



# FLORIDA TAXPAYER INDEPENDENCE DAY 2005!

## *Three Days Later Than Last Year*

April 27  
2005

Wednesday, April 27, is Florida Taxpayer Independence Day 2005, estimates Florida TaxWatch. On that day, Floridians can take satisfaction in knowing they finally are earning money for themselves not the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state and local tax obligations. Floridians' personal income grew slower than the taxes they pay, resulting in it taking more time to earn enough to pay their taxes. Taxpayer Independence Day comes three days later than it did in 2004 and falls on the latest date since 2001.

After falling on the earliest date in 20 years in 2003, Florida Taxpayer Independence Day came one day later last year and three days later in 2005. After a trend that lasted throughout the 1990s that saw taxpayers taking longer and longer to earn the money to pay their tax obligations, Taxpayer Independence Day began coming earlier in 2001. Last year it started coming a bit later, but this

year's date is still 12 days earlier than it was in 1999 when May 9 was Florida Taxpayer Independence Day. The earliest day Florida TaxWatch ever calculated was April 17 in 1983. **For the average Florida household, paying these taxes in 2005 takes 116 out of 365 days, or less than one-third of the year. This is three days more than last year.**

The increasing taxpayer burden of the last two years is not because governments have been enacting tax increases. Rather, it is due to stronger economic growth. Since federal taxes make up the lion's share of taxpayers' burden, the income taxes paid by Floridians is the biggest factor in Taxpayer Independence Day. The strong economy and stock market bubble of the late 1990s resulted in booming government tax collections and larger tax burdens. Beginning in 2001, significant federal tax cuts, coupled with slower economic performance, led to the lessening of taxpayers' burdens. But even as governments have held the line on taxes, stronger economic growth in 2004 and 2005 has increased tax collections, and taxes have resumed their upward climb.

### HIGHLIGHTS

Z Florida Taxpayer Independence Day 2005 is April 27. Floridians must work 116 out of 366 days to pay their taxes—three days later than last year. Although this is the second year in a row that the date has come later, it is still 12 days earlier than it was in 1999, when Taxpayer Independence Day fell on May 9.

Z It takes 2 hours and 33 minutes of every eight-hour work day to pay taxes, workers' largest single expense. Federal taxes alone take up 1 hour and 39 minutes.

Z The increasing taxpayer burden of the last two years is not due to tax increases enacted by government, but rather stronger economic growth.

Z The Florida Tax Index now stands at 228.3. This means that total taxes (federal, state and local) paid by Floridians have more than doubled, increasing 128.3% since FY 1990. Growth in total taxes during 2005 is projected at 9.3%, which would be the largest annual growth in ten years. This is remarkable in that taxes have not been increased, and in fact have been cut.

Z Despite an average statewide millage rate that is the lowest since 1989, rising property values and new construction are leading to property tax growth of 11.9% and 10.1% in 2004 and 2005, adding more than \$2 billion each year to Florida local governments' tax collections.

Z A strong economy, coupled with a housing boom and spending on hurricane recovery, has resulted in state tax growth not seen since the 1980s. Similarly, after four straight years of federal tax cuts and an unprecedented three-year period in which total federal taxes decreased, Floridians' tax payments to Uncle Sam are back on the upswing. State and federal taxes are projected to increase 8.2% and 9.5%, respectively, in FY 2005.

Z Despite large tax growth, Floridians' Effective Buying Power (EBP)—the amount of income left after taxes and inflation—should rise slightly (0.8%) in 2005.

Evaluating the tax burden on a daily basis for a year, if working 9:00 a.m. to 5:00 p.m., Floridians' Taxpayer Independence Time falls at 11:33 a.m. daily. Federal taxes alone take up 1 hour and 39 minutes of the eight-hour workday. Add state and local tax obligations, and the average Floridian works 2 hours and 33 minutes every day of the year just to pay the tax collector. Taxes are still the single largest expense incurred by citizens (See figure on last page). By contrast, housing and utility costs take 1 hour and 25 minutes, health and medical care takes 1 hour and 8 minutes, and food requires 41 minutes.

# GROWTH IN TOTAL TAXES PAID BY FLORIDIANS DURING 2005 EXPECTED TO BE THE LARGEST IN TEN YEARS

The 2005 Florida Tax Index climbed to 228.3, meaning that all taxes paid by Floridians to federal, state and local governments have more than doubled since the base year of FY 1990 (Table 1), increasing 128.3%. After an unprecedented drop in total taxes paid of 3.6% from 2001 to 2003, collections are rising again and projected growth of 9.3% in 2005 would be the largest annual increase in ten years.

The index for total per capita taxes (Table 2) is at 164.8 meaning that these taxes are up 64.8% since 1990. This contrasts with inflation of 50% over this time. Per capita taxes are expected to rise \$658 (7.0%) this year. The FY 2005 taxes for each man, woman and child in Florida are projected at \$10,044.

**Florida's FY 2005 total tax bill is estimated at \$178.7 billion. Tax growth of 9.5% is expected at the federal level, 8.2% at the state level, and 10.1% at the local level. Such robust growth is remarkable in that taxes have generally not been increased, and in fact have been cut.**

## *Local Taxes: Millage Rates Down; Property Tax Collections Up*

For the fourth year in a row, local taxes had the fastest growth in tax collections among the three levels of government. What is notable about this is the fact that average millage rates in Florida have been dropping. Some counties have increased or enacted new local option taxes but the vast majority of local governments' tax revenue comes from the property tax.

The average total millage rate in Florida has fallen in six straight years. In fact, the projected average millage rate for FY 2004-05 of 20.09 mills is the lowest since 1989. Despite this, property tax collections have continued to rise, especially in the last two years. Rising property values and significant new construction are leading to projected growth of 11.9% and 10.1%, respectively. In both 2004 and 2005, local governments will bring in over \$2 billion more in property taxes than the previous year.

**Taxes paid to counties, cities and special districts are estimated to total \$26.1 billion in 2005, or \$1,467 per Floridian.**

## *Housing and Hurricane Recovery Spending Lead to State Tax Growth*

Florida state government has not hiked taxes, and has even cut some, but tax collections have continued to rise. The state is expected to bring in over \$5 billion more in 2005 than it did two years ago. Florida's tax system performed well during the recession and now that the economy is picking up, taxes are growing at a rate not seen since the 1980s. Unfortunately, some of that growth is from spending to rebuild from the hurricanes that afflicted the state. In addition, the economy is doing well, with a strong housing market, surging new construction, more people working and increased business and consumer spending.

**State tax collections are projected to rise to \$36.2 billion in FY 2005. That amounts to a tax burden of \$2,037 per Floridian.**

## *Four Years of Federal Tax Cuts May Be Starting to Show Benefits*

The Federal Government has cut taxes in each of the last four years. After an unprecedented three year period during which total federal taxes paid by Floridians decreased, collections have rebounded. Economic indicators such as lower unemployment and increased GDP point to a growing economy, and federal tax collections are rising across the nation. Florida is no exception. Growth in federal taxes of 9.5% in 2005 is the largest since 1997.

**Federal tax collections are projected to rise to \$116.3 billion in FY 2005, or \$6,540 per Floridian.**

## TEN YEARS OF FLORIDA TAXPAYER INDEPENDENCE DAYS

Some past Taxpayer Independence Days may have been revised to reflect changing estimates. All years cited in discussion of Taxpayer Independence Day are calendar. The Tax Index is on a fiscal year basis.

Year	Days	Date
2005	116	April 27
2004*	113	April 23
2003	111	April 22
2002	114	April 25
2001	121	May 2
2000*	128	May 8
1999	128	May 9
1998	127	May 8
1997	126	May 7
1996*	124	May 4

\* leap year

Source: Florida TaxWatch, April 2005.

# THE FLORIDA TAX INDEX

## Total Taxes Reach \$179 Billion -- \$10,044 Per Person

Table 1 - Taxes and Tax Indices in Florida, 1985-2005

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Millions	Index	Millions	Index	Millions	Index	Millions	Index
1985	5,099	54.8	8,934	61.7	35,181	64.6	49,214	62.9
1986	5,747	61.8	9,858	68.1	38,695	71.0	54,300	69.4
1987	6,566	70.6	10,891	75.2	43,391	79.7	60,848	77.8
1988	7,313	78.6	12,623	87.1	46,962	86.2	66,898	85.5
1989	8,277	89.0	13,647	94.2	52,557	96.5	74,481	95.2
1990	9,304	100.0	14,485	100.0	54,469	100.0	78,258	100.0
1991	10,533	113.2	15,216	105.0	55,447	101.8	81,196	103.8
1992	11,415	122.7	16,531	114.1	57,255	105.1	85,201	108.9
1993	11,699	125.7	18,759	129.5	62,045	113.9	92,503	118.2
1994	12,691	136.4	20,253	139.8	68,129	125.1	101,073	129.2
1995	13,341	143.4	21,023	145.1	73,771	135.4	108,135	138.2
1996	13,829	148.6	22,258	153.7	81,348	149.3	117,435	150.1
1997	14,647	157.4	23,512	162.3	89,738	164.8	127,897	163.4
1998	15,442	166.0	25,007	172.6	97,811	179.6	138,260	176.7
1999	16,446	176.8	26,397	182.2	103,583	190.2	146,426	187.1
2000	17,119	184.0	27,732	191.5	113,303	208.0	158,154	202.1
2001	18,317	196.9	28,406	196.1	111,665	205.0	158,388	202.4
2002	19,488	209.5	29,531	203.9	104,655	192.1	153,674	196.4
2003	21,183	227.7	30,789	212.6	100,705	184.9	152,677	195.1
2004	23,704	254.8	33,478	231.1	106,203	195.0	163,385	208.8
2005	26,098	280.5	36,236	250.2	116,323	213.6	178,657	228.3

Table 2 - Per Capita Taxes and Tax Indices in Florida, 1985-2005

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Millions	Index	Millions	Index	Millions	Index	Millions	Index
1985	456	62.9	798	70.7	3,143	74.1	4,396	72.1
1986	499	68.9	857	75.9	3,362	79.2	4,718	77.4
1987	555	76.6	920	81.6	3,667	86.4	5,142	84.4
1988	602	83.0	1,039	92.1	3,864	91.1	5,504	90.3
1989	664	91.6	1,095	97.0	4,216	99.4	5,975	98.0
1990	725	100.0	1,128	100.0	4,242	100.0	6,095	100.0
1991	799	110.3	1,154	102.3	4,206	99.1	6,159	101.0
1992	849	117.2	1,230	109.0	4,260	100.4	6,339	104.0
1993	856	118.1	1,372	121.7	4,539	107.0	6,768	111.0
1994	909	125.4	1,451	128.6	4,880	115.0	7,239	118.8
1995	935	129.1	1,474	130.6	5,171	121.9	7,580	124.4
1996	950	131.1	1,530	135.6	5,591	131.8	8,071	132.4
1997	986	136.0	1,582	140.3	6,039	142.4	8,607	141.2
1998	1,019	140.6	1,650	146.2	6,453	152.1	9,121	149.6
1999	1,062	146.5	1,704	151.1	6,688	157.6	9,454	155.1
2000	1,078	148.8	1,746	154.8	7,135	168.2	9,959	163.4
2001	1,128	155.6	1,749	155.0	6,876	162.1	9,752	160.0
2002	1,175	162.1	1,780	157.8	6,309	148.7	9,265	152.0
2003	1,248	172.3	1,815	160.8	5,935	139.9	8,998	147.6
2004	1,362	187.9	1,923	170.5	6,101	143.8	9,386	154.0
2005	1,467	202.5	2,037	180.6	6,540	154.2	10,044	164.8

*Source: Florida TaxWatch, U.S. Bureau of the Census, Florida Consensus Estimating Conference, Tax Foundation, United States Department of the Treasury, April 2005*

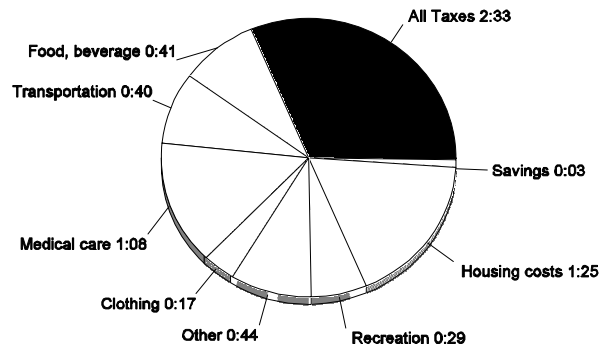
# DESPITE SIZABLE GROWTH IN TAXES, HOUSEHOLD INCOME ROSE ENOUGH IN 2005 TO INCREASE THE BUYING POWER OF FLORIDIANS PAYCHECKS

Even though it is taking a little longer to pay their tax bill, the amount of income the average Florida family has after taxes is increasing faster than inflation, meaning Floridian s'paychecks are going a bit farther this year. Florida TaxWatch projects that the average Florida household will enjoy a small increase in its effective buying power (EBP) during 2005. Effective buying power is after-tax income adjusted for inflation. The 2005 increase of 0.8% tops off a five-year growth of 12%.

After paying all taxes and adjusting for inflation, the average Florida household will have approximately \$444 more to spend in 2005 than it had in 2004.

Even though tax collections have increased considerably, so has Floridians' personal income. In fact, projected average household income growth of 6.3% in 2005 would be the largest in seven years. Even though tax growth of 8.3% exceeded that of income, in actual dollars the average household s' income rose \$3,000 while taxes were up \$1,400. Since inflation is

**WHERE YOUR WORKDAY EARNINGS GO:  
8-HOUR WORKDAY OF FLORIDA WAGE EARNER**



**AVERAGE EXPENDITURES IN HOURS:MINUTES**

Source: Florida TaxWatch and Tax Foundation, April 2005.

still relatively low, Floridians' 2005 income should have more buying power.

Even though it was basically unchanged last year, EBP has not fallen once in the last ten years. The largest increase was in 2001, when it rose 3.1%. The increase of 0.8% in 2005 was the 6<sup>th</sup> largest in the last ten years and overall, the effective buying power of Floridians has risen 12% over the last ten years.

## **Since 1995 (per household):**

<b>Inflation Up</b>	<b>26.2%</b>
<b>Personal Income Up</b>	<b>38.6%</b>
<b>Taxes Up</b>	<b>32.0%</b>

In 1995, the average Florida household earned \$59,434. After all taxes were paid, \$39,708 in disposable income was left. In 2005, that household earned an estimated \$82,374, but its tax now stands at \$26,028, leaving \$56,346. When adjusted for inflation, effective buying power is up \$444 from last year, and up \$4,942 from 1995.

## **THE BOTTOM LINE . . . WHERE DO YOU STAND?**

Of course, everybody's economic and tax situations are different. However, on the average, your household income had to rise 3.2% in 2005, or 28.1% since 1995, for your effective buying power and standard of living to keep pace with the combined effects of taxation and inflation.

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