Teacher Lesson Plan

Theme 2: Taxes in U.S. History
Lesson 3: Income Tax Issues

Time Frame
One to three hours

Curriculum Area(s)
- History/Social Studies
- Civics/Government
- Economics
- Technology

Purpose
To help students understand how and why a federal income tax was implemented by Congress during the Civil War and in 1913

Objectives
Students will be able to
- describe the history of the federal income tax.
- explain the purpose of a federal income tax.

Materials

Online
Student Lesson - Income Tax Issues
Activity 1: History of the Federal Income Tax
Activity 2: Calculating Taxes
Activity 3: Political Cartoons and Taxes
Assessment - Income Tax Issues
Assessment Solutions - Income Tax Issues

Print (PDF)
Teacher Lesson Plan
Info Sheet 1 - Timeline of Events: 1861 - 1913
Info Sheet 2 – “Put the Shutters Up”: A Political Cartoon by Thomas Nast
Worksheet - A Brief History of the Income Tax
Worksheet Solutions - A Brief History of the Income Tax
Assessment - Income Tax Issues
Assessment Solutions - Income Tax Issues
Complete Lesson Pack

Web Links
U.S. Constitution  https://www.archives.gov/founding-docs/constitution
Editorial Cartoons https://www.loc.gov/pictures/collection/acd/
Background
1861 - 1872
The federal income tax has not always been a part of the American taxation system. Civil War
debts caused Congress to enact the first federal income tax. It was a progressive tax that was
based on citizens’ ability to pay - only people above a certain income level were expected to
pay. The government relied on voluntary compliance with the income tax. Many were willing
to pay the tax, but many were not. Less than one percent of all households actually paid the tax,
yet it generated $55 million. The federal income tax was repealed in 1872.

1894 - 1895
Congress passed a new version of the federal income tax in 1894. It required people to pay a flat
income tax rate of 2 percent. The following year, the Supreme Court declared the income tax
unconstitutional because it violated the part of the Constitution that requires any direct tax to be
divided among the states according to population. Higher regressive taxes, such as tariffs and
excise taxes, were put in place instead.

Early 1900s
By the turn of the twentieth century, the American economy had grown as a result of
industrialization and modernization. The government supported more people and more programs
than ever before. With industrialization, a small section of the population became wealthy, but
many remained poor.

1909 - 1913
In 1909 Congress proposed an income tax that would not be based on the population of the
states. Ratification of the Sixteenth Amendment in 1913 made the income tax legal and
constitutional. It allowed the federal government to tax citizens’ incomes directly.

Key Terms
ability to pay - A concept of tax fairness that states that people with different amounts of wealth
or different amounts of income should pay tax at different rates. Wealth includes assets such as
houses, cars, stocks, bonds, and savings accounts. Income includes wages, interest and
dividends, and other payments.
progressive tax - A tax that takes a larger percentage of income from high-income groups than
from low-income groups.
voluntary compliance - A system of compliance that relies on individual citizens to report their
income freely and voluntarily, calculate their tax liability correctly, and file a tax return on time.

Opening the Lesson
Ask students how the income tax might seem different from other taxes they have studied. Print
Info Sheet 1 - Timeline of Events: 1861 - 1913 and have students follow along as you present the
background material.
Developing the Lesson

Ask students: Do you think a direct tax on every worker’s income is fair?

Answers will vary. Explain that fairness to taxpayers was one of the reasons lawmakers supported a federal income tax.

Ask: What are some arguments for and against a progressive federal income tax?

Students may suggest that by taking money away from people, the government is keeping them from enjoying the results of their labor and preventing them from investing. Others may suggest that a tax that takes more from people with higher incomes is fair.

Online Activities

Direct students to Student Lesson - Income Tax Issues. Have students complete one or more of the following activities.

Activity 1: History of the Federal Income Tax - Complete a timeline to discover how the federal income tax became law.

Activity 2: Calculating Taxes - Calculate the federal income tax different groups would pay during the Civil War.

Activity 3: Political Cartoons and Taxes - Interpret the message behind political cartoons about taxes.

Print Activity

Print Worksheet - A Brief History of the Income Tax and distribute it to students.

Worksheet Solutions - A Brief History of the Income Tax.

Classroom Activity

Have students analyze a political cartoon about the federal income tax after the Civil War. Print Info Sheet 2 – “Put the Shutters Up”: A Political Cartoon by Thomas Nast. Explain that Thomas Nast presented politicians and their actions in a way that anyone could understand. Ask students to analyze the cartoon and identify Nast’s point of view. (Nast was opposed to the income tax.) Have students work in teams to design their own political cartoons and share them with the class. As enrichment, find more editorial cartoons on early tax issues at Editorial Cartoons.

Concluding the Lesson

Have students recall the history of the federal income tax and its purposes. Visit U.S. Constitution. Have students read the text of the Sixteenth Amendment. Ask them to identify how the language of the amendment makes the once unconstitutional idea of a direct tax acceptable. (Answers will vary.)

Online Assessment

Direct students to complete Assessment - Income Tax Issues.

Assessment Solutions - Income Tax Issues

Print Assessment

Print Assessment - Income Tax Issues and have students complete it on paper.

Assessment Solutions - Income Tax Issues

Links

See Theme 6, Lesson 1 for more information on the federal income tax.