

Whiskey & Taxes: Using Archives in Biography, Institutional History & Student Engagement

MARY M. STOLBERG

ACCOUNTING DEPARTMENT

APPALACHIAN STATE UNIVERSITY

STOLBERGMM@APPSTATE.EDU



Research is Fun!

I've always started research projects with questions

- Sometimes never answered the original question
- Have always found new and intriguing ones
- Most melded institutional histories and biographies



Primary Sources Shape Answers & New Questions

Biographical

- Library of Congress
- University archives
 - Donated papers
 - Diaries
 - Oral histories

Institutional

- National Archives
- Agency documents
- Court records & legal opinions

Background

- Public libraries provide a mixed bag
- Newspapers

Archival Adventures

- My 1st Research Question: When did grand juries change?

- How did federal law enforcement evolve in the Gilded Age?

- (National Archives, U.S. Park Service)

- What led to the rise of organized crime?

- How did prosecutors develop tools to fight it?

- How do politicians use crime hysteria to further careers?

- (New York City Archives; Oral History Project at Columbia University; Thomas E. Dewey Papers at University of Rochester)

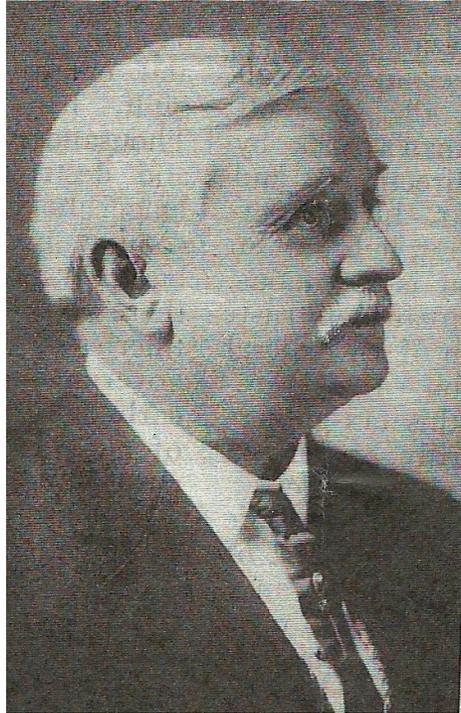
Accounting
Historians Article

Question: How was the 1913 federal income tax implemented in 6 months on a shoestring budget?

Looked up commissioners of the Bureau of Internal Revenue

- *Then looked up William Henry Osborn*
- *His papers at East Carolina University*
- *Index said they included a diary*

Who was William Henry Osborn?



Tobacco business

Reformed alcoholic – the owner of Keeley Institute in Greensboro

Prison reformer

Mayor of Greensboro – 1901-1905 (sold bonds himself)

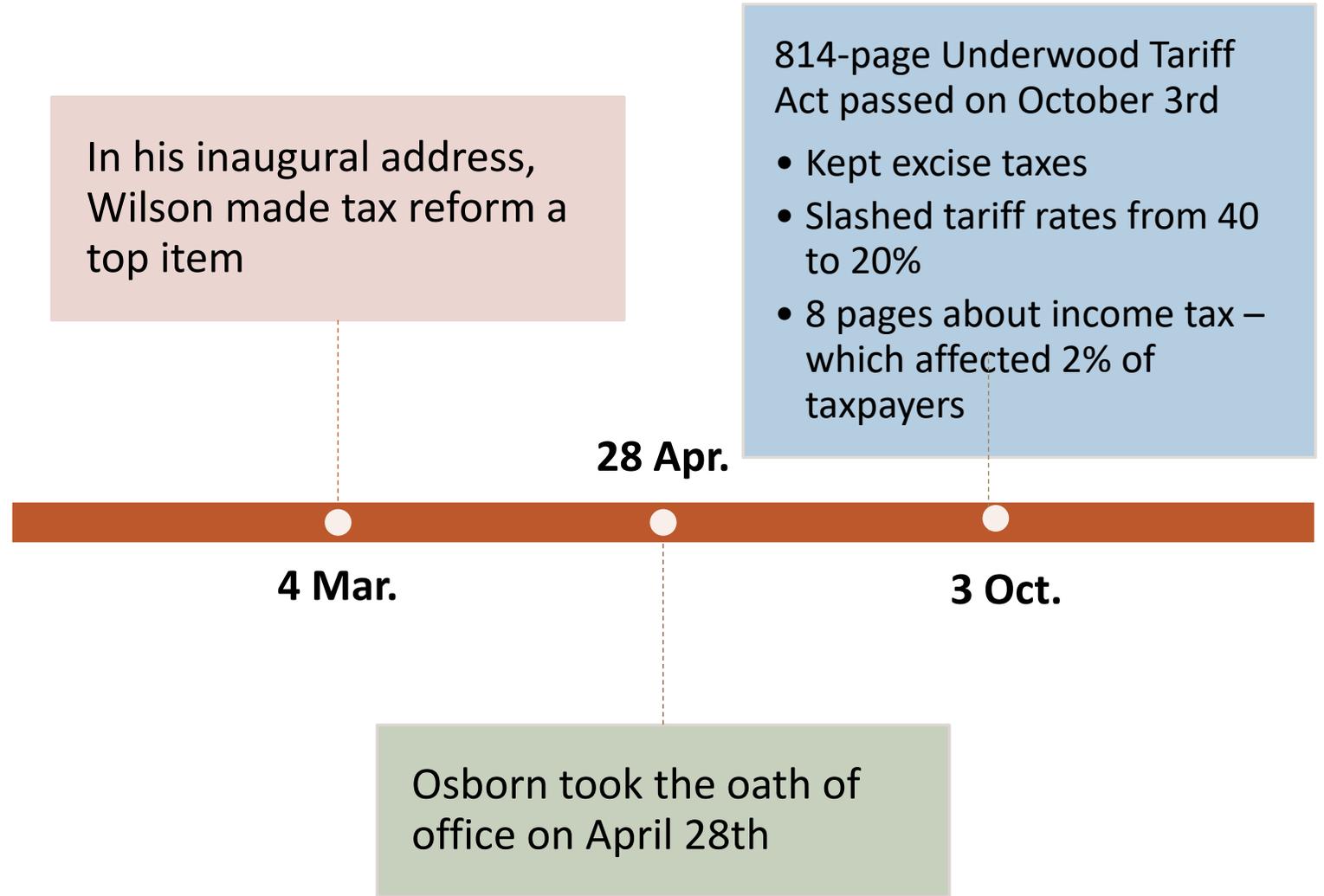
Political power

- Swung NC delegates to Wilson in 1912

True Progressive told one interviewer

- Efficiency = Political/Organizational Success

Taxes in 1913



Immediate Challenges

Mechanics

- Designing, printing, and distributing 1040's
- November 1st withholding banks, brokers

Creating income tax division

- New deputy commissioner & 2 assistants
- 100 clerks
- Lawyer & 54 new agents
- 35 inspectors (auditors)

Finding skilled agents & inspectors

- Existing agents chased boot-leggers not upper crust
- Hired 1st woman agent

TO BE FILLED IN BY COLLECTOR. Form 1040. TO BE FILLED IN BY INTERNAL REVENUE BUREAU.

INCOME TAX.

THE PENALTY
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.
(SEE INSTRUCTIONS ON PAGE 4.)

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.
(As provided by Act of Congress, approved October 3, 1913.)

RETURN OF NET INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191
(FOR THE YEAR 1913, FROM MARCH 1, TO DECEMBER 31.)

Filed by (or for) _____ of _____
(Full name of individual.) (Street and No.)

in the City, Town, or Post Office of _____ State of _____
(Fill in pages 2 and 3 before making entries below.)

1. GROSS INCOME (see page 2, line 12)	\$				
2. GENERAL DEDUCTIONS (see page 3, line 7)	\$				
3. NET INCOME	\$				

Deductions and exemptions allowed in computing income subject to the normal tax of 1 per cent.

Diary Started in December 1913

Osborn and his staff recognized the historic importance of income tax

- In early December Osborn suggested creating a diary
- While he was in North Carolina for Christmas, staff began it with their own comments
 - *One predicted income tax would reshape the nation's fiscal system*
 - *Another said collections "would be enough to try men's souls"*
 - *All showed respect for Osborn as a hardworking, honest, and an inspiring leader*

Subsequent entries bore this out

- Osborn frequently worked late at night and on Sundays
- Spent many long days fending off Congressmen urging him to hire political hacks and fire Catholics

Revealed On-Going Frustrations

Irony Congress gave him job of collecting income tax, "but its members come and claim appointments ...to fill this office with a lot of worthless, incompetent people."

"Congressmen and senators pass laws...then they come around and use every means to keep me from enforcing the laws their constituents violate."

"This govt could be run for 33% less money if the employees were chosen for merit and efficiency."

Challenges of Collecting Income Tax

Individual -- \$28 million

- Half of the original projections
- Privately worried about evasions
- Publicly blamed tight deadlines, late hiring, Congress allowed file now & pay later in first year

Corporate -- \$43 million

- Differences between 1909 corporate excise tax
- New legal questions
- No standard accounting in US

Tariff & Excise -- \$309 million

- Set record for peacetime collections
- Cost of collections lowered from \$1.59 to 1.52
- Congress increased budget – he hired
 - 3 more top assistants,
 - A law clerk
 - Special auditors for railroads and insurance,
 - 197 new clerks

FY Ended June 30, 1914

Winning Support: 1913-1916

Public Relations & Education

- 1914 toured the nation – promised fairness
- Agents would be careful, courteous, and thorough

Efficiency -- \$500,000 in annual savings

- \$400,000 - Streamlined gauging (a measure of liquor proof)
- \$50,000 - Clerks salaries; eliminating duplicate work; buying modern equipment
- \$50,000 – Redesigning revenue stamps to reduce ink, paper, and labor

Crackdowns – Uncovered evasions and frauds of \$50M

- Collected between \$21 million between June 1913-June 1916
- Worth the lost revenue “to say nothing of the moral effect on other taxpayers”

\$21 million covered Bureau's \$19.8 budget for three years

“We are not going under the theory that every return submitted was a dishonest one....The work we are doing now is more along the lines of education. We want to give every taxpayer all the light that we can upon the proper method of filling out and filing returns.”– Interview with Cincinnati Enquirer

Engaging Students

Many students have never thought about how tax code has evolved

- Mix of tariffs, excise taxes, corporate, income, VAT
- Bring in the headlines
 - Tax the rich?
 - Global tax policy

Draw lessons: Osborn's success shows value of:

- Simplicity
- Fairness
- Good public relations

Tell a good story!!
Always include amusing details

- Osborn filling out the first 1040 debacle
- Ex-pats running around Paris
- Details of escapades tracking down tax dodgers