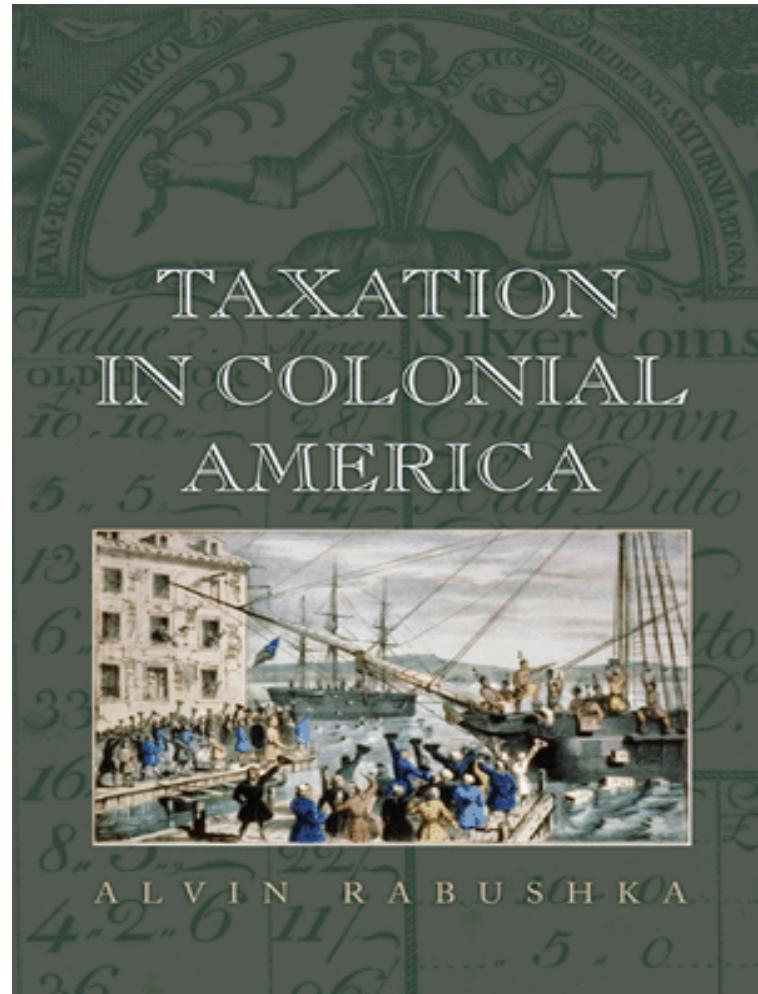


Taxation is very old and apparently developed with the rise of human agriculture over 8,000 years ago.

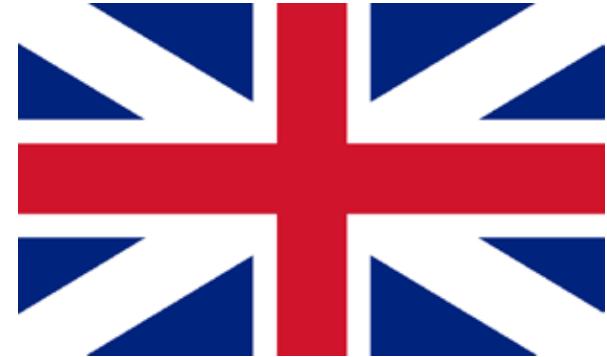
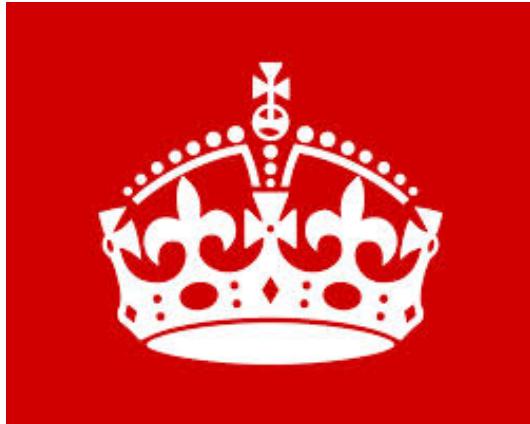
Sumerian tablet which is a receipt for payment of taxes, circa 2500 B.C.

- We will discuss taxation in the United States from British colonial times through 1978
- I will not be covering all post-revolution taxes, including excise taxes or tariffs, nor will I cover taxation of corporations

Background: Magna Carta British Library Cotton MS Augustus II.106 (1215). Provided for among other things, the necessity of barons consenting to the imposition of taxes by the Crown.



Taxation by the Crown



- The 13 colonies relationship with England was primarily a relationship with the Crown, as represented by the King and his ministers until after 1763, in the aftermath of the Seven Years War.
- After 1763 Parliament took a more active role in trying to regulate and get income from the colonies.



Mercantilism:
was an economic theory and practice, dominant in Europe from the 16th to the 18th century. Involved, among other things:

- Colony building
- State control of trade between colonies and between colonies
- “With respect to its colonies, British mercantilism meant that the government and the merchants became partners with the goal of increasing political power and private wealth, to the exclusion of other empires ”



Mercantilism:

- “The government protected its merchants – and kept others out – by trade barriers, regulations, and subsidies to domestic industries in order to maximize exports from and minimize imports to the realm.”
http://en.wikipedia.org/wiki/Mercantilism#Great_Britain
- Since the Trade & Navigation Act of 1651, generally all goods being exported by a colony or imported by a colony had to physically pass through a port in Britain. Then a British merchant would sell it on from their..



Mercantilism:

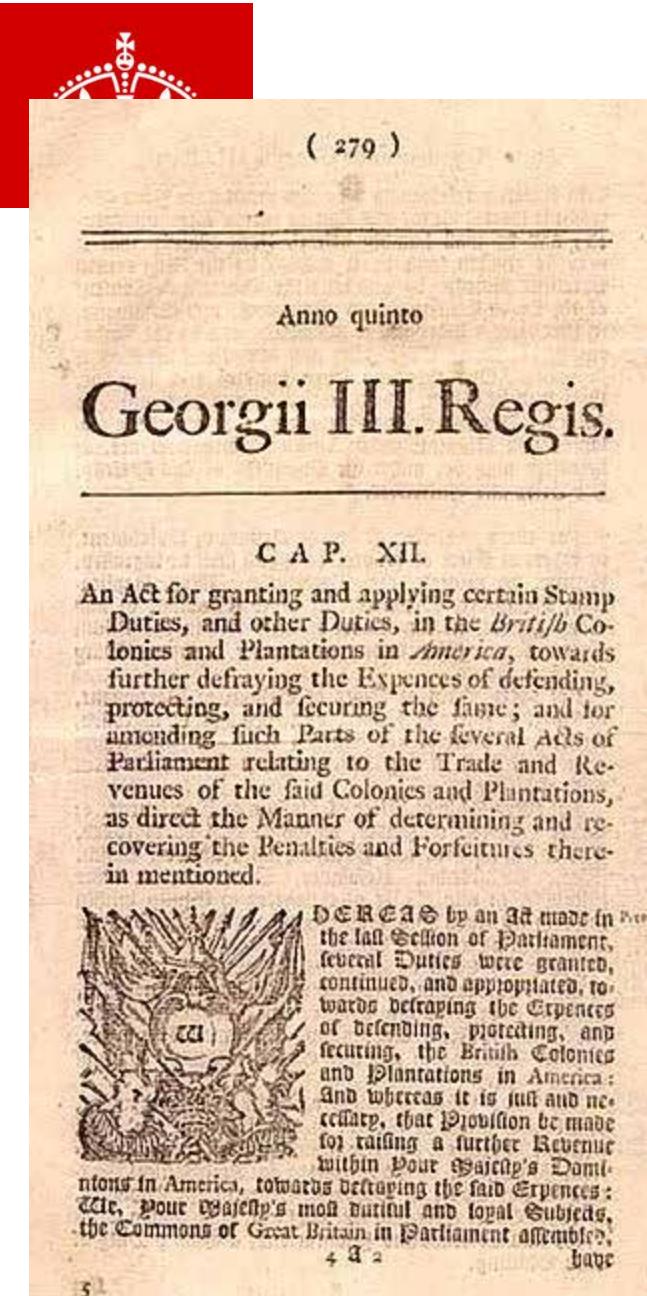
- Until after 1765, British taxation was comprised of import and export duties.
- In 1770, the British tax burden on the average American subject was indirectly, about 1% of annual income (more for merchants who imported/exported, of course)
- British law also included a variety of economic development related “Bounties” (subsidies) and “drawbacks” (tax rate reductions) that favored American products that the Crown wanted to see produced in the colonies, or were of military materials



American subjects of the Crown did not have a right to elect representatives to the British parliament

- The American Colonies did have their own republican format governments in each colony
- Many of the Anglo-American Colonists that arrived from 1610 -1776 were sent by the British legal criminal sentence of “Transport”, and many of them and others as indentured servants
- The later descendants of these felons wanting to elect there own representatives to Parliament was viewed as “cheeky” by the Brits





- **The Stamp Act 1765** (short title Duties in American Colonies Act 1765; 5 George III, c. 12) was an act of the Parliament of Great Britain that imposed a direct tax on the colonies of British America and required that many printed materials in the colonies be produced on stamped paper produced in London, carrying an embossed revenue stamp.
- This first attempt to tax goods/behavior within a colony, by a legislature that the payers could not vote for the representatives in it, outraged many colonists



With the failure of a series of new revenue measures; due to the opposition and non-compliance of its American subjects, the Crown and Parliament decided to pass a law they thought the colonist would like, since it cut the price on tea.

It was passed to favor what is perhaps the world's first "international corporation", i.e., The East Indian Company.

The Tea Act of 1773



The Tea Act of 1773



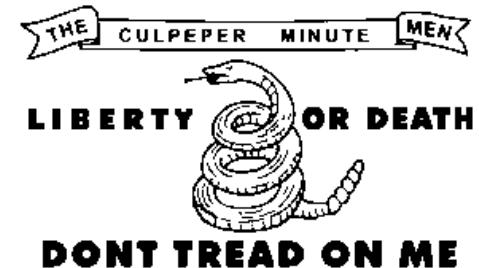
- A “drawback” (tax reduction) on tea shipped into British America
- Cut the wholesale price in America to 10 shillings/pound
- Tea did not have to pass through England on its way here
- Licensed the East India Company to ship duty free
- And gave distribution rights of tea to said company

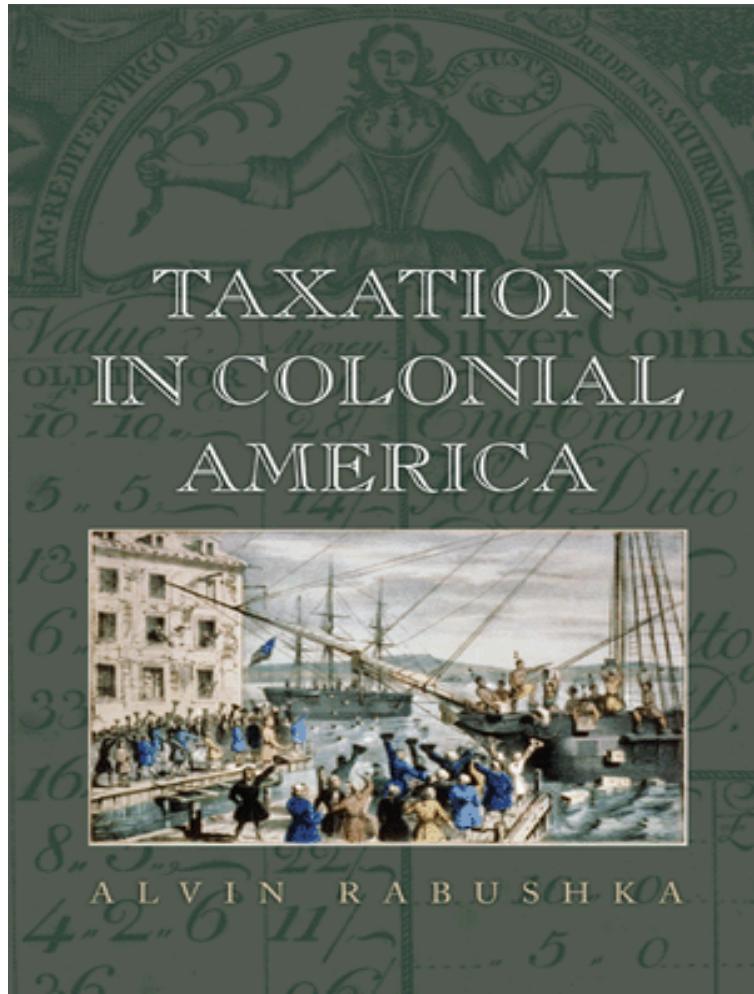


"On December 16, 1773, one hundred and fifty thinly disguised Bostonians boarded British ships and dumped 342 chests of tea in the harbor. Variations of the Boston Tea Party took place in other colonies."

Rabushka, Taxation in Colonial America, (2008) p.747

In 1774 British public and government outrage over the tea dumping led to passage by Parliament of the Coercive Acts (called the "intolerable acts by colonists). One of the acts, the Boston Port Act, ordered that Boston be put under military occupation and its port closed. The rest is literally, history....





Taxation by the Colonial & Early United States State & Local Governments

- Each colony of the original 13, from the time of its foundation on, taxed its residents
 - Taxes were created by an elected legislature, and depending on the colony and/or the tax in question, assessed and collected at the colonial, county or town levels of government





The types of taxes, and the rates varied in a complex diversity of separate laws and regulations in each of the 13 colonies

In 1770, the colonial tax burden on the average payer was 7-10%, more for business folks, and more for the well off

"The tree their own hands had to Liberty rear'd; They lived to behold growing strong and revered; With transport they cried, "Now our wishes we gain, For our children shall gather the fruits of our pain.

Chorus:

In Freedom we're born and in Freedom we'll live. Our purses are ready. Steady, friends, steady; Not as slaves, but as Freemen our money we'll give."

One verse and the chorus of the first "patriot" song written by an American. The *Liberty Song* by John Dickinson, published in 1768.

The Variety of ways the colonists taxed themselves



The Variety of ways the colonists taxed themselves

Head/poll tax



Property tax on land

Property tax on structures

Personal possessions
property tax

Religious tax (before independence)

The Variety of ways the colonists taxed themselves

Faculty tax (the term then for income tax)

Licenses & fees

Sales tax

Excise and gift taxes

Estate/Inheritance taxes

Import/export duties

Tonnage fees on shipping

Public project tax

School tax



The Variety of ways the colonists taxed themselves

Additional Taxes In The Slave Holding Colonies

- Prior to 1807, import duties
- Personal property tax
- Slave faculty tax (a tax on the income to the owner from their slave's labor)
- Sales tax

The Variety of ways the colonists taxed themselves

Tax Relief:



- Bounties (subsidies)
- Exemptions
- Drawbacks (tax reductions)
- Incentives to immigrant, and businesses bringing immigrants here

Taxation in the early states through to the Civil War was very similar to that in the original 13 colonies as far as types of taxation.

- After the revolution, state and federal taxes started to be used to shape behavior to encourage certain things and prohibit others.
- All of the different property taxes on different types of property started to be merged into 2 types, real property(land and improvements), and personal property.



- The method of taxation of property varied. Some states did it by assessed value, some by quantities, some by quality
- The locus of property taxation moved to the county level in many states
- States had different methods and targets of taxation
- This was complicated for inter-state commerce.



After the Civil War:

- States started to enact uniform sales taxes (instead of per item type)
- Increased the use of the income tax
- Merged school taxes into the real property tax
- Declining use of taxes on tangible personal property



Federal Taxation

taxes



Article 1, Section 8, Clause 1

The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;



- The people are sovereign, not the states

McCulloch v. Maryland (1819)

- The Constitution implies the powers necessary and proper to the enumerated powers ibid
- The “Hamiltonian” view of the Federal tax power has been consistently applied since 1819

Under that view, the taxing and spending powers are sweeping, reaching not just the enumerated subjects, but every conceivable subject.



The federal government cannot do some types of taxes, if the proceeds are not directly apportioned to the states.

Examples: a property tax, poll/head tax

The Constitution – Annotated

The Constitution of the United States of America: Analysis and Interpretation (popularly known as the Constitution Annotated)



Themes in federal taxation:

- Taxes related to international trade
- Taxation to regulate or prohibit/promote
- Subsidies and tax breaks to favor economic development
(Examples: Export industries, farm subsidies, railroads, oil and gas, AFDC, food stamps, etc.)



There have been three federal income taxes:

One during the Civil War

One during the late 1890's

The one passed in 1913, which is the source of our current one

16th Amendment:

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. (1913)



Top Marginal Federal Income Tax Rate:

1918: 77%

1922: 22%

1929: 24%

1932: 63%

1941-1945: 94% (quarterly payments and withholding start)

1947: 90%

1965: Drops to 65% from fluxing around the mid-90's percentile



- Capital Gains Tax 1921. Rate bounced around, hitting a reduction to 28% in 1978
- Federal Estate Tax and Gift Tax 1916. Steady slow, decline in rate through 20th century
- Federal gas tax started in 1932

Trends 1900 – 1978:

- More sales taxes
- Tax exemptions and exclusions and other policies favoring residential home ownership and having children (1930's – on)
- Tax regulations becoming more complex
- Falling Tariff barriers

Discussion

