

# CHART OF THE MONTH

FEBRUARY 2013

February 2013 marks the 100th anniversary of the ratification of the 16th Amendment to the U.S. Constitution, which gave Congress the power to impose a federal income tax. The original Form 1040, approved by an Act of Congress in October 1913, is presented below. The [entire form](#) was only four pages, including instructions. The tax rates ranged from 1% to 6%. However, an annual exemption of \$3,000 for individuals and \$4,000 for married couples (the equivalent of \$70,000 and \$94,000, respectively, today) meant that the majority of Americans paid no income tax back then.

Using the 1913 tax rates, a married couple earning \$100,000 today with \$10,000 in deductions would have a tax liability of \$1,990. A couple earning \$250,000 with \$25,000 in deductions would owe \$8,600, a couple earning \$500,000 with \$50,000 in deductions would owe \$21,810, and a couple earning \$1,000,000 with \$100,000 in deductions would pay \$52,770. The latter works out to an average rate of approximately 5%.

You can figure out your tax liability by entering your personal information in this [interactive tool](#). Just remember, the IRS Form is for the year 1913, not 2013!

<p>TO BE FILLED IN BY COLLECTOR.</p> <p>List No. ....</p> <p>..... District of .....</p> <p>Date received .....</p>	<p>Form 1040.</p> <p><b>INCOME TAX.</b></p> <p><b>THE PENALTY</b> FOR FAILURE TO HAVE THIS RETURN IN THE HANDS OF THE COLLECTOR OF INTERNAL REVENUE ON OR BEFORE MARCH 1 IS \$20 TO \$1,000. <small>(SEE INSTRUCTIONS ON PAGE 4)</small></p> <p><b>UNITED STATES INTERNAL REVENUE.</b></p> <p><b>RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.</b></p> <p><small>(As provided by Act of Congress, approved October 3, 1913.)</small></p> <p><b>RETURN OF NET INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191 .....</b></p> <p><small>(FOR THE YEAR 1913, FROM MARCH 1, TO DECEMBER 31.)</small></p>	<p>TO BE FILLED IN BY INTERNAL REVENUE BUREAU.</p> <p>File No. ....</p> <p>Assessment List .....</p> <p>Page ..... Line .....</p>																																																																																																																																																						
<p>Filed by (or for) ..... of .....</p> <p style="text-align: center;"><small>(Full name of individual.)</small> <span style="margin-left: 200px;"><small>(Street and No.)</small></span></p> <p>in the City, Town, or Post Office of ..... State of .....</p> <p style="text-align: center;"><small>(Fill in pages 2 and 3 before making entries below.)</small></p>																																																																																																																																																								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">1. GROSS INCOME (see page 2, line 12) . . . . .</td> <td style="width: 5%; text-align: center;">\$</td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> </tr> <tr> <td>2. GENERAL DEDUCTIONS (see page 3, line 7) . . . . .</td> <td style="text-align: center;">\$</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. NET INCOME . . . . .</td> <td style="text-align: center;">\$</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="6" style="text-align: center;">Deductions and exemptions allowed in computing income subject to the normal tax of 1 per cent.</td> </tr> <tr> <td>4. Dividends and net earnings received or accrued, of corporations, etc., subject to like tax. (See page 2, line 11) . . . . .</td> <td style="text-align: center;">\$</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>5. 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