

Fiscal Fact

Americans Paying More in Taxes than for Food, Clothing, and Shelter

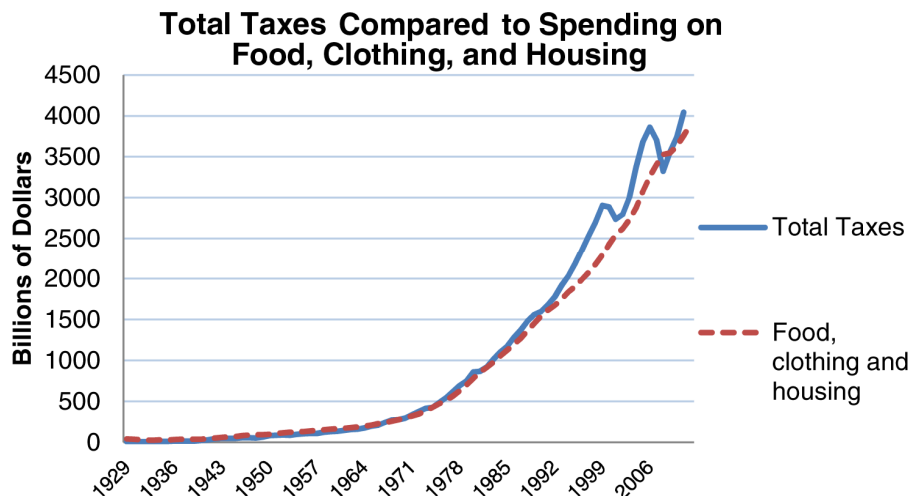
By

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In 2012, Americans will pay approximately \$4.041 trillion in taxes, which is \$152 billion, or 3.9 percent, more than they will spend on housing, food, and clothing.¹ Through looking at contemporary data and examining the trend of tax collections and expenditures on housing, food, and clothing, we can compare the costs of government with the necessary costs individuals incur every year. Relative to the basic cost of living, taxes have increased considerably in recent decades. In turn, a greater share of essential private expenditures are now funded through government outlays.

Historical Perspective: Tax Growth Exceeds Spending Growth

Between 1929 and the early 1980s, aggregate tax collections were less than total expenditures on housing, food, and clothing (see chart). From 1929 to 1980, tax liabilities grew from \$10 billion to \$751 billion, while expenditures on housing, food, and clothing grew from \$41.6 billion to \$775.7 billion. In 1982, total tax collections exceeded expenditures on those items. The gap between tax collections and expenditures on essential goods reached a maximum in 2000, when Americans gave 19 percent more to the government than they spent on these items. The growth in tax collections has halted due to economic contractions, such as the collapse of the “dot-com bubble” in 2001 and the 2007-2009 financial crisis.²



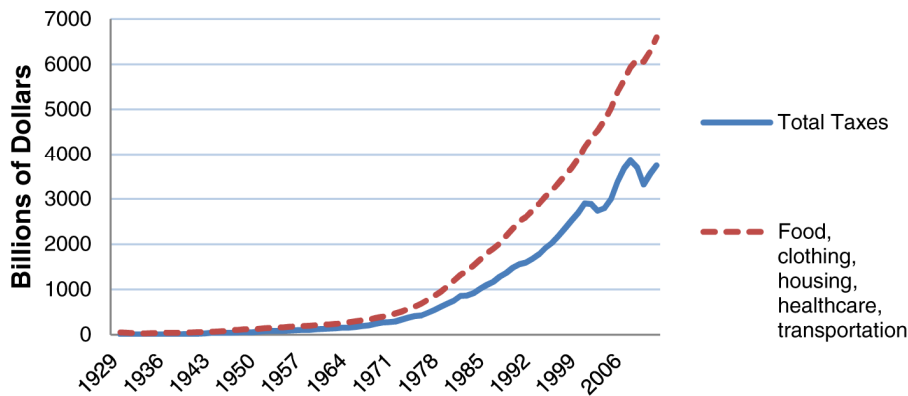
¹ William McBride, *Tax Freedom Day 2012*, TAX FOUNDATION SPECIAL REPORT 198 (Apr. 9, 2012), <http://www.taxfoundation.org/files/sr198.pdf>.

² National Bureau of Economic Research, *U.S. Business Cycle Expansions and Contractions* (Apr. 23, 2012), <http://nber.org/cycles/cyclesmain.html>.

Other Costs to Consider

Food, clothing, and housing represent the bare minimum that individuals need. However, adding in healthcare and transportation represents a more complete account of the basic cost of living.

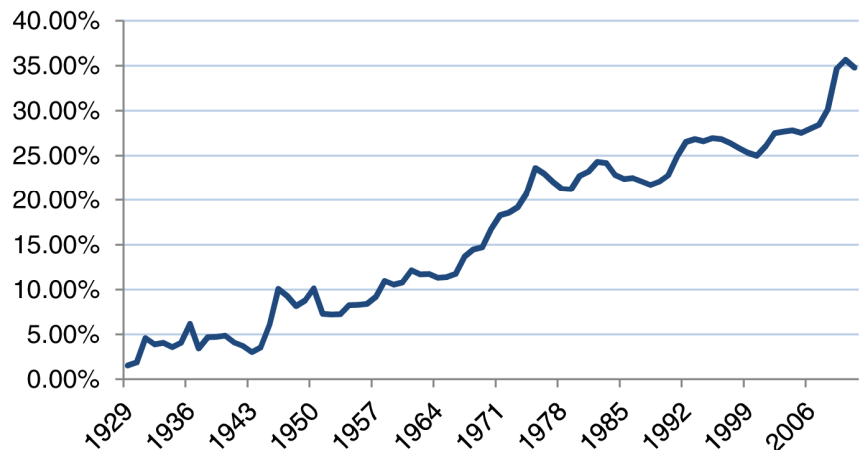
Total Taxes Compared to Spending on Food, Clothing, Housing, Healthcare, and Transportation



Government Handouts: A Growing Share of Spending on Essential Goods

Transfer payments, or government social benefits, have grown to represent a substantial portion of money spent on living expenses, encompassing housing, food, clothing, healthcare, and transportation.³ This means that the government is picking up an increasing portion of the tab for these essential goods. For instance, in 1929 transfer payments represented only 0.5 percent of private expenditures on housing, food, clothing, healthcare, and transportation. By 1965, when Medicare began, this percentage had grown to about 11 percent. Today it stands at close to 35 percent. While some money spent on transfer programs is spent on other items besides healthcare, food, clothing, transportation, and housing, the strong prevalence of in-kind benefits, or government transfer payments for a specific item or service, keeps this as a small fraction of overall expenditures.

Transfer Payments as a Fraction of Total Cost of Living Expenditures



³ Bureau of Economic Analysis, *Transfer Payments* (May 6, 2003), <http://www.bea.gov/regional/pdf/lapi2001/transfer.pdf>.

Table 1: Taxes, Transfer Payments, and Food/Clothing/Housing Costs, 1929-Present (\$ Billions)

Year	Total Taxes	Total Transfers to Persons	Food, Clothing and Housing	Cost of Living	Year	Total Taxes	Total Transfers to Persons	Food, Clothing and Housing	Cost of Living
1929	\$10.1	\$0.8	\$41.6	\$53.0	1971	\$293.9	\$85.4	\$319.9	\$466.8
1930	\$9.5	\$0.9	\$38.4	\$48.2	1972	\$336.0	\$94.8	\$348.1	\$511.2
1931	\$8.5	\$1.9	\$33.4	\$41.6	1973	\$377.5	\$108.6	\$384.2	\$566.2
1932	\$7.8	\$1.3	\$26.8	\$33.5	1974	\$415.2	\$128.6	\$424.6	\$621.2
1933	\$8.6	\$1.3	\$25.5	\$32.0	1975	\$425.0	\$163.1	\$468.8	\$690.4
1934	\$9.4	\$1.3	\$28.9	\$36.3	1976	\$486.3	\$177.3	\$512.0	\$771.2
1935	\$10.3	\$1.6	\$31.3	\$39.4	1977	\$546.7	\$189.1	\$562.6	\$857.3
1936	\$11.9	\$2.7	\$34.4	\$43.7	1978	\$615.4	\$203.2	\$626.8	\$953.9
1937	\$14.2	\$1.6	\$36.8	\$46.6	1979	\$689.4	\$227.1	\$699.1	\$1,069.2
1938	\$13.6	\$2.1	\$36.1	\$44.9	1980	\$751.1	\$270.8	\$775.7	\$1,189.1
1939	\$14.2	\$2.2	\$37.1	\$46.8	1981	\$858.3	\$307.2	\$854.4	\$1,322.5
1940	\$16.2	\$2.4	\$38.8	\$49.5	1982	\$867.9	\$342.4	\$913.3	\$1,408.6
1941	\$23.4	\$2.3	\$44.1	\$56.4	1983	\$917.7	\$369.9	\$978.2	\$1,529.6
1942	\$30.9	\$2.3	\$52.1	\$61.9	1984	\$1,016.4	\$380.4	\$1,051.9	\$1,663.8
1943	\$46.7	\$2.1	\$59.8	\$69.9	1985	\$1,100.3	\$402.6	\$1,124.8	\$1,797.7
1944	\$47.9	\$2.7	\$65.2	\$76.1	1986	\$1,167.4	\$428.0	\$1,196.0	\$1,899.9
1945	\$48.7	\$5.1	\$71.5	\$83.7	1987	\$1,282.0	\$447.4	\$1,268.2	\$2,021.9
1946	\$48.6	\$10.1	\$81.4	\$100.3	1988	\$1,369.7	\$475.9	\$1,361.3	\$2,187.7
1947	\$54.5	\$10.4	\$89.0	\$112.3	1989	\$1,480.2	\$519.4	\$1,454.0	\$2,345.2
1948	\$56.5	\$9.9	\$94.2	\$121.3	1990	\$1,561.0	\$572.7	\$1,545.5	\$2,507.4
1949	\$52.6	\$10.9	\$94.0	\$124.1	1991	\$1,597.1	\$648.2	\$1,611.0	\$2,597.3
1950	\$65.3	\$13.4	\$98.1	\$132.5	1992	\$1,679.2	\$729.5	\$1,673.2	\$2,749.4
1951	\$81.2	\$10.5	\$109.6	\$144.2	1993	\$1,778.6	\$776.7	\$1,745.7	\$2,892.2
1952	\$85.8	\$11.0	\$116.8	\$152.3	1994	\$1,917.0	\$813.1	\$1,834.7	\$3,056.1
1953	\$90.0	\$11.7	\$121.6	\$161.4	1995	\$2,030.3	\$860.2	\$1,905.4	\$3,192.3
1954	\$85.2	\$13.7	\$126.0	\$166.1	1996	\$2,180.9	\$901.2	\$1,990.0	\$3,355.3
1955	\$95.9	\$14.8	\$131.4	\$178.5	1997	\$2,356.2	\$929.8	\$2,076.8	\$3,522.8
1956	\$103.4	\$15.6	\$138.2	\$185.7	1998	\$2,529.7	\$951.9	\$2,172.5	\$3,685.3
1957	\$109.2	\$18.1	\$145.1	\$196.8	1999	\$2,695.2	\$987.6	\$2,291.3	\$3,897.7
1958	\$107.4	\$22.2	\$151.6	\$202.8	2000	\$2,903.6	\$1,040.6	\$2,427.0	\$4,159.7
1959	\$121.7	\$22.9	\$159.5	\$217.1	2001	\$2,887.2	\$1,141.3	\$2,546.5	\$4,372.7
1960	\$131.0	\$24.4	\$165.7	\$226.3	2002	\$2,736.5	\$1,247.9	\$2,621.4	\$4,536.9
1961	\$135.5	\$28.1	\$171.6	\$231.7	2003	\$2,796.9	\$1,316.0	\$2,731.8	\$4,753.7
1962	\$146.6	\$28.8	\$179.4	\$246.3	2004	\$3,003.6	\$1,398.6	\$2,873.2	\$5,028.7
1963	\$157.6	\$30.3	\$186.0	\$258.7	2005	\$3,375.1	\$1,482.7	\$3,075.0	\$5,381.9
1964	\$162.0	\$31.3	\$197.6	\$276.7	2006	\$3,680.5	\$1,583.6	\$3,257.9	\$5,659.1
1965	\$175.1	\$33.9	\$210.9	\$297.7	2007	\$3,858.2	\$1,687.9	\$3,403.3	\$5,932.7
1966	\$196.9	\$37.5	\$227.2	\$319.6	2008	\$3,703.5	\$1,842.4	\$3,526.6	\$6,114.9
1967	\$210.5	\$45.8	\$237.4	\$335.1	2009	\$3,321.1	\$2,099.9	\$3,546.1	\$6,053.3
1968	\$243.4	\$53.3	\$257.4	\$368.5	2010	\$3,560.6	\$2,242.9	\$3,631.9	\$6,289.0
1969	\$274.3	\$59.0	\$278.2	\$400.7	2011	\$3,742.6	\$2,296.8	\$3,760.3	\$6,602.6
1970	\$277.3	\$71.7	\$300.0	\$428.5					

Limitations to This Data

There are some restrictions inherent in comparing tax costs to expenditures on essential goods. As mentioned, a large share of tax revenues today are spent on transfer payments, which private individuals then spend on essential goods. That is, the consumption data, which comes from the Bureau of Economic Analysis, includes private consumption that is paid for with government transfer payments from assistance programs such as Medicare. This leads to double counting, as the taxes that finance these programs and the increased consumption that those taxes fund are included in both tax and consumption figures, respectively. Despite these limitations, the comparison of tax costs to the basic cost of living provides a useful illustration of the growing cost of government.

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