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# cobblestone

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## ABOUT THE COVER

With April comes spring and . . . tax season! This month, Colonel Crow enjoyed our exploration of U.S. tax history, particularly a look at some of our states' more unusual taxes (see pages 30 and 38).

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Do we have to pay taxes. Ebenezer? I don't have any money!

No, you have to have income to pay federal income taxes.

Do acorns count?



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# Getting Started

**W**hat are taxes? If you look up the word “taxes” in a dictionary, you’ll see several slightly different meanings of the word:

- a contribution for the support of a government required of persons, groups, or businesses within the domain of that government
- a fee or due levied on the members of an organization to meet its expenses
- a burdensome or excessive demand; a strain

To some people, paying taxes is the price of citizenship in a democracy. Other people view taxes as a burden and as a way for a government to take and spend people’s hard-earned money.

Whether a person think taxes are good or bad, fair or unfair, paying taxes is the law. The types and rates of taxes may change as laws change, but the collection of taxes is part of the U.S. economic system. Understanding how taxes work—and paying them on time—is important.





The collection of taxes provides a way for a government—from a local town to a federal government—to collect revenue, or money. The money collected through taxes enables the government to pay for things and services that benefit society as a whole but for which people individually could not pay.

Local governments use taxes to pay for the salaries of their employees, such as city managers, town clerks, and garbage collectors. Local or state taxes also support and maintain public schools, public libraries, public parks, and police and fire departments. On a larger scale, the federal government relies on taxes to fund the offices and employees of the federal government. Taxes also support services that benefit the whole

country. For example, federal taxes pay for the nation's defense (armies and navies), interstate highways (high-speed roadways that connect the nation), and national resources (the National Park System and the environment). Federal taxes also help fund major health and social services such as Medicaid, Medicare, and Social Security.

The issue of taxes and specific tax laws can get complicated. For example, each of the 50 states in the United States writes its own tax laws. Local municipalities also determine their own tax laws. Tax laws, at every level, are constantly changing. In this issue, we hope to introduce you to some of the broader topics that make up U.S. tax history. 💰

**Taxes help support the people and services that build a community, such as law enforcement, city administrators, military personnel, teachers, and firefighters.**

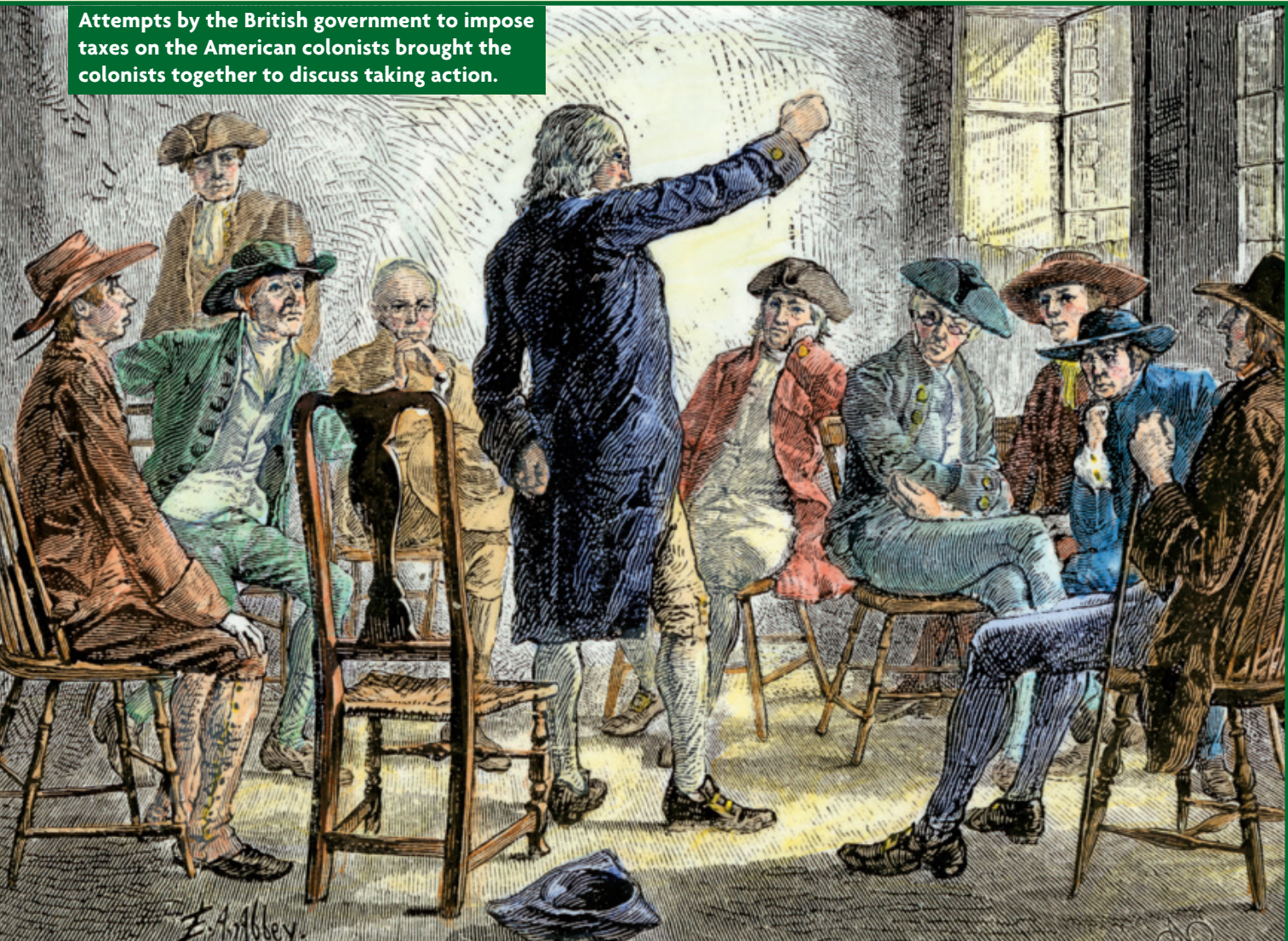




# NO 'TAXATION WITHOUT

by Eric B. Schultz

Attempts by the British government to impose taxes on the American colonists brought the colonists together to discuss taking action.



# REPRESENTATION!



Great Britain's victory over France in the French and Indian War (1755–1763) came at a cost. The war was expensive, and Britain's national debt had nearly doubled during the conflict. King George III and Parliament needed a source of revenue to pay off the debt. One solution was to impose new taxes on the American Colonies. The members of Parliament didn't think it was too unreasonable. After all, the colonists were British citizens and had benefited from Britain's success in the war.

Decades earlier, in 1733, Great Britain had attempted to tax the Colonies with the Molasses Act. The act placed a tax of six pence per gallon on imported molasses. British tax collectors had had a difficult time enforcing the law. The colonists had resisted or avoided paying the tax. And when colonial merchants found ways to smuggle in molasses and other products from the French West Indies, British merchants lost revenue.

So, in 1764, Great Britain tried again. It passed the Sugar Act. The act reduced the Molasses Act tax to three pence per gallon. It made clear, however, that collection of the tax would be enforced. It authorized stiff penalties for the smuggling of sugar and molasses. Dozens of new customs collectors began to inspect American cargoes and enforce the law.

Parliament did not understand that the colonists were experiencing economic hardships, too. Trade was declining just as customs enforcement grew. Individual colonies had taken on their own debt to finance



the French and Indian War. Local taxes remained high.

Then Parliament passed two more laws in March 1765. The Quartering Act demanded that the colonists **quarter** and feed British troops stationed in North America as part of their contribution to the empire. The Stamp Act decreed that most printed documents, such as wills, mortgages, newspapers, calendars, and playing cards, bear a stamp that had to be purchased by the colonists. It was a common tax in Great Britain. Parliament intended it to be used entirely to support British troops defending North America. As one member of Parliament said, “If America looks to Great Britain for protection, she must enable [us] to protect her. If she expects our fleets, she must assist our revenue.”

Reaction to the Stamp Act in the Colonies was immediate. For the first time in 150 years, colonists found themselves being taxed directly to raise money instead of paying an indirect tax on goods to

**The Stamp Act decreed that American colonists had to pay for a stamp to be applied to most paper products.**

Quarter means to furnish with housing.





The colonists' angry reaction to the Stamp Act of 1765 surprised the British government.

regulate trade. Outraged Americans also protested their lack of representation in Parliament. Boston lawyer James Otis declared it “absolutely irreconcilable” with the colonists’ rights as British subjects. He claimed that “taxation without representation is tyranny.” Other colonial leaders agreed. They believed that the situation could open the door to more taxes and even political oppression.

In May 1765, Patrick Henry introduced a series of resolutions in Virginia’s House of Burgesses. He claimed that only a colony’s local assembly, not Parliament, had the power to lay and collect taxes on colonists. Rioting broke out in several colonies. In October 1765, delegates from nine colonies met in New York as the Stamp Act Congress. They petitioned the king to repeal the act. They also encouraged colonists to **boycott** British goods.

Those efforts were successful. When the Stamp Act took effect on November 1, 1765, there was nobody to enforce it. The men appointed to collect the stamp revenues were



Molasses (ABOVE), sugar (RIGHT), and tea (FAR RIGHT) were products that the colonists enjoyed and imported—until the British began to tax them.





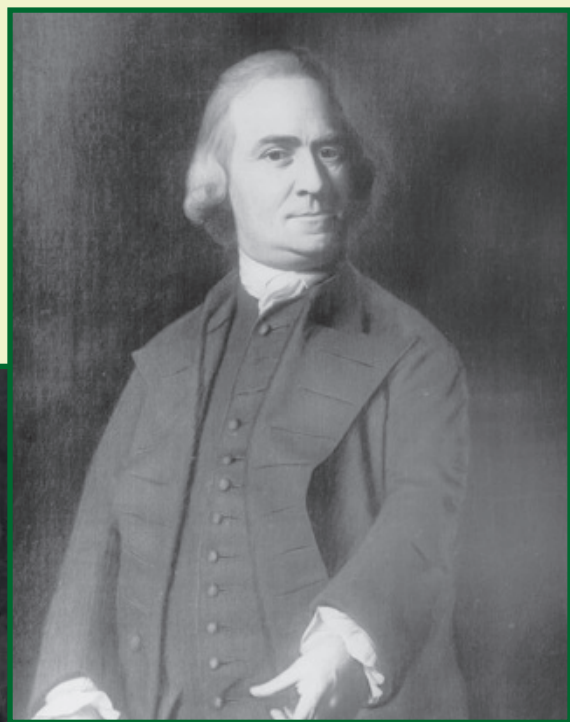
persuaded or forced to resign. And Parliament recognized that British merchants were being harmed. The act was repealed in March 1766.

Yet, most members of Parliament believed the act to be constitutional, and they were determined to check the Colonies. Parliament also passed the Declaratory Act in 1766. That act asserted Parliament's control over the governance of the Colonies "in all cases whatsoever." It did not mention taxes specifically, but the colonists were not sure that the issue of taxes had been resolved. Then, Parliament passed a series of acts in 1767. The Townshend Acts declared new taxes

on imported goods, including glass, paper, and tea.

Once again, the colonists resisted. They harassed or threatened tax collectors. They turned to smuggling to avoid paying the taxes. At a town meeting in Boston in 1768, Samuel Adams offered resolutions denying Parliament's right to tax the Colonies without their consent. The resolutions were sent to other colonies with the call for united action against Great Britain.

A **boycott** is a form of protest in which people stop using or buying a product or a service.



**LEFT: Virginian Patrick Henry was one of the first colonists to speak against the Stamp Act in 1765. ABOVE: Samuel Adams also encouraged his fellow Massachusetts residents to resist Great Britain's efforts to tax them.**





**Colonists dressed as Native Americans threw tea into the Boston Harbor in what became known as the Boston Tea Party.**

Within a couple of years, the boycott of goods again took its toll on British merchants. Parliament accepted a partial repeal of the Townshend Acts. But a tax on tea remained in place.

In 1773, Britain passed yet another tax: the Tea Act. It was not a new tax, but it provided a way for the East India Company to sell its tea cheaply in the Colonies. It

offered the struggling company a way to gain a monopoly on tea in America while also undercutting trade for colonial merchants. Colonists feared that the act would lead to British monopolies on other goods. They organized a general boycott of imported British goods.

A few colonies would not allow the ships carrying East India Company tea to land. They sent the ships back to Great Britain. Then, in the fall of 1773, three ships carrying tea arrived in Boston. The colonists refused to unload and accept the tea. The royal governor of Massachusetts refused to allow the ships to return to Great Britain with the tea. On the evening of December 16, disguised colonists ended the stalemate by boarding the ships and dumping the tea overboard. The event became known as the Boston Tea Party.

The issue of taxes created an ever-widening split between Great Britain and the American Colonies. It eventually led to the Revolutionary War (1775–1783) and the formation of the new United States. For the colonists, the dispute was not about the cost of taxes. It was about being taxed without having a representative in Parliament to voice their concerns. Deciding what goods and services should be taxed and how revenues from taxes should be spent remain important topics of conversation and debate for Americans today. 🍵

**Eric B. Schultz** is an entrepreneur, an author, and a contributor to *COBBLESTONE*.



# A TALE OF TWO REBELLIONS

by Andrew Matthews

**F**ounding Father Alexander Hamilton was determined to convince his fellow New Yorkers to support the U.S. Constitution. Together with James Madison and John Jay, Hamilton wrote 85 essays that eventually were collected into *The Federalist Papers*. The essays were written in 1787 and 1788 to explain how the Constitution would work. The book has become a resource for interpreting the Constitution.

Hamilton wrote the majority of the papers, including seven essays on taxation. He believed that the power to collect taxes was essential for the federal government and that taxes provided a regular source of revenue to help the government pay for things. Hamilton wrote his first essay on taxation in December 1787. At that time, some of the states still were heavily in debt from the Revolutionary War (1775–1783).

In fact, earlier in 1787, high taxes and war debt had led to a rebellion in western Massachusetts. After having fought in the Revolutionary War, Daniel Shays had returned home. But high taxes and increasing debt made life as a farmer a struggle for him.



**Alexander Hamilton believed taxes were an essential source of revenue for the federal government.**



## DID YOU KNOW?

The U.S. Constitution states that “the Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States. . . .”

Shays and other veterans of the war had not been paid for their military service. Meanwhile, debt collectors started seizing farms and homes as payment for what was owed. Frustrated by the circumstances, Shays became the leader of a group of rebel farmers. They took up arms in the hope of getting some economic relief. A state militia force confronted the rebels in Springfield, Massachusetts, on January 25, 1787. When shots were fired and several rebels were killed, the rest fled. Many of the men later were captured but eventually were pardoned.

To Hamilton and the other men who had gathered in Philadelphia in the summer of 1787—and who had ended up drafting the Constitution—Shays’s Rebellion had served as a wake-up call. In fact, Hamilton had called for the convention because he realized the government under the Articles of Confederation was not strong enough to deal with such issues. He understood that the young nation needed to establish a government that had the authority and the means to address the nation’s larger economic problems.

Hamilton felt strongly that the federal government should take on the responsibility for the states’ debts. He also insisted that the country pay its debts in order to be taken seriously by other nations. Revenue from taxes was one way to do this. Although other leaders were suspi-

**The violence that erupted in western Massachusetts over debt collection during Shays’s Rebellion concerned American leaders.**







cious of taxation, Hamilton's ideas on the subject prevailed, and the Constitution was **ratified** in 1788.

The issue of taxation also created one of the first major tests of the federal government under the new Constitution. As the nation's first secretary of the Treasury, Hamilton imposed an **excise** tax on **distilled spirits** in 1791. The tax provided a way to create some revenue for the federal government to help pay down its debt. But farmers and small distillers protested the tax. They viewed it as a hardship and refused to pay it. They compared it to the 1765 Stamp Act that had caused the American colonists to rebel against the British government. They also did not believe that the tax would be used to support issues that were important to people like them—Americans living on the frontier.

By 1794, opponents of the tax in western Pennsylvania had grown increasingly violent and unruly. They physically threatened the tax collectors. A landowner trying to help a tax collector was attacked by a mob, which burned down his estate. Hamilton believed that the federal government had to send troops to enforce its laws. President George Washington was reluctant to use the military at first. But when peaceful negotiations failed, Washington led nearly 13,000 militia into the Pennsylvania frontier. The show of force was sufficient to end the Whiskey Rebellion, as the event came to be known. The tax that sparked the rebellion was never easily collected and was repealed in 1802. But the federal government's action during the rebellion over taxes showed that it would enforce the nation's laws. 🪙

**During the Whiskey Rebellion, citizens in western Pennsylvania detained tax collectors.**

**Ratified** means made official or officially confirmed.

**Excise** describes an internal tax imposed on the production, sale, or consumption of a product within a country.

**Distilled spirits** are alcoholic beverages that are produced through a process of evaporation and condensation.



# IT'S AN EMERGENCY!

## THE FIRST INCOME TAX


by Will Bremen

**A**nation at war must pay to keep its forces fed, trained, armed, and supplied. Armies and navies consist of many thousands of troops, so the expense of fighting a war can grow to staggering amounts.

When the American Civil War began in April 1861, leaders on both sides anticipated that the conflict would be over quickly. On July 21, the first major battle took place at Bull Run in Manassas, Virginia. The South's Confederate Army defeated the North's Union Army after a bloody battle. The realization set in that the war might last longer than anyone had thought possible.

President Abraham Lincoln needed to raise money—and quickly—to ensure the Union cause.

Congress quickly passed legislation that authorized the first income tax to be levied in the United States. Lincoln signed the Revenue Act on August 5. People with annual incomes of \$800 or greater were to be taxed three percent. Only the poorest Americans were exempt from the tax. A year later, Congress passed a revised Revenue Act. It changed the rate of the tax. Annual incomes starting at \$600 were to pay a three-percent tax, while annual incomes beginning at \$10,000 were to pay a five-percent tax. In 1864, the



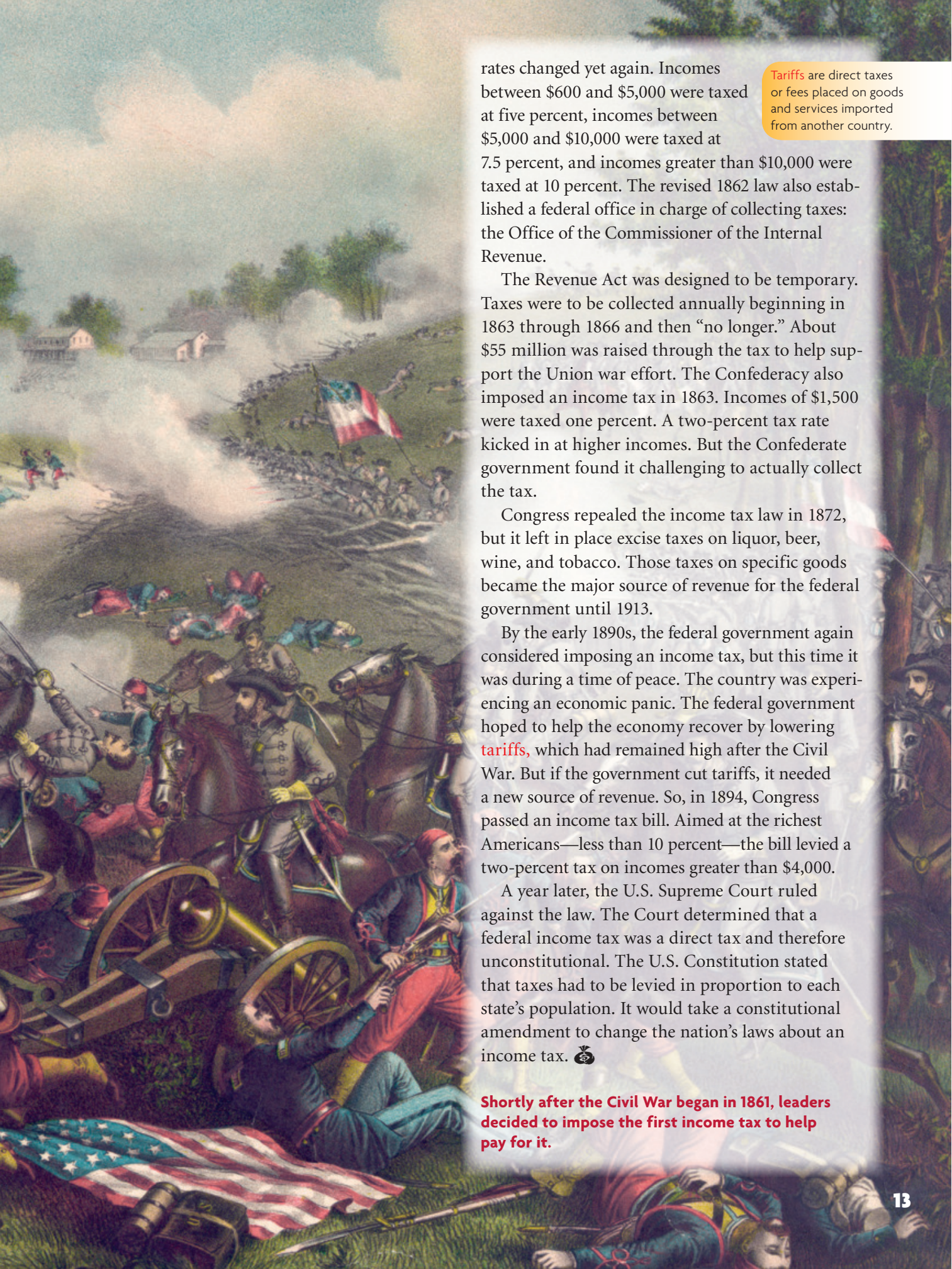
**President Abraham Lincoln knew that finding a way to finance the Civil War was half the battle.**

**Levied** means imposed or collected.

**Exempt** means free from an obligation to which others are subjected.







rates changed yet again. Incomes between \$600 and \$5,000 were taxed at five percent, incomes between \$5,000 and \$10,000 were taxed at 7.5 percent, and incomes greater than \$10,000 were taxed at 10 percent. The revised 1862 law also established a federal office in charge of collecting taxes: the Office of the Commissioner of the Internal Revenue.

**Tariffs** are direct taxes or fees placed on goods and services imported from another country.

The Revenue Act was designed to be temporary. Taxes were to be collected annually beginning in 1863 through 1866 and then “no longer.” About \$55 million was raised through the tax to help support the Union war effort. The Confederacy also imposed an income tax in 1863. Incomes of \$1,500 were taxed one percent. A two-percent tax rate kicked in at higher incomes. But the Confederate government found it challenging to actually collect the tax.

Congress repealed the income tax law in 1872, but it left in place excise taxes on liquor, beer, wine, and tobacco. Those taxes on specific goods became the major source of revenue for the federal government until 1913.

By the early 1890s, the federal government again considered imposing an income tax, but this time it was during a time of peace. The country was experiencing an economic panic. The federal government hoped to help the economy recover by lowering **tariffs**, which had remained high after the Civil War. But if the government cut tariffs, it needed a new source of revenue. So, in 1894, Congress passed an income tax bill. Aimed at the richest Americans—less than 10 percent—the bill levied a two-percent tax on incomes greater than \$4,000.

A year later, the U.S. Supreme Court ruled against the law. The Court determined that a federal income tax was a direct tax and therefore unconstitutional. The U.S. Constitution stated that taxes had to be levied in proportion to each state’s population. It would take a constitutional amendment to change the nation’s laws about an income tax. 💰

**Shortly after the Civil War began in 1861, leaders decided to impose the first income tax to help pay for it.**



# Changing the Constitution

by Richard Brownell

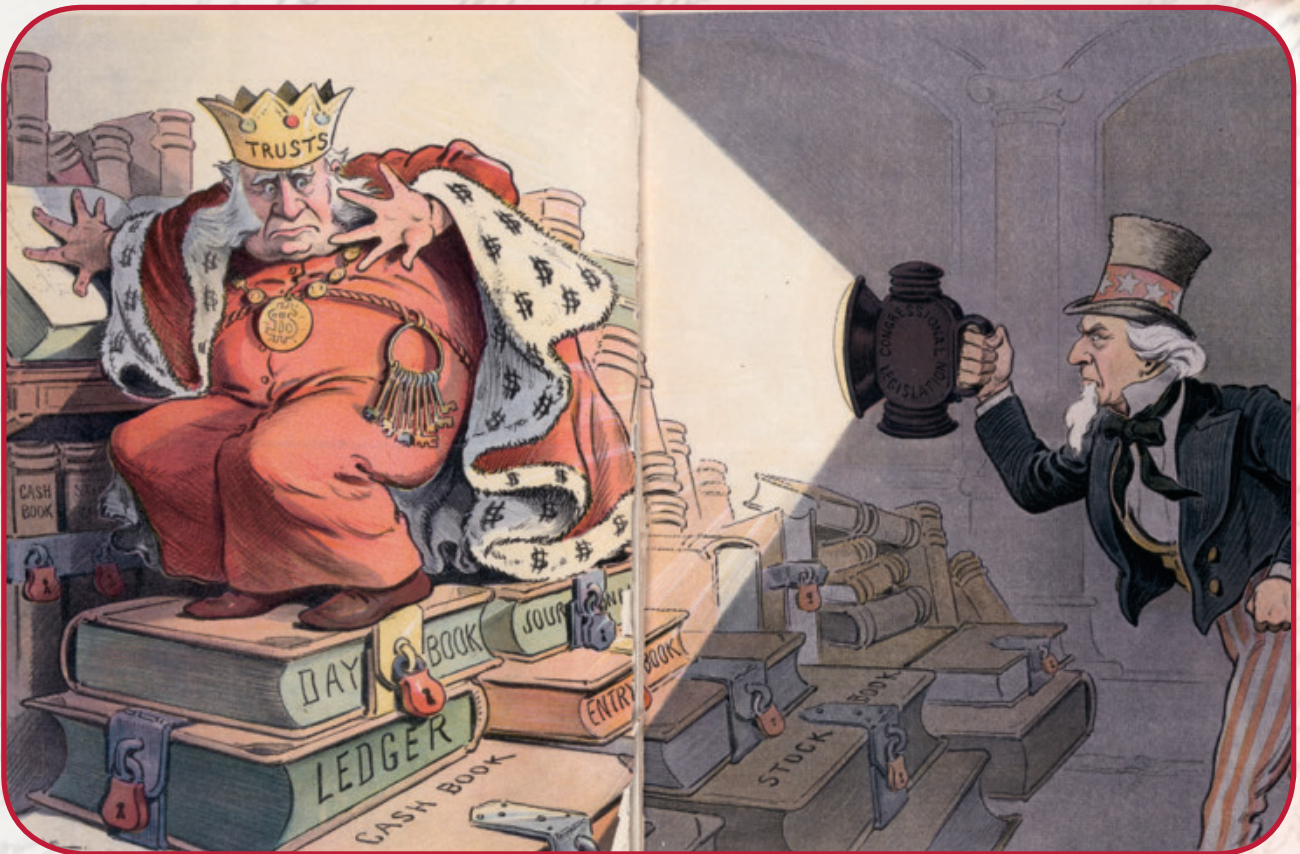


In the early 20th century, many Americans were concerned about the vast fortunes held by a small group of people. It is estimated that four percent of Americans controlled one third of all the nation's wealth. Meanwhile, a large segment of the population earned barely enough money to survive. Those families had little or no savings or any type of insurance.

America had experienced rapid and widespread industrialization after the Civil War (1861–1865). The situation had made a small group of industrialists and bankers quite rich. Their great wealth was untouched by the government. There was no federal income tax on individuals. The chief sources of government revenue were tariffs on imports and excise taxes. Businesses paid those fees, then made back that money by charging more for consumer goods.

**This sketch captures one view of American society at the turn of the 20th century: The wealthy and powerful few at the top are held up by the many people at the bottom.**





The nation's working class paid higher prices for goods while the wealthy avoided being taxed on their earnings.

Massive income inequality was just one of many issues that concerned Americans in the early 1900s. Reform-minded politicians and investigative newspaper reporters exposed a range of issues. They pointed out government corruption and the abuses of **corporate trusts**. They revealed the desperate plight of the nation's poor. They described the higher cost to workers in a growing industrialized and urbanized nation. Their success in publicizing issues led to widespread calls for reform. In what became known as the Progressive Era, reformers were determined to address the social,

economic, and political issues facing the nation.

An income tax was one of the issues that the nation tackled. Back in 1895, the U.S. Supreme Court had handed down a decision that said federal income taxes were unconstitutional. So, Progressive Democrats proposed passing a constitutional amendment during the 1908 presidential election. The amendment would change the Constitution to give Congress the authority to collect an income tax.

The Democrats lost the 1908 presidential election to Republican William Howard Taft. But the idea of a proposed amendment remained popular with the public. The income tax would be focused only on the nation's richest people. It would

**A Progressive-minded federal government (Uncle Sam, right) was determined to shine a spotlight on the concentrated wealth of trusts and corporations in the United States in the early 1900s.**

**Corporate trusts** are groups of businesses that control a market through fixing prices and limiting competition.



mean that the government could reduce tariffs and other duties. That situation would make goods cheaper for the nation's working class. Progressives in both the Democratic and Republican parties supported the income tax. Others who were for the tax included urban reformers, farmers, and labor unions.

Opponents of the income tax included industrialists and bankers and their conservative allies in Congress. They feared that the tax would harm big business and discourage economic growth. They also feared that it would give the federal government an unlimited power to tax all manner of privately held **assets**, including stocks, property, and inheritances.

Taft believed that the federal government should have the power to tax income. The increased revenue from the tax would fund a

larger military and much-needed public services. On June 16, 1909, Taft announced his support for a constitutional amendment creating a federal income tax. Conservative Republicans went along with Taft's suggestion despite their opposition. They believed that a constitutional amendment would never be accepted by the required three quarters of the states. They hoped that their show of support would be enough to stop calls for higher corporate excise taxes.

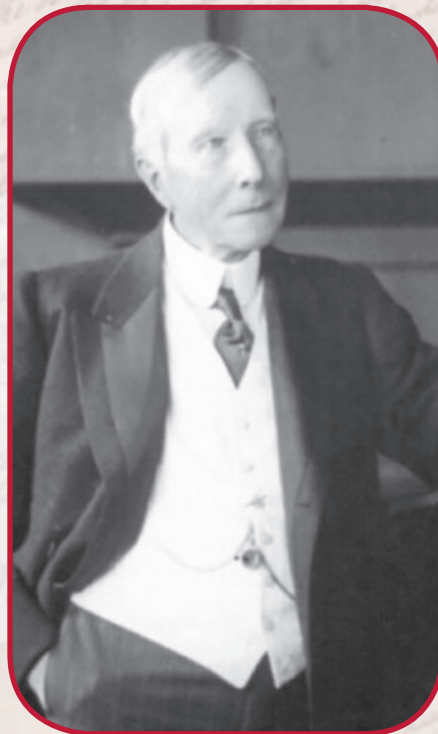
An amendment was drafted in Congress that gave the federal government power to impose taxes on income from any source—from both individuals and corporations. The amendment also stated that the government did not have to share the revenue it collected with the states. On July 2, the amendment received the required two-thirds vote in the Senate and the House of Representatives. It was then sent to the states for ratification. Each state legislature had to debate and vote on the amendment.

Support for the amendment was strong in the South and the West. People in those regions saw themselves as under the control of the Northeast. Although manufacturing took place in the South and West, companies and banks in New York controlled production and reaped much of the profits.

Almost one third of the nation's population lived in the South, but the region had only 22 percent of the nation's income. All the nation's poorest states were in the South. Wages there were far below the national average. The West was

**Assets** are things of value that are owned.

**John D. Rockefeller Sr., having achieved enormous wealth through investments in oil and railroads, was against the proposed federal income tax amendment.**



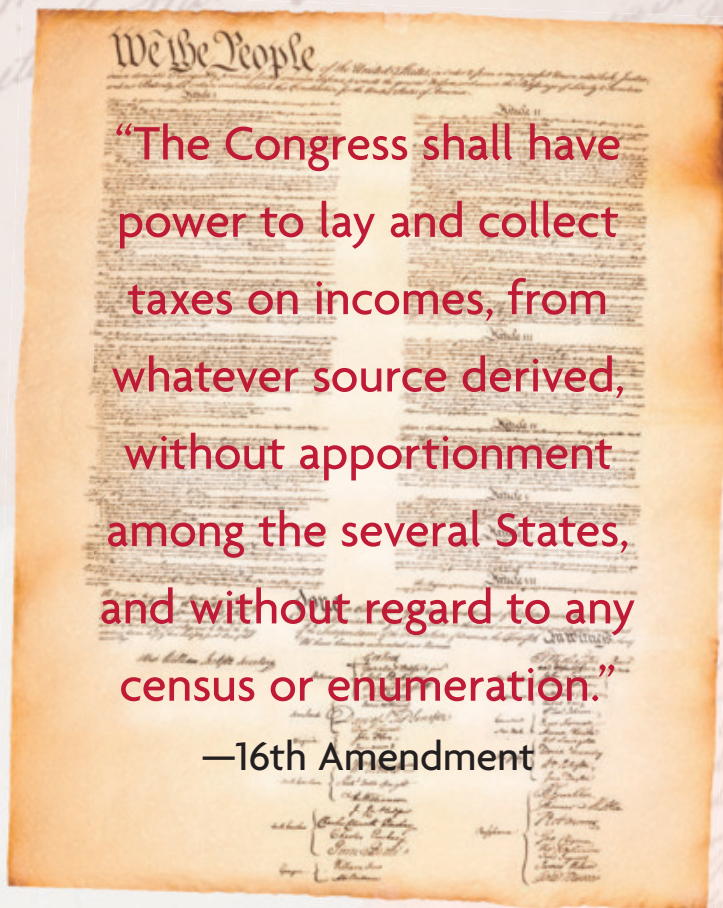


more equal, with 20 percent of both the nation's population and income. However, only 12 people in the West earned incomes greater than \$1 million. Western states also needed major improvements to their roads and dams. They wanted the federal government to support those projects by taxing the vast wealth in the Northeast.

The Northeast was by far the richest region in the country. Its population earned almost 60 percent of the nation's income. The Northeast was home to 189 of the nation's 206 millionaires. Nearly 85 percent of people who made more than \$100,000 per year (nearly \$3 million today) lived in the region. Wages were far above the national average.

The strongest opposition to the income tax amendment was expected to come from the Northeast. The region's working population was largely behind the amendment, but the state legislatures were more divided. Many politicians were controlled by industrialists and bankers who wanted to see the amendment defeated. John D. Rockefeller Sr., the richest man in America, was against the income tax. He said that the public had no right to the income of honest men.

Opponents of the income tax underestimated the strength of the Progressive movement. In state and federal elections in 1910 and 1912, voters supported any candidate who stood for reform. Progressives won a majority in the Northeast and elsewhere. Organized opposition to the income tax amendment melted away.



On February 3, 1913, the 16th Amendment was ratified when New Mexico became the 36th state to vote in favor of it. In all, 42 of the 48 states supported it. The only states to vote against it were Connecticut, Florida, Pennsylvania, Rhode Island, Utah, and Virginia. Ratification of the amendment allowed President Woodrow Wilson to sign into law an income tax on October 3. It levied a one-percent tax on all individuals with an income greater than \$3,000. Only three percent of Americans were required to pay the tax. 💰

**The U.S. Constitution had to be amended before a federal income tax became legal. That was accomplished on February 3, 1913, with the passage of the 16th Amendment.**

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**Richard Brownell** is an award-winning writer of books on U.S. history. His historical essays have been published by numerous periodicals and websites. He blogs at [MrRicksHistory.com](http://MrRicksHistory.com).



# Our Ever-Changing



by Kathiann M. Kowalski

The **Great Depression** of the 1930s was a severe decade-long economic downturn in the United States.

The **New Deal** was a series of programs and projects enacted to help provide jobs and relief during the Great Depression.

**O**ver the course of the 20th century, events and circumstances called for changes to the nation's federal income tax laws. Some of the first big changes came in the 1930s and the 1940s. The **Great Depression** left people struggling to make ends meet. Meanwhile, President Franklin D. Roosevelt's **New Deal** programs required money. A 1935 law raised the top taxable rate to 75

percent for incomes greater than \$5 million. At the same time, the law eased the tax burden for low-income groups. The law also had relatively high personal exemptions, which is a set amount of money that a person can claim as a deduction on his or her taxes. Only about 5 percent of American workers paid the income tax in 1939.

Then Japan attacked Pearl Harbor in December 1941, and the



United States entered the fighting in World War II (1939–1945). The U.S. government needed much more money to pay for the cost of war. The Revenue Act of 1942 raised rates for all income brackets. It also added a Victory Tax. About 75 percent of all workers had to pay at least some federal income tax.

To ensure timely collection, Congress passed the Current Tax Payment Act in 1943. It called upon employers to withhold income tax amounts from workers' wages. That system gave the government a steady income stream and made it easier to track payments. It also cemented the idea of income taxes as something most Americans pay.

The top marginal rate was 88 percent for the highest income bracket in 1942 and 1943. That rose to 94 percent for 1944 and 1945. After the

**Taxes raised money to help the United States pay for the cost of fighting in World War II. Shown here are cruisers, destroyers, and landing craft supplying U.S. forces on Okinawa, Japan, in the last months of the war.**







The Internal Revenue Service (IRS) building, completed in 1936 in Washington, D.C., is just one of many offices around the country set up to handle the country's tax-related issues.



war, the top rate dipped down to 85 percent for a while. The Korean War (1950–1953) pushed it back up to 91 and 92 percent during the 1950s. The federal government's tax agency was reorganized and became the Internal Revenue Service (IRS) in 1953. Congress also reorganized its tax laws into the Internal Revenue Code of 1954.

The top rate was 70 percent for most of the 1970s. However, **inflation** was high during that period. That meant that the purchasing power of the dollar kept falling. The Revenue Act of 1978 eased tax burdens a bit by deferring, or delaying, tax on various retirement funds. Meanwhile, many people resented having some of their tax dollars being used to help pay for government-supported social programs for the poor. New and expanded programs to help low-income families buy food or to deal with

medical issues had been adopted during the 1960s.

Tax reform remained an issue when Ronald Reagan became president. The Economic Recovery Tax Act of 1981 dropped the top marginal rate to 50 percent. Rates dropped again when Congress passed the Tax Reform Act of 1986. That law made up for cuts in revenue by eliminating some **loopholes** in the tax law.

“Read my lips. No new taxes,” said President George H.W. Bush during his 1988 campaign. A growing federal **deficit** made him go back on that promise. President Bill Clinton's administration managed to balance the budget during the 1990s. Then Bush's son, George W. Bush, ran for president. “I want everyone who pays taxes to have their tax rates cut,” he said during his campaign.

The Economic Growth and Tax Relief Reconciliation Act of 2001

**Inflation** is a general increase in prices with a fall in the purchasing power of money.

**Loopholes** are ways of escaping a difficulty that provide the means to avoid compliance.

A **deficit** is a shortage.



made good on Bush's promise. The top rate fell to 35 percent, and most people got small rebates. Then terrorists attacked New York, Washington, D.C., and Pennsylvania in 2001. U.S. troops were sent to Afghanistan in 2001 and to Iraq in 2003. Taxes did not rise significantly during those conflicts, and the country's national debt grew. By the end of Bush's presidency, the country also was entering the Great Recession. During the Obama administration, the top marginal tax rate edged up to 39.6 percent by 2016.

Donald Trump promised big tax cuts when he ran for president in 2016. And the Tax Cuts and Jobs Act of 2017 cut tax rates for individuals through 2025. But the tax cuts are temporary. And critics say the law will increase economic inequality. More than 60 percent of the tax cuts went to the top one fifth of people on the income scale.

Meanwhile, Congress adopted permanent cuts in corporate tax

rates. The top corporate tax rate fell from 35 percent to 21 percent. Trump had claimed that the law would be "rocket fuel for our economy." But the 2017 law didn't make up for the losses in revenue resulting from the tax cuts. Economic growth was supposed to produce more income and thus more tax revenue for the government. In practice, that's been "absolutely untrue," Maya MacGuineas of the Committee for a Responsible Federal Budget told NPR in 2019.

It's unclear how federal tax laws will change as the United States moves toward its 250th anniversary in 2026. But expect taxes to remain a top topic for debate. As Benjamin Franklin once wrote, "[I]n this world, nothing can be said to be certain, except death and taxes." 💰

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**Kathiann M. Kowalski** is the author of *Taxes* and two dozen other books for young people. She writes often for *COBBLESTONE* and other Cricket Media publications.

Rebates are partial refunds.



**After he was elected president, George H.W. Bush had to go back on his campaign promise not to raise taxes.**



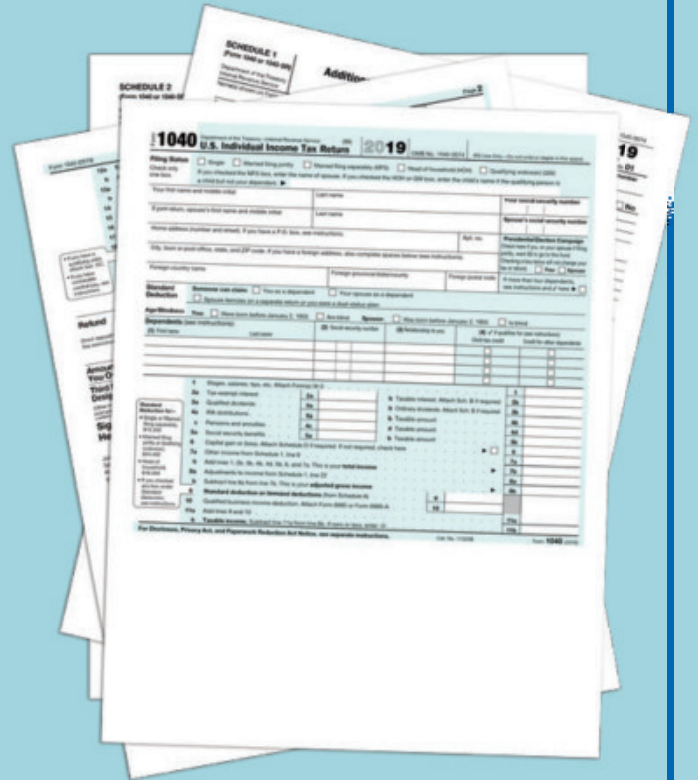
# NEED HELP?

Critics have complained that the U.S. income tax system is too complex. In 1913, Senator Elihu Root of New York even joked that he and his friends would likely go to jail for breaking the law. “[F]or no one understands the Income Tax Law except persons who have not sufficient intelligence to understand the questions that arise under it,” he wrote.

Form 1040 is the basic tax return form. The first version in 1913 was three pages long, plus instructions. Today, there are different versions of Form 1040. Plus, there are various add-on reports called schedules. Instructions can run to 100 pages.

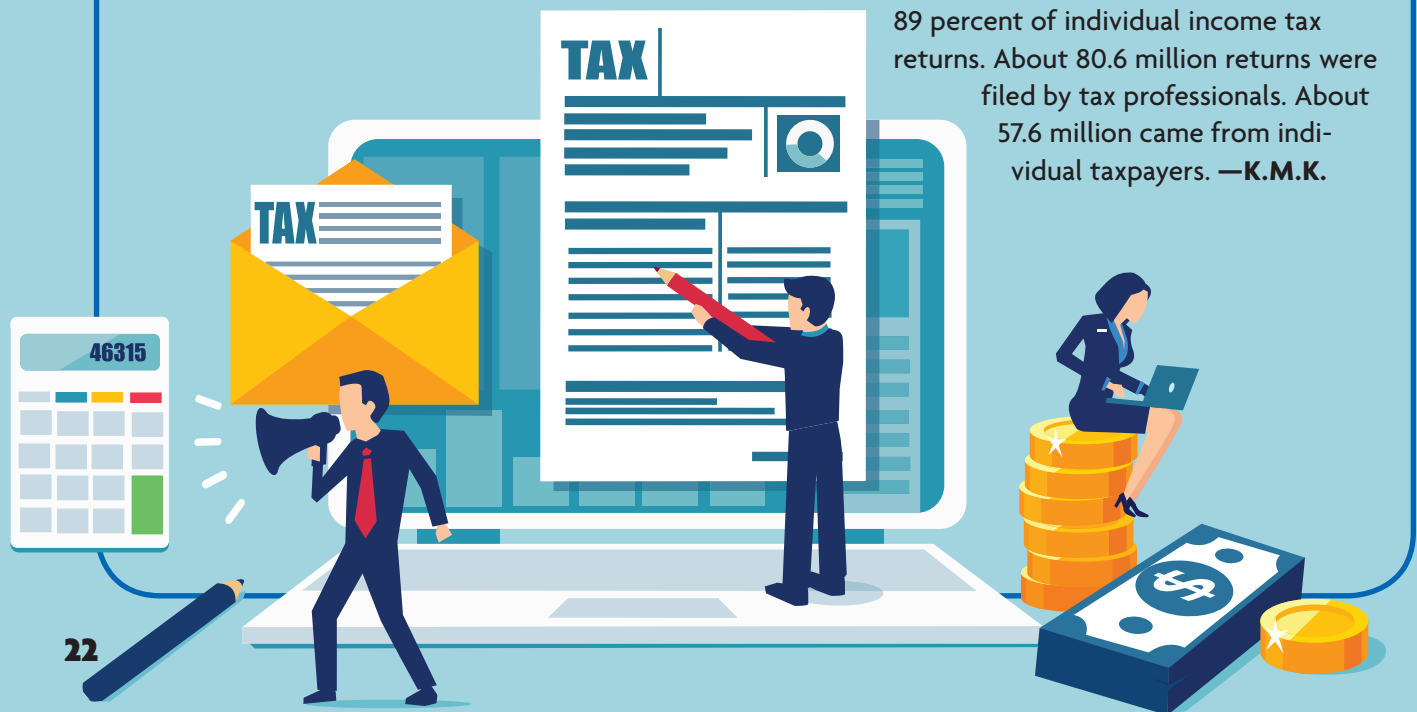
Changes to the tax code are one reason why the system has gotten more complex. Both major and minor tax law changes require taxpayers to stay informed. If a taxpayer gets something wrong, it can lead to penalties or cost thousands of dollars.

No wonder, then, that many people get help. Tax professionals vary in their skill, education, and expertise. Certified public accountants and enrolled agents must pass comprehensive tests, for example. Other tax preparers might have more limited abilities. Groups, such as AARP, also offer volunteer help to some taxpayers. Even people who prepare their own returns can get help from



tax preparation software. Different computer programs provide forms and do calculations for filings.

Electronic filing, or e-filing, started as a small pilot project in 1986. About 25,000 returns were e-filed that year. By 2019, more than 138 million returns were filed electronically. That’s 89 percent of individual income tax returns. About 80.6 million returns were filed by tax professionals. About 57.6 million came from individual taxpayers. —K.M.K.





# COMPARE THE BRACKETS

A “bracket” is a classification or a grouping. For federal income tax purposes, filers fall into tax brackets. The brackets below designate tax rates according to ranges of income. Included are the first federal income tax brackets that were introduced in 1913 as well as the current federal income tax brackets for 2020 across three categories: single; married, filing jointly; or head of household.

I wonder if I can claim head of household with all the squirrels on my tax return.



1913	
Tax Rate	Income
1%	\$0 to \$20,000
2%	\$20,000 to \$50,000
3%	\$50,000 to \$75,000
4%	\$75,000 to \$100,000
5%	\$100,000 to \$250,000
6%	\$250,000 to \$500,000
7%	\$500,000 or greater

2020			
Tax Rate	Single	Married, Filing Jointly	Head of Household
10%	\$0 to \$9,874	\$0 to \$19,749	\$0 to \$14,099
12%	\$9,875 to \$40,124	\$19,750 to \$80,249	\$14,100 to \$53,699
22%	\$40,125 to \$85,524	\$80,250 to \$171,049	\$53,700 to \$85,499
24%	\$85,525 to \$163,299	\$171,050 to \$326,599	\$85,500 to \$163,299
32%	\$163,300 to \$207,349	\$326,600 to \$414,699	\$163,300 to \$207,349
35%	\$207,350 to \$518,399	\$414,700 to \$622,049	\$207,350 to \$518,399
37%	\$518,400 or greater	\$622,050 or greater	\$518,400 or greater



# DID YOU KNOW?

by Chris Ware



The Internal Revenue Service (IRS) collects about \$2 trillion (that's "trillion" with a "T"!) in revenue annually. That number should be bigger—the agency loses an estimated \$385 billion a year as a result of filing errors or people underreporting their incomes.



Federal agents had been trying to put gangster Al Capone behind bars for years. They finally arrested him in 1931 on charges of federal income tax evasion. He had made a lot of money **bootlegging** during Prohibition, but he never paid any taxes on that income. He was jailed, fined, and order to pay back taxes.

**Bootlegging** is the illegal distribution, manufacture, and sale of alcoholic beverages.



Leo Mattersdorf, a friend and long-time tax preparer for Albert Einstein, once quoted the brilliant physicist as saying, "The hardest thing in the world to understand is the Income Tax."



Astronaut Jack Swigert had the best excuse for a tax extension request. In April 1970, he was asked to fill in for an ill crewmember of *Apollo 13*. The last-minute assignment made Swigert forget to file his taxes. While in space, he asked NASA's mission control center for help getting a filing extension.



# MANY TYPES



**CONSUMPTION TAX**



**INCOME TAX**



**PA**



**PROPERTY TAX**



**EXCISE TAX**



**SALES TAX**



# AS OF TAXES

by Kathiann M. Kowalski

**T**he filing deadline for U.S. federal income tax returns is April 15. It's not the only day or the only way people pay taxes. States, counties, and local governments collect taxes, too. Most Americans pay taxes every time they go shopping!

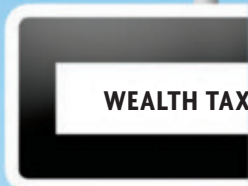
## Income Tax

As the name suggests, the federal income tax is based on income. It's not a flat tax, with one rate for everyone. Rather, the tax is progressive. That means that the tax advances or grows from low to high rates. It charges higher rates for higher incomes.

Ideas about fairness underlie that rate structure. Wealthier people can afford higher tax rates. In contrast, a high rate would burden poor people who struggle to make ends meet. Varying rates, or brackets, recognize those differences. “[A]ny other method is not only unjust, but vicious,” argued Senator Robert Love Taylor, a Democrat from Tennessee, in 1909.

Income tax rates are marginal for different brackets of taxable income. “Marginal” means the rate applies to each extra dollar. For example, a single person earning less than \$9,875 won't owe federal income tax in 2020. After that, the rate is 12 percent for taxable income up to \$40,124. Higher percentages apply to higher brackets. The top rate is 37 percent for individual incomes beginning at \$518,400. There also are brackets for heads of household and married couples filing jointly. They reflect different family situations.

Deductions and credits can adjust for different circumstances. Deductions are subtractions from the total, or gross





income. Huge medical expenses are deductible in some cases. Credits reduce the total amount of tax. For example, the Earned Income Tax Credit helps low-income families with children.

Deductions and credits also can motivate citizens to advance policy goals. A deduction for certain charitable donations encourages philanthropic giving. A credit for part of the cost of adding solar panels to a house or a business can encourage clean energy.

As of 2019, 41 states also collect personal income taxes to support the cost of running their governments and providing services to their residents. As of 2019, the top rates varied, from Pennsylvania's 3.07 percent flat rate to California's 13.3 percent top bracket.



### Payroll Taxes

By law, employers automatically withhold federal and state income taxes from many workers' paychecks and send the amounts to the appropriate tax agencies. Most people also pay federal taxes for social insurance programs, such as Medicare and Social Security, this way. These taxes are known as payroll taxes.

Technically, an employee and an employer each pay half of the 12.4 percent Social Security tax and 2.9 percent Medicare tax. Top earners also pay another 0.9 percent as an Additional Medicare Tax. That applies to single people earning more than \$200,000 per year and married couples earning a total of more than \$250,000.

The regular Social Security and Medicare taxes are flat-rate taxes. However, the base for the Social Security tax maxes out. The limit is \$137,000 as of 2020. As a result, top earners pay a lower percentage of total wages, making the tax regressive. That means that it puts a larger relative tax burden on people who earn less money.

### Consumption Taxes

Consumption taxes relate to goods or services that are purchased for direct use or ownership.

A sales tax is a percentage of the price of certain goods or services. Businesses collect it at the cash register or during online checkout. Most state and local sales taxes usually have a flat rate. The rates vary from nothing to less than three percent or 10 percent or more. The impact of a sales tax is often regressive because poor and middle-class people generally spend a larger share of their income on taxable items.





Excise taxes are imposed on certain types of goods or services. Excise taxes might support government services related to particular products. For example, an excise tax on gasoline might fund road maintenance. Excise taxes also can be levied to discourage unhealthy activities. Excise taxes on cigarettes and alcohol raise money while also making the people who consume a harmful product pay an additional cost.

Tariffs are taxes on imports. In theory, they protect local goods from competition with foreign goods. In practice, sellers add the cost of the tariffs to the final cost of the products, which consumers pay.

## Property Taxes

Many counties, cities, townships, and school districts charge property taxes. The amount due depends on the value of real property. That generally refers to any land and buildings.

Since early in U.S. history, wealth and property went hand in hand. Today, local governments continue to provide protection and **infrastructure** that supports real property. Property values also go up when there are good local government services, such as police, public schools, and parks.



## Business Taxes

Corporations and other types of businesses pay a variety of taxes to federal, state, and local governments. The corporate income tax is based on company earnings, for example. Many states also have **franchise** taxes. Sometimes those taxes depend on the size of a business. States and local governments also may negotiate special deals on taxes to attract new businesses.



## Wealth Taxes

Both the federal government and some state governments impose estate and gift taxes. Those taxes apply to large transfers of property when people make gifts or die. In practice, most people don't pay federal estate and gift taxes. The individual threshold is more than \$11.5 million as of 2020.

No matter what their form, taxes raise money for governments to pay for services at the federal, state, and local levels. 💰



**Infrastructure** includes roads, bridges, water delivery systems, and other basic physical structures and systems for a society.

A **franchise** is a legal authorization to do business.



# WACKY

by Sonja Cole

**W**hen you purchase goods and services in the United States, you may have noticed that stores often add a little extra money onto the sales price. This is a sales tax. States rely on sales taxes as a source of revenue. Each state government decides for itself what things will be taxed and what things will be exempt from a tax. Taxable items often are goods or services that are considered unnecessary or luxuries, such as dining at a restaurant or purchasing candy. Necessary or essential things, such as groceries, prescription drugs, newspapers, and transportation services, are often tax-free. Yet, each state has its own idea of what is essential. Here's a look at some unusual state taxes that can be found in the United States.



## Kansas Hot-Air Balloon Amusement Tax

In Kansas, as in many states, amusement rides are taxed.

But is a hot-air balloon an amusement ride or transportation? In Kansas, the answer depends on whether or not the balloon is tied down. If you go up in a hot-air balloon while it is tethered to the ground, then you will have to pay a 6.5 percent tax for your amusement ride. But if the balloon is not tied down and is allowed to float away, it is considered air transportation. You can ride tax-free up, up, and away. Just make

sure you have a pilot with you to land safely!

## Texas Belt Buckle Tax

Every cowboy or cowgirl needs to suit up with the proper gear such as boots, a hat, and a belt. In Texas, those items are not taxed at the store. But a big belt buckle with fancy designs is in a different category. If you buy a fancy buckle separately and add it to a belt, it is considered a fashion accessory and not essential clothing. So, the buckle gets taxed 6.25 percent like other nonessential items. One way to avoid the tax is simply to buy a belt with the buckle already attached.



# TAXES



## Illinois Candy Tax

What is the difference between a Snickers bar and a Twix bar in Illinois? An additional 5.25 percent sales tax. In Illinois, a snack that includes flour as an ingredient and does not require refrigeration is considered food. That, in turn, means it is taxed at a 1 percent rate rather than at the state's regular 6.25 percent sales tax rate. When it comes to taxes, the Twix bar is not categorized as candy because

its chocolate-and-caramel-covered cookie has flour in it. Want another example? A Three Musketeer bar is candy, but

a package of Twizzlers (containing enriched wheat flour) is not. Welcome to

Illinois, home of the complicated candy tax!





## New York Bagel Tax

New Yorkers are famous for their consumption of bagels. But whether a bagel is or is not sliced determines how much sales tax is charged. That's right, a sliced bagel is considered prepared—and thus subject to an additional 8 percent sales tax, even if you don't add any topping! Meanwhile, a person who buys one—or a dozen—unsliced bagels to go avoids the sales tax. To add to the confusion, a loaf of sliced bakery bread is not subject to a tax.



## Alabama Playing Cards Tax

Poker players in the United States must pay taxes on their winnings, and some states tax any kind of betting or gambling. But taxing playing cards? Until a few years ago, if you bought a deck of playing cards in Alabama, you were charged 10 cents per pack even if you weren't using the cards for gambling. In May 2015, though, the Alabama legislature began enforcing a decision to suspend that law. Now Alabamans can practice magic tricks or play solitaire without paying an extra tax for that pleasure.





## Maine Blueberry Tax

Maine's rocky coast and acidic soil create the perfect conditions for growing wild blueberries. And according to one statistic, Maine grows 99 percent of the wild blueberries in the United States. Determined to help maintain the wild blueberry's reputation as a superior product, Maine's state government imposes a tax on anyone who grows, purchases, sells, handles, or processes the delicious little blue rascals. The tax of three quarters of one cent per pound of fresh wild blueberries helps fund research to support the industry.



## Colorado Coffee Lid Tax

Sometimes, taxes are used as a way to discourage or to fund efforts to offset harmful behaviors. For example, if people have to pay extra for plastic packaging or single-use items, they might be encouraged to make more environmentally friendly choices. In Colorado, all nonessential packaging are included in that criterion are taxed at a rate of 2.9 percent. So, if you order a hot beverage in Colorado, save some money and help the planet by skipping the lid or bringing a reusable travel mug!





### North Carolina Pet Tax

In North Carolina's Durham County, pets are considered personal property, so pet owners must pay taxes on their furry friends. Pets aged four months or older need a license. The law is designed to encourage owners to spay or neuter their pets. If the animal is spayed or neutered, the cost for a license is \$10. If the animal is not spayed or neutered, the cost for the license goes up to \$75!

### New Mexico Centenarian Income Tax Deduction

If you live to be 100 years old, we have some good news for you. If you take up residence in New Mexico, you won't have to file or to pay income taxes on any money you earn from your savings accounts or job. That's right, as long as you are not claimed as a dependent on someone else's taxes and at least 100 years old, you're exempt! 💰

**Sonja Cole** is a writer and children's book reviewer. She is the author of *Booktalking Around the World: Great Global Reads for Ages 9-14*.





# Pros & Cons

by Richard Brownell

The income tax is a frequently debated topic. Should we raise taxes? Or should we lower taxes? Only a small portion of the highest earners paid the federal income tax when it became law in 1913. In later years, the number of people paying income taxes grew. Tax rates also rose. As both the federal government and the nation's population grew in size, more revenue was needed to fund public services. Supporters of taxes believe an income tax is necessary to help support those needs. Opponents of taxes believe that an income tax leads to increased federal spending, which creates the need for still higher taxes. The debate continues to this day.

## PROS



The progressive income tax is a “pay as you go” system. People only pay taxes on income they have already earned. A reduced income means a lower tax burden. The arrangement protects taxpayers during hard times. It also ensures that the people who earn higher incomes pay more in taxes.

Lower tax rates for low-income earners leave them with more money to spend on goods and services. That situation makes the U.S. economy stronger. It also allows people to save more money for their retirement and to plan for the future.

## CONS

Low-income earners are sometimes pushed into a higher tax bracket because of inflation. Inflation can make it seem as if earners are making more money because they have larger paychecks. However, inflation often results in people paying more for goods and services, so they end up with less money. This ultimately results in low-income earners paying a greater percentage of their income in taxes than high-income earners.

An income tax reduces a worker's motivation to make more money because the government will simply take more money in the form of taxes.





# PROS

# CONS



The progressive income tax is fair because it places the heaviest burden of taxation on people who can afford it—high-income earners. The wealthiest one percent of earners pay approximately 35 percent of all federal income taxes.



The federal Internal Revenue Code includes many opportunities for deductions that make it fairer for low- and middle-income earners. Deductions can be taken for home purchases, college tuition payments, childcare, and other services. Deductions also reward certain behaviors such as saving for retirement and making home improvements. Deductions can lower the amount of annual tax people pay.



The federal income tax is fair because those people with the most influence pay higher taxes. The wealthy have greater access to politicians. They also make business decisions that can affect large numbers of workers and impact the economy. Higher taxes are a tradeoff for the increased level of influence that the wealthiest citizens have on politics and the economy.

The progressive tax is unfair because it does not share the tax burden equally. The lowest 50 percent of earners pay only about 3 percent in taxes. Many people in this group pay no federal income tax at all.

The deduction process is complicated if a person is not familiar with current tax law. Rules for deductions change from year to year. Wealthy people can pay a tax professional to help them prepare and file their taxes. Professional tax preparers know how to identify deduction loopholes. The situation makes it easier for wealthy people to avoid paying taxes on certain things.



The federal income tax is unfair because the wealthiest citizens use political influence to advocate for lower tax rates or tax laws that benefit them. The tax code also is needlessly complex. Including regulations and case law related to income taxes, it is more than 70,000 pages long. People can face severe penalties for incorrectly filing their taxes.





# PROS

Placing an additional wealth tax on top earners would ensure that the richest Americans pay their fair share of income taxes. A wealth tax is a percentage tax on the net worth (all the assets, such as real estate, bank accounts, trusts, retirement plans, and fine art objects) that a person owns. The tax would be calculated based on how much wealth a person possesses. A wealth tax would also address the nation's growing economic inequality divide.



# CONS

Additional taxes on the wealthy might reduce their willingness to invest. Owners may not want to take risks that allow their companies to expand and to grow. That may lead to fewer new jobs being created. Opponents of a wealth tax may also move their money overseas where it cannot be touched by the Internal Revenue Service (IRS). Critics also point to the difficulty in enforcing such a tax. 💰



Easy for you to say, you don't have any money!

I'm for taxes.



Which viewpoint do you support? Do you believe that pooling money through taxes pays for things that build a community? Or do you think that the money you earn should be yours to decide how to spend?





# Designed to Help

The United States has a few unusual taxes, but some of those unique state laws are designed for a good cause.

## DOWN THE DRAIN

Chesapeake Bay is one of Maryland's most famous natural landmarks. But in the 1970s, scientists discovered that the bay was polluted by waste and runoff. There wasn't enough oxygen in the water for fish to breathe. Maryland began work to nurse the bay back to health. It did this by restoring the bay's shores and plants. The state also instituted the "flush tax." The law taxed everybody whose toilet connected to the public sewer. Flushing a toilet in Maryland literally costs money. The tax that was collected helped fund pollution cleanup to make the Chesapeake Bay healthier.



Runoff is eliminated waste from manufacturing processes.



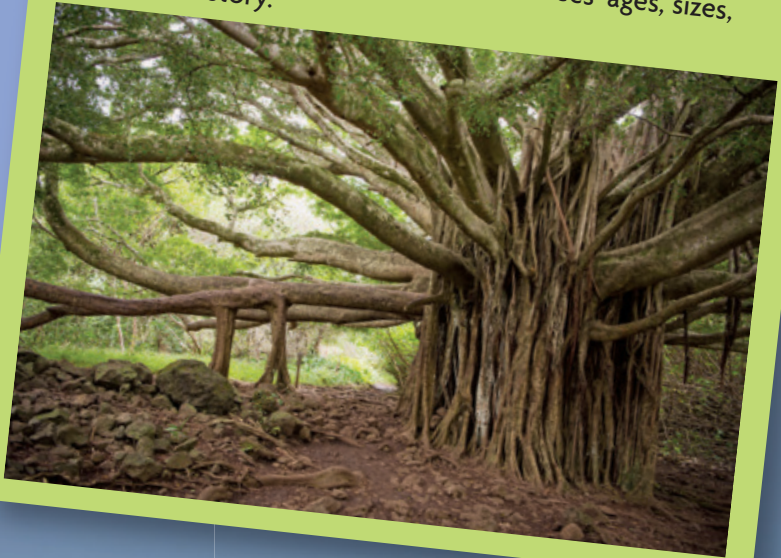


## RISING WATERS

In 1889, a dam upstream from Johnstown, Pennsylvania, failed after several days of heavy rain. A wall of water swept downstream and essentially destroyed the town. It killed more than 2,200 people. At the time, the Johnstown Flood was the worst disaster in U.S. history. A massive relief effort was organized to help the injured and rebuild the town. Less than 50 years later, however, another flood destroyed portions of the town and killed 25 people. Pennsylvania's state government was determined to help the townspeople. It passed a 10-percent tax on all alcohol bought in the state. The proceeds helped rebuild Johnstown. The tax paid for new river walls and a new canal. Engineers declared the town "flood-proof," but Johnstown flooded again in 1977. Pennsylvania still collects the Johnstown tax, although it no longer is specifically for disaster relief.

## EXCEPTIONAL TREES

In 1975, Hawaii's legislature realized the state had a problem. In the 20th century, hundreds of new houses and businesses had sprung up. But the rapid growth had hurt the islands' ecosystem: Many rare trees were being chopped down for lumber and fuel. Or they were cut down simply to clear the land. The Hawaiian legislature wanted to preserve the state's trees and to ensure that residents would take preservation seriously. It enacted the Exceptional Tree Act. Property owners who have an "exceptional" tree can earn up to \$3,000 in tax deductions. All they have to do is keep the tree happy and healthy. Every county has a special committee that examines and identifies trees for exceptional qualities. The committee considers the trees' ages, sizes, rarity, and history.





# Strange But True

**T**ax laws can be complicated—and strange. Here are some surprising tax laws from around the world.

## COW SCENTS

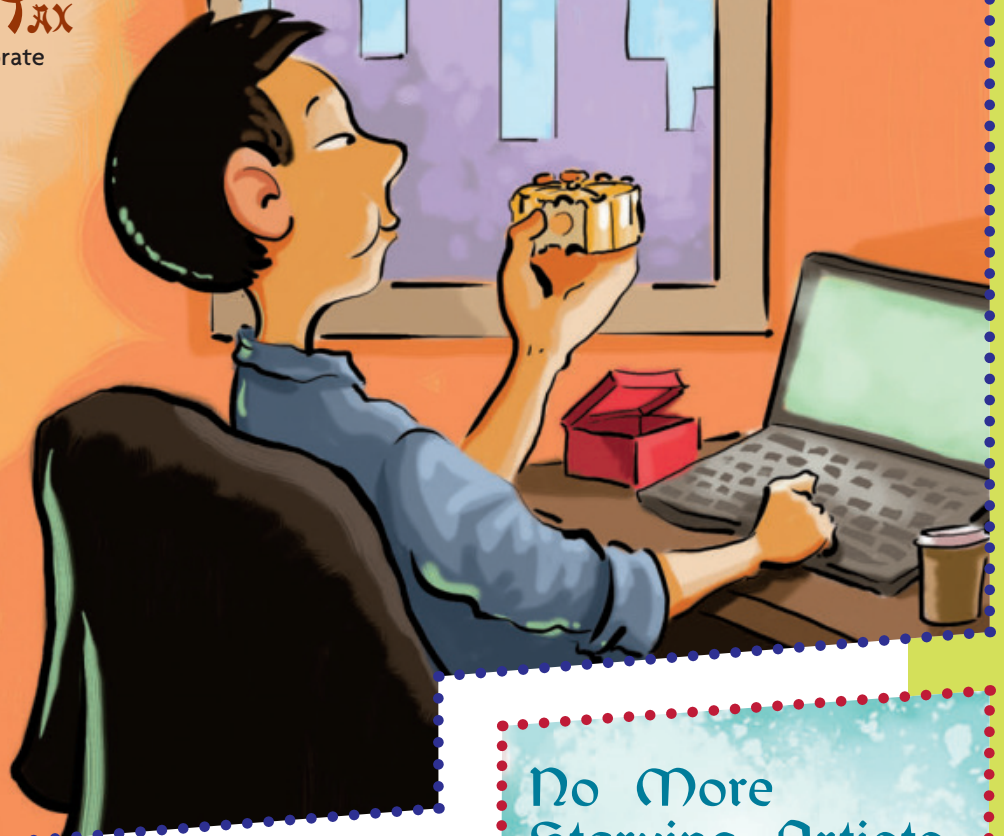
The environmental impact of the world's beef industry is huge. As cows eat, they do something perfectly natural—they pass gas and burp. The gas emitted is called methane. Like carbon dioxide, it's a greenhouse gas that warms the atmosphere, contributing to climate change. A cow produces about four tons of methane each year. Many experts believe that cows do more harm to the environment than cars do. Denmark hopes to cut its greenhouse gases by 40 percent by 2020. To help achieve that goal, Danish farmers must pay a tax for each cow they own. The cows' flatulence now costs money!





## A Not-So-Sweet Tax

Every fall, people across China celebrate the harvest season with the Mid-Autumn Festival, also known as the Moon Festival. A popular dessert during the festival is the mooncake. Mooncakes are small pastries. They originally were filled with lotus seeds and salted egg yolks. Today, many different types and flavors of mooncakes are made. People often give mooncakes as gifts. In fact, so many employers gave mooncakes to their employees or clients that the Chinese government decided that the “gifts” should count as income in 2011. Now people who receive mooncakes must pay tax on them.



## No More Starving Artists

The Irish government believes that the arts are important and can benefit society. But it's often difficult for an artist to make money. So, in 1969, the country passed a law that exempts artists from paying taxes on the money they earn. The exemption applies to visual arts, sculptures, books, plays, and musical compositions. To qualify for the exemption, the artwork must have either artistic or cultural merit. And it truly must be a work of art—creative work that's used in textbooks or advertisements doesn't count.



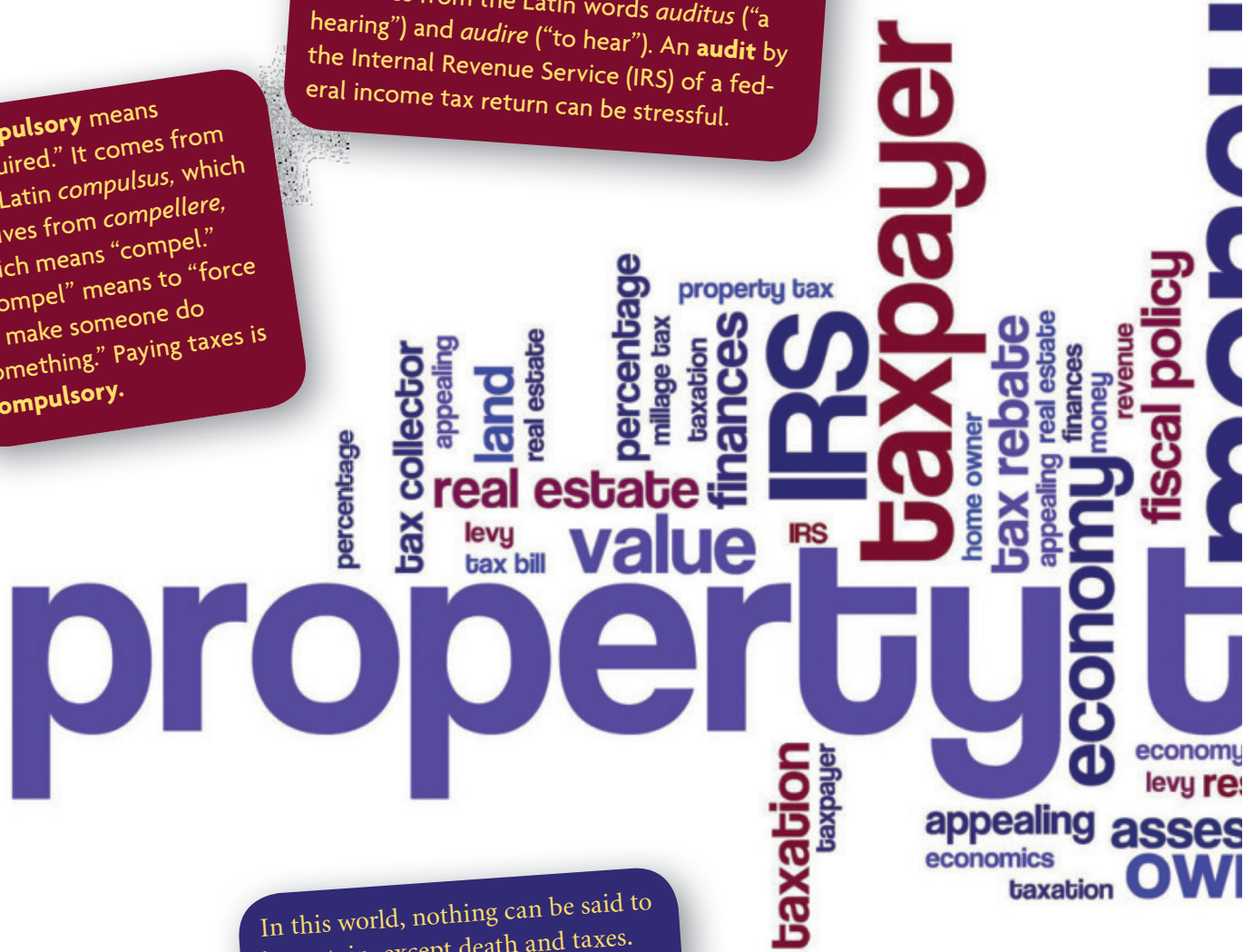


**SAY WHAT?**  
exploring the origins of words and sayings

Let's explore the origins of a few words often associated with taxes. We've used each word in a sentence, too. And we've included a few famous tax-related quotes.

An **audit** is an "examination of financial records or accounts to check their accuracy." It derives from the Latin words *auditus* ("a hearing") and *audire* ("to hear"). An **audit** by the Internal Revenue Service (IRS) of a federal income tax return can be stressful.

**Compulsory** means "required." It comes from the Latin *compulsus*, which derives from *compellere*, which means "compel." "Compel" means to "force or make someone do something." Paying taxes is **compulsory**.



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

The power of taxing people and their property is essential to the very existence of government.  
—President James Madison

Collection of more taxes than is absolutely necessary is legalized robbery.  
—President Calvin Coolidge









APRIL 11  
APRIL 12  
APRIL 13  
APRIL 14  
**APRIL 15**  
**TAX DUE**

We want to leave you with two key takeaways about taxes. First, April 15 is the day that federal income tax returns are due. A paper return must be postmarked and in the mail by April 15. Or a return can be filed directly and electronically with the Internal Revenue Service (IRS) by April 15. If April 15 falls on a weekend, the filing date typically moves to the next business day. Second, federal income taxes are calculated annually. Taxes for one calendar year are due by April 15 of the following year. For example, taxes for 2019 must be filed by April 15, 2020.



# YOUR LETTERS

## Number 19

"All men are created equal."  
Who chose the words?  
They are unjust, exclusive, and morally wrong.  
The vision of the Founding Fathers was clear  
but blurred.

**Women** worked just as hard.  
They helped in the war, why no reward?  
**Women's** voices should be heard.  
They had no way to speak, like a noiseless bird.

Susan B. Anthony and Elizabeth Cady Stanton  
fought for our rights, and we stand for them.

**Women** sacrificed for number 19,  
so go out and vote, for your opinion to be seen.

Ellie, age 13  
Chicago, Illinois

## Women's Rights

Women in this world  
have always been told,  
"You can't be as strong as men,  
you might as well give up then."  
But women knew they had to fight,  
for they too deserved the right.  
Susan B. Anthony noticed unfairness in pay.  
Men made more than women in a day.  
Lucy Stone gave the speech  
that converted Susan to protest and  
preach.  
Finally, the 19th Amendment came to be.  
Finally, the men agree.  
Women have just as much rights as men.  
Women are just as capable as them.

Camryn DeMichael, age 12  
Bolingbrook, Illinois

John James Audubon: Wildlife Artist  
Presidential Elections  
Civil War: Reconstruction

Draw a picture or write a poem or short essay that connects to one of the above **COBBLESTONE** themes on which we currently are working. All contributions must be your original work. Include a note from a parent or legal guardian clearly stating: "This is my child's original work, and **COBBLESTONE** has permission to publish it with my child's name, age, and hometown, in print and online." We will include as many as we can in the upcoming issue to which your work relates. Mail it to the address shown here, or email it to [cobblestone@cricketmedia.com](mailto:cobblestone@cricketmedia.com).



Send your materials to:  
**In the Works**  
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Chicago, IL 60601



SPOTLIGHT  
ON...

by Ebenezer



# FINDING THE FUN



Taxes may seem like something kids don't need to worry about, but the Colonel and I know that it's never too soon to learn about how taxes work. We found a great website called BizKid\$. It has a whole series of video clips related to taxes and why citizens pay them. Some videos feature teens who are working and paying taxes. Other clips explain some of the reasons why taxes are important. The squirrels and I enjoyed a clip about a private detective getting to the bottom of added taxes on a phone bill. The Colonel's favorite clip was about a young glassblower and how he pays his taxes. We all agreed that the videos offered an interesting way to learn about taxes. Check it out for yourself at [bizkids.com/season/season-4](http://bizkids.com/season/season-4). Click on the video clip for Episode 401, "A World Without Taxes."

# TAX





# Justice for All

**C**ertain words written by this month's mystery hero are read by people every day. Yes, I realize that's a bold claim. Those words are on the entrance of the Internal Revenue Service (IRS) building in Washington, D.C., which people enter or walk by every day.

Born in 1841 in Boston, our hero had a privileged upbringing. Both of his parents were well-known. His father was a famed author, poet, and doctor. His mother was active in the abolition movement. He attended private schools before enrolling in Harvard College when he was 16 years old.

Our hero had the good fortune of meeting some of the major New England "thinkers" of the day, who visited his parents' home for evenings of conversation. Those famous, intelligent people served as role models for our young hero. They inspired him to become a person of achievement.

His path to his future, however, hit a major snag. The Civil War (1861–1865) prompted our hero to leave college to volunteer to fight for the Union. He served for three years. He was wounded three times and was stricken with an almost fatal case of **dysentery**.

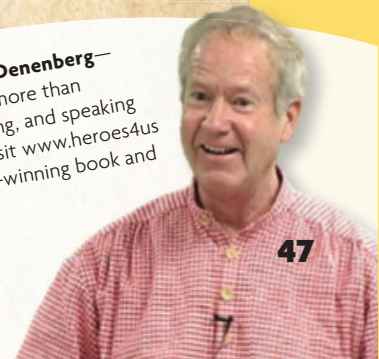
He later became one of America's most distinguished U.S. Supreme Court justices. Our hero's experiences growing up in a home filled with educated people and then serving during the war helped shaped his views of the importance of the law. He served as a justice from 1903 to 1931.

And here's his famous quote, which he wrote as a justice in 1927 in a **dissenting** Court opinion. It expresses our hero's famous opinion about taxes: "Taxes are what we pay for civilized society." Can you guess his name? Answer on page 49.



**Dysentery** is an infection of the intestines.  
**Dissenting** means refusing to agree with the majority opinion.

"Dr. D"—also known as **Dr. Dennis Denenberg**—loves history and real heroes. For more than 20 years, he's been writing, teaching, and speaking about heroes all over America. Visit [www.heroes4us.com](http://www.heroes4us.com) to learn all about his award-winning book and his Hero-Virtue trading cards.





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2020 Spark!Lab Dr. InBae and Mrs. Kyung Joo Yoon

## Invent It Challenge

This Year's Challenge: *Create an invention that improves access to **healthy food** for everyone, everywhere, every day.*



Submit your invention idea by **April 10, 2020**. No purchase necessary to win.

For entry information, go to [inventchallenge2020.epals.com](http://inventchallenge2020.epals.com).



Smithsonian







# HEY, KIDS!

We're looking for a funny caption for this photo. Send your idea, name, and address to: Just for Fun, COBBLESTONE, Cricket Media, 70 East Lake Street, Suite 800, Chicago, IL 60601, or email it to [cobblestone@cricketmedia.com](mailto:cobblestone@cricketmedia.com). Include a note from a parent or legal guardian clearly stating: "This is my child's original work, and COBBLESTONE has permission to publish it with my child's name, age, and hometown, in print and online." If your caption is chosen, we'll mail you a copy of the issue in which it appears.



What do you mean, "smile naturally"?  
Josephine Hong-Goranin, age 10  
Philadelphia, Pennsylvania

My teeth? What's wrong with my teeth?!  
Colin Jubboori, age 9  
Hopkinton, Massachusetts

Do you think I need braces?  
Carter Wilson, age 10  
Atlanta, Georgia



Cheese!!!  
Kyla Parrett, age 9  
Salt Lake City, Utah

## January Winners!

Answer to Dr. D's Mystery Hero from page 47: Oliver Wendell Holmes Jr.

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# A Pig Tax?

**G**overnments have imposed excise taxes on a few specific goods, such as tobacco products, alcohol, and gasoline.

Now, some people would like to see an excise tax placed on meat. They argue that meat consumption negatively impacts people's good health and contributes to obesity. They also point out that raising animals to be slaughtered harms the environment. Animals release large amounts of greenhouse gases into the atmosphere. Supporters of an excise tax on meat believe that it might encourage people to make healthier decisions about their diet. And it will help the environment. As the source of pork—the most widely consumed meat in the world—pigs might say “yes” to such an idea, if they could talk! Maybe knowing these facts about pigs would help, too:

- Pigs are extremely bright.
- Pigs are social and fun-loving.
- Pigs prefer a clean area.
- Pigs can learn tricks.

