A Short History Of Taxes

“In this world, nothing can be said to be certain, except death and taxes.”  
  
–Benjamin Franklin

Benjamin Franklin was correct in his assessment of both death and taxes, but while taxes have been certain, they’ve been far from consistent. America was tax-free for much of its early history. That is, free of direct taxation like income tax. It was, after all, taxes that led Americans to revolt against the British in 1773. Following the Revolutionary War, the new American government was understandably cautious when it came to taxation–direct taxation was prevented by the constitution for all practical purposes.

Therefore, government revenues had to be collected through tariffs and duties on certain items. These excise taxes on liquor, tobacco, sugar, legal documents and so on betrayed a social agenda as well as a revenue-gathering attempt.

The first challenge to the system came in 1794, when the Whiskey Rebellion broke out. It was basically groups of Pennsylvanian farmers angry about the tax on whiskey burning down tax collectors’ houses and tarring and feathering any collectors too slow to get away. Defending the right to collect their indirect taxes, Congress put down the revolt by military force.

**War Is Hell, but Taxes Last Longer**  
  
The sanctity of the constitution and the ancestral aversion to taxes was tested again in the 1790s, when a war with France led to a property tax. The implementation of this tax was far from perfect, so the later war of 1812 was funded by higher duties and excise taxes. It would take a Civil War to bring income tax into the young nation.

The American Civil War was disastrous and expensive for the nation in that massive amounts of debt were incurred waging war against itself. In order to help pay for the war, the Congress passed the Revenue Act of 1861. The tax was levied on incomes exceeding $800 and was not rescinded until 1872. This act created most of what we consider the modern tax system. The U.S. Internal Revenue Service (IRS) was founded, the tax was progressive and some deductions were allowed

From Forbes

http://www.forbes.com/2010/04/14/tax-history-law-personal-finance-tax-law-changes.html