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EDUCATORS' FORUM

Integrating Tax History into the Introductory Tax Course

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ABSTRACT

This paper urges that tax history be included as part of the introductory tax course because history helps explain the complexity of much of the current law. History also can set the stage for understanding how and why the tax law may evolve in response to future changes in taxpayer behavior, in society, in economic conditions, or in political circumstances. Because textbook coverage of tax history is uneven at best, instructors need to consider integrating history into lectures or out-of-class activities. To assist educators, this paper identifies sources of tax history and links these resources to topics typically covered in the introductory tax course. Methods of combining history with other activities are described.

INTRODUCTION

At many universities across the nation, professors are revising and reforming the traditional accounting courses. In part, this movement is driven by shortcomings that faculty members themselves perceive in accounting education; changes in the way accounting is being taught are driven by criticism from the profession.

Specifically, over the last decade, both the CPA profession and groups of academicians have been concerned that accounting education has focused too narrowly on the computational aspects of accounting, solving problems, attaining correct mathematical answers, and detailed memorization of rules. The 1986 Bedford Committee report of the American Accounting Association, the 1989 White Paper (*Perspectives on Education*) issued by the then Big 8 accounting firms, and the Accounting Education Change Commission's (AECC) 1990 report "Objectives of Education for Accountants," all advised that accounting education be broad, integrated with related disciplines, and conceptual in focus in order to meet the educational needs of students in today's changing accounting profession.

In this journal, Jones and Duncan (1995) note that this educational-reform movement has been slow to penetrate to tax courses, but that now there seems to be an awakening among tax professors that tax classes need to be restructured. Consistent with the recommendations in the Bedford report (1986), the White Paper (1989), and the AECC report (1990), Jones and Duncan (1995) argue that

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a new paradigm be adopted in teaching the basic tax course. In the Jones-Duncan paradigm, students would understand the connection between tax and other components of business and society, i.e., gain insight into the relationships between tax and nontax factors. The fundamental concepts—general rules and principles that have stood the test of time and tax changes—would be the emphasis and focus of the course.

Coffman et al. (1993) urge that history be integrated into financial accounting courses to meet the recommendation for broader-based accounting education. This paper makes the point that history can be incorporated without displacing other topics and, thus, is additive. By incorporating history in accounting classes, the instructor breaks from the technical emphasis and is thereby able to include new and more diverse materials.

This author believes that history should be included in tax accounting courses as well. Injecting history into the introductory tax course not only helps meet the recommendation for a more conceptual course as part of the broadening of accounting education, but history also enhances students' understanding of the current tax law and can add excitement to the course. History helps relate tax changes and current tax provisions to developments that have occurred in society and the economy.

The remainder of this paper focuses on why and how history might be utilized in the introductory tax course. The primary consideration is that history should augment, not displace, other topics or activities. In subsequent sections, the discussion of the benefits of including history is followed by an analysis of textbooks to assess the degree that history is already found in first tax courses. Next, the paper provides some sources of tax history that an instructor might use in incorporating history into class lectures. The last section suggests methods to integrate history in ways other than by lecturing.

WHY INCLUDE HISTORY? WHAT ARE THE BENEFITS?

Several thoughtful accounting writers point to the benefits of integrating history into accounting education. Insightful and articulate statements about the importance of history are numerous. Among them, Previts et al. (1990, 3) state that history

acquaints accountants with individuals, ideas, experiments and lessons that constitute our *heritage*. It informs us about how we have reached a particular present-day convention. Accounting history also encourages the thoughtful scholar to consider the interdisciplinary view of accounting and its environmental context. [emphasis original]

Understanding tax evolution and development (“heritage”) is especially important because the past explains the present myriad and seemingly contradictory and contorted rules. History also helps the tax student to see the relationships of changes in society, politics, world events, the economy, and court decisions to the modifications incorporated in tax law. Baladouni (1977, 54) writes:

Besides helping us to see who we are as accountants, the study of accounting history can assist us in a more direct and positive fashion toward advancing the knowledge of our field as well as giving direction to the course it takes. Much of what stands in the way of our progress is the difficulty we share with all men in every generation in the ability to discard the outdated, archaic shackles of the past—the ideas, beliefs, values, and methods imbued with our first course in accounting. A backward glance to the genesis of our conviction helps us to gain a critical attitude toward our subject matter. It forces us to question some of our time-honored concepts and ideas which, though perhaps quite effective for another age or another type of economic society, may no longer be appropriate in the socioeconomic reality of today.

While Baladouni (1977) is describing the usefulness of history to understand accounting in general, these thoughts are certainly very relevant to tax. For example, alterations in rules have been so frequent over the last 80 years that the income tax seems to be a constant Congressional experiment. By examining past periods, the impacts of proposed tax changes can be evaluated with some accuracy, since many of the “new tax ideas” have antecedents in the past. Certainly, the

evolution of tax law in response to changing economic and social conditions can best be seen by examining the historical developments in tax. A grasp of how the current tax law has been influenced should prepare the student to understand why and how the tax law will evolve in the future as society and the economy continue to change. Arguably, this alone justifies inclusion of tax history in the introductory tax course.

A second reason for including the historical development of tax law in teaching the introductory tax course is that history has the power to explain the current complex, and often contradictory tax provisions. As an anonymous reviewer to this paper noted, "A page of history can do a lot to explain the why of the law. Moreover, a little history may be worth more than many pages that explain the 'how it works' part of the law." This point was also succinctly made by the 1961 Committee on Tax Instruction of the American Accounting Association. In its report, the Committee notes: "[I]t is often easier to understand our present law if one knows something of the background and development of particular provisions of The Internal Revenue Code" (p. 540). If history were an important ingredient to understanding the income tax in 1961, the massive changes in the 36 years since have made history essential to understanding income tax in 1997.

Consider the undergraduate accounting student who has learned about depreciation in financial accounting courses and now faces the confusing "Modified Accelerated Cost Recovery System" in the first tax course. Understanding financial depreciation concepts, such as useful life, salvage, methods of allocation, as well as the word "depreciation," seem to have no place in tax accounting. Yet by tracing the evolution of rules governing deductions for property, plant, and equipment, the professor can show that tax did initially follow financial accounting depreciation, but has evolved in steps away from conforming treatment. These financial accounting concepts, though hidden, still underlie much of the essence of tax deductions for property, plant, and equipment. Thus, a student gains an understanding of the tax rules, instead of memorizing them. By studying the past, current tax law comes into clearer focus.

The third reason to include history is that the lessons learned from the past are decidedly relevant to foreseeing the impact of future tax change. For example, the consequences of the current proposal to lower and flatten the top tax rate to 17 percent can be analyzed by assessing the impact of the 1986 Tax Reform Act, which reduced and flattened tax rates to a 15 percent and 28 percent two-rate structure from a 15 step rate structure with a top tax rate of 50 percent. Looking at the impact of the 1986 tax rate changes on factors as diverse as the demand for housing and the value of tax planning advice can lend insight into the possible impact of again lowering and flattening tax rates. It is indeed ironic that history prepares the student to deal with the future.

The fourth reason to consider injecting history into the tax course is to integrate tax with its related disciplines. Economics, political science, and law can all be related to tax accounting through examining historical developments. An example of the law's impact on the evolution of filing status that differentiates taxpayers is the married-joint status adoption as a response to states switching from common-law to community property for marital property law. Current controversy of taxation of two-income couples has intensified with the rise of households in which both spouses work, a social and economic phenomenon of recent decades. Not only do these connections between tax changes and other, broader developments move the tax accounting class away from a rule-orientation, it makes accounting students much more aware of the value of non-accounting courses often denigrated by them as superfluous. At the same time, students are often surprised when they find that tax classes can be as conceptual and intellectually challenging as their liberal arts courses.

The fifth reason to include tax history in the introductory tax class is that it adds excitement. For example, the current debate over the "flat" income tax proposals is made even more interesting when the income tax rates of the past are considered. The relative degrees of progressivity that have been used during the last 135 years of the U.S. income tax experiment bring the proposed changes into perspective. Students are surprised to find that the income tax began in 1862 as a flat rate tax and quickly was modified to a tax with graduated rates from 1 to 5 percent. Students seem particularly interested in the federal income tax rates during their lifetimes. Certainly, the 70 percent top rate that existed through the late 1970s is striking when compared to the current rates, and

even more remarkable when compared against the proposed 17 percent rate. Realizing that as recently as 15 years ago high income taxpayers kept only 30 percent of their December income can certainly stimulate student thought.

HISTORICAL COVERAGE IN TAX TEXTBOOKS

One reason that instructors need to consider the incorporation of a historical perspective into their in-class and out-of-class activities is that their textbooks may be deficient in historical background discussion of the current income tax law. The historical content of ten textbooks, widely used for the introductory tax course, was examined. Eight specific topics, out of many possible, were selected for measurement of their historical coverage, and for each topic, the number of words devoted to historical coverage was counted. Table 1 presents the results of this informal survey.

This sample suggests that the amount of historical coverage varies widely from text to text and, for a given textbook, from topic to topic. Only in two of the books surveyed is there substantial inclusion of tax history for the eight topics examined. Given that historical discussion in the textbook selected for the tax course is likely to be brief at best, the instructor is left to include historical coverage in other ways.

HISTORICAL SOURCES

Experience helps make an instructor a natural historian. Certainly, having dealt with the frequent massive tax law changes of the late 1960s, 1970s, and 1980s gives a graying instructor a rich historical background. However, for tax instructors who are relatively young or who were not involved professionally in dealing with the changes in tax laws over the last two and a half decades, inclusion of history is problematic. This is also true for all instructors who wish to introduce a longer view of tax history than that which they themselves have experienced.

Fortunately, there is a variety of resources available to give tax professors the historical perspective to inject into their classes. Perhaps the best source is Boris Bittker's (1981) classic, four-volume treatise, *Federal Taxation of Income, Estates and Gifts*. In these volumes, the historical evolution is fully described for all topics that are covered in the first undergraduate tax course. Table 2 contains an outline of topics covered in the typical first tax course, with references to the pages of Bittker's treatise where the historical background materials are contained. In addition to its thoroughness and lengthy discussions of landmark case law, the Bittker volumes are very useful to the instructor because the organization is by topic. This format makes the study of the development of a tax provision much easier to deal with than the chronological, tax-act-by-tax-act organization of most other sources. However, Bittker's treatise was written before the Economic Recovery Tax Act of 1981, and tax developments since 1980 are not included.

An instructor should also find Willan's (1994) *Income Taxes: Concise History and Primer* to be an excellent source for tax history lecture material. While it is less comprehensive than Bittker's (1981) work, Willan's is brief; one paperback volume rather than multiple, large hard-bound volumes. This source is also recent and contains the changes in the tax law through the mid 1990s while Bittker stops with 1980. As with Bittker, an instructor will find the topical organization in Willan (in Appendix I and Appendix II) most useful to discovering the history and evolution of a particular lecture item. However, Willan also contains a chronology of tax acts with a summary outlining the changes made by each. This overview of the income tax statutes is followed by chapters which contain in-depth discussions of the policy and tax history of select major topics, such as capital gains, depreciation, itemized deductions, and tax shelters. The "Willan" column in table 2 contains references to these chapters and the concise history as well as to the topical appendices (references to the appendix pages are denoted by the Roman numeral). The Willan source is reviewed at length by the author of this paper in the Book Review section elsewhere in this journal issue.

Perhaps the first reference that comes to mind when the history of tax is mentioned to anyone who has had a tax research course is *Seidman's Legislative History of Federal Income Tax Laws*.

TABLE 1
WORD COUNT OF HISTORICAL BACKGROUND DISCUSSION FOR SELECTED TOPICS IN THE TAX TEXTBOOKS

Selected Topics	Tax Textbooks									
	Everett, Boley, Duncan and Jamison (Harcourt Brace Jovanovitch)	Hoffman, Smith and Willis (West Publishing Co.)	Kramer and Phillips, Prentice Hall's Federal Taxation (P-H)	Madeo, Anderson and Jackson Sommerfeld (Dryden)	Murphy, Concepts in Federal Taxation (West Publishing Co.)	Pratt and Kulsrud, Individual Taxation (Irwin Publishing Co.)	Raby and Tidwell, Introduction to Federal Taxation (Prentice Hall)	Rice, Introduction to Taxation (South- Western)	Sage, Federal Tax Course (Prentice Hall)	Smith, Federal Taxation (Commerce Clearing House)
Capital Asset Definition; Gain/Loss Treatment; Sections 1231, 1245 & 1250	159	—	153	1,651	292	480	968	305	225	147
(Alternative) Minimum Tax	583	85	—	538	587	68	—	70	—	—
Filing Statuses (M-J, M-S, HH, etc.)	518	—	—	686	—	37	—	924	—	—
Income Tax Prior to 1913	1,194	294	—	1,244	—	149	—	—	696	1,187
Evolution of the BTA into the Tax Court	96	—	—	—	—	—	—	—	—	—
Tax Credits—Investment Tax Credit	244	284	—	60	111	305	—	—	—	—
Deduction of Depreciation	697	101	330	1,067	1,776	355	—	214	—	118
Variation in the Top Individual Income Tax Rate	239	—	—	127	—	—	—	—	—	—

SOURCES: Everett et al. 1990; Hoffman et al. 1993; Kramer and Phillips 1993; Madeo et al. 1994; Murphy 1995; Pratt and Kulsrud 1993; Raby and Tidwell 1988; Rice 1993; Sage 1994; Smith 1992.



TABLE 2
GUIDE TO HISTORICAL SOURCES FOR TOPICS COVERED IN INTRODUCTORY INCOME TAX COURSE

Income Tax Topic	Date of Provision	Current IRC Section	Bittker Pages From To	Willan Pages	Blakey (Chapter)	Page	Paul Pages
Exclusion From Income	1913	§102	10-2	10-31		96	
Gifts and Inheritances					(III)		
Prizes and Awards	1954	§74	11-1	11-7			
Scholarships	1954	§117	11-8	11-14			
Life Insurance Proceeds	1913	§101(a)	12-4	12-11	(III)	96	
Annuity Income	1934	§72	12-18	12-21			
Employee Death Benefit	1951	§101(b)	12-44	12-48			
Employee Meals and Lodging	1954	§119	14-1	14-24			
Interest from State and Municipal Bonds	1913	§103	15-1	15-19	(III)	96	319
Pension Contributions					(XI)	299	
Business Income Related Deductions					(I)	5	
Positive Criteria	1913	§162	20-6	20-13	(III)	97	
Negative Criteria: against public policy	1924	§162(c)	20-40	20-47	(VI)	152	
Capital Expenditure		§263	20-48	20-63			
Investment Income Related Deductions	1942	§212	20-63	20-81			
Travel and Transportation	1921	§162(a)(2)	20-98	20-101	(VIII)	221	298
Entertainment	1961	§274(a)	21-2	21-15			
Business Gifts	1962	§274(b)	21-27	21-40			
Education Expense	1958	§162	21-44	21-47			
Moving Expense	1964	§217	22-4	22-17			
			22-36	22-37			
Hobby Activities	1969	§183	22-44	22-55			
Rental, Business Use of Residence	1976	§280A	22-58	22-61			

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TABLE 2 (Continued)
GUIDE TO HISTORICAL SOURCES FOR TOPICS COVERED IN INTRODUCTORY INCOME TAX COURSE

Income Tax Topic	Date of Provision	Current IRC Section	Bittker Pages From To	Willam Pages	Blakey (Chapter) Page	Paul Pages
Long-Lived Business Assets						
Amortization	1913	§167	23-2 23-7	84-91		175-179
Depreciation-Life	1913		23-26 23-34	II-13, II-14		
Salvage Value			23-34 23-44	I-22-I-23	(III)	97
Depreciation Methods			23-47 23-50			
Asset Depreciation Range			23-50 23-67			443-444
Expense Election	1979	§179	23-73 23-76	II-13		
Natural Resources	1913	§611(a)	23-76 23-77	II-14		
Cost Depletion	1913	§612	24-2 24-10	I-25, II-16	(IV)	616
Percentage Depletion	1926	§613	24-23 24-27	I-25, II-16		
			24-28 24-38	I-26, II-16	(IV)	120-121
Losses						
Worthlessness and Abandonment		§165	25-12 25-21		(XIV)	363
Bad Debts		§166	25-34 25-36	I-13, II-8	(III)	97
Tax Shelter Losses-Limitation	1976	§465, §469	25-38 25-42	I-25, 103-113, II-15		
Net Operating Losses	1918	§172	25-52 25-54	I-31, I-32, II-18, II-19	(VIII)	477
Personal Items That Are Deductible						
Personal Exemption		§151	30-5 30-8	114-122, II-1		
Dependency Exemption		§151	30-8 30-26	I-3		
Standard Deduction—Zero Bracket	1944	§63(c)	30-34 30-37	I-5, II-4		482
Interest Deduction	1913	§163	31-6 31-8	I-3, II-2	(I)	5
Taxes	1913	§164	32-2 32-16	I-3, II-2	(I)	13
Casualty and Theft Losses	1913	§165	34-1 34-15	I-3, II-2	(I)	5
Charitable Contributions	1917	§170	35-2 35-24	I-3, I-4, II-2	(VI)	2991,
Medical Expenses	1942	§213	36-2 36-8	I-4, I-5, II-3		3191

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TABLE 2 (Continued)
GUIDE TO HISTORICAL SOURCES FOR TOPICS COVERED IN INTRODUCTORY INCOME TAX COURSE

Income Tax Topic	Date of Provision	Current IRC Section	Bittker Pages From To	Willan Pages	Blakely (Chapter) Page	Paul Pages
Personal Credits				174-179, II-3		
Dependent Care Credit	1954	§21	37-1 37-6	I-5		299
Credit for Elderly	1954	§22	37-6 37-8			
Earned Income Credit	1976	§32	37-8 37-9	I-7	(XI)	298
Property Transactions						
Realization						
Basis of Gifts and Bequests	1921	§1001 §1012, §1015	40-2 40-9 41-16 41-34	II-11, II-12	(VIII)	129
Allocation of Basis	1921	§1014	41-44			
Adjustments to Basis	1924	§1016	42-2 42-12	II-11, II-12		
Amount Realized	1921	§1001(b)	43-3 43-22			
Nonrecognition Transactions						
Like Kind Exchanges	1921	§1031	44-2 44-3			
Like Kind Exchanges	1921	§1031	44-13 44-15	II-12		
Involuntary Conversion Gain	1921	§1033	44-27 44-50	II-12		
Gain on Sale of Residence	1951	§1034	44-55 44-57	I-8, II-6		500, 622
Wash Sale Losses	1921	§1091	44-89 44-90		(XII) (IV)	333 120
Losses					(I)	5
Capital Transactions				74-83		
Special Treatment of Capital Gains	1921	§1(h)	50-1 50-8	I-21, II-12	(VIII)	601
Definition of a "Capital Asset"	1921	§1221	51-1 51-86	I-22, II-13	(IX)	565
Definition of "Sale or Exchange"	1941	§1222	52-2 52-18			
Holding Period						
§1231 Assets	1942	§1231	53-1 53-5			
Recapture of Depreciation	1950	§1245	54-2 54-20	II-12	(XIX)	616
Transactions Between Related Taxpayers			55-2 55-6	I-24, II-13		
Assignment of Income						
Alimony and Child Support	1917	§71	75-2 75-50 77-2 77-6			298, 319
Losses on Sale to Related Party			78-1 78-6		(XIV)	363

Sources: Bittker 1981; Blakely and Blakely 1940; Paul 1954; Willan 1994.

Seidman's is organized into three volumes, one covering years 1861–1938 (Seidman 1938) and the other two volumes covering for years 1939–1953 (Seidman 1954). *Seidman's* is most useful for following the changes made to a given code provision by various early tax acts. Because the most recent volumes end with 1953 and because the volumes are organized by tax acts rather than by topics, the *Seidman's* volumes are of limited use for the instructor who is incorporating historical background into lectures. Table 2 contains the year that each provision commonly taught in the first tax course was first introduced into law. Given the year, the reader can begin tracing the provision through the tax changes that are detailed in *Seidman's*. However, *Seidman's* is not as easy to use as the Bittker or Willan volumes if the instructor is interested in the chronological history of a specific topic.

To overcome the problem of *Seidman's* ending with 1953, *The Federal Income, Gift, and Estate Taxation* series (volumes 6, 6A, and 7) by Rabkin and Johnson (1995) can be used as a supplement. The Rabkin and Johnson volumes contain the legislative history of current tax law provisions after 1953, and Congressional committee reports that are relevant to a change in a statute. Because each tax law provision is traced back to 1954 by topic, the Rabkin and Johnson service is also much easier to use than *Seidman's*.

The Federal Income Tax (Blakey and Blakey 1940) is an excellent historical resource because of its detailed coverage of the discussions and proposals of the House and Senate that took place before each tax act. In addition to a discussion of the development of each tax act, several chapters have economic comparisons that enhance the understanding of tax history. Because the book's main organization is chronological, tracing the evolution of a particular tax provision is more difficult and less complete than via the Bittker or Willan references. Table 2 contains chapters and specific page references to help the investigation of a particular topic. As with *Seidman's*, the work by the Blakeys covers only the early years of "modern" U.S. income tax, ending with 1940.

Randolph Paul's *Taxation in the United States* (1954) is another good source of tax history, but only covers the period up to 1950. Though written by an attorney, this work does not focus on just the law, but also incorporates much political, military, economic, and social history as background to explain tax law changes. The organization is chronological rather than topical. Like other references in this format, tracing the evolution of a particular tax provision is somewhat more difficult than by topical presentation of tax history. Table 2 helps overcome part of this difficulty by referencing the location in Paul's book of the historical root of specific topics.

Another major reference is *The Income Tax* (Seligman 1914). There are several editions of this book, from both before and after the 1913 rebirth of the federal income tax. While this book is limited to the income tax before World War I, it is a valuable resource for tracing the early development of the income tax in Europe as well as in the U.S. There is extensive material about the Civil War income taxes of both the Union and the Confederacy. Also, coverage of the adoption of the income tax of 1894, the Supreme Court's finding the income tax unconstitutional, the struggle to pass the Sixteenth Amendment, and the enactments of the 1909 corporate income tax and the 1913 income tax is complete and not to be equaled elsewhere.

For more recent changes in tax law, the *General Explanation* volume that accompanies each tax act such as ERTA (1981), TEFRA (1982), DRA (1984) and the TRA (1986) is useful. These *Blue Books* are prepared by the staff of the Joint Committee on Taxation and clarify what change the tax act is making to a given provision of the tax law and why it is being made. These explanations frequently trace the origin and evolution of a given provision. Therefore, each *Blue Book* contains a significant amount of historical background material.

In addition, papers and articles are useful for historical background presentations of general subjects in the first tax course. Table 3 lists papers and articles that have a historical focus and groups them into broad topical areas such as tax policy, tax authority, tax practice, and fundamentals of the income tax.

HOW HISTORY CAN BE INTEGRATED INTO TAX CLASSES

Lectures

A primary way that history can be incorporated into the introductory tax class is by lecturing. On a given complex topic, the historical background and development of the tax treatment can be

TABLE 3
HISTORICAL BACKGROUND PAPERS FOR GENERAL TAX TOPICS
COVERED IN THE INTRODUCTORY TAX COURSE

Tax Policy

- "America's First Progressive Tax," Lee Soltow, *National Tax Journal*, 30, 1 (March) 1977, 53-58.
- "Value-Added Taxation: The Roots Run Deep into Colonial and Early America," Robert P. Crum, *The Accounting Historians Journal*, 9, 2 (Fall) 1982, 25-42.
- "The Nineteenth Century Income Tax in the South," William D. Samson, *The Accounting Historians Journal*, 12, 1 (Spring) 1985, 37-52.
- "The Monetary Stem, Taxation and the Publicans in the Time of Christ," Alan D. Campbell, *The Accounting Historians Journal*, 13, 2 (Fall) 1986, 131-135.
- "The Payne Aldrich Tariff Act of 1909," Harold P. Roth, *Journal of Accountancy*, (May) 1987, 181-182.
- "The First 1040," Nancy Shepardson, *American Heritage*, March (1989), 101-105.
- "Tax Burden and Incidence in the History of Taxation by State Governments," Adrienne F. Slaymaker, *The Historians Notebook*, 12, 1 (Spring) 1989, pp. 17-20.
- "The Early Years of Taxation in America," Judith E. Watanabe, *Accounting Historians Notebook*, 13, 2 (Fall) 1990, 1-33.
- "Commonsense Economics," Ronald Reagan, *Time*, November 12, 1990, 70.
- "Antecedents of the Income Tax in Colonial America," Robert M. Kozub, *The Accounting Historians Journal*, 10, 2 (Fall) 1993, 99-116.

Tax Authority

- "A Turning Point in Tax History," Tonya K. Flesher, *Journal of Accountancy*, May 1987, 193-194.
- "Taxation for a Strong and Virtuous Republic," W. Elliot Brownlee, *Tax Notes*, December 25, 1989, 1613-1621.
- "Foundations of the Tax Legislation Process: The Confederation, Constitutional Convention, and the First Revenue Law," Michael W. Evans, *Tax Notes*, January 21, 1991, 283-293.
- The Internal Revenue Code Then & Now* (Our Changing Tax Laws), booklet by Commerce Clearing House (CCH Tax Law Editors), 1992.

Tax Practice and Tax Ethics

- "Professional Ethics of CPAs in Tax Practice: An Historical Perspective," Barry C. Broden and Stephen E. Loeb, *The Accounting Historians Journal*, 10, 2 (Fall) 1983, 81-97.
- "The InterProfessional Tax Altercation," William S. Hopwood and Karen S. Hreha, *The Accounting Historians Journal*, 11, 4 (Spring) 1984, 1-18.
- "The CPA's Tax Practice Today and How it Got that Way," Ray M. Sommerfeld and John E. Easton, *Journal of Accountancy*, May (1987), 167-179.
- "From Berau to Sperry—Significant Legal Landmarks in the Development of Tax Practice," John C. Gardner and G. A. Swanson, *Journal of Accountancy*, May (1987), 189-191.

Concepts of Income

- "The Influence of Tax Legislation on Financial Accounting: A Study of the Timber Industry, 1905-1925," Robert C. Elmore, *The Accounting Historians Journal*, 14, 2 (Fall) 1987, 41-57.
- "The History of Accounting for Income Taxes," Roxanne Johnson, *The Accounting Historians Notebook*, 12, 1 (Spring) 1989, 29-32.

Filing Status

- "A Historical Analysis of the Marriage Penalty," John Brozovsky and A. J. Cataldo, *The Accounting Historians Journal*, 21, 1 (June) 1994, 163-187.

Tax Rates

- "Historical Survey of the Progressivity of the U.S. Income Tax," Michael L. Roberts and William D. Samson, *The Accounting Historians Notebook*, 12, 1 (Spring) 1989, 11-13.

LIFO Inventory

- "History of LIFO," Harry Z. Davis, *The Accounting Historians Journal*, 9, 1 (Spring) 1982, 1-23.
- "Legislative History of the Allowance of LIFO for Tax Purposes," Morton Pincus, *The Accounting Historians Journal*, 16, 1 (June) 1989, 23-55.

Capital Gains & Losses

- "Historical Review of the Tax Treatment of Capital Gains and Losses," John F. Bussman and James Lassiter, Jr., *The Accounting Historians Notebook*, 12, 1 (Spring) 1989, 24-48.

an explanation that makes an otherwise hopelessly confusing point clear and memorable. The evolution of the filing status, the development of IRC Secs. 1221, 1231, and 1245, and the reason that the U.S. Tax Court is so different from other courts are examples of topics that are enriched by history. Briefer historical discussion can enhance points such as why the charitable deduction for a gift of inventory is limited to the basis, and why a casualty loss is defined as being “from fire, storm, and *shipwreck*,” [IRC Sec. 165(h)(3)(A)] but with no mention of automobile accidents. One obvious drawback to conveying history through lecturing is that it places the burden on the instructor to become knowledgeable about the tax history for a wide number of points. This obstacle is not overwhelming if the professor is willing to start slowly and gain insight about a few items each semester.

In addition to lecturing, tax history can be combined with other activities that may take place either inside or outside class. History seems ideally suited to piggyback onto other assignments with a variety of pedagogical objectives.

Tax Planning Assignments

The wide variation of the top income tax rates during the last 80 years—from seven percent (1913) to in excess of 90 percent (World War II)—offers instructors an excellent opportunity to develop students’ understanding of the concepts of tax planning. This can be done at the introductory level by giving problems in which the student is asked to analyze and compare a tax planning strategy in various time periods.¹ Placing students at differing points in tax history, with tax rules and tax rates different from those of the current tax law, is analogous to the changing tax environment that students will likely encounter in their careers.

By utilizing planning exercises with historical rates, students can grasp basic tax planning strategies such as:

- (1) shifting the timing of income and deductions between tax periods,
- (2) transferring income to related taxpayers (income splitting), and
- (3) controlling the classifications of income and deductions.

In addition, the historical rate exercises can be used to explore the concepts of the time value of money, the importance of the marginal tax rates and how tax rates affect economic decisions, and the trade-offs between different taxes. The thoughtful student is likely to be curious about the observed rate patterns and will want to know what caused the rates to change.

Reading Assignments

To supplement the relatively scarce historical material in the tax textbooks, an assigned readings list can be used. Students will gain insight as to how income tax law evolved into what it is today. These readings convey that current tax law did not spring forth full-blown but rather has evolved in response to political, economic, and social changes. Table 3 includes articles from which reading assignments can be developed for an undergraduate, individual tax course. However, some of the listed papers are more relevant for the instructor’s lecture notes. Given this limitation, a readings list can be created from table 3 to focus on the history of a particular topic or to provide a breadth of coverage over a large topic or a number of topics.

Student Papers/Presentations

One way to fill the void of textbook coverage and papers dealing with the history of specific items concerning income tax is to challenge the students to investigate the origin and evolution of

¹ I have developed ten planning scenarios that utilize historical tax rates. Upon request, I will make copies available to instructors. The historical rates of tax are used to have the students analyze (1) the value of a dollar of deduction, (2) the benefit of shifting income or deductions (via accelerating or deferral) to other time periods when the tax rates are different, (3) the transferring of income to family members, (4) the value of using a C corporation to shelter income, (5) the significance of income that is a long-term capital gain as opposed to ordinary income, (6) the impact of the alternative minimum tax on tax planning, and (7) the trade-offs of gift and estate taxes in income tax planning.

a current tax provision. The assignment might conclude with a short paper and/or a brief presentation of the findings to the class. If the paper alone is used, the students may distribute copies of the paper to their classmates so that all share in the discoveries. Besides accomplishing the goal of integrating writing and/or oral presentation skills into the tax course, this exercise increases library research skills as well as involving the student with tax history.

Landmark Case Assignments

Instructors who use the landmark cases in teaching tax research skills are already incorporating a degree of history into their tax courses. To enhance the historical learning experience of a case analysis, the typical brief of the landmark case might be expanded to include not only the facts, issues, outcome, and reasoning of the court, but also historical questions, such as: What are the historical setting and background of the case? What is the historical significance of the case? Why is the case important? What change to the tax law resulted? Is the outcome of the case still good law?

CONCLUSIONS

History can and should be used extensively in teaching introductory tax courses to enhance students' understanding of the current tax laws and to prepare them for future tax law changes. Beyond its explanatory power, history adds excitement as well as intellectual challenge to a course that students typically try to memorize rather than understand. The history of taxation, a fascinating topic in its own right, can be used to develop skills and insights that are applicable to today's world of tax practice.

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