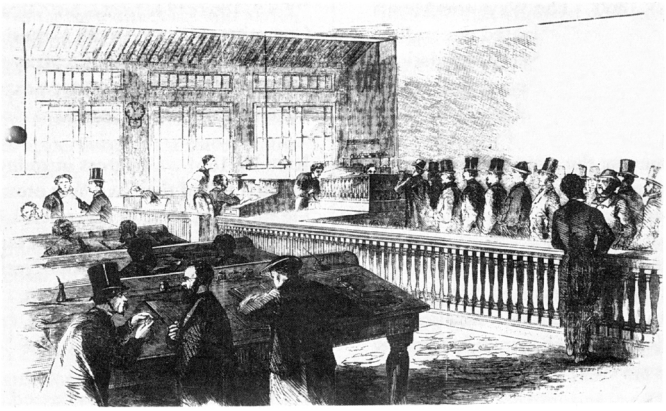

American lawmakers have always attempted to balance three goals in the process of creating taxes—to build revenue, to influence spending habits, and to be fair to all taxpayers.

1781—Articles of Confederation
The writers of the Articles of Confederation did not support a strong federal government. Only state governments had the power to tax, and they had to turn over tax revenues to the federal government.

1788—U.S. Constitution Ratified
The U.S. Constitution—ratified in 1788—gave the federal government the power to tax citizens directly. Taxes were mostly in the form of tariffs and excise taxes.

1862—Civil War Income Tax
During the Civil War, the federal government required much more revenue than the tariffs and excise taxes could provide. A tax on income was established in 1863 but was later abolished.

1913—Sixteenth Amendment to the Constitution Ratified
By the early 1900s, the U.S. economy had grown considerably. As a result of industrialization and modernization, many people gained huge fortunes that were not taxed in any form. The Sixteenth Amendment—ratified in 1913—gave the United States government the power to tax incomes.