

# Teacher Lesson Plan

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Theme 2: Taxes in U.S. History  
Lesson 5: The Wealth Tax of 1935 and the Victory Tax of 1942

## Time Frame

One to three hours

## Curriculum Area(s)

- History/Social Studies
- Civics/Government
- Economics
- Technology

## Purpose

To help students understand that during the Great Depression and World War II, the Roosevelt administration implemented new, broader, and more progressive taxes in order to cover the costs of the New Deal programs and the war.

## Objectives

Students will be able to

- explain the history of the Wealth Tax of 1935 and the Victory Tax of 1942.
- explain the purpose of the Wealth Tax and the Victory Tax

## Materials

### *Online*

[Student Lesson— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

[Activity 1: Tax Scrambler](#)

[Activity 2: Taxes and the New Deal](#)

[Activity 3: FDR](#)

[Assessment— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

[Assessment Solutions— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

### *Print (PDF)*

[Teacher Lesson Plan](#)

[Info Sheet 1— Taxes in the 1930s and 1940s; Problems and Solutions](#)

[Info Sheet 2—Excerpts from President Roosevelt’s Fireside Chat \(April 14,1938\)](#)

[Worksheet— The Wealth Tax and the Victory Tax](#)

[Worksheet Solutions— The Wealth Tax and the Victory Tax](#)

[Assessment— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

[Assessment Solutions— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

[Complete Lesson Pack](#)

## Web Links

Library of Congress <http://memory.loc.gov/ammem/wpaintro/intro01.html>

FDR [www.pbs.org/wgbh/amex/presidents/32\\_f\\_roosevelt/index.html](http://www.pbs.org/wgbh/amex/presidents/32_f_roosevelt/index.html)

Radio Address of the President <http://www.archives.gov/education/lessons/fdr-fireside/>

16th Amendment U.S. Federal Income Tax

<http://www.ourdocuments.gov/doc.php?flash=true&doc=57>

## Background

### *The Wealth Tax of 1935*

During the Great Depression, President Franklin D. Roosevelt's New Deal programs put millions of jobless Americans back to work and stabilized the economy. Social Security programs provided pensions to those who could not work. However, the government needed new taxes to pay for these programs. The Revenue Act of 1935 put a new **progressive tax**, the Wealth Tax, in place. Those making more than \$5 million a year were taxed up to 75 percent. Unlike their Civil War grandparents, the wealthy were not happy to pay income taxes during crisis times. Loopholes in the **tax code** were used. The federal government aggressively prosecuted tax evaders. The Revenue Act of 1937 cracked down on **tax evasion** by revising tax laws and regulations.

### *The Victory Tax of 1942*

In 1939 only about five percent of American workers paid income tax. The United States' entrance into World War II changed that figure. The demands of war production put almost every American back to work, but the expense of the war still exceeded tax-generated revenue. President Roosevelt's proposed Revenue Act of 1942 introduced the broadest and most **progressive tax** in American history, the Victory Tax. Now, about 75 percent of American workers would pay income taxes. Because so many citizens paid the tax, it was considered a **mass tax**. To ease workers' burden of paying a large sum once a year, and to create a regular flow of revenue into the U.S. Treasury, the government required employers to **withhold** money from employees' paychecks. Additional taxes were put in place in 1943. By war's end in 1945, about 90 percent of American workers submitted income tax forms, and 60 percent paid taxes on their income. The federal government covered more than half its expenses with new income tax revenue.

## 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.

## **Opening the Lesson**

Ask students for their impressions of life in the United States during the Great Depression and World War II. They may suggest that the 1930s and 1940s were a time when people came together during hardships and that the government took a much larger role in people's day-to-day lives. Share information from the background section above, and distribute [Info Sheet 1—Taxes in the 1930s and 1940s: Problems and Solutions](#).

## **Developing the Lesson**

Discuss how most American taxpayers in the 1930s and 1940s considered paying taxes a duty, not a burden. Ask students how they would feel if they were asked to give up all but a set amount of their income in order to support the government during a crisis. Remind students that tax legislation in the 1930s and 1940s did not pass unopposed. Many Republicans thought the New Deal programs would bankrupt the country. Many activists thought the New Deal programs were weak and limited. Have students develop arguments for and against a mass tax like the one passed in 1942.

### ***Online Activities***

Direct students to [Student Lesson—The Wealth Tax of 1935 and the Victory Tax of 1942](#).

Have students complete one or more of the following activities:

[Activity 1: Tax Scrambler](#)—Unscramble tax vocabulary.

[Activity 2: Taxes and the New Deal](#) — Take a virtual field trip to learn more about FDR's New Deal.

[Activity 3: FDR](#) — Take a virtual field trip to learn more about FDR's legacy.

### ***Print Activity***

Print [Worksheet— The Wealth Tax and the Victory Tax](#) and distribute it to students.

[Worksheet Solutions— The Wealth Tax and the Victory Tax](#)

### ***Classroom Activity***

One way President Roosevelt communicated with the American people was through regular radio broadcasts. In these broadcasts, which he called Fireside Chats, the President often spoke about economic troubles and his proposed solutions. Have students read [Info Sheet 2—Excerpts from President Roosevelt's Fireside Chat \(April 14,1938\)](#).

Ask students:

- What were Roosevelt's main points or themes?

**Possible answers should include the ideas of American wealth, the need for sacrifice and working together in a time of crisis, and the need to stabilize the economy.**

Have students evaluate the President’s persuasiveness as a speaker. Students may cite the emotional appeal of reminding Americans to think of themselves as a rich people and the promise that their sacrifices would ultimately pay off.

### **Concluding the Lesson**

Ask students to describe the Wealth Tax of 1935 and the Victory Tax of 1942. Extend the lesson by having students research President Roosevelt’s background and explaining the accusation made by wealthy taxpayers that Roosevelt “was a traitor to his class.” Engage students in a debate about the role of the wealthy in a troubled economy.

#### ***Online Assessment***

Direct students to complete [Assessment—The Wealth Tax of 1935 and the Victory Tax of 1942](#) for this lesson.

[Assessment Solutions— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

#### ***Print Assessment***

[Print Assessment— The Wealth Tax of 1935 and the Victory Tax of 1942](#), and have students complete it on paper.

[Assessment Solutions— The Wealth Tax of 1935 and the Victory Tax of 1942](#)

#### ***Links***

Go to [Theme 1, Lesson 3](#) for more information on tax evasion vs. tax avoidance.