

## Nation Works until 11:13 AM to Pay All Taxes, Lunchtime to Pay off the Deficit

*Putting the Cost of Government on the Clock: 2011's Tax Bite in the Eight-Hour Day<sup>®</sup>*

By

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### Introduction

In 2011, Americans will devote **2 hours and 13 minutes of every eight-hour workday**, or over a quarter of their working hours (27.7%), to paying taxes. In a nine-to-five workday, it takes until 11:13 a.m. to earn enough to pay that day's share of taxes at the federal, state and local level.

If we add the federal deficit to the picture—that is, if the federal government were planning to collect enough in taxes during 2011 to finance all of its spending—Americans would work until lunchtime, 12:07 p.m., for the government, before keeping any of their earnings for themselves.

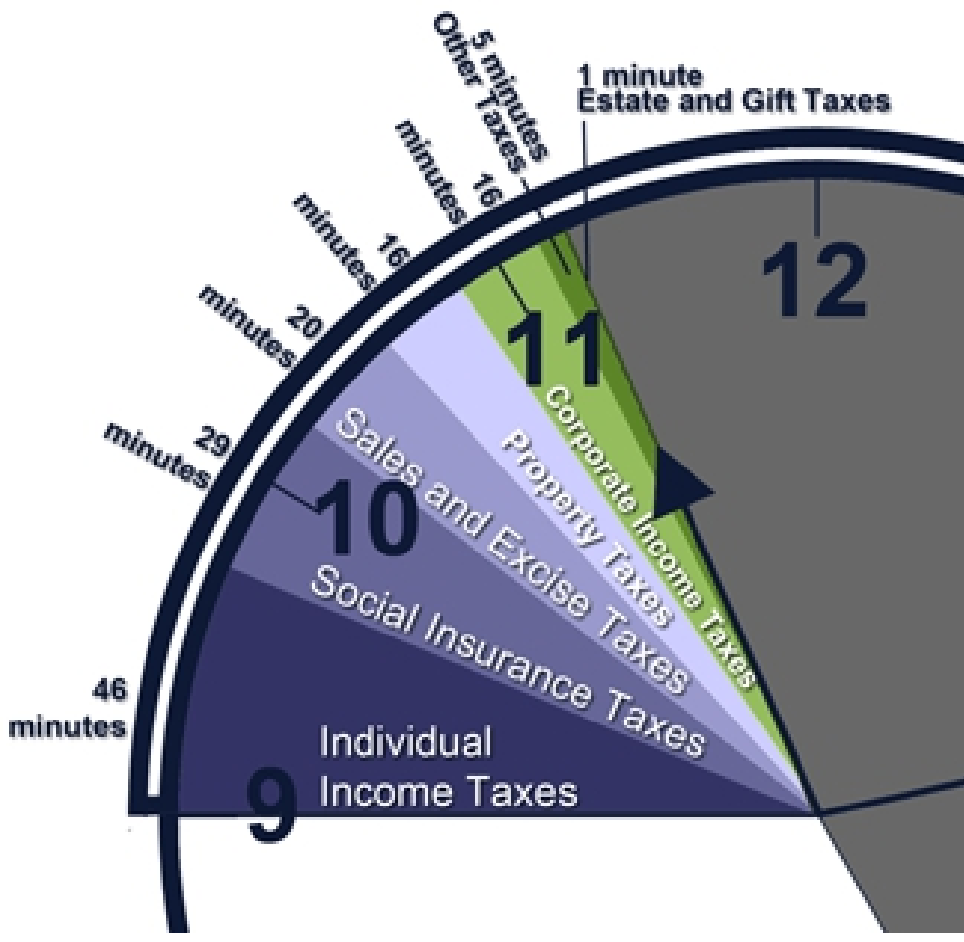
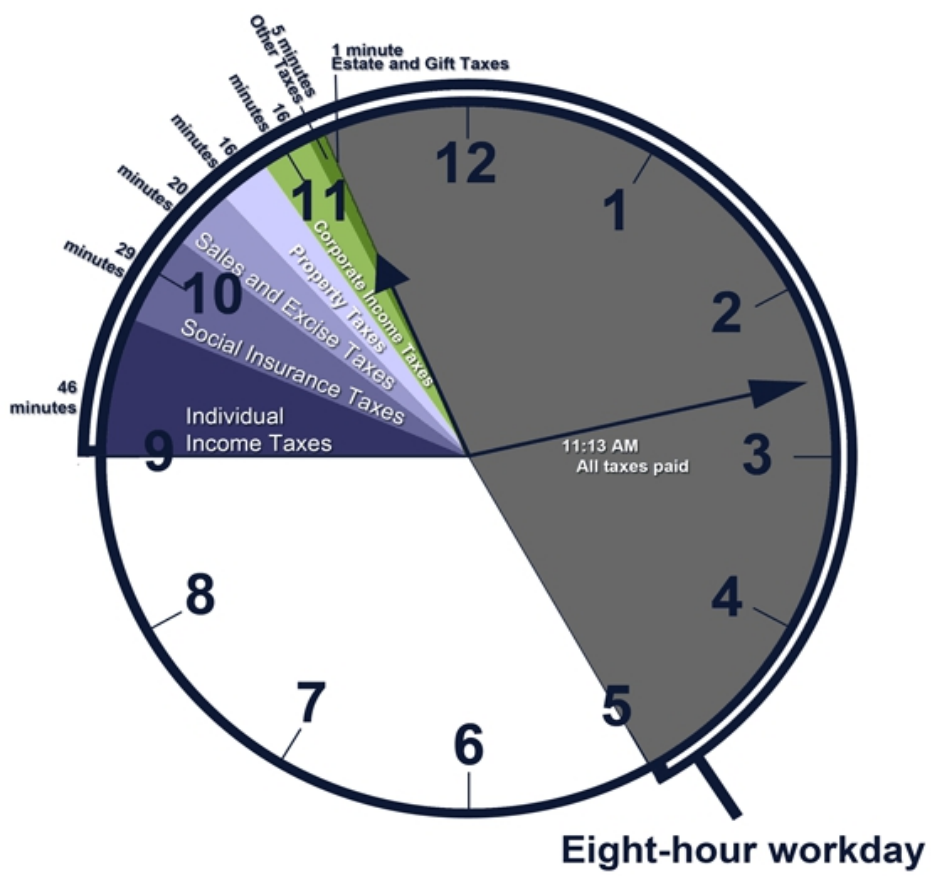
The Tax Bite in the Eight-Hour Day, which measures the nation's tax burden in hours and minutes, is an offshoot of the Tax Foundation's annual Tax Freedom Day calculation, which measures the tax burden in months, weeks, and days. These calendar- and clock-based illustrations are a useful way to explain how much the nation as a whole spends on government. Both Tax Freedom Day and the Tax Bite in the Eight-Hour Day illustrate, in similar ways, what portion of their income Americans keep for themselves and what percentage they spend on government.

### How Long Do Americans Work for Each Type of Tax?

Figure 1 shows how long the nation must work in the average workday to earn enough to pay each type of tax:

- **Individual income taxes** require the most work. All but seven states, and some localities, levy an income tax. When these are added to the federal income tax burden, income taxes are projected to amount to an average of **46 minutes** of work in an eight-hour workday.
- **Social insurance taxes** (taxes dedicated to funding social insurance programs such as Social Security and Medicare) require **29 minutes** of work.
- **Sales and excise taxes** require **20 minutes** of work.
- **Property taxes** require **16 minutes** of work.
- **Corporate income taxes** require **16 minutes** of work.

Figure 1: How Much of Each Eight-Hour Workday Goes to Paying the Nation's Tax Bills in 2011?



## Tax Bite in the Eight-Hour Day Varies by State

The tax burdens borne by residents of different states vary considerably, not only because residents of different states pay different amounts of state and local tax, but also because their federal tax payments vary dramatically. Higher-income states face a significantly higher total federal tax rate than lower-income states, even before accounting for the fact that many high-income states also have high state and local tax burdens.

**Table 1: Tax Bite in the Eight-Hour Day by State, 2011**

State	Tax Bite in the Eight-Hour Day	Rank (1 is highest tax burden)
Alabama	11:00 a.m.	43
Alaska	11:01 a.m.	38
Arizona	11:01 a.m.	39
Arkansas	11:02 a.m.	35
California	11:19 a.m.	6
Colorado	11:08 a.m.	24
Connecticut	11:40 a.m.	1
Delaware	11:10 a.m.	21
Florida	11:12 a.m.	16
Georgia	11:02 a.m.	37
Hawaii	11:05 a.m.	30
Idaho	11:02 a.m.	36
Illinois	11:17 a.m.	9
Indiana	11:04 a.m.	32
Iowa	11:05 a.m.	29
Kansas	11:11 a.m.	20
Kentucky	11:00 a.m.	42
Louisiana	10:57 a.m.	47
Maine	11:02 a.m.	34
Maryland	11:20 a.m.	4
Massachusetts	11:17 a.m.	10
Michigan	11:07 a.m.	26
Minnesota	11:18 a.m.	8
Mississippi	10:51 a.m.	50
Missouri	11:03 a.m.	33
Montana	11:04 a.m.	31
Nebraska	11:13 a.m.	15
Nevada	11:00 a.m.	40
New Hampshire	11:09 a.m.	22
New Jersey	11:36 a.m.	2
New Mexico	10:58 a.m.	45
New York	11:30 a.m.	3
North Carolina	11:06 a.m.	27
North Dakota	11:12 a.m.	17
Ohio	11:05 a.m.	28
Oklahoma	11:00 a.m.	41
Oregon	11:08 a.m.	23
Pennsylvania	11:16 a.m.	11
Rhode Island	11:15 a.m.	13
South Carolina	10:55 a.m.	48
South Dakota	10:57 a.m.	46
Tennessee	10:53 a.m.	49
Texas	11:07 a.m.	25
Utah	11:11 a.m.	19
Vermont	11:11 a.m.	18
Virginia	11:14 a.m.	14
Washington	11:19 a.m.	5
West Virginia	10:58 a.m.	44
Wisconsin	11:18 a.m.	7
Wyoming	11:15 a.m.	12
District of Columbia	11:18 a.m.	

In 2011, as Table 1 shows, residents of Mississippi will finish working for taxes the earliest, at 10:51 a.m., due to their modest incomes and extremely low state and local tax burden. Next are Tennessee (10:53), South Carolina (10:55), Louisiana (10:57), and South Dakota (10:57). States whose residents work the longest for taxes are Connecticut (11:40), New Jersey (11:36), New York (11:30), and Maryland (11:20).

To calculate the Tax Bite for each state, we look at taxes borne by residents of that state, whether paid to the federal government, their own state or local government, or governments of other states. Where possible, we allocate tax burdens to the taxpayer's state of residence. For example, Massachusetts income tax levied on the wages of New Hampshire residents is allocated to New Hampshire, not Massachusetts.

### To Pay off the Deficit, Americans Would Have to Work until Lunchtime Every Day

Tax Freedom Day and the Tax Bite in the Eight-Hour Day, like almost all tax burden measures, ignore the federal budget deficit, taking into account only taxes that will actually be collected during 2011. In many years, the deficit is fairly small as a percentage of total government spending, but since 2008, larger federal budget deficits can give the impression that the burden of government is smaller than it is. If the federal government were planning to collect enough in taxes during 2011 to finance all of its spending, it would have to collect about \$1.48 trillion more, and Americans would not finish working for the government until lunchtime: 12:07 p.m.

**Table 2: Tax Bite in the Eight-Hour Day, 1940 – 2011**

Year	Tax Burden (Taxes as a Percent of Income)	Tax Bite in the Eight-Hour Day
1940	17.8%	10:25 a.m.
1941	20.4%	10:38 a.m.
1942	20.9%	10:40 a.m.
1943	25.7%	11:03 a.m.
1944	24.0%	10:55 a.m.
1945	24.2%	10:56 a.m.
1946	24.3%	10:57 a.m.
1947	24.9%	11:00 a.m.
1948	23.3%	10:52 a.m.
1949	21.9%	10:45 a.m.
1950	24.6%	10:58 a.m.
1951	26.3%	11:06 a.m.
1952	26.4%	11:07 a.m.
1953	26.2%	11:06 a.m.
1954	24.8%	10:59 a.m.
1955	25.6%	11:03 a.m.
1956	26.3%	11:06 a.m.
1957	26.4%	11:07 a.m.
1958	25.7%	11:03 a.m.
1959	26.7%	11:08 a.m.
1960	27.7%	11:13 a.m.
1961	27.6%	11:12 a.m.
1962	27.7%	11:13 a.m.
1963	28.2%	11:15 a.m.
1964	26.9%	11:09 a.m.
1965	26.8%	11:09 a.m.
1966	27.5%	11:12 a.m.
1967	27.9%	11:14 a.m.
1968	29.5%	11:22 a.m.
1969	30.8%	11:28 a.m.
1970	29.6%	11:22 a.m.
1971	28.9%	11:19 a.m.
1972	30.1%	11:24 a.m.
1973	30.1%	11:25 a.m.
1974	30.8%	11:28 a.m.

**Table 2, cont'd: Tax Bite in the Eight-Hour Day, 1900-2011**

Year	Tax Burden (Taxes as a Percent of Income)	Tax Bite in the Eight-Hour Day
1975	29.1%	11:20 a.m.
1976	29.8%	11:23 a.m.
1977	30.1%	11:25 a.m.
1978	30.0%	11:24 a.m.
1979	30.1%	11:24 a.m.
1980	30.4%	11:26 a.m.
1981	31.1%	11:29 a.m.
1982	30.4%	11:26 a.m.
1983	29.4%	11:21 a.m.
1984	29.2%	11:20 a.m.
1985	29.5%	11:21 a.m.
1986	29.7%	11:22 a.m.
1987	30.7%	11:27 a.m.
1988	30.4%	11:26 a.m.
1989	30.5%	11:26 a.m.
1990	30.4%	11:26 a.m.
1991	30.2%	11:25 a.m.
1992	29.8%	11:23 a.m.
1993	30.0%	11:24 a.m.
1994	30.5%	11:26 a.m.
1995	30.9%	11:28 a.m.
1996	31.3%	11:30 a.m.
1997	31.9%	11:33 a.m.
1998	32.5%	11:36 a.m.
1999	32.5%	11:36 a.m.
2000	33.0%	11:38 a.m.
2001	31.8%	11:33 a.m.
2002	29.2%	11:20 a.m.
2003	28.4%	11:16 a.m.
2004	28.5%	11:17 a.m.
2005	30.2%	11:25 a.m.
2006	31.2%	11:30 a.m.
2007	31.1%	11:29 a.m.
2008	29.0%	11:19 a.m.
2009	26.6%	11:08 a.m.
2010	26.9%	11:09 a.m.
2011	27.7%	11:13 a.m.

**Source:** Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office, Joint Committee on Taxation, Office of Management and Budget, Internal Revenue Service, Congressional Research Service, and National Bureau of Economic Research.

**Note:** A longer version of this table, with data from 1900 to 2011, is available at [www.taxfoundation.org/publications/show/27257.html](http://www.taxfoundation.org/publications/show/27257.html).

### History of Tax Freedom Day and the Tax Bite in the Eight-Hour Day

Tax Freedom Day was conceived by Florida businessman Dallas Hostetler in 1948. He performed the calculation himself and promoted his copyrighted concept until his retirement in 1971. He deeded the intellectual property to the Tax Foundation, which was publishing the Tax Bite in the Eight-Hour Day at the time. Since then the Tax Foundation has used historical data to calculate both Tax Freedom Day and the Tax Bite in the Eight-Hour Day. In 1990, sufficient data became available to calculate both tax burden measures for each state.

### Methodology

Both Tax Freedom Day and the Tax Bite in the Eight-Hour Day measure the percentage of the nation's income that is taken in taxes. We count in the denominator every dollar that is officially part of national income according to the Department of Commerce's Bureau of Economic Analysis, and in the numerator every payment to the

government that is officially considered a tax is counted. Taxes at all levels of government are included, whether levied by Uncle Sam or state and local governments.

For Tax Freedom Day, we assume that the nation starts working on January 1, earning the same amount each day and spending nothing. When the nation has finally earned enough to pay all the taxes that will be due for that year, Tax Freedom Day has arrived. Similarly, to calculate the Tax Bite in the Eight-Hour Day, we assume the nation works from 9:00 a.m. until 5:00 p.m., devoting all income to taxes until that day's portion of the tax bill is paid.

Determining both measures involves calculating an overall average tax rate for the country. This is done by dividing the nation's total tax payments by the nation's income as projected by the Tax Foundation for 2011. The following formula presents this calculation:

$$\frac{\text{Federal, state \& local taxes}}{\text{Total income}} = \frac{\$3,628 \text{ billion}}{\$13,107 \text{ billion}} = 27.68\%$$

We then convert the average tax rate into hours and minutes to arrive at the Tax Bite in the Eight-Hour Day:

$$27.68\% \times 480 \text{ minutes (number of minutes in eight hours)} = 133 \text{ minutes} = 11:13 \text{ a.m.}$$

The source for income and tax data is the National Income and Product Accounts published by the Bureau of Economic Analysis in the Department of Commerce. For a more detailed description of Tax Freedom Day's methodology, which also applies to the Tax Bite in the Eight-Hour Day, see the full Tax Freedom Day Special Report ([www.taxfoundation.org/files/sr190.pdf](http://www.taxfoundation.org/files/sr190.pdf)) and "Tax Freedom Day: A Description of Its Calculation and Answers to Some Methodological Questions" ([www.taxfoundation.org/research/show/23039.html](http://www.taxfoundation.org/research/show/23039.html)).

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