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NO INCOME TAXATION WITHOUT BASIC ACCOMMODATIONS: TOWARD TAX JUSTICE IN AMERICA

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INTRODUCTION

Tax reform proposals recently promoted by progressive policymakers and candidates for elected office have focused on increasing federal taxes assessed on and paid by large business enterprises and wealthy individuals. These types of recommendations are designed to achieve redistributive-justice based policy goals and also wisely follow the changing direction of public sentiment. From a policy perspective, economic research suggests that this sort of tax-receipts driven redistribution is essential in order to stem — and ideally reverse —growing wealth and income inequality trends.[1] As for popular sentiment, the timing is good as the American public was already stirred up in response to the 2017 Republican-championed[2] tax cuts for corporations and the super wealthy. Now, post-pandemic, the American people are even more receptive than they were before to taxing perceived coronavirus profiteering[3] by billionaires and transnational corporations. We can also see evidence of strong support for targeting tax increases on big business and well-off individuals in polling as well as recent responses

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[1] THOMAS PIKETTY, CAPITALISM IN THE 21ST CENTURY (2014); "Turning Points: Joseph Stiglitz and Thomas Piketty in Dialogue," September 10, 2020, available at www://maisonfrancaise.org/turningpoints.

[2] Congress approved and President Donald Trump signed the Tax Cuts and Jobs Act (TCJA) in December 2017, within weeks before control of the House of Representatives would flip over to Democrats. No members of the Democratic caucus in the House or Senate voted in favor of the TCJA.

[3] JOHN NICHOLS, CORONAVIRUS CRIMINALS AND PANDEMIC PROFITEERS: ACCOUNTABILITY FOR THOSE WHO CAUSED THE CRISIS (2022).

to the Inflation Reduction Act, the August 2022 legislation that moves modestly in that direction including with a financial-statement based fifteen percent alternative minimum tax on corporations that have on average $1 billion or more in annual earnings.[4]

These efforts to raise revenue and reduce inequality through taxation are commendable. However, there's something mostly missing from this agenda that proposes (and recently achieved) adding additional taxes for corporations and the wealthy. Absent, so far, is a serious discussion of direct tax relief for the rest of us.[5] Some could contend that upfront tax cuts for the poor and middle class are unnecessary as the additional resources from increased tax receipts brought in from the upper-echelon can be adjusted through public spending on the backend. Specifically, the idea is that the expanded public funds available to the U.S. Treasury can and will be used by Congress to direct new spending toward worthy programs that directly or indirectly bring related public and private sector jobs, thus positively impacting people and communities nationwide. This type of thinking reflects a government, not private sector version of trickle-down economics. And that's fine, however, in my view, raising public funds from

[4] The Inflation Reduction Act of 2022 (H.R. 5376), provides for the fifteen percent tax on "adjusted financial statement income" (AFSI) of an "applicable corporation," which includes those with an average annual income of $1 billion as measured over a three year period, with various exceptions. See, Congressional Research Service, "The Corporate Minimum Tax Proposal, *In Focus*, August 10, 2022 ("The provision would exclude Subchapter S corporations (corporations with a limited number of shareholders that elect to be taxed under the individual income tax). It would also exclude regulated investment companies (RICs, such as mutual funds) and real estate investment trusts (REITs). These entities also pass through income to individual investors to be taxed under the individual income tax. Income from private equity firms would be covered, except portfolio companies owned by these firms), available at https://crsreports.congress.gov/product/pdf/IF/IF12179

[5] There is always an exception that proves the rule. Very recently, U.S. Senate candidate from Pennsylvania, John Fetterman listed among his campaign promises to "Cut taxes for working people." See John's Plan to Hold Washington Accountable which briefly states: "We need to cut taxes for working families to even the odds and guarantee that the ultra-wealthy aren't abusing our broken tax code.", available at https://johnfetterman.com/plan/

those who benefit most from the current political economy is necessary, but not sufficient. One glaring deficiency is that such back-end approaches do not fix considerable aspects of the federal income tax system that are inefficient, more burdensome than beneficial, or inequitable, or all of the above. Though we can point to tax relief pushed forward recently by the Obama Administration, as evidence of concern for low and middle-income earners, other than a small payroll tax cut, that relief was in the form of back-end tax credits, something that leaves the existing costly, time-consuming, tax return-filing, and tax audit and liability system in place.

There is a monopoly it seems, on proposing tax cuts. It appears that only avowed conservatives, libertarians, and those who claim to want to shrink government to the size where they can "drown it in the bathtub,"[6] have a lock on that language. That's unfortunate and ahistorical. It should be Democrats who offer up concrete plans to address the way in which the current tax system from end-to-end, unduly burdens ordinary Americans who work for wages and have seen the purchasing power of those stagnating wages erode, who overpay tax for preparation, face unfair tax rates on work relative to investment income, are subjected to more frequent audits, and lose the time-value-of money even when they do receive back a refund many months, if not years later.

To nudge a new progressive policy conversation in the direction of direct, upfront, income tax cuts for the working class, this paper contends that those concerned with

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[6] Grover Norquist, who in 1985 founded the group Americans for Tax Reform, told NPR radio host Mara Liasson that his goal was to shrink the size of the federal government in half in twenty-give years, but added that "I don't want to abolish government. I simply want to reduce it to the size where I can drag it into the bathroom and drown it in the bathtub"), see "Conservative Advocate," on *Morning Edition*, May 25, 2001, available at https://www.npr.org/templates/story/story.php?storyId=1123439

vertical and horizontal equity[7] in the tax system should expand their policy vision and communicate that clearly. We have all heard of the slogan "tax the rich." Despite the literal language, and the pearl-clutching this slogan triggers for some tax purists, it does not mean that the rich don't pay any taxes at all (though there are some billionaires who pay so little relative to their wealth, cashflow, and luxury possessions that it's easy to get confused). Though, imperfect, for those who look past the literal meaning, it resonates. The slogan translates as a demand that the wealthy contribute to the tax system based on their ability to pay, not their ability to hire accountants and lawyers to create offshore and other tax avoidance schemes or to change the law so that "buy, borrow, die" results in intergenerational wealth in perpetuity. With working class tax relief in mind, this familiar slogan could be borrowed and built upon and perhaps should be, "Tax the rich, *not* the rest of us." To state that more precisely (but not as well-suited for a bumper sticker or a rally chant): now is the time to initiate an evidence-based conversation exploring the prospect of substantially reducing required automatic withholding amounts, increasing the standard deduction, and reducing the wage-based income tax rates and burdens on those in the low and middle-income brackets. *Tax the rich, not the rest of us.*

To get that conversation going, this paper proposes something I refer to as "The People's Tax Shelter" or PTS (terms used interchangeably throughout this piece). The reason to provide a PTS arises from some basic numbers. Currently, working people pay taxes on wages, even before earning enough gross income to cover their housing, utilities,

[7] Horizontal equity (fairness based on treated the similarly situated the same) and vertical equity (fairness based on ability-to-pay).

and food, what is referred to in the title as "basic accommodations." The standard deduction today, or colloquially the "tax-free" amount of income for individuals is $12,950 per year. But to rent a one-bedroom apartment costs on average around $1,769 a month in America[8], or $21,228 per year. And that does not include electricity, heat, cable, or internet. Food, transportation, insurance premiums, co-pays, laundry are necessities too. According to the Bureau of Labor Statistics (BLS), average annual expenditures before taxes for the more than 133 million "consumer units" in the United States was $66,928.[9] The BLS also notes that single parents with at least one child spend on average 38 percent of pre-tax expenses on housing, single people more than 37 percent. Yet, even before an individual (or family) has earned even enough in a given month to pay for a one-bedroom apartment on its own, money is automatically deducted from each paycheck and sent to the U.S. Treasury. And, even though some people who don't precisely titrate their exemptions get back a refund check for overpayment, (and some get excess via the earned income tax credit, as mentioned below), still, that is not enough to allow for shelter plus bare-bones cost of living as noted above.

Breaking the PTS down with more granularity, it is a three-part proposal with several additional linked ones. The first part of the core proposal is to eliminate employer withholding of income for employees earning an annual salary of $50,000 or less per year, accomplished by eliminating withholding for wages of $25 an hour or below.[10] This

[8] Average rate as of August 2022, according to Rent.Com.
[9] News Release, Bureau of Labor Statistics, Consumer Expenditures, September 8, 2022, available at https://www.bls.gov/news.release/pdf/cesan.pdf
[10] The calculation is a default based on a 40 hour work week of 50 paid weeks per year. There will be some employees who may work fewer hours (even at a higher wage), and yet annual income of less than $30,000. The withholding will thus be "too high," but is better than the alternative, as discussed herein.

and all other figures would be adjusted for inflation. The second part of the core proposal is to raise the standard deductions for single filers[11] (currently $12,950), heads of household (currently $19,400) and married couples filing jointly (currently $25,900). The new deductions would be respectively: $50,000, $70,000, and $100,000. The third part of the PTS would be to correspondingly adjust the tax brackets and adjust the associated marginal rates to align with the new deductions, and to ensure that the top marginal rate for wage income below a certain ceiling is not above the top marginal rate for investment income. Taken together this is the core PTS proposal.

Why these numbers? The $50,000 figure is slightly above the annual median wage (of $44,225)[12], and is sufficient in most parts of the country to rent an apartment plus pay for basic expenses. Also, notably, $50,000 is just slightly above the current "tax free" long-term capital gains rate for single earners of up to $40,400. Efforts to reward work at least as much, if not more than passive income would favor this approach. To implement this, instead of taking the standard deduction offered today and owing $4,244 in taxes,[13] someone earning $50,000 would see that money in their bank account and be able to spend it. By eliminating withholding as well, on a cash flow basis, this means having around $4,167 per month to spend instead of $3,813.[14] For someone earning $15

[11] The rationale for the other figures (head of household, and married filing jointly will be discussed in the body of the paper).
[12] Bureau of Labor Statistics, Usual Weekly Earnings of Wage and Salary Workers, Second Quarter 2022, July 19, 2022, available at https://www.bls.gov/news.release/pdf/wkyeng.pdf
[13] Calculated based on the Tax Withholding Estimator on the Internal Revenue Service website. Available at https://apps.irs.gov/app/tax-withholding-estimator
[14] If paid each week, instead of twice monthly, the figures are $1,923 per paycheck vs. $1759.

an hour, that would be $1,844 owed in taxes and having $2,500 to spend per month instead of $2,347.

What about the numerous existing tax credits? To simplify matters, some could either replaced entirely or an alternative to the new standard deduction. For example, the existing earned income tax credit (EITC), does help ease the pain for eligible earners,[15] but as discussed in the body of the paper below, PTS is more generous, would be easier to implement, and could replace or reduce for many the very time-consuming and punitive audit and adjudication process for those who are accused of tax fraud associated with EITC claims, and would help put unscrupulous tax preparers out of business. There is evidence that people under-apply for the EITC out of fear of audit. Also, this bottom-up (not trickle down) spending would stimulate the economy. What about that first dollar of wages over the tax-free amount of $50,000 per individual? It would be taxed by bracket progressively, as we do now, but with some differences. Up to a ceiling of, perhaps $400,000, the top marginal rate for wage income should never be higher than the tax on long term capital gains for investment income, which is now 0, 15 percent or 20 percent depending upon income level.[16]

[15] For example, for an eligible individual, head of household, widowed, or married couple, without children, eligibility for the EITC the maximum amount of credit is $560. The maximum credit is $6,935 for three or more qualifying children. However, the adjusted gross income cap varies. In 2022, for a single, head of household, or widowed filer with no qualifying children, the cap is $16,480 (married $22,610), and it goes up to for three or more qualifying children $53,057 (and $59,197) respectively.
[16] And, the IRS would be required to adjust these figures with inflation. See Internal Revenue Service, Earned Income and Earned Income Tax Credit (EITC) Tables, page last reviewed or updated August 30, 2022, available at www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables

This paper also recommends linked proposals associated with the core PTS as they are designed to offset and adjust for the loss in tax revenue from the lower and middle income brackets, including (a) passage and implementation of a value added tax (VAT) modeled after what has been implemented in the European Union (and with rebates available for low income consumers); (b) passage and implementation of the equivalent of the billionaires tax legislation advanced by Ron Wyden; and (c) implementation of a new audit policy at the IRS to focus on auditing employers concerning withholding obligations and the shift resources to the top tax brackets and thus subject to the billionaires tax.[17]

To help evaluate the core PTS along the lines of efficacy, equity (horizontal and vertical), this paper will be broken into the following sections. Part I PTS explores the historical precedent and related policy justifications for such a plan. Next, part II sets out who will benefit and who will suffer and the ways and amounts that they might do so under the PTS. This section of the paper will also explore an assortment of unintended, by anticipated consequences. In Part III the anticipated implementation challenges and fiscal impact of the PTS, including impact on existing tax programs like EITC, are considered including the "how will we pay for it" questions. And, in Part IV, the complementary changes to support the PTS are identified and discussed, including new

[17] JENNIFER TAUB, BIG DIRTY MONEY: THE SHOCKING INJUSTICE AND UNSEEN COST OF WHITE COLLAR CRIME 205 – 2015 (2020), referencing, Treasury Inspector General for Tax Administration, "Improvements Are Needed in Resource Allocation and Management Controls for Audits of High- Income Taxpayers," Audit Report 2015- 30- 078, September 18, 2015, www.treasury.gov/tigta/auditreports/ 2015reports/ 201530078fr.html; Internal Revenue Service, "IRS Budget and Workforce," January 3, 2020 (updated), www.irs.gov/statistics/irs-budget-and-workforce; Senate Committee on Finance, "Wyden Statement on Lowest IRS Audit Rates in 40 Years," press release, January 7, 2020, www.finance.senate .gov/ranking-members-news/wyden-statement-on-lowest-irsaudit-rates-in-40-years-

tax brackets and marginal tax rates as well as the VAT. Finally, the paper concludes with an endorsement of the PTS and a roadmap of further research to complete.

I. HISTORY AND POLICY

From the colonial era to the present, strong opinions about the proper role, types, and amounts of taxation have animated public discourse, often at the most fragile moments in our nation's history. Whether we refer to them as cross-currents, tensions, passions, or reasoned-debate, these diverse opinions have been constant features of our politics. Whether played out in the form of violent rebellion, or far more quietly through technocratic tinkering, behind the action at any given moment is at least one theory at work. Overtime, we have seen expressed the assorted views that (1) strong resistance to illegitimate taxing authorities is appropriate; (2) a strong taxing authority is justifiable and necessary,[18] and (3) when levied fairly (with people treated equally and based on ability to pay) taxes should be used to support an array of public spending (including for national defense and public emergencies), to reduce concentrations of power (individual and business), and to regulate undesirable business and personal activity. At times these themes are discordant, at times in harmony.

That first perspective that supporting even violent resistance to unauthorized taxing bodies is anchored in ideas of personal liberty. The second view reflects a fundamental reality that a government cannot function without resources or more

[18] THE FEDERALIST NO. 30 (Alexander Hamilton) 1787, ("The conclusion is, that there must be interwoven, in the frame of the government, a general power of taxation in one shape or another)", available at guides.loc.gov/federalist-papers/text-21-30

eloquently: "the revenue of the state is the state."[19] And, the third (a kind of albeit incomplete catchall) sets out a range of equality principles to illustrate how themes of fairness have also been part of debates around taxation. There is often a tension between the liberty and equality values, something that is a repeated theme throughout tax-related history[20] and is a familiar part of other legal discourses, including around individual rights detailed in the U.S. Constitution.

It follows that those in opposition to any new or increased tax typically lean on personal liberty to support their grievances and those seeking more progressivity, loophole closing, and a more effective estate tax system rely on claims for equality and equity. As articulated below, what's unique, perhaps about the People's Tax Shelter (PTS), is that it draws upon all three impulses: personal liberty, practicality, and equality. It's important to examine the history here as these sentiments get passed down from family to family and arguments relying on them still resonate with voters and policymakers. After laying out the proposal, the paper will later circle back to these historical themes to describe the ideas and messaging that will help support the PTS.

On the surface, the title of this paper, "No Income Taxation without Basic Accommodations" obviously echoes the oft-repeated declaration, "no taxation without representation," or similar expressions, which predate the American Revolution. Though, beyond the surface rhyme, it also plainly alludes to vertical equity (ability to pay). Let's

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[19] EDMUND BURKE, REFLECTION ON THE REVOLUTION IN FRANCE at 497 (1790), available at http://ecocritique.free.fr/burke1790.pdf

[20] Alexander Hamilton, June 26, 1787, "Inequality will exist as long as liberty exists. It unavoidably results from that very liberty itself"), available at www.avalon.law.yale.edu/18th_century/debates_626.asp

address the first connotation first. Historians attribute the statement, "Taxation without representation is tyranny to John Hampden (1594 - 1643)[21] in 1637. Hampden was a wealthy British landowner, Puritan, and Oxford graduate who qualified for a peerage under King James I, but was opposed to participating in the court, and instead served in the House of Commons beginning in 1621 until his death. During Hampden's service, King Charles I (who reigned from 1625 until his execution in 1649) infamously dissolved Parliament several times, and then in 1629 dismissed the body entirely for eleven years. To fund the Kingdom in that period, Charles levied taxes without Parliamentary approval, in violation of the law. Including among these was the ship money tax that Hampden refused to pay in full in 1635, as part of a test case, and was subsequently convicted two years later. This and related disputes (including the King sending soldiers into parliament to arrest Hampden and others) led to the English Civil War (where Hampden died on the battlefield) and led to King's beheading.

More than a century later, James Otis (1725 – 1783), a Harvard graduate and lawyer from Massachusetts Bay Colony deliberately echoed Hampden, when he also declared "taxation without representation is tyranny." Otis believed colonists should have a voice in British Parliament, and notably supported equal rights in this respect for both white and black people born here.[22] In 1764 Otis wrote that "The very act of taxing,

[21] The Town of Hamden, Connecticut, purchased in 1638 from the Quinnipiac tribe, was part of New Haven until it was independently incorporated in 1786, named in memory of John Hampden. Similarly, Hampden County in Massachusetts established in 1812 is also named for him.

[22] JAMES OTIS, THE RIGHTS OF THE BRITISH COLONIES, ASSERTED AND PROVED (1764) at 29 and 37 : "The Colonists are by the law of nature free born, as indeed all men are, white or black. . . That the colonists, black and white, born here, are free born British subjects, and entitled to all the essential civil rights of such, is a truth not only manifest from the provincial charters, from the principles of the common law, and acts of parliament but from the British constitution, which was re-established at the revolution, with a

exercised over those who are not represented, appears to me to be depriving them of one of their most essential rights, as freemen; and if continued, seems to be in effect an entire disfranchisement of every civil right."[23] With this view, Otis was a leader among members of the Stamp Act Congress, a group of twenty-seven men (representing nine colonies) who met in October of 1765 reacting to the Stamp Act that Parliament passed in March of that year. Patrick Henry from Virginia also used the "no taxation without representation" in the Virginia Resolves opposing the Stamp Tax.

Unlike previous taxes (in the form of duties paid by manufacturers on imported goods, the cost of which was passed through to consumers in the form of higher prices) the Stamp Tax was direct and internal. Effective November 1, 1765, colonists had to purchase from an authorized distributor a stamp identifying the tax paid to affix on all skin, vellum, parchment or sheets of paper upon which there was engraving, writing or print.[24] This included, among other things legal pleadings, diplomas, marriage licenses, wills, books, pamphlets, newspapers, almanacs, calendars, liquor licenses, playing cards, dice, insurance contracts, for example.[25] The delegates met for over two weeks in New York and prepared and sent [by ship across the Atlantic] a document detailing a series of "declarations of our humble opinion,"[26] among them asserting that Britain had no

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professed design to secure the liberties of all the subjects to all generations," available at https://quod.lib.umich.edu/e/evans/N07655.0001.001?rgn=main;view=fulltext

[23] OTIS at 38.

[24] AMERICAN HISTORY LEAFLETS: COLONIAL AND CONSTITUTIONAL (Albert Bushnell Hart and Edward Channing, ed. , A. Lovell & Company, 1895) 1765 (This pamphlet includes a copy of the Stamp Act, 5 Geo. III, Cap. XII), available at https://tile.loc.gov/storage-services/public/gdcmassbookdig/stampact176500grea/stampact176500grea.pdf

[25] The law also required trials in admiralty courts for those accused of violation instead of a trial by a jury of their peers.

[26] Resolutions of the Continental Congress, October 19, 1765, available at www.avalon.law.yale.edu/18th_century/resolu65.asp

authority to tax the colonists unless they had representation in Parliament. Ultimately, Parliament repealed the tax in 1766, however, on that same day passed legislation known as The Declaratory Act asserting the "full power and authority to make laws and statutes of sufficient force and validity to bind the colonies and people of America, subjects of the crown of Great Britain, in all cases whatsoever"[27] presumably including by raising taxes on, despite the lack of representation. Given the documents discussion of tax resistance, this is an easy inference to draw. In just a year, Parliament passed the Townshend Act which established new taxes on the colonies in the forms of customs duties on glass, lead, paper, paint, and tea.[28]

Not only did re-establishing customs taxes on the colonies offend notions of liberty it also was not very practical for several reasons. First, resistance in the form of the boycotts to tea, for example, greatly financially damaged the British East India Company, the very business enterprise that the Crown was also at that time trying to bailout. Apparently "tens of millions of pounds" of tea was "rotting in the warehouses"[29] of the company due to the tax. When after the lifting of duties on all items but tea in 1770, the irrationality of the project was exposed. While the necessity of raising funds from America semes to have driven the policy, as the events leading up to the revolution demonstrated, it was poorly considered. The Boycott was more costly than foregoing the tax, and resentment only built.

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[27] The Declaratory Act, March 18, 1766 ("full power and authority to make laws and statutes of sufficient force and validity to bind the colonies and people of America, subjects of the crown of Great Britain, in all cases whatsoever"), available at https://avalon.law.yale.edu/18th_century/declaratory_act_1766.asp
[28] The Townshend Act, November 20, 1767, available at https://avalon.law.yale.edu/18th_century/townsend_act_1767.asp
[29] See BURKE, SPEECH infra.

In 1774, Edmund Burke (1729 – 1797),[30] an Irish-born Trinity College graduate and member of the House of Commons beginning in 1765, insisted in an lengthy extemporaneous speech before the body that maintaining the tax on tea was a political, not a commercial choice. Any claim that it was financially necessary was pretextual. He said, "If commercial principles had been the true motives to the repeal, or had they been at all attended to, tea would have been the last article we should have left taxed for a subject of controversy."[31] The reason for this thinking was that America was a giant market for British tea. It was "next to a necessary of life" and as Burke put it (perhaps due to the habit-forming properties) "the demand grows upon the supply." Instead of being a worthwhile tax, Burke called it a "tax of sophistry, a tax of pedantry, a tax of disputation, a tax of war and rebellion." In referencing James Hampden, Burke tried to explain that it was now the principle of the matter for those angry about the remaining tax on tea. "Theirs were formerly the feelings of Mr. Hampden when called upon for the payment of twenty shillings." Burke noted that the twenty shillings would not have ruined him, "but the payment of half twenty shillings, on the principle it was demanded, would have made him a slave."

Taken together, then, the title of this paper and related People's Tax Shelter (PTS) proposal, relies in part on notions that in the absence of basic food and shelter, individuals do not have the resources to participate in selecting our representatives. With money equated with political speech that affects nominations and election outcomes, this

[30] As a progressive, I hesitate to quote Burke without recognizing some irony. He is often championed as the father of conservatism.
[31] BURKE'S SPEECH ON AMERICAN TAXATION at 11 (ed. James Hugh Moffatt, Gin & Company 1905) 1774.

is not such a difficult concept to grasp. In addition, the title and related proposal also reflects the perspectives that tax systems should be fair and effective. There is also an historical basis for vertical equity, as follows.

It took a century before the federal government enacted a federal income tax, until that time primarily relying on tariffs to fund operations. Then, in July 1862, a year into the Civil War, President Lincoln signed that first income tax law. Up until then, to fund the Union Army, the Treasury sold bonds to the banks, and Lincoln also had the government issue the first paper money that was not backed by gold, known as green backs. The conventional wisdom is that the first income tax was imposed to pay for the Union war effort. However, there's more to the story as the tax was imposed for a number of other inter-related purposes. The income tax helped give the bond-holding banks assurance they would actually get paid back interested and principal. The income tax helped keep inflation from getting out of control with all the green backs in circulation (though Lincoln said he was willing to print enough money to fund the war even if it resulted in breakfast costing $1,000). Of most relevance to this paper, however, is that higher tariffs had sent consumer prices sky high. Meanwhile, wealthy individuals and businesses were profiting handsomely from the war effort. An excise tax on corporations was passed along with the federal personal income tax. And that personal tax was set at graduated rates, based on income. One lawmaker supporting this tax said, "Go to the Astors and Stewarts and other rich men of the country and ask them if in the midst of war [the income tax] is unreasonable. I could not advocate anything else in justice to the middle classes of the country."[32] In 1872 Congress repealed the income tax, but it was again proposed out of concerns not just for revenue, but for inequality in the late 19th through early 20th Century.

Reliance on tariffs to raise revenue squeezed consumers who were by 1897 absorbing the cost of customs duties, of an average 57 percent. Staples like sugar and ordinary goods made from wool, leather, silk, iron and steel were all expensive. Increasing duties was off the table, but with the onset of the Spanish-Civil War, new sources of revenue were necessary. Democrats resist proposals for special taxes that would unduly burden the poor, including on circus tickets, chewing gum, wine and beer.[33] After the Supreme Court's decision in *Pollock v. Farmers' Loan & Trust Co*[34] a constitutional amendment was thought to be the safest legal course toward reinstating a federal income tax. Congressional populists and Democrats joined forces and turned instead to a corporate excise tax on petroleum-refining and sugar companies and an inheritance tax through passage of The War Revenue Act of 1898. In both categories, only the wealthy were taxed, understandable at a time of even greater wealth inequality than today.[35] Estates under $10,000[36] were exempt from the inheritance tax and only corporate gross revenue of more than $200,000[37] was taxed.

[32] STEVEN R. WEISMAN, THE GREAT TAX WARS: LINCOLN TO WILSON – THE FIERCE BATTLES OVER MONEY AND POWER THAT TRANSFORMED THE NATION at 15 (2002).
[33] WEISMAN at 177.
[34] 157 U.S. 439 (1895).
[35] Per capita wealth was at a then high of $1,165, with dramatic wealthy inequality. The top one percent then had 47 percent of the nation's wealth.
[36] The equivalent of $357,000 in today's dollars.
[37] The equivalent of more than $7 million in today's dollars.

Again during the Congressional and public debates concerning passage of the Sixteenth Amendment and a federal income tax centered on fairness. Raising income tax perceived to be targeted to the wealthy and lowering tariffs to benefit the working classes were discussed together. Those who espoused keeping tariffs high often expressed those arguments in job-creation language (as in we cannot keep our factories open and workers employed) if we have to compete with imported goods.

[Paper to be completed].