

mendous premium on colonial investments," a man might even draw a check and transfer all his personal property to colonial banks a month before his death. Harcourt scouted the idea that the proposal, even in its original form, was similar to that which led to the American revolution. Yet it is safe to say that the conference of colonial representatives, then assembling at Ottawa to consider how best to consolidate the Empire, and to pledge anew their faith therein, would have had its enthusiasm seriously dampened if the bill had not been modified.

Even in its final shape the bill was far from satisfactory to the colonies. The Prime Minister of Canada wired: "Council is of opinion that strong opposition should be made to proposed policy of levying death duties on property in Canada even with the amendment proposed." It was predicted that the modification would result in the death duties in all the colonies being increased to the same amount as the proposed estate duty, so that no revenue would result, and that the colonial governments, in proposing these increased taxes, would explain that they were forced upon them by the Imperial act, "with the result of endangering that loyal devotion to British institutions" existing in the colonies. "I greatly fear," wrote the High Commissioner for Canada, "that a serious question will be raised as to the right of Her Majesty's Government, under the free institutions that have been accorded to the colonies, to enact legislation which will have the effect of imposing taxation upon property situate in the colonies."¹

¹ *Accounts and Papers*, 1864, C.—7451.

CHAPTER VII

THE UNITED STATES

I. FEDERAL INHERITANCE TAXES

VERY early in the history of the American Union, suggestions were made looking to the establishment of inheritance taxes of various kinds. On April 17, 1794, a special revenue committee of the National House of Representatives recommended a system of stamp duties, to include the following:

On inventories of the effects of deceased persons, ten cents. On receipts for legacies, or shares of personal estate, where the sum is above \$50 and not exceeding \$100, twenty-five cents; more than \$100 and not exceeding \$500, fifty cents; for every further sum above \$500, one dollar. Not to extend to wives, children, or grandchildren.

On probates of wills, and letters of administration, fifty cents.¹

Two years later the Committee on Ways and Means reported to the House

That a duty of two per centum ad valorem ought to be imposed on all testamentary dispositions, descents, and successions to the estates of intestates, excepting those to parents, husbands, wives or lineal descendants.²

The first of these proposals was in great part adopted by

¹ *American State Papers in Finance*, 1: 277.

² *Ibid.*, 409.

the Stamp Act of July 6th, 1797,¹ which imposed a tax somewhat similar to the original English legacy duty upon receipts for legacies and shares of personal estate where the amount was more than fifty dollars. The tax was twenty-five cents when the amount was not more than one hundred dollars, fifty cents when the amount was above one hundred dollars and not more than five hundred dollars, and a dollar additional for every further sum of five hundred dollars; but the widow, children, and grandchildren were exempt. The act provided that every receipt for a legacy or share of personal estate should express the true sum paid, in default of which every person concerned either in giving or taking the receipt was made liable to a penalty of twenty dollars; but no penalty was prescribed for not giving any receipt at all. The act also imposed a tax of fifty cents on inventories.

This act was to take effect January 1st, 1798, and continue in operation five years; but a later act² postponed its commencement six months, and it was repealed,³ together with the other acts imposing internal taxes, before the time set for its expiration. The repeal took effect July 1st, 1802, just four years after the act went into operation.

There was no inheritance tax during the War of 1812, but there probably would have been if the war had continued a few weeks longer. Secretary Dallas, in his report of January 21st, 1815, recommended a system of ten different taxes,⁴ of which the first three were inheritance taxes, proposed in the following language:

- 1. A tax upon inheritances and devises, to be paid by heirs or devisees, may be made to produce..... \$900,000

¹ U. S. Statutes at Large, i, 527.

² Ibid., i, 536.

³ Ibid., ii, 148.

⁴ American State Papers in Finance, ii, 887.

- 2. A tax upon bequests, legacies, and statutory distribution, to be paid by the legatees, or legal representatives, may be made to produce..... 500,000
- 3. An auxiliary tax upon all testamentary instruments and letters of administration, to be paid by the executors and administrators, may be made to produce..... 200,000

But the treaty of peace had already been signed, and the levying of inheritance taxes was postponed until after the outbreak of the Civil War.

The war revenue act of July 1st, 1862, imposed what was known as the "legacy tax" on the devolution of personal property, and stamp taxes on probates of wills and letters of administration.¹ The legacy tax was graduated as follows:

	<i>Per cent.</i>
Lineal issue, lineal ancestors, brothers and sisters.....	.75
Descendants of a brother or sister.....	1.5
Brothers and sisters of a father or mother, and descendants thereof.....	3
Brothers and sisters of a grandfather or grandmother, and descendants thereof.....	4
Other collateral relatives, strangers in blood, and bodies politic or corporate.....	5

The tax was payable only when the entire personal estate of the deceased exceeded \$1,000 in value; and the surviving husband or wife was exempt. Gifts and sales intended to take effect after the death of the grantor were subject to the tax. Every executor and administrator was required to furnish a statement of the personal property, verified by oath, to the assistant assessor of his district, and to pay the tax before distributing the property. Only the clear value was taxable.

The tax on probates of wills and letters of administration was levied according to the following scale:

¹ U. S. Statutes at Large, xii, 483, 485.