

December 29, 2014

Dear Clients and Friends:

On Wednesday, New Year's Day of 1862, the first U.S. income tax went into effect. It was exactly one year after Abraham Lincoln had declared slavery in the Confederate states illegal, and the Union needed money to finance the Civil War.

If you were living in the North at that time, you would have filed Form 24 with the Commissioner of Internal Revenue. There were spaces on the form to list all of your income, real property, personal property, and any business interests. The "progressive" tax rate was 3% on income over \$600 and 5% on any income over \$10,000.

Those rates may seem low, but the government taxed just about everything. Monthly duties were assessed on articles and products ranging from ale to zinc. Monthly taxes were levied on gross receipts of transportation companies and other enterprises. Bankers, auctioneers, pawnbrokers, distillers, confectioners, tallow-chandlers and jugglers paid an annual license fee. An eating house paid \$10 a year in license fees and a circus \$50. Gold watches were taxed at \$1 or \$2, depending on value, and an unlicensed billiards table would cost you \$10 a year when you listed it on Schedule A of the Form 24.

In 1872, most of the "emergency" taxes were repealed. Tax offices were closed, and all records relating to Civil War taxes went to Washington, D.C., where they were burned.

The Sixteenth Amendment was ratified in 1913, giving Congress the right to levy an income tax without apportionment among the states. From its original length of 27 pages in 1913, the federal tax code has grown to over 70,000 pages today.

So here we are. Whatever's on your schedule in 2015, may it come with health, wealth and happiness.

Best wishes for the New Year --



Charles M. Shackelford