**Fun Tax Facts**



**American colonists paid very little in taxes.**

In spite of colonists rebelling against a variety of taxes imposed by Great Britain,

taxes on them were much lower than taxes on British citizens. Great Britain had

a lot of debt from fighting the French and Indian War and raised taxes—primarily

on British citizens in Great Britain--to pay off the debt.

**The first American income tax appeared during the Civil War, in 1861.**

There was no enforcement, though, so no money was raised. Congress passed

another income tax law in 1862, but the lowest level of income taxes was $600.

At the time, the average income was $300, so most people did not have to pay

anything.

**The highest marginal tax rate (tax rate on the last dollar earned) was over 90% from the mid-1940s to the early 1960s (now it is 37%) for the highest income earners.**

During this period the United States was involved in World War II and the

Korean War, and to pay off the costs of those wars, the marginal tax rate was

Increased.

**The 16th amendment to the Constitution calls for an income tax, and it passed with help from Prohibitionists.**

In the early 20th century, most of the federal government’s revenue came from

excise taxes, specifically, excise taxes on liquor. Those in favor of Prohibition

realized that if the government banned the production and sale of alcohol, a

significant source of revenue would disappear. This meant that it would be hard

to find anyone in favor of Prohibition. So, they threw their support behind

instituting an income tax. With an income tax bringing in money to the

government, more people would be in favor of Prohibition, since one tax

revenue would be substituted for another.