4-1988

Taxing the Few: The First Federal Income Tax in Washington Territory

Phil Roberts
University of Wyoming, philr@uwyo.edu

Follow this and additional works at: http://repository.uwyo.edu/history_facpub

Part of the Arts and Humanities Commons

Publication Information

This Article is brought to you for free and open access by the History at Wyoming Scholars Repository. It has been accepted for inclusion in History Faculty Publications by an authorized administrator of Wyoming Scholars Repository. For more information, please contact scholcom@uwyo.edu.
Taxing the Few

The First Federal Income Tax in Washington Territory

Phil Roberts

A month after the Battle of Antietam in Maryland, the bloodiest engagement of the Civil War, Union tax notices appeared in newspapers around the North. By passing a comprehensive tax bill, one small part of which was a tax on personal income, Congress conceded that the war would cost far more than any member had expected. On October 25, 1862, some 2,500 miles west of the battlefields, the inhabitants of Washington Territory first learned of the new income tax in the Washington Statesman of Walla Walla and in Olympia’s Washington Standard. Newspapers of the period do not record how the territorial residents, who numbered fewer than the soldiers killed on either side at Antietam, initially reacted to modern taxation. From a territory immune from army conscription, not to mention the ravages of war, the Union asked a modest financial sacrifice. The law required payment only from individuals making in excess of $600 per year.1

When Congress passed the Civil War tax law in the summer of 1862, it put into operation the first national tax in America geared to a person’s income. Prior to the war, the federal government had relied on customs duties and land sales to finance its operations. Except in 1836 when land sales surpassed customs duties by $1 million, the duties often contributed in excess of 80 percent of federal revenues. Consequently, neither the Mexican War nor military expeditions against Indians in the West caused any real need for “internal revenue.” In fact, during the Jackson administration, the federal debt was liquidated, and Congress debated the hot political issue of how to dispose of the surplus. The depression of 1837 settled the matter by wiping out the federal surpluses, just as the economic crisis forced abrupt halts to state improvement projects.2

The United States Treasury was almost empty when Abraham Lincoln took office on March 4, 1861. The administration, in the opening months of the war, resisted tax increases. Salmon P. Chase, secretary of the treasury, tried to raise sufficient revenues from the sale of government bonds. When Congress met in July 1861, leaders recognized that higher taxes were the only alternative despite Chase’s objections. Three days after the disastrous Union defeat at Bull Run, a direct tax bill calling for $20 million to be raised directly from the loyal states was introduced in Congress. The proposal was hardly novel. It was modeled after the direct tax the federal government had used to finance the War of 1812, a set quota for each state to be assessed against real property.3

Because the states would assess the tax primarily against real estate, many congressmen, particularly from agricultural states, opposed it. As a result, a provision was added to decrease the direct tax by one-third, making up the difference with a tax on income. Before the full House, one proponent explained that such a tax could raise twice the revenue of the old “direct tax” on land alone. The new tax act, including the provision for income taxation, passed the House on July 29, 1861, by a vote of 77 to 60. The Senate passed the measure on August 2. The income tax section of the law, set to take effect June 30, 1862, would have taxed all income above $800 per year at a flat rate of 3 percent. The direct tax took effect immediately, and states and territories had to meet the collection quotas, which were applied proportionally by

1. The federal government called for troops on May 6, 1861, and set quotas for the states shortly thereafter. The Pacific states and the territories were omitted. See Fred A. Shannon, The Organization and Administration of the Union Army, 1861-1865, 2 vols. (Cleveland, 1928), I:36, and (for draft dodgers), II:186-91.

2. Historical Statistics of the United States: Colonial Times to 1970 (Washington, D.C., 1975), I106. The total national debt at the end of 1835 amounted to $38,000. The budget surplus that year was $17,857,000, and it rose to the next year to $19,959,000; ibid., I118, I104. See E. B. Long, The Civil War Day by Day (Garden City, N.Y., 1971), 721-28, for a brief overview of the economics of the war; see Davis Rich Dewey, Financial History of the United States, 12th ed. (New York, 1934), 298-330, for a detailed account of this period.

population. The law required each state to collect its quota and also made the states responsible for collection of the income tax, from which they could deduct 15 percent for administrative costs.4

Washington Territory’s direct tax quota was the curiously unrounded sum of $7,755.33. The territorial auditor, R. M. Walker, predicted that Washingtonians would pay the direct tax enthusiastically. “The citizens of this Territory have expressed their gratification in being afforded an opportunity of contributing their quota in sustaining their government and strengthening its hands in putting down the present gigantic and monstrous rebellion[,]” he wrote William Seward, secretary of state; Walker enclosed a copy of the legislative act assuming the debt and apportioning the territory’s share among the counties, based on the assessed valuation of property in each county.5

But the auditor’s optimism failed to translate into money for the war. Six months after Congress assessed the levy, Washington Territory had raised only $1,700, 22 percent of its quota. The territory never did pay the assigned amount, according to a treasury report made nearly 30 years later. Washington collectors managed to raise only $4,268 of the requisite $7,755. The territory was not alone, however. Utah Territory failed to pay a cent of its quota. Colorado Territory, the only other northern delinquent payer, came within $715 of a $22,900 quota. The 10 states still owing money in 1888 were all part of the Confederacy, assigned quotas under the law despite their secession.6

The income tax provision of the 1861 act was never put in force. The law authorized the secretary of the treasury to collect the tax, but he took no steps to do so. A few months later, Congress began work on an even more extensive income tax measure, necessitated by the already spiraling war costs. The new tax was to be levied for three years, beginning June 30, 1863. When President Lincoln signed the act into law on July 1, 1862, this more comprehensive tax code reduced the exemption to $600 per year. The 3 percent rate was retained but only for income less than $10,000. Income over that amount would be taxed at 5 percent along with the incomes of all citizens living abroad.7

In addition to taxing income, the act levied taxes on all manufactured articles and set death duties. But perhaps most important was the change in collection procedures. Congress created the Office of the Commissioner of Internal Revenue to carry out provisions of the 1862 act. No longer would tax collecting be left to the individual states and territories. In July 1862, only a tax commissioner and three clerks made up the internal revenue staff nationally. By January 1863, about 4,000 people were on the payroll throughout the Union, including the Far West. Each of the 185 collection districts in the nation had a district collector and a district assessor. Both were presidential appointees, and both had the power to choose assistants. The collector’s job amounted to little more than a sinecure for political friends, but the assessor’s duties required good judgment, honesty, and a commitment to fairness if the tax system was to work properly.8

When Congress debated the provisions of the 1862 tax, reports from the battlefields dominated the news. Future taxpayers in Washington Territory learned of the law’s passage from a wire report buried among long war dispatches. Steilacoom readers of the Puget Sound Herald, for instance, got a terse one-sentence summary of a vote taken in both houses, three weeks after the event had occurred. Not until October did territorial newspapers print the entire text of the law, yet its provisions must have somehow become common knowledge. How else could readers have recognized the humor in an August article in the Standard of Olympia and Walla Walla’s Statesman poking fun at the long list of things subject to the new tax? The papers printed a bogus list of taxable items such as:

For kissing a pretty girl $1. For kissing a homely one, $2 . . . Old bachelors over thirty are taxed $10. Over 40, $20. Over 50, $50, and sentenced to banishment to Utah. Each pretty lady is to be taxed from 25 cents to $25. She is to fix the estimate on her own beauty. It is thought that a very large amount will be realized from this provision.9

The humor was not addressed to the income provision alone, but more particularly toward the numerous duties placed on articles and products and the annual license fees imposed on bankers, auctioneers, cattle brokers, photographers, lawyers, physicians, and even jugglers. Peddlers, livery stable keepers, soap makers, and brewers were also assessed, and hotels and taverns had to pay yearly license fees depending on their gross receipts. Bowling alleys and billiard rooms

4. 12 Stat. 292-313 (1861). During consideration of the later income tax bill, Justin Morrill of Vermont, the bill’s sponsor, argued: “The effect [of current practice] is to require the tax to be put fifteen per cent higher than would otherwise be called for; and the General Government can collect the amount at a much less expense”; see Congressional Globe, 37th Cong., 2d Sess., 1862, p. 1194.


8. Paul P. Van Riper and Keith A. Sutherland, “The Northern Civil Service, 1861-1865,” Civil War History, Vol. 11 (1965), 358 n. 20. In the early years, revenue collectors often were paid a percentage of their collections, but revenue inspectors were paid on a fee basis by manufacturers whose property was inspected. The opportunity for abuse is obvious. See John C. Chomnie, The Internal Revenue Service (New York, 1970), 10.

9. Puget Sound Herald (Steilacoom), July 10, 1862. The first publication of the tax law in Washington Territory appears to have been in Olympia, although complete runs of several papers for this period, including the Vancouver Telegraph (which had printed the text of the 1861 law), no longer exist. See Standard, Aug. 23, 1862; and Walla Walla Washington Statesman, Aug. 30, 1862 (qtn.) (hereafter cited as Statesman with appropriate date). On June 27, 1863, the Walla Walla paper added some more “taxable items” to the list, many absent humor but with a bitting political edge: “For lending a newspaper, $3. . . . For declining a government contract, $10,000. . . . ” Copperheads, $25,000; other snakes free, including rattlesnakes.”
paid on the number of alleys and tables; circuses had to pay $50 per year, and theaters, $100 annually.10

In August 1862, President Lincoln appointed Major H. A. Goldsborough of Washington, D.C., to the collectorship in Washington Territory, a relatively insignificant post given the remoteness and tiny population. Goldsborough was politically well connected: his father had served for decades as chief clerk in the Navy Department, and his brother was a naval commander who won promotion to a rear admiralty that year. The more demanding position in the territory, district assessor, went to John G. Sparks, a native of Indiana. Sparks’s responsibility included explaining the tax and coaxing or threatening people to comply with its terms; Goldsborough was to collect the revenue and forward it to the Treasury Department.11

The occupation licenses, according to the law, had to be paid by August 1, 1862, but due to the distance from the national capital and poor communications, official notices of that fact did not appear in Washington newspapers until late October. Goldsborough did not arrive in the territory until the 9th, according to the Standard two days later; he made the final leg of the trip across Panama by steamship to Stellicom and stagecoach to Olympia. Sparks, a resident of Walla Walla, met the collector in Olympia and set about immediately to begin tax collections.

From the beginning, the new federal taxes counted on taxpayers’ willingness to pay, and the newspapers in the territory furnished encouragement. The humorous jibes of August did not reappear. Noting both the occupation tax and the income tax, the Walla Walla Statesman editorialized: “We bespeak for the government requirements upon industry and wealth of the citizens of Washington Territory a cheerful and prompt response.” Some still recalled that territorial residents, so delighted to be given “an opportunity of contributing” to the earlier tax, still owed a significant amount of that bill. The Standard’s editor, in the issue with the new tax notice, cheerfully reported that Kitsap County had paid “over $500 of her proportion of the direct tax” and, additionally, that county residents had “contributed about $4,000 to the Sanitary Fund” for Union soldiers. Earlier he had reminded taxpayers that the tax burden was even more onerous in the South: “The rebel tax law takes 20 per cent of the value of all real and personal property in Dixie. Certainly the South is securing its ‘rights’ at a brave rate.”12

Not every newspaper editor believed that the income tax was an effective way to raise federal revenues. The editor of the North-West in Port Townsend quoted Paul K. Hubbs, a Portland lawyer, who had asserted that “collecting the direct and income tax in Washington Territory . . . will cost the government $274 more than the gross sum to be collected.” The newspaper did not amplify on Hubbs’s figures or speculate about their accuracy, but then Congress and even Treasury Department officials themselves apparently had little idea of how much revenue the tax would raise.13

By late fall, Sparks had appointed six assistants, each in charge of a division made up of one or more counties. Assistant assessors and deputy collectors were not on the federal payroll. They were employees of their principals, who paid them varying wages. John Denny, a 69-year-old Seattle pioneer, headed Division 1 made up of King, Pierce, Snohomish, and Whatcom counties. A 48-year-old bookkeeper, E. S. Dyer, assessed in Division 2—Kitsap, Jefferson, Island, and Clallam counties. Dyer, a native of Maine, lived at Port Townsend where he boarded with a local merchant. Sparks named D. R. Bigelow, a “horticulturist,” to assess in Thurston, Lewis, Sawamish (Mason), and Chehalis (Grays Harbor) counties. No biographical data are available for the assistant assessor in the other three districts. They were: Edwin L. Dole of Vancouver, L. J. Rector of Walla Walla, and S. F. Ledyard, address not stated. Ledyard’s area of responsibility was “Eastern Washington” then consisting of Shoshone, Nez Perce, and Idaho counties in Idaho, Missoula County in Montana, and Spokane County.14

Sparks had a monetary incentive to maximize the number of taxpayers. The law provided payment of $1 for every 100 taxable persons on the assessor’s list. Additionally, each assessor received $3 per day while “giving the necessary instructions to the assistant assessors” and $5 per day while “hearing appeals, revising valuations, and making out lists.” Goldsborough and other collectors looked to receipts for their wages. A collector received a commission of 4 percent on the first $100,000 in taxes he brought in and 2 percent for everything above that amount, not to exceed $10,000 per year.15

Just before Christmas, Sparks moved his office from Walla Walla to Olympia in order to coordinate more closely with the collector. In the meantime, each of the assistant assessors advertised his presence for 15 days at a central location in the district where he expected to receive comments on assessments. Once the assessments had been made and validated, the collection process began. “Deputy collectors will be announced in due time,” Goldsborough promised in a January 1863 newspaper notice. By February,


11. The appointments were announced in Washington Territory in two newspapers, Puget Sound Herald, Aug. 14, 1862, and Standard, Aug. 23, 1862 (in both, Sparks was incorrectly identified as “S. G. Parks”), and the Statesman, Aug. 16, 1862 (which also identified the new collector as “H. W. Goldsboro”). See U.S. Senate, Journal of the Executive Proceedings of the Senate, Vol. 13 (1867), 19, for the confirmation of the nominations of Goldsborough and Sparks. Biographical and occupational information here and elsewhere in the essay comes from the manuscript census records (microfilm), National Archives–Pacific Northwest Region, Seattle, unless otherwise noted.


13. North-West (Port Townsend), Nov. 9, 1862. See, for example, the discussion of the estimated number of individuals subject to the tax, in Congressional Globe, 37th Cong., 2d Sess., 1862, pp. 2574-75.

14. Van Riper and Sutherland, 358. Tax information comes from the Department of the Treasury assessment record books, Bureau of Internal Revenue, Washington Territory, RG 58, National Archives–Pacific Northwest Region. These records comprise three large ledgers of about 300 pages each.

15. 12 Stat. 432-89 (1862) (438, qtns.).
his appointees were notifying the public about where to bring assessment sheets and tax payments.16

Unlike the assessors, the collectors did not visit individual businesses or taxpayers’ homes. In the month before the final payment deadline, each collector spent from one to two days in each county seat in the territory. The notice for Pierce County is typical: “Tax-Payers, Attention! . . . The U.S. Tax Collector will visit Steilacoom on Friday, the 20th inst., and hold a levee at Galliher’s hotel on that and the following days. ‘Gentlemen will please to walk up to the captain’s office and settle,’ nor leave it till the accepted time is past.” Even if payment were but 10 days late, 10 percent would be added to the tax, Goldsborough’s assistants warned.17

As further encouragement for prompt payment, newspapers reported that President Lincoln intended to pay tax on his income even though, as a government employee, he was exempt from the law’s provisions. Lincoln’s example was not enough to allay tax officials’ fears of wholesale evasion, possibly through public ignorance of the tax rules. In a sentence long enough to show that he had a talent for serving in the new federal bureau, Sparks issued an exhortation with a veiled threat:

*It will be observed that the law does not intend to lay a duty upon what a man necessarily consumes in living, it therefore is wisely provided that 600 dollars shall be exempt from this tax, yet it is equally clear that if a man chooses to live extravagantly, or otherwise consume or expend treble that amount, or the entire amount of his gains, profits, or income, he is still liable to pay a tax on all over 600 dollars.*

The assessor warned late payers that on “any sums due and unpaid for thirty days . . . and ten days after demand by the Collector, five per centum will be added,” contradicting the collector’s earlier notice, which threatened a 10 percent late charge.18 Meanwhile, Goldsborough had financial troubles, perhaps from extravagant living or maybe because of the speculations he made on town lots in Olympia during his term as tax collector for the territory. Although the exact nature of the debt is not clear, the district court issued a judgment to M. R. Tilley on March 19, 1863, against Goldsborough’s Olympia property for $1,587.07 that the collector owed. Included were 12 town lots and an entire city block, and in December 1863, the sheriff seized the property and sold it from the courthouse steps to satisfy the judgment. By then Goldsborough had quit his post; he left Olympia and returned to Washington, D.C. He was replaced by Philip D. Moore, an ambitious 40-year-old New Jersey native who had served as an assistant to Victor Smith, collector of customs at Port Angeles.19

Despite Goldsborough’s troubles and Moore’s close connections with the controversial Smith, Washington newspapers made no mention of any problems in the revenue offices of the territory. Newspapers in the East frequently reported fraud charges brought against collectors and assessors. Sparks publicly warned his assistants of the serious consequences of breaking his rules. If an assistant failed to comply with them, he would be discharged from office and fined $200 and costs, Sparks wrote.

The few newspapers serving the 11,594 residents of the territory began printing tax information in January 1864 for the assessments and collections beginning in

[16. Standard, Dec. 27, 1862, and Jan. 3, 1863 (qtn.); Statesman, Dec. 13, 1862 (the Walla Walla editor predicted that Sparks and the collector would move the entire operation to Walla Walla within the year), Feb. 7, 1863.]  
[17. Puget Sound Herald, March 12, 1863 (qtn.); Standard, Feb. 7, 1863.]  
[18. Standard, Dec. 6, 1862, April 25, 1863 (qtn.).]  
[19. Standard, Oct. 31, Nov. 21, 1863. Goldsborough’s activities after he left Olympia are unclear, although by 1871 he was a “clerk in the Navy Department in Washington”; see affidavit of recommendation for Thornton McElroy from Elwood Evans, Sept. 13, 1871, U.S. State Department Territorial Records, Washington Series, No. 77, Vol. 2. Nearly a year after Moore’s appointment, Smith, on his way to Washington, D.C., to defend himself (and Secretary Chase) against corruption charges, drowned off Crescent City, California; see Ivan Doig, “Puget Sound’s War within a War,” American West, Vol. 8 (May 1971), 22-27. On Moore, see Meany Pioneer File, Pacific Northwest Collection, University of Washington Libraries.]
May. The rates did not change, but for the first time the published notices included specific information on what income qualified for taxation, what was exempt, and what expenses could be deducted. Taxpayers could deduct such now familiar items as state and local taxes, business expenses, costs of property repairs, and farm operations. Sparks's notice in the Olympia newspaper stressed the need for taxpayers to "prepare their accounts...so as to expedite the business; and when called upon by the Assessor, with the assistance of the forms and blanks which will be furnished them, [they] will be able to render satisfactory accounts to themselves and the Assessor."20

As in the previous year, the assessor visited businesses, and the collector and his
Besides taxing income, the law levied license fees on certain occupations and business enterprises (like circuses) and duties on specified articles and products (like liquor). (Assessment ledger, National Archives—PNWR)

assistants waited for taxpayers to come to them. For instance, in the summer of 1864, Moore or his assistant spent one day in each of eight towns. They were in Seattle on June 28 and Port Townsend on July 2. The total assessment for "internal revenues" in the territory in 1864 came to $22,409, chiefly from the license taxes and duties.21

The rates leaped upward in 1864 because of the escalating costs of the war. Congress passed three separate revenue acts in about a year's time. The first, passed June 30, 1864, provided for a tax of 5.0 percent on incomes of $600 to $5,000, of 7.5 percent on incomes of $5,001 to $10,000, and of 10 percent on incomes over $10,000. An emergency act passed a few days later raised the rate on incomes over $600 an additional 5 percent. The final tax bill of the war period passed in March 1865. It set the rate back to 5 percent on incomes between $600 and $5,000, and it raised the tax rate to 10 percent on incomes exceeding $5,000. Nationally, enthusiasm for the tax was fading, and tougher penalties had to be applied for evasion.22

Early in 1863, the commissioner announced that individual returns were private and that none of the information would be divulged except to revenue agents. His ruling sparked a national newspaper debate in which editors argued that they should be allowed to print incomes as a check against possible fraud and collusion between agents and taxpayers. The commissioner, eyeing the increases in reported tax evasion, later reversed his position, agreeing that publicity might be beneficial.23

Even in lightly populated Washington Territory, Sparks faced, if not outright evasion, at least willful delay in tax payments. In a letter to the Standard in January 1865, he explained why the government felt compelled to assess a late payment penalty against a popular Monticello man, A. Ostrander, a 45-year-old New York–born physician. "I felt convinced that in some instances the failure [to file] was unintentional; but I finally came to the conclusion that [the penalty] would work less hardship and expense than to subject the parties in distant parts of the Territory to the expense of attending an examination before the Assessor." The Washington Democrat reported that the doctor had paid the tax and penalty under protest, and it made the matter of "onerous taxes" the subject of a highly critical editorial. Sparks's letter to the Standard took note of the Democrat's criticism and of the growing discontent with the tax; referring to that paper's editor, the assessor concluded: "I trust . . . that the income of his toil will not be 'violently wrested' from him or any other citizen, either by the 'enactment of political legislation or the hands of the assassin,' by which term he means, I presume, the Assessor or his assistants."24

A month later, Alex S. Abernethy, a prominent Cowlitz County lumberman, apparently became one of several Washingtonians caught failing to file. He received notice that he owed the tax plus a 50 percent penalty for nonpayment. Rather than challenge the ruling in court or contact the territorial delegate in Congress, Abernethy angrily wrote an open letter to the Standard. He claimed that he had paid but that he had done so by mail because no one had come to town to accept the returns. And since he had not been notified that anything was amiss, the penalty was unfair. It was not his fault that the return was lost in the mail, Abernethy argued, becoming the first Washingtonian on record to make the now common claim.25

Sparks's reply may not have been the first of its kind in the history of the Internal Revenue Service, but it reflected the increased appeals to voluntarism while it also warned of dire consequences if the tax bills were ignored. Blank forms are furnished by assistant assessors, wrote Sparks; "I cannot too earnestly urge prompt and full compliance with the requirements of the law, and by so doing it will not become necessary to inflict the penalties provided for a neglect or other cause." He concluded that it was Abernethy's responsibility to meet the deadline and hoped that his explanation had removed "the impression that [taxpayers like Abernethy] have experienced either 'unfair' or 'unjust' treatment at my hands."26

The federal government needed every dollar it could collect. The federal deficit, only $25 million at the end of the first year of the war, amounted to nearly $1 billion at war's end. The national debt, a mere $91 million in 1861, stood at $2.7 billion four years later. Even though the federal budget needed revenues more than ever, the patriotic calls for payment that had been popular during wartime lost much of their appeal. Since reporting income was voluntary and unmonitored, anyone who wished to avoid paying tax simply made no declaration of income. Nonetheless, assessors and others continued to encourage compliance with the tax code.27

The war was over, so economic expansion, not patriotism, was the theme of Governor William Pickering's enthusiastic report to the territorial legislature in January 1866. Of the more than $76,000 in federal revenues collected in Washington-

22. For changing tax rates, see 13 Stat. 281 (1864), 417 (1864), and 479 (1865). Congress increased the penalties for "willfully failing to render a list" for tax purposes to 25 percent of the tax, and for "rendering a false or fraudulent tax list," the tax was doubled; see Congressional Globe, 38th Cong., 1st Sess., 1864, pp. 226-27.
23. Harry Edwin Smith, The United States Federal Internal Tax History from 1861 to 1871 (Boston, 1914), 66-67. There is no evidence, at least until 1869, that newspaper lists were printed in Washington Territory.
26. Ibid.
27. For detailed figures, see Historical Statistics, 1104.
ton in fiscal 1865, $20,719 came from income taxes. Pickering also revealed that the federal assessor expected in the next year to collect more than $60,000 in Washington Territory, even though Idaho was no longer a part of the Washington tax district. The Republican-appointed governor took issue with political opponents by pointing out that the cost of assessing and collecting the revenue was only about $16,000 per year, far less than the amounts raised. He ended his tax report on an optimistic note: "It is gratifying to know that the United States taxes are cheerfully and promptly paid, and the large and steady increase of revenue indicates a highly prosperous condition of the business and industrial interests of the country."

Pickering's words notwithstanding, the income tax, occupation licenses, and taxes on the long list of manufactured items met with increasing opposition once the war ended. In 1866 Congress voted to eliminate the progressive rate structure and raise the exemption. It called for a uniform rate of 5 percent on all incomes above $1,000. In Washington Territory, Governor Marshall F. Moore (no apparent relation to the collector, Philip Moore) expressed a common view in his address to the legislature in December 1867:

The immense debt incurred during the late war necessarily makes the weight of taxation oppressive to all. With strict economy in the administration of the Government, an increasing development of our national resources, and with a full revival of the industrial interests of the entire country, we will find nevertheless, that our "burden is not greater than we can bear."[29]

The governor failed to mention, however, that the territory had extra incentive to encourage compliance, incentive that had no relation to war repayment. In January 1867, Congress voted to set aside the net proceeds of internal revenue raised in Washington Territory—not to exceed $20,000—for the purpose of building a new penitentiary. By the time the site was chosen two years later, the $20,000 set aside for the project proved insufficient to cover the costs, much to the disappointment of local officials.[30]

In 1869, the internal revenue commissioner in his annual report noted that the income tax law was to expire in 1870. Congress, after all, had always viewed the tax as a temporary measure. As a result, the tax renewal question became a hotly debated political issue nationally and in Washington Territory. Most of the local debate, however, involved not the tax on income but rather the duties on various products. "The Democracy [Democratic party] believe that taxes should be levied to raise revenues, and not to regulate morals or control the laws of demand and supply," the partisan Washington Standard declared. "The burden of taxes upon beer, whisky and tobacco, is paid by the poor. . . . Rich men, as a class, do not spend their money on luxuries; they save and invest it in bonds, or whatever else will pay them the best."

The Standard neglected to point out that most of the populace was exempt from income taxation, having incomes under $1,000. On July 3, 1869, however, the paper published a list of all taxpayers in western Washington. The next week, it published the names and incomes of taxpayers living elsewhere in the territory. Only 305 Washington residents paid income taxes for 1868. Despite the population increase over the following two years, the number of people who paid income tax actually declined. Congress raised the exemption in 1869, taxing only incomes in excess of $2,000 per year.[31]

After the Civil War, the personnel in the territorial tax offices changed considerably. Sparks was removed during a political dispute with the Johnson administration in 1866. By 1870, he was territorial auditor. His replacement was Samuel D. Howe, a 37-year-old Kentuckian living in Olympia and working as a merchant at the time of his appointment. When U. S. Grant became president, he replaced Howe with Edward Giddings. Trained as a civil engineer, Giddings had served in various New York state offices under his friend the former president Millard Fillmore. He had come west in 1849; by the early 1860s, he was a clerk in the Washington territorial surveyor's office and had risen to deputy surveyor before Grant appointed him tax assessor. In 1875, he became the revenue collector for the territory. Moore, also removed by Johnson, was replaced in 1868 by Hazard Stevens, son of the former territorial governor Isaac Stevens, the fallen hero of the Battle of Chantilly. Prominent in the Republican party, Moore returned to law practice. He was keynote speaker at the 1870 state Republican convention.[32]

Rapid turnover characterized the deputy collector and assistant assessor positions in the first decade of income taxation. Usually, the assistant assessors were clerks, often in their thirties or younger. For example, J. D. Laman, the assistant in Walla Walla, was 39 and the father of five young children. Ross G. O'Brien, his Olympia counterpart, was 28, a Civil War veteran, and single. Both Laman and O'Brien remained with the tax assessor's office for some time; the young men assigned as assistants in the Vancouver-Columbia River area, however, seem to have stayed but a few months. Little information is available on the collector's office staff members during this period, although they likely

28. William Pickering, Jan. 1, 1866, in Gates, 123. Tax collection costs were largely fixed; thus, it is apparent that taxes collected in Washington Territory in the first years of the income tax probably barely covered the cost of administration. Political opponents of "internal revenue" taxes apparently argued a valid point, and Pickering may have revealed the costs in an attempt to refute them.

29. Congressional Globe, 39th Cong., 2d Sess., 1867, p. 1483 (the House, considering a bill for single-rate tax, defeated amendments that would have continued the progressive tax; the vote was 73 to 26); Marshall F. Moore, Dec. 9, 1867, in Gates, 137.


31. Seligman, 449; Standard, May 22, 1869 (qtn.).

32. "Only 250,000 persons out of a total population of 39,500,000 paid the tax" by 1870, less than 1 percent of the population; see Sidney Ratner, American Taxation (New York, 1942), 123; see also Jerome R. Hellerstein, Taxes, Loopholes and Morals (New York, 1963), 8. In Washington, 254 people out of 23,955 paid tax in 1870.

33. Sources of biographical information on the territorial tax assessors and collectors include the census records, Bankcroft, and the Meany Pioneer File. In addition, see Standard, Nov. 20, 1891 (Sparks); Pacific Tribune, Sept. 10, 1864, and May 9, 1868 (Moore).
were young men with bookkeeping experience—and some political connections.

Who were the taxpayers? The question cannot be answered for the Civil War years. Unfortunately, the assessors’ lists for Washington Territory before 1868 have been lost. The list for the 1869 tax, paid during 1870, provides the names of 254 taxpayers. All but 33 also appear on that year’s federal census, taken in June 1870, the same month the tax roll was compiled. Cross-checking the names reveals a general profile of the typical person who paid income tax.

The 221 taxpayers whose names appear on the census (87 percent of those who paid taxes in 1870) accounted for $13,946 (92 percent) of the total income tax collected in the territory. With one exception, all taxpayers were male and white. The sole female was also the only black: Rebecca Howard, operator of a boardinghouse in Olympia. She was 40 at the time of the census, and both she and her 52-year-old husband, listed as a white farmer, had been born in Massachusetts. The average age of the Washington Territory taxpayer was 39.7 years. A 20-year-old Seattle merchant, J. Franenthal, was the youngest taxpayer. Only 28 men over the age of 50 paid any tax. The eldest was a 74-year-old Port Madison lumberman, a Portuguese citizen and one of the territory’s six tax-paying noncitizens, who was also the only taxpayer listed on the census as being unable to read or write English.34

The highest correlations between the information on the tax rolls and the census data occurred between the amount of tax paid and the estimated total value of personal property each taxpayer had declared to the census taker (see table). According to the pattern, a taxpayer who had declared to the census taker that he owned $1,000 in personal property generally owed around $15 in income tax. But many citizens who fit the personal property profile paid no tax at all. Among them, farmers may have owned significant personal property yet legitimately paid no tax because they rarely met income minimums under the tax law. The rest of the nonpayers, whose personal property value suggests that they had incomes exceeding the minimum taxable amount, apparently avoided the tax altogether, hardly a surprising finding, given the history of dissatisfaction for the measure.

Several counties registered no resident taxpayers. None of the 270 voting age males in Stevens County paid income taxes, nor did any of the 238 in Cowlitz County. No tax returns were filed by resi-

---

34. Statistical computations for this essay were made utilizing the Cyber computer, ICE program, University of Washington Computer Center. Rebecca Howard opened the Pacific Restaurant in Olympia in 1860 (Pioneer and Democrat [Olympia], May 18, 1860); she and her husband were plaintiffs in a real estate lawsuit in 1867 (see Charles H. Bermeister v. Alexander and Rebecca Howard, 1 Wash. Terr. 208 [1867]); by 1870, she was operating a “private boarding house” (Pacific Tribune, Dec. 26, 1870); years later, she was identified as a business partner of Samuel Howe, the former tax assessor, in a four-county enterprise involving Plummer fruit dryers (Standard, April 20, 1878); she died in Olympia in 1881 (Standard, July 15, 1881).
students of Yakima County (143 male voters), Snohomish (334), or Clallam (149). No assistant assessors lived in those counties, and, possibly, those assigned to assess there did not believe it to be cost effective to do so. More than 36 percent of all taxpayers lived in Walla Walla County. Although it was the territory’s most populous county in 1870, only 20 percent of voting age males lived there. Thurston County also had a high ratio of taxpayers to population. Assessors resided in both counties. However, the highest proportion of taxpayers to population was in tiny Skamania County. There the 11 taxpayers accounted for more than one-eighth of the county’s voting males.

More than a fifth of all taxpayers (48) were merchants, and another 5 percent (12) listed themselves as retired merchants. Farmers made up the second highest occupational group; 22 were taxpayers. Just 13 lawyers, 7 doctors, and 1 banker paid any income taxes in the territory in 1870; 9 workers in lumber mills and 7 millowners paid, as did 12 bookkeepers. These figures suggest that relatively few members of high-status occupations paid the tax. For instance, some 43 lawyers, 36 doctors, and 4 bankers in the territory did not file an income tax return. Although he was not an exception, the banker Dexter Horton of Seattle paid no income tax even though he held real property worth $20,000 and personal property amounting to $6,000.35

New England natives, less than 7 percent of the territory’s total population, accounted for 30 percent (66) of all taxpayers. Washington residents originally from Maine had a higher per capita incidence of paying taxes than residents from elsewhere. Of the 221 taxpayers listed in the census, 29 (or 13.0 percent) were born in Maine, yet only 3.5 percent of the total population came from the Pine Tree State. And Maine-born taxpayers were not more heavily represented among the relatively high-income occupations than those from other states. Although almost a third of Maine-born taxpayers were merchants, so were 35 percent of New Yorkers and 40 percent of Massachusetts natives. On the average, Maine taxpayers declared to census takers smaller amounts of personal property, for example, than those from the other two states. This finding suggests that regardless of occupation or wealth, Maine natives had a greater tendency to pay taxes than persons of the same occupation and equal wealth from other states.36

Another 30 percent of the taxpayers were foreign born, although in the territory, they made up 20 percent of the population. They included Joseph Petrain of Vancouver, a 52-year-old Irish-born farmer, who paid the least of any taxpayer—five cents on a taxable income of one dollar!

Washington taxpayers born in the Northeast composed 13.6 percent of all taxpayers, just over the percentage that northeastern-born people represented in the total population. Nearly half of the persons paying over $100 in taxes were New York natives, including the Olympia merchant D. B. Finch, who paid more than anyone in the territory—over $1,300 on income in excess of $26,000. For the census, Finch set the value of his personal property at $65,000.

At least two conclusions may be drawn from these statistics. New Englanders may have been more wealthy, as a group, than natives of other regions, or they simply were more willing to declare their tax liability. Although determinations of wealth in Washington Territory in 1870 are beyond the scope of this essay, fragmentary evidence from the census reports and the tax records suggests that New England natives were not necessarily the wealthiest in the territory. Those with modest incomes and average amounts of real and personal property tended to pay the tax; among individuals born in other regions, only the well-to-do tended to pay.

More than 250 Washingtonians paid federal income taxes in 1870, despite the tax’s unpopularity and the relatively high exemptions. And regardless of distances and sparsity of settlement, the territory met the national average in percentage of population obeying the tax law. The primary question may be not why so many avoided paying the tax, but why so many Washingtonians met their tax obligations despite the myriad excuses and means of evading them.

Phil Roberts is a Ph.D. student in history at the University of Washington. A graduate of the University of Wyoming College of Law, he has practiced law, edited newspapers, and worked in public history.

35. The tax law in 1867 was changed to favor farmers by requiring tax payment only on sales of livestock, not on the increasing value of the animals. Nationally, few farmers had incomes greater than $1,000, however, so few actually paid taxes. But see Ratner, 136, for farmers’ resentments toward “capitalists” who benefited most from the tax changes. Philip Ritz, a Walla Walla farmer, declared almost the same holdings in real and personal property as Dexter Horton, but Ritz paid a tax of $41.65.

36. The Maine congressional delegation included at least two strong proponents of income taxation, and successive treasury secretaries—William Pitt Fessenden, who as senator originated the first proposed tax bill in 1861, and Hugh McCulloch—were Maine born.