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The Confederate Post

By Patricia A. Kaufmann

The Tax Man Cometh – A War Tax Circular

There are only two things certain in this life. Everyone has heard the famous cliché coined by Ben Franklin: “in this world nothing can be said to be certain but death and taxes.”— though he wasn’t talking about death or taxes when he used the illustration.

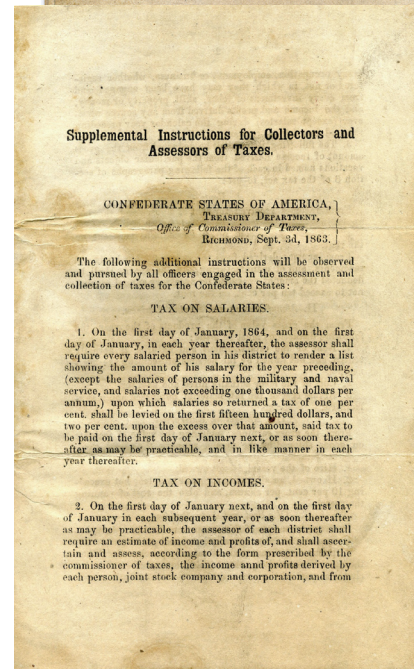
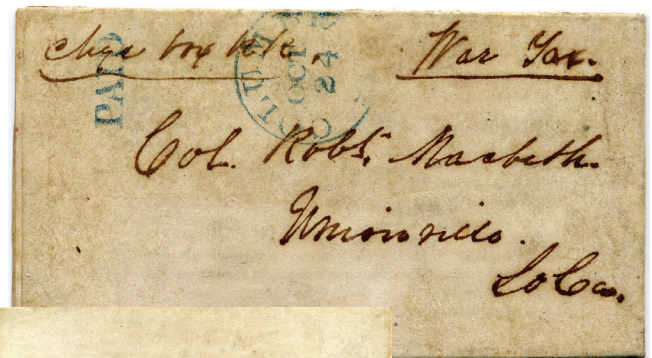
For my April column, it seems appropriate to write about the illustrated War Tax Circular. It is posted from Columbia, S.C. with a simple PAID straightline handstamp; the 2¢ rate is understood. It is addressed to Unionville, South Carolina—the immediate tip-off to a Confederate student that this is a circular rate rather than a 2¢ drop rate, which is a local rate within the same town. Circulars are scarce and desirable uses and this one is made doubly so by the contents dated from the Confederate Treasury Department, Office of Commissioner of Taxes, Richmond, Sept. 3d, 1863 which relay Supplemental Instructions for Collectors and Assessors of Taxes.

The Civil War was a defining moment in the history of American taxation. The quick, limited engagement which both sides confidently predicted soon proved a fantasy. Instead, the pressure of protracted, destructive warfare required innovations in government financing. While the outcome of the conflict may be attributed to any number of contingent factors, the varying fiscal strategies undertaken by the Union and Confederate governments undoubtedly influenced the capacity of both societies to sustain the war effort. North and South employed markedly different approaches and the North’s ultimately proved more effective.

The antebellum south enjoyed one of the lightest tax burdens of all contemporary civilized societies. Local or state governments assessed all obligations. By contrast, the hastily assembled Confederate government lacked the bureaucratic infrastructure to levy or collect internal taxes. Its citizens possessed neither a tradition of compliance nor a means to remit payment. Land and slaves comprised the bulk of southern capital and liquid forms of wealth, such as currency, were hard to come by in a predominantly agricultural region.

Efforts to raise war revenue through various methods of taxation proved ineffective. The Confederate Congress enacted a minor tariff in 1861, but it contributed only \$3.5 million in four years. That same year, Congress implemented a small direct tax of 0.5 percent on real and personal property. But the government in Richmond was forced to rely on the individual states to collect it. Most states did not collect the tax at all, preferring to meet their quota by borrowing money or printing state notes to cover it.

By the spring of 1863, the crushing burden of inflation motivated Richmond to come up with an alternative to fiat money, which



An especially important folded circular posted into the Confederate mails without a stamp is an excellent use of the CSA two cents circular rate. It is a bulletin relating instructions for collectors and assessors of taxes.

is neither legally convertible to any other thing, nor fixed in value in terms of any objective standard. In April, they followed the Union’s lead and enacted comprehensive legislation that included a progressive income tax, an 8 percent levy on certain goods held for sale, excise, and license duties, and a 10 percent profits tax on wholesalers. These provisions also included a 10 percent tax-in-kind on agricultural products. The latter burdened average farmers more than the progressive income tax encumbered urban salaried workers, since laborers could remit depreciated currency to meet their obligations. Adding to the inequity, the law exempted the slaves owned by wealthy planters from assessment. Lawmakers considered a tax on slaves to be a direct tax, constitutionally permissible only after an apportionment on the basis of population. Since the war precluded any opportunity to count heads, they concluded that no direct tax was possible. Accumulating war debts and heightened condemnation of a “rich man’s war, poor man’s fight” led to revision of the tax law in February 1864, which suspended the requirement for a census-based apportionment of direct taxes and imposed a 5 percent levy on land and slaves. These changes came too late, however, to have any sustained impact on the Confederate war effort. ✉