

Home > Wilson And The Income Tax: President Mistakenly Credited With Most Dreaded American Law

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# Wilson and the income tax: President mistakenly credited with most dreaded American law



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Published date: April 19, 2024 | 10:43 pm

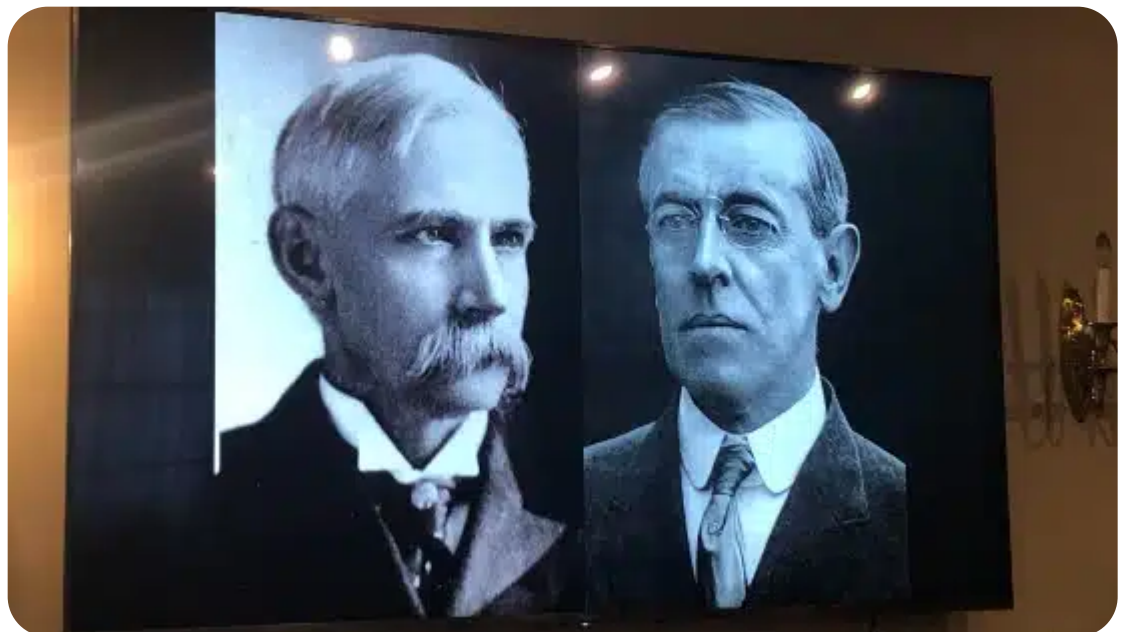
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marked Tax Day this year with a speaker series talk by UVA Professor of History and Economics Dr. Mark Thomas.

In "Mr. Wilson and the Income Tax," Thomas explains that President Woodrow Wilson

may have signed the hated [income tax](#) into American law on October 7, 1913, but he can hardly be



On the left is William Lyne Wilson, postmaster general under President Grover Cleveland, and President Woodrow Wilson. Photo by Rebecca J. Barnabi.

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Pitt's Tax after lawmaker William Pitt.

"It was a war-time measure," Thomas said. The intention was to raise funds to pay for the War of 1812.

Another income tax was attempted in 1861 and the Confederate States of America also attempted an income tax in 1863.

Originally, the income tax was meant to be an alternative to raising tariffs. In 1828, the Tariff of Abominations, as it came to be known, put pressure on imports and exports. Another was the Morrill Tariff in 1861.

"[After the Civil War] more and more goods are coming in free of tariffs," Thomas, a native of Britain, said. He received his bachelor's from Oxford University, holds a master's in Economics from Cornell University and completed his D.Phil. at Nuffield College, Oxford.

In the Northern states in 1861, incomes above \$800/year were taxed 3 percent. By 1865, incomes between \$600 and \$5,000/year were taxed 5 percent, between \$5,000 and \$10,000 was taxed 7.5 percent and more than \$10,000/year was taxed 10 percent.

From 1861 to 1871, Form 24 was the income tax return for Americans.

During the next few years, dozens of attempts were made to bring back the income tax, most by Democrats.

Between 1879 and 1895, scholars suggest that agriculture purchasing power was down as much as 15 percent because of decreasing prices thanks to tariffs.

The Wilson-Gorman Act of 1894 was introduced by William Lyne Wilson (no relation) and aimed at lowering tariff rates. Within the legislation was an income tax law passed that called for 2 percent on incomes of more than \$4,000 in America.

William Wilson, born in Jefferson County, Virginia, attended graduate school at UVA until the Civil War began. In 1895, William Wilson was chair of the Ways and Means Committee in the U.S. House. During Grover Cleveland's presidency, he served as postmaster general. He retired to Lexington, served as president of Washington & Lee University and was buried in Charles Town, W.V.

Eventually, lawmakers determined that a constitutional amendment would be necessary to make the income tax lawful.

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“It’s very tempting to believe that, without Wilson having been elected president of the United States, there would be no income tax,” Thomas said. Many critics of the income tax continue to blame Wilson who is “somewhat ascribed to be the architect” of the income tax Americans pay to this day. The truth is that other lawmakers in his time also embraced the idea.

Therefore, the 16th Amendment was written and by 1912, 34 states had ratified the amendment. The final two necessary states ratified the amendment in early 1913 nine days before Wilson’s inauguration as president. The Commonwealth of Virginia never ratified the amendment.

The time had come to introduce the income tax again to 20th Century American wallets. The real architects behind the income tax, according to Thomas, were UVA alum Oscar Underwood, a lawmaker from Alabama, and Furnifold Simmons of North Carolina.

“Between them, they were really the two who pulled the first income tax together,” Thomas said.

The intention of the income tax in 1913 was again to lower tariffs.

“It was decided to be a jolly good idea to bring the income tax back whilst the Democrats had power [of the Senate],” Thomas said.

The final package regarding the income tax was only eight pages out of an 814-page revenue bill and “was not the central issue” but became “a major policy decision” for the nation.

President Wilson later became an important player in passing a tariff, not an income tax bill.

The income tax law passed with a vote of 281 to 139 in the U.S. House, passed the U.S. Senate with 44 to 37 with 14 abstentions, was made retrospective to March 1913 and Americans were required to fill out a three-page document called Form 1040.

Wilson pushed back in 1914 against raising the income tax, which, Thomas said, is the only way to raise revenue during war time.

One of Wilson’s contributions to the American economy was that if the country had not entered World War I, taxes would not have been so high in 1929 and led to a stock market crash and the Great Depression.

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