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The Income Tax.

by

Weldon Brubaker.

An income tax, considered theoretically, has many features which strongly commend it to the popular mind. What can be fairer than that each citizen contribute yearly a just proportion of his net gains, or income, for the support of the government under the protection of which he lives? Such a method of supporting a government, in the point of equity and apparent productiveness, accords in every way with the maxims of taxation which the most prominent economists and jurists have laid down. Thompson says in his work on political economy: "The most modern, and theoretically, the fairest, form of tax-

ation, is the income tax."

Hence many persons are unable to understand how it is that the same writers that indorse what we may call the underlying principles of an income tax are almost unanimously opposed to the practical application of these principles as a means of raising revenue. These same persons, however, fail to appreciate the fact that, in enacting laws for the collection of taxes, human nature has to be taken into account and recognized as an important factor. There is hardly any other thing which human nature so much dislikes to do as to pay taxes, notwithstanding the many benefits

derived from the revenue obtained by the collection of a fair part of the general wealth under a just system of taxation, and the more direct a tax is, the more odious it becomes. This is proven by the unpopularity of the "poll tax". Now an income tax is the very essence of personal taxation, and comes to the taxpayer most directly.

A second and more important reason why popular sentiment is opposed to an income tax is, that its collection requires that every person liable to taxation on net gains, profits, or income shall make a statement of the financial condition of his business or profession; otherwise any

basis on which to make an assessment would be a mere matter of guess-work on the part of the assessor, with a result far from correct or just. Such a statement, disclosing his financial condition to his debtors, creditors, and the general public, no man will be willing to make, and would naturally regard it an outrage on the part of a government that seeks to compel him to do it. Hence the successful carrying out of the theory of an income tax requires the use of inquisitorial and arbitrary methods which are perfectly consistent with a despotism, but entirely antagonistic to the principles and maintenance of a free government.

This last statement can be proved by the fact that one of the principal causes which led to the great French Revolution was unequal and multiple taxes, and one of the first acts of the new government was to repeal all inquisitorial and arbitrary taxes. The report of the committee which recommended this repeal commenced with these words: "Every system of taxation which necessitates personal and arbitrary inquisitions for its collection is inconsistent with the maintenance of a free people." And from that day to this France has never tolerated such systems of taxation, although at the present time she has been compelled to resort to

almost every other method of obtaining revenue.

Alexander Hamilton, one of the framers of our constitution, in discussing this subject, said: "Whatever liberty we now boast in theory, it cannot exist in fact while arbitrary assessments continue".

The only remaining method of obtaining the amount of a person's income as a basis for assessment, is by his admitting under oath that his income is a certain sum. But the objection to this method is that dishonest men will misrepresent their incomes and thus evade the tax entirely. Therefore it results in the full payment of tax

by the conscientious, and the evasion of payment by the unscrupulous.

In this connection we cannot overlook the experience of the United States in respect to an income tax. Under the great financial necessities of the Union by reason of the Civil War, laws establishing such a tax were enacted in 1862, which were productive of a moderate amount of revenue; but, as the necessity for very large revenues on the part of the government ceased with the termination of the war, and the spirit of patriotism died out, the collections fell off very rapidly. Thus between 1866 and 1867 the total receipts on account of the income tax declined from 73 millions of dollars

to 66 millions of dollars; and in 1872, with an exemption of \$2,000, only 73,000 persons in the United States, out of a population of 39 millions, admitted under oath that they were in receipt of an income liable to taxation. Only those intimately connected with the Internal Revenue Department of the United States Treasury could form any idea of the amount of perjury and fraud that pervaded the country during that time, as the result of the income tax.

In England, where this tax seems to be operated most successfully, the annual reports of the Commissioners of the Inland Revenue always mention extensive evasions of the income tax.

The demoralizing effects which are produced by the habit of making false returns respecting income are regarded by many British officials as far more deplorable than those resulting from any inequality of this form of taxation. On this point, Mr. Gladstone said: "I believe an income tax does more than any other tax to demoralize and corrupt the people".

Finally, it is claimed that an income tax is necessary at present to meet an urgent need of the government for more revenue, and that this is the best method for doing so. But for this claim there seems to be insufficient ground, for during our late war with

Spain, when the government greatly felt the need of an increased revenue, laws establishing a tax on checks, bonds, receipts, etc., were enacted, with the result that sufficient revenue was obtained to defray all the expenditures of the government, and little or no objection to this method was raised by the public.

So that, while this system of taxation may commend itself as fair and just in theory, yet from the foregoing statements it would seem very evident that it cannot be successfully administered, and that, as Thompson says: "The practical objections to this form of taxation make a tax on land far less

objectionable, especially in a country
whose resources are imperfectly devel-
oped and whose wealth is unevenly
distributed."

Commencement Oration of Weldon Brubaker, Class of 1900
Transcribed by Meg MacAvoy, September 2008
Edited by Krista Gray, September 2008

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