



Brightside Tax Relief  
Comprehensive Tax Relief Services

## **CHAPTER 1: SOLVING YOUR IRS PROBLEM**

### **Introduction to Solving your Tax Problem**

**January 2021**

**Note: Each Week, We'll Release a Short Paper on  
Tax Problems for You to Review.**

# INTRODUCTION

The history of taxation in the United States is quite interesting. In fact, our country was born because the colonists protested British taxes which led to the American Revolution. Remember the Boston Tea Party? Well, it was a protest against British taxes!

## Modern Taxation

In 1861, Congress imposed its first personal income tax in an effort to pay for the American Civil War. The tax was 3% on all income over \$800.00. The Revenue Act of 1862 levied a 3% tax on income over \$600.00, rising to 5% for income over \$10,000.00. The Revenue Act of 1861 was repealed in 1872.

## How the IRS was Born

The Revenue Act of 1862 created the position of the Commissioner of Internal Revenue. In 1913, the 16th Amendment to the United States Constitution was ratified which authorized Congress to impose a tax on income, and the Bureau of Internal Revenue was born. The Revenue Act of 1913 levied a 1% tax on net personal incomes above \$3,000.00, with a 6% surtax on incomes above \$500,000.00. By 1918, and to finance World War I, the top rate of income tax was increased to 77% on income over \$1 million dollars. The Revenue Act of 1913 truly ushered in the modern era of tax on personal income. Congress enacted payroll withholding and quarterly tax payments during World War II. The tax rate was quite high between 1944 through 1951 with the highest marginal tax rate of 91% for individuals which increased to 92% in 1952 and 1953. From 1954 through 1963, the highest marginal tax rate for individuals was lowered to 91%. Since 1964, the top marginal tax rate for individuals has come down, being lowered to 77% and 50% for tax years 1982 through 1986, to 38.5% in 1987 and 31% in 1991 and 1992.

Personal income tax rates have bounced around since then from a high of 39.6% in 1993 to its current rate today. The Bureau of Internal Revenue was renamed to the Internal Revenue Service in 1953. In fiscal year 2017, the IRS processed more than 245 million tax returns and collected more than \$3.4 trillion in gross revenue, spending 34 cents for every \$100 it collected!