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Tax Freedom Day 2014

April 21, Three Days Later Than Last Year

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Mission

The Tax Foundation is the nation's leading independent tax policy research organization. Since 1937, our principled research, insightful analysis, and engaged experts have informed smarter tax policy at the federal, state, and local levels.

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by Kyle Pomerleau & Lyman Stone

What is Tax Freedom Day®?

Tax Freedom Day is the day when the nation as a whole has earned enough money to pay its total tax bill for year. A vivid, calendar-based illustration of the cost of government, Tax Freedom Day divides all federal, state, and local taxes by the nation's income. In 2014, Americans will pay \$3.0 trillion in federal taxes and \$1.5 trillion in state taxes, for a total tax bill of \$4.5 trillion, or 30.2 percent of income. This year, Tax Freedom Day falls on April 21, or 111 days into the year.

Why is Tax Freedom Day later this year?

Tax Freedom Day is three days later than last year due mainly to the continuing economic recovery, which will boost federal tax revenue collected through the corporate, payroll, and individual income tax.

When is Tax Freedom Day if you include federal borrowing?

Since 2002, federal expenses have exceeded federal revenues, with the budget deficit exceeding \$1 trillion annually from 2009 to 2012 and over \$800 billion in 2013. In 2014, the deficit will continue to decline to \$636 billion. If we include this annual federal borrowing, which represents future taxes owed, Tax Freedom Day would occur on May 6, 15 days later. The latest ever deficit-inclusive Tax Freedom Day occurred during World War II on May 21, 1945.

When is my state's Tax Freedom Day?

The total tax burden borne by residents of different states varies considerably due to differing state tax policies and because of the progressivity of the federal tax system. This means a combination of higher-income and higher-tax states celebrate Tax Freedom Day later: Connecticut (May 9), New Jersey (May 9), and New York (May 4). Residents of Louisiana will bear the lowest average tax burden in 2014, with Tax Freedom Day arriving for them on March 30. Also early are Mississippi (April 2) and South Dakota (April 4).

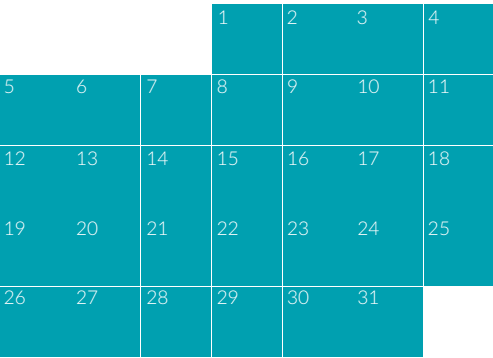
How has Tax Freedom Day changed over time?

The latest ever Tax Freedom Day was May 1, 2000, meaning Americans paid 33.0 percent of their total income in taxes. A century earlier, in 1900, Americans paid only 5.9 percent of their income in taxes, meaning Tax Freedom Day came on January 22.

Who calculates Tax Freedom Day?

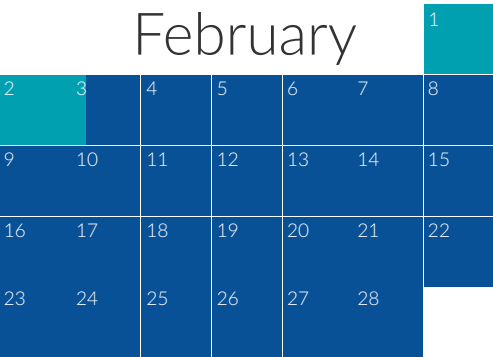
Tax Foundation economists calculate Tax Freedom Day using federal budget projections, data from the U.S. Census and the Bureau of Economic Analysis, and projections of state and local taxes. Tax Freedom Day was created in 1948 by Florida businessman Dallas Hostetler, who deeded the concept to the Tax Foundation when he retired in 1971. Tax Freedom Day by state has been calculated since 1990, when sufficient data became available. Learn more about Tax Freedom Day at www.taxfoundation.org/taxfreedomday

January



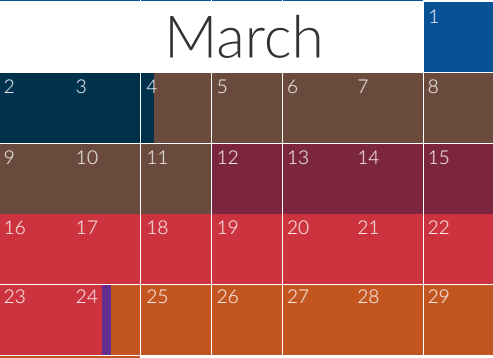
Federal Income Tax
33 Days

February



Social Insurance
Taxes 27 Days

March



Fed. Excise Taxes
2 Days

Fed. Corporate
Income Taxes 8 Days

Other Fed.
Taxes 4 Days

State/Local Income
Taxes 9 Days

State/Local Social
Insurance Taxes 3 hours

State/Local Sales
and Excise Taxes
13 Days

April

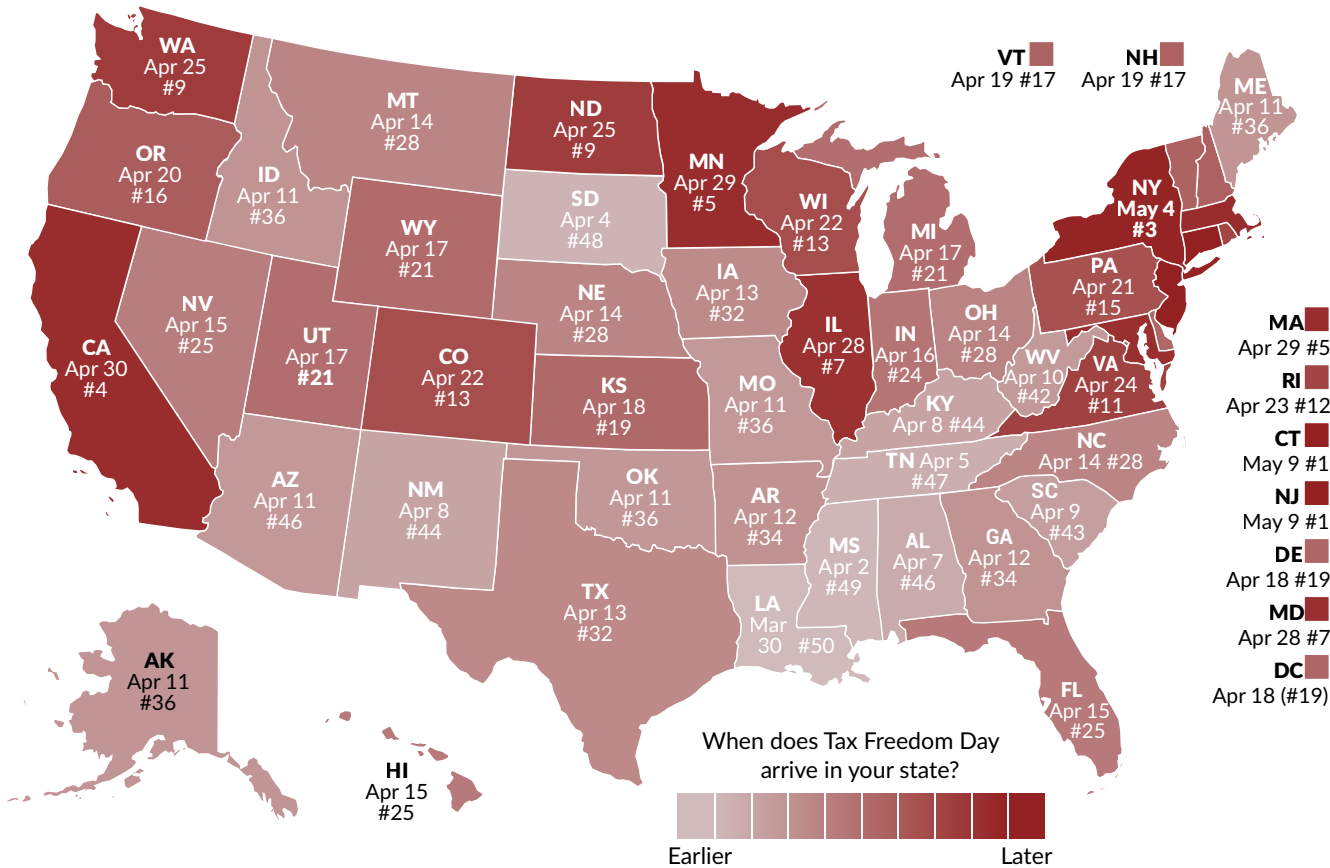


Property Taxes
11 Days

State/Local Corporate
Income Taxes 1 Days

Other State/Local
Taxes 3 Days

Tax Freedom Day by State 2014

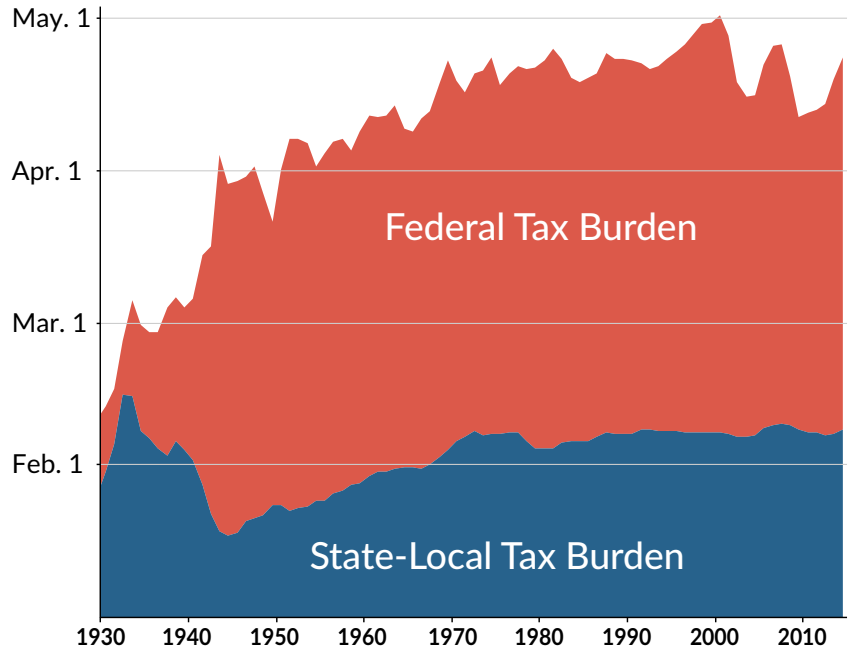


Note: Each state's Tax Freedom Day is the day that residents of that state have worked long enough to pay all tax obligations at the federal, state, and local level.

Source: Tax Foundation calculations

Tax Freedom Day April 21

Federal Tax Burden Nearly Twice State-Local Tax Burden



Tax Freedom Day has not always been this late in the year. World War I tax increases led to a jump in Tax Freedom Day from 1917’s January 24 to 1918’s February 8 to 1921’s February 22. In the 1920s, when Justice Oliver Wendell Holmes described taxes as the price of civilized society, Tax Freedom Day was arriving in February.

The Great Depression and the Hoover/Roosevelt tax increases led to not only a later Tax Freedom Day but also a shift in who was collecting. In 1932, Americans spent 10 days paying federal taxes and 46 days paying state and local taxes. By 1940, Americans worked 33 days to pay each. World War II brought increased federal spending and borrowing, with Tax Freedom Day arriving in April for the first time in 1943.

The federal tax burden never returned to pre-war levels. The 1950s and 1960s also saw a rise in state-local tax burdens and a boost in economic growth following the 1964 Kennedy/Johnson tax cut. Vietnam War-era tax increases and the “stagflation” of the 1970s pushed personal incomes into higher tax brackets, and by 1981, Tax Freedom Day arrived on April 24.

The Reagan tax cut signed into law that year ushered in an economic boom; federal revenues grew but the economy grew even faster. Despite pressure on state and local taxes following taxpayer revolts like Proposition 13 in California, the strong economic growth led

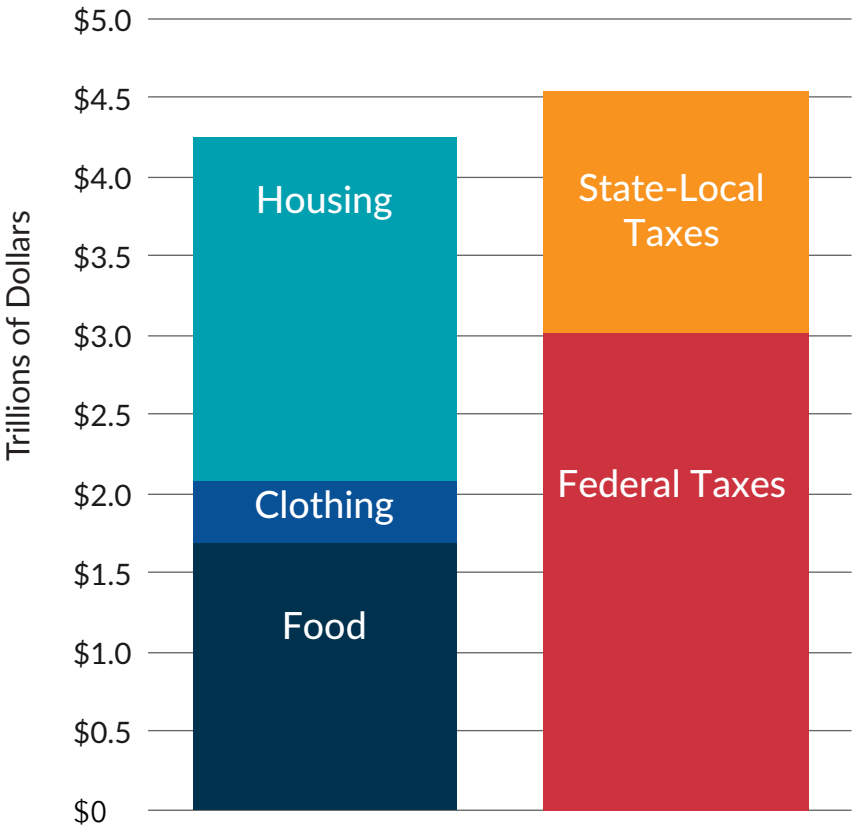
to increased tax collections, and in 1989, Tax Freedom Day arrived on April 22. That year, federal income tax revenues as a share of the economy were higher than they had been in nearly all years prior, and higher than all but one year (1952) of the 1940s, 1950s, and early 1960s, when the top rate exceeded 90 percent.

A string of record-setting federal tax burdens followed, and the latest ever Tax Freedom Day occurred on May 1, 2000. With federal revenue routinely exceeding forecasts, there was strong popular pressure for a major tax cut.

The new president delivered on his tax cut promises, which, combined with a recession in 2001, caused the tax burden to fall considerably. In 2003, Tax Freedom Day arrived on April 14, more than two weeks earlier than it had in 2000.

Beginning in 2007, stimulus tax cuts and a weakening economy pushed Tax Freedom Day earlier still; in 2009, Tax Freedom Day was on April 10, earlier than any year since Lyndon Johnson was in the White House. This course was reversed in 2013 with tax increases at the federal level and a slowly recovering economy, which pushed Tax Freedom Day to April 18. This year, Tax Freedom Day is April 21, three days later than last year due mainly to the continuing economic recovery, which will boost federal tax revenue collected through the corporate, payroll, and individual income tax.

Americans Will Spend More in Taxes in 2014 Than They Will on Food, Clothing, and Housing Combined



Tax Freedom Day since 1900

