

**REMEMBER...!!**  
**No April Meeting**  
 due to the Spring Trip.  
**Still a couple of seats**  
 available... see p.2



**ABOUT the ALCWRT**

- *The Abraham Lincoln Civil War Round Table is the oldest Civil War Round Table in Michigan, founded 1952. This year is our JUBILEE ...! Our 65<sup>th</sup> anniversary is September, 2017.*
- *Meetings are each 3<sup>rd</sup> Thursday, September through May (except December), 7:30 pm, at the Charter Township of Plymouth City Offices, 9955 N. Haggerty, in the Chamber Council Room.*  
**\*\*\*\* NO APRIL MTG \*\*\*\***  
**\*\*\*\* due to SPRING TRIP \*\*.**
- *For more information, contact ALCWRT President Liz Stringer at [stringerL@aol.com](mailto:stringerL@aol.com)*
- *Our web site is [ALCWRT.org](http://ALCWRT.org)*
- *Like us on FACEBOOK...! "Abraham Lincoln Civil War Round Table"*

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**The FIRST US INCOME TAX**

*In April, all thoughts turn to that annual April 15<sup>th</sup> deadline....*

**Who came up with this idea for an income tax?** An income tax was first suggested in the US in 1814, to help finance the War of 1812. It was modelled on the British Tax Act of 1798, which was a progressive tax. Because the Treaty of Ghent, signed in 1815, brought the end to hostilities and no more need for financing, the War of 1812-era income tax was never implemented.

In the US Civil War, both the North and the South used new taxes, including an income tax, to finance their respective war efforts. The US Revenue Act of 1861 imposed a flat 3% tax on all incomes over US \$800. The Revenue Act of 1862 replaced this with a progressive tax, with rates from 3% to 10%, and established the office of Commissioner of Internal Revenue, granting him the power to assess, levy, and collect taxes, and the right to enforce tax laws through seizure (of property and income) and prosecution. Congress eliminated this income tax in 1872.

**If there were income taxes prior to 1913, why was a Constitutional Amendment necessary to enact the 20<sup>th</sup> century income tax?**

Congress attempted to revive the income tax in 1894-95, the first peacetime income tax, but the US Supreme Court ruled that an income tax was unconstitutional. Why? Because Article I, Section 8, Clause 1 -- the Taxing and Spending Clause – specifies that “Duties, Imposts and Excises shall be uniform throughout the United States”. That is, direct taxes (taxes on people and from the use of their property, rather than taxes on events, like tariffs) had to be in proportion to each state’s population. Since apportioning an income tax to the various states was impractical, that had the effect of nixing an income tax until the 16<sup>th</sup> Amendment was passed in 1913.

**What changed with the 16<sup>th</sup> Amendment?** Congress can now tax incomes, including income derived from the use of one’s personal property, without apportioning it equally among the States.

**How much did Civil War era taxes help with funding the war effort?**

Both the North and the South used several new taxes – income, property, excise, consumer, increased tariffs – along with issuing bonds and printing money, to finance their respective war efforts. Here’s the breakdown:

- \* North’s war financing: 21% new taxes – 66% bonds – 18% printing money
- \* South’s war financing: 5% new taxes – 35% bonds – 60% printing money

*Keep reading for more on the “printing money” aspect of financing the war.*

## The FIRST GREENBACKS

Before the US Civil War, the only money issued by the US government was in gold and silver coins, and only these coins (“specie”) were legal tender, meaning payment in these coins had to be accepted by anyone.

Private and state banks issued their own paper bank notes, which were not legal tender, but which could be redeemed at that particular bank for legal tender coins. As long as a bank could redeem its notes for coins, the notes were valuable. If the bank failed, then its notes were worthless. At the start of the US Civil War, there were more than 7,000 types of bank notes in circulation.

**What about the Continental dollar?** During the American Revolution, the Continental Congress issued legal tender paper currency, which became worthless when it could not be redeemed for specie. Hence the term: “Not worth a continental”. And in the early 1800’s, the US issued interest-bearing Treasury Notes which were not legal tender, but could be used to pay customs duties.

**Which brings us to the Greenbacks:** Within a few months, it became clear that the new taxes and tariffs were insufficient to fund the US’s war effort, and NY banks wanted 24% to 36% interest on loans to Lincoln’s administration. Rather than borrow at those rates, in July 1861 Congress instead issued \$50 million in Demand Notes, which were not legal tender, but redeemable for specie on demand. Unlike notes from private and state banks, Demand Notes were printed on both sides. The back side was printed in green ink, and so they were dubbed “greenbacks”.

**Were Greenbacks really readily redeemable for specie?** Yes, for a short while, but it didn’t take long – about 6 months – before redemptions had to be suspended. That caused them to begin to lose value, so Treasury Secretary Salmon P. Chase propped them up by making them interest bearing. By 1862, Demand Notes were made legal tender. Since import duties could only be paid with gold or Demand Notes, the US could begin removing them from circulation (rather than letting interest rates mount up) as import duties were paid. By mid-1863, 95% of these first greenbacks were no longer in circulation.

**What replaced the Greenbacks, or Demand Notes?** The amount of Demand Notes issued was not enough to fund the war, nor were the terms under which they were devised and revised supportable. In 1862, Colonel Dick Taylor, volunteer officer and Illinois businessman, suggested to Lincoln that legal tender paper currency unbacked by specie be issued. Lincoln was not happy about issuing unbacked paper money, but the choices were either print your own money or go deep into debt to foreign creditors. So, in February 1862, Congress passed the first Legal Tender Act, and \$150 million in US Notes was issued. Like the Demand Notes, these were also printed in green ink on the reverse, so the “greenbacks” moniker stuck. \*\*

## SPRING TRIP – LAST CALL...! There are a couple of seats left ..!

\*\* Let Liz know NOW if you’d like to join the group on the Spring Trip: 1862 Shenandoah -- April 21-24.

\*\* TO EVERYONE WHO’S GOING: **Balance due to Liz before April 10**

\*\* For details, see the info sheet: go to [alcwrt.org](http://alcwrt.org) ... then click on *Battlefield Tours*

**WHAT DID WE LEARN ?** Thanks to **Tom Mudd** for his March talk “*Medical Aspects of the Lincoln Assassination*”.

**Quick quiz** to see what we learned..!

(Answers in “*This and That*” below).

- (1) Lincoln was age 56 when he was assassinated. How old was Dr. Mudd?
- (2) Before it became Ford’s Theatre in 1862, what was that building used for?
- (3) How were Lincoln’s and Dr. Mudd’s families connected?

**THIS and THAT -- \*\* SPECIAL NOTE: No April Meeting due to the Spring Trip leaving the next morning \*\***

- **2017 DUES are DUE**; Please pay Worley at the next meeting. Not sure if you’ve paid?: email him at [alcwrt@AOL.com](mailto:alcwrt@AOL.com)
- Google ‘*2017 Michigan CW events by Keith Harrison*’ for a calendar of upcoming events in Michigan this year.
- **QUIZ ANSWERS** - (1) 32 (2) A Baptist church (3) Aunt May Mudd had married Mordecai Lincoln.