

Worksheet Solutions

The Wealth Tax and the Victory Tax

Theme 2: Taxes in U.S. History

Lesson 5: The Wealth Tax of 1935 and the Victory Tax of 1942

Key Terms

mass tax—A broad tax that affects a majority of taxpayers.

progressive tax—A tax that takes a larger percentage of income from high-income groups than from low-income groups.

tax code—The official body of tax laws and regulations.

tax evasion—A failure to pay or a deliberate underpayment of taxes.

withholding (“pay-as-you-earn” taxation)—Money, for example, that employers withhold from employees paychecks. This money is deposited for the government. (It will be credited against the employees’ tax liability when they file their returns.) Employers withhold money for federal income taxes, social security taxes, and state and local income taxes in some states and localities.

Summary

During the 1930s, government expenditures on New Deal programs were enormous. Congress’s introduction of the 1935 Wealth Tax cut into the incomes of the wealthy and increased revenue. Many responded by using loopholes in the federal **tax code**. The government in turn cracked down on **tax evasion**. Later, the expenses of World War II again exceeded federal tax revenues. The Victory Tax, the broadest and most **progressive tax** in American history, was passed in 1942. So many people now paid income taxes that it was considered a **mass tax**. It was collected by **withholding** money from workers’ paychecks.

Activity 1

Use the clues to unscramble the tax vocabulary word. Write your answer in the space provided.

1. If you do not pay your taxes, you may be accused of this. (xta esiovan)

tax evasion

2. This is a method of collecting taxes. (whigindthol) **withholding**

3. This is a tax that most people pay. (sasm xat) **mass tax**

4. This is a tax that takes more from wealthy people. (girsesoprev)

progressive

5. This provides all the tax rules. (xta edco) **tax code**

Activity 2

Below is a statement made by writer Paul Solman about the federal income taxes enacted during World War II. Read the statement. On the lines below, explain what this statement means and comment on its fairness.

1. “Most everyone pays, most everyone benefits.” **Suggested Answer: Students should explain that taxes were paid by most people and, in return, almost everyone got some benefit. Some students may say that the problem is that no one can be sure that everyone who pays actually benefits. Other students may say that not everyone needs the benefits, and those who don’t need them should still pay taxes if they can afford them**

Activity 3

One argument against the Roosevelt administration’s New Deal programs and tax laws was that the federal government was becoming too involved in people’s everyday lives. Think about the arguments for and against increased federal involvement. On a separate sheet of paper, write a dialogue between two people living in 1935 who disagree on the matter. Give your characters names, and explain their situations and their ideas through their conversation.

Student answers will vary.