

UNCLE SAM TAKES AS MUCH AS HE CAN

The Sense and Nonsense of Taxation

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Author: Mr. Madison

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Part I: Foundations of Taxation in America

Chapter 1. The Origins of American Taxation

1. What is it?

American taxation was never intended to be the sprawling, permanent system it is today. In its origins, taxation was seen as an *extraordinary measure*—temporary, targeted, and often imposed in moments of war or crisis. Colonists, and later citizens of the young Republic, viewed taxation with suspicion. It was supposed to fund specific purposes, not to become a constant drain on individual freedom and prosperity.

2. Early Colonial Taxes

In the 17th and 18th centuries, taxes in the American colonies were levied primarily at the local level. Property taxes, poll taxes, and fees on trade were collected by colonial assemblies or local governments. Crucially, these levies were modest, irregular, and often tied to a visible purpose such as building roads, supporting militias, or maintaining local courts.

Taxes imposed directly from abroad, however, were met with fierce resistance. British attempts to tax the colonies—such as the **Stamp Act of 1765** and the **Townshend Duties of 1767**—ignited outrage because colonists had no representation in Parliament. This grievance crystallized in the famous slogan: “*No taxation without representation.*”

3. The Boston Tea Party and the Revolutionary Spirit

The flashpoint came in 1773, when the British East India Company was granted a monopoly on tea imports and a tax on tea was enforced. Colonists responded with the **Boston Tea Party**, destroying shipments in protest. This act symbolized more than a revolt against a single tax—it was a rejection of the principle that distant rulers could siphon wealth from a population without their consent.

Taxation became synonymous with oppression, and resistance to it a central cause of the Revolution.

4. The Early Republic – Reluctant Taxation

After independence, the new Republic carried its anti-tax DNA forward. The Articles of Confederation (**1781–1789**) gave the federal government no direct power to tax; it had to request funds from the states. This arrangement soon proved unsustainable, leading to the adoption of the Constitution in 1789, which granted Congress the power to “lay and collect taxes, duties, imposts, and excises.”

Even then, Americans distrusted centralized taxation. The federal government relied mostly on tariffs and excise taxes, not direct levies on income. When a whiskey excise was introduced in 1791, it sparked the Whiskey Rebellion (1794), violently resisted by frontier farmers who saw it as unfair and oppressive.

5. The Civil War and the First Income Tax

For most of the 19th century, tariffs and customs duties funded the federal government. Direct taxes on individuals were rare, temporary, and controversial. But the **Civil War (1861–1865)** forced the government to seek extraordinary revenues. In 1861, Congress enacted the first federal income tax—3% on incomes over \$800. This was defended as a wartime necessity but repealed in 1872 once the war debts were largely addressed.

The lesson was clear: taxation in America was still perceived as legitimate only in exceptional circumstances.

6. The Turning Point – The 16th Amendment

The real watershed came in 1913 with the ratification of the **16th Amendment**, which granted Congress the explicit power to levy an income tax without apportionment among the states. That same year, the modern **Internal Revenue Service (IRS)** was established, and the federal income tax became a permanent feature of American life. What was introduced as a limited tax on the wealthy quickly expanded. Over time, rates rose, brackets widened, and the federal government transformed from a lean protector of basic functions into a massive spender with virtually unlimited reach—funded by taxation.

Tax protester arguments against the Sixteenth Amendment center on the claim that the federal income tax is unconstitutional or invalid. Some insist the amendment was never properly ratified, citing minor textual

discrepancies or questioning Ohio's statehood during ratification—claims rejected by every court as frivolous. Others argue that because the amendment does not explicitly repeal earlier constitutional limits, it cannot authorize an unapportioned income tax. Still others maintain that “income” does not apply to wages, since labor is exchanged rather than earned, or that taxing wages violates property rights. A further line of attack suggests that the progressive nature of the tax violates the Equal Protection Clause of the Fourteenth Amendment. Despite their persistence, these arguments have been uniformly dismissed in U.S. courts, which continue to affirm the government's authority to levy an income tax under the Sixteenth Amendment.

7. Official Justification

Taxation was justified as:

- **Necessary for national defense** (from the Revolution to the Civil War and later World Wars).
- **A tool for building infrastructure** and financing the industrial expansion of the 19th and 20th centuries.
- **A mechanism of fairness**, especially after the Great Depression, with progressive income taxes presented as a way to redistribute wealth.

8. Why Dubious

- **Betrayal of origins:** What began as a system of temporary, purpose-driven taxes has become permanent and all-encompassing.
- **From consent to compulsion:** The American Revolution was sparked by resistance to taxation without representation. Today, many taxes are so complex and opaque that citizens hardly understand what they pay for, let alone consent to it.
- **Expansion of government power:** The 16th Amendment opened the door to federal overreach. Washington now consumes a massive share of national wealth, far beyond the limited functions envisioned by the Founders.

9. Conclusion – Sense or Nonsense?

The origins of American taxation show a stark contrast: from a philosophy of minimal, voluntary levies tied to specific purposes, to a permanent system that drains wealth to sustain a vast federal apparatus.