

# EDUCATIONAL SERIES

## THE INCOME TAX

Speech delivered by William J. Bryan in the house of representatives January 30, 1894. Mr. Bryan said:

Mr. Chairman: What is this bill which has brought forth the vehement attack to which we have just listened? It is a bill reported by the committee on ways and means, as the complement of the tariff bill. It, together with the tariff measure already considered, provides the necessary revenue for the support of the government. The point of attack is the income tax, individual and corporation (which is expected to raise about \$30,000,000) and to that I will devote the few minutes which are allowed for closing the debate.

The gentleman from New York insists that sufficient revenue will be raised from tariff schedules, together with the present internal revenue taxes, and that it is therefore unnecessary to seek new objects for taxation. In this opinion he is not supported by the other members of the committee, and we have been constrained to follow our own judgment rather than his. The internal revenue bill which is now pending as an amendment to the tariff bill imposes a tax of two per cent upon the net incomes of corporations, and in the case of corporations no exemption is allowed.

I need not give all the reasons which led the committee to recommend this tax, but will suggest two of the most important. The stockholder in a corporation limits his liability. When the statute creating the corporation is fully complied with the individual stockholder is secure, except to the extent fixed by the statute, whereas the entire property of the individual is ordinarily liable for his debts. Another reason is that corporations enjoy certain privileges and franchises. Some are given the right of eminent domain, while others, such as street car companies, are given the right to use the streets of the city—a franchise which increases in value with each passing year. Corporations occupy the time and attention of our federal courts and enjoy the protection of the federal government, and as they do not ordinarily pay taxes the committee felt justified in proposing a light tax upon them.

Some gentlemen have accused the committee of showing hostility to corporations. But, Mr. Chairman, we are not hostile to corporations; we simply believe that these creatures of the law, these fictitious persons, have no higher or dearer rights than the persons of flesh and blood whom God created and placed upon His footstool. The bill also imposes a tax of two per cent upon individual incomes in excess of \$4,000. We have proposed the maximum of exemption and the minimum of rate. The principle is not new in this country. For nearly ten years, during and after the war, an income tax was levied, varying from 2½ to 10 per cent, while the exemption ranged from \$600 to \$2,000. In England the rate for 1892 was a little more than two per cent, the amount exempt, \$750, with an additional deduction of \$600 on incomes of less than \$2,000. The tax has been in force there in various forms for more than fifty years.

In Prussia the income tax has been in operation for about twenty years; incomes under 900 marks are exempt, and the tax ranges from less than one per cent to about four per cent, according to the size of the income.

Austria has tried the income tax for thirty years, the exemption being about \$113, and the rate ranging from eight per cent up to 20 per cent.

A large sum is collected from an income tax in Italy; only incomes under \$77.20 are exempt, and the rate runs up as high as 13 per cent on some incomes.

In the Netherlands the income tax has been in operation since 1823. At present, incomes under \$260 are exempt, and the rate ranges from 2 per cent to 3.1-5 per cent, the latter rate being paid upon incomes in excess of \$3,280.

In Zurich, Switzerland, the income tax has been in operation for more than half a century. Incomes under \$100 are exempt, and the rate ranges from about 1 per cent to almost 8 per cent, according to the size of the income.

It will be thus seen that the income tax is no new device, and it will also be noticed that the committee has proposed a tax lighter in rate

and more liberal in exemption than that imposed in any of the countries named.

If I were consulting my own preference I would rather have a graduated tax, and I believe that such a tax could be defended not only upon principle, but upon grounds of public policy as well; but I gladly accept this bill as offering a more equitable plan for making up the deficit in our revenues than any other which has been proposed. The details of the bill will be discussed tomorrow under the five-minute rule, and any necessary changes can be made.

The committee presents the bill after careful consideration, but will cheerfully accept any changes which the wisdom of the house may suggest. The bill not only exempts from taxation, but from annoyance as well, every person whose income is below \$3,500. This is an important feature of the bill. In order to guard against fraud the bill provides that every person having an income of more than \$3,500 shall make a return under oath, but no tax is collected unless the net income exceeds \$4,000. The bill also provides severe penalties to restrain the tax collector from disclosing any information gained from the returns made by citizens.

And now, Mr. Chairman, let us consider the objections which have been made. The gentleman from New York (Mr. Bartlett) who addressed the house this forenoon, spent some time in trying to convince us that, while the supreme court had without dissent affirmed the constitutionality of an income tax yet it might at some future time reverse the decision, and that, therefore, this bill ought to be rejected. This question has been settled beyond controversy. The principle has come before the court on several occasions, and the decisions have always sustained the constitutionality of the income tax. (Hylton vs. United States, 3 Dall., 271; Deasie Bank vs. Fenno, 3 Dall., 171; Deasie vs. Rew, 23 Wall., 331; Pacific Insurance Company vs. Soule, 7 Wall., 433.)

In Springer vs. United States (102 United States, 586) the question was directly raised upon the law in force from 1863 to 1873, and the court held that the income tax as then collected was not a direct tax within the meaning of the constitution, and therefore need not be apportioned among the states according to their population.

But gentlemen have denounced the income tax as class legislation, because it will affect more people in one section of the country than in another. Because the wealth of the country is, to a large extent, centered in certain cities and states does not make a bill sectional which imposes a tax in proportion to wealth. If New York and Massachusetts pay more tax under this law than other states, it will be because they have more taxable incomes within their borders. And why should not those sections pay most which enjoy most?

The census shows that the population of Massachusetts increased less than half a million between 1880 and 1890, while the assessed value of her property increased more than half a billion during the same period. The population of New York increased about 900,000 between 1880 and 1890, while the assessed value of the property increased more than \$1,100,000,000. On the other hand, while the population of Iowa and Kansas combined increased more than 700,000, their assessed valuation increased only a little more than \$300,000,000. This bill is not in the line of class legislation, nor can it be regarded as legislation against a section, for the rate of taxation is the same on every income over \$4,000, whether its possessor lives upon the Atlantic coast, in the Mississippi valley or on the Pacific slope. I only hope that we may in the future have more farmers in the agricultural districts whose incomes are large enough to tax.

But the gentleman from New York (Mr. Cockran) has denounced as unjust the principle underlying this tax. It is hardly necessary to read authorities to the house. There is no more just tax upon the statute books than the income tax, nor can any tax be proposed which is more equitable; and the principle is sustained by the most distinguished writers on political economy. Adam Smith says:

The subjects of every state ought to contribute to the support of the government, as nearly as possible in proportion to their respective abili-

ties; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation.

The income tax is the only one which really fulfills this requirement. But it is said that we single out some person with a large income and make him pay more than his share. And let me call attention here to a fatal mistake made by the distinguished gentleman from New York (Mr. Cockran). You who listened to his speech would have thought that the income tax was the only federal tax proposed; you would have supposed that it was the object of this bill to collect the entire revenue from an income tax. The gentleman forgets that the pending tariff bill will collect upon imports more than \$120,000,000—nearly ten times as much as we propose to collect from the individual income tax. Everybody knows that a tax upon consumption is an unequal tax, and that the poor man by means of it pays far out of proportion to the income which he enjoys.

I read the other day in the New York World—and I gladly join in ascribing praise to that great daily for its courageous fight upon this subject in behalf of the common people—a description of the home of the richest woman in the United States. She owns property estimated at \$60,000,000, and enjoys an income which can scarcely be less than \$3,000,000, yet she lives at a cheap boarding house, and only spends a few hundred dollars a year. That woman, under your indirect system of taxation, does not pay as much toward the support of the federal government as a laboring man whose income of \$500 is spent upon his family.

Why, sir, the gentleman from New York (Mr. Cockran) said that the poor are opposed to this tax because they do not want to be deprived of participation in it, and that taxation instead of being a sign of servitude is a badge of freedom. If taxation is a badge of freedom, let me assure my friend that the poor people of this country are covered all over with the insignia of freemen.

Notwithstanding the exemption proposed by this bill, the people whose incomes are less than \$4,000 will still contribute far more than their just share to the support of the government. The gentleman says that he opposes this tax in the interest of the poor! Oh, sirs, is it not enough to betray the cause of the poor—must it be done with a kiss?

Would it not be fairer for the gentleman to fling his burnished lance full in the face of the toiler, and not plead for the great fortunes of this country under cover of the poor man's name? The gentleman also tells us that the rich will welcome this tax as a means of securing greater power. Let me call your attention to the resolution passed by the New York chamber of commerce. I wonder how many poor men have membership in that body! Here are the resolutions passed at a special meeting called for the purpose. The newspaper account says:

Resolutions were adopted declaring "the proposal to impose an income tax is unwise, unpolitic and unjust for the following reasons:

"First—Experience during our late war demonstrated that an income tax was inquisitorial and odious to our people, and only tolerated as a war measure, and was abrogated by universal consent as soon as the condition of the country permitted.

"Second—Experience has also shown that it is expensive to put in operation; that it can not be fairly collected, and is an unjust distribution of the burdens of taxation and promotes evasions of the law.

"Third—The proposal to exempt incomes under \$4,000 is purely class legislation, which is socialistic and vicious in its tendency, and contrary to the traditions and principles of republican government."

Still another resolution was adopted declaring "that in addition to an internal revenue tax the necessary expenses of the government should be collected through the custom house, and that the senators and representatives in congress from the state of New York be requested to strenuously oppose all attempts to re-impose an income tax upon the people of this country."

They say that the income tax was "only tolerated as a war measure, and was abrogated by universal consent as soon as the condition of the country permitted." Abrogated by universal consent! What refreshing ignorance from such an intelligent source! If their knowledge of other facts recited in those resolutions is as accurate as that statement, how much weight their resolutions ought to have! Why, sir, there never has been a day since the war when a majority of the people of the United States opposed an income tax. It was only repealed by one vote in the senate, and when under consideration was opposed by such distinguished republicans as Senator Sherman of Ohio, Senator Morton of Indiana, and Senator Howe of Wisconsin. It was also opposed in