What is Tax Freedom Day?

• Calendar based measure of cost of government.
• Total of all taxes paid to federal, state, and local governments, divided by national income.
  – Includes personal income taxes, payroll taxes, corporate incomes taxes, property and sales taxes, etc.
• This year, Americans will pay $2.76 trillion in federal taxes and $1.46 trillion in state-local taxes, or 29.4% of total income.
• On the calendar, that’s 108 out of 365 days, or ...
Tax Freedom Day is April 18th

• Five days later than last year, due to:
  – The fiscal cliff deal that raised federal income and payroll taxes.
  – The Affordable Care Act’s investment tax that went into effect this year.
  – Despite these tax increases, the economy is expected to continue its slow recovery, boosting profits, incomes, and tax revenues.

• More spent on taxes than food, clothing, and housing combined.
Deficit-inclusive Tax Freedom Day is May 9.

• Measures the cost of government in terms of both tax-financed spending as well deficit-financed spending.

• This year’s federal budget deficit is $833 billion, adding 21 days to Tax Freedom Day.
  – Follows four years of $1 trillion plus deficits.

• Three days earlier than last year.
  – Tax collections up, spending largely flat since build-up of 2009.
Tax Freedom Day Through the Years
Americans Work 108 Days to Pay Federal, State and Local Taxes

- **Individual Income**: 32 (Federal: 32, State & Local: 8)
- **Payroll**: 24
- **Sales & Excise**: 13 (Federal: 2, State & Local: 11)
- **Property**: 12
- **Corporate Income**: 8 (Federal: 8, State & Local: 1)
- **Other**: 3 (Federal: 3, State & Local: 0)
Federal Tax Burden Nearly Twice the State and Local Burden

- Federal Tax Burden: 71 days
- State-Local Tax Burden: 37 days
State Tax Freedom Day

• Includes all federal, state, and local taxes paid by the residents of each state, as opposed to who collects it.
  – Accounts for tax shifting across borders, as well as economic incidence.
• For example, Alaska’s huge severance taxes on oil and gas are ultimately paid for by consumers throughout the 50 states in the form of higher prices at the pump.
Earliest and Latest State Tax Freedom Days

• Earliest state is Mississippi (March 29), followed by Louisiana (March 29), and Tennessee (April 2).
  – Residents have lower-than-average incomes and thus lower federal income tax burdens.
  – State and local taxes are below average in all these states.
  – TN has no state personal income tax (except dividends).

• Latest state is Connecticut (May 13), preceded by New York (May 6), and New Jersey (May 4).
  – Residents have higher income, which increases their federal income tax burden.
  – Residents also pay higher-than-average state and local taxes.
More Information

• Much more on website: taxfoundation.org
• Includes details on important historical tax events, as well as data going back to 1900.
• Questions?