

Taxpayer

Florida  TaxWatch 40th
1979-2019

Independence Day 2019

On Sunday, April 14

Florida TaxWatch joins the taxpayers in our state in celebrating Florida Taxpayer Independence Day 2019. On that day, Floridians are finally earning money for themselves—not for the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state, and local tax obligations. This measure of tax burden is based on the relative size of all taxes paid in Florida to our state's total personal income. In 2019—for the average Florida household—paying its taxes takes 103 out of 365 days, or almost three and a half months.

It will take Floridians one more day to achieve taxpayer independence as it did last year, when the date was April 13.¹ Florida's economy is showing steady, modest growth and that—along with rebounding property values—are boosting state and local tax collections. While the federal Tax Cuts and Jobs Act helped reduce tax burdens last year, federal collections are on the rise again in 2019. This all caused the total taxes paid by Floridians to grow by an estimated 5.3 percent in 2019—growth which outpaced the rise in Floridians' personal income of 4.4 percent. Consequently, it will take the average Florida household one more day than last year to earn enough to satisfy their tax obligations.

Taxpayer Independence Day (TID) for Floridians arrives nine days later than it did in 2009, when the Great Recession decimated government revenues. Despite the growth in tax revenue since the recession, tax independence still comes six days earlier than in 2006, the latest date for TID in the last 20 years.

Historically, taxpayer independence comes sooner in Florida than for the average U.S. taxpayer, and this year should be no exception. The Tax Foundation estimates that the national "Tax Freedom Day" for 2019 is April 16—three days later than Florida's.

Evaluating Floridians' tax burden on a daily basis (if working 9:00 a.m. to 5:00 p.m.), Floridians' Taxpayer Independence Time falls at 11:16 a.m. daily. This symbolic time comes 2 minutes later than in 2018. Satisfying federal taxes alone requires one hour and 33 minutes of the eight-hour workday. Paying state taxes requires an additional 22 minutes, and 20 minutes is needed for local tax obligations. Overall, the average Floridian works 2 hours and 15 minutes every day of the year just to pay all their taxes, the single largest expense incurred by citizens—more than food, housing and clothing combined.²

Florida will contribute \$301 billion in taxes to federal, state and local governments in 2019, \$15 billion (5.3 percent) more than last year.

¹ For consistency, leap years are also calculated using 365 days.

² Tax Foundation, Tax Freedom Day 2019, April 2019.

The Components of Floridians' Total Tax Burden

LOCAL TAXES – Local taxes are estimated at \$44.3 billion in 2019 and comprise 14.7 percent of the average Floridian's total tax burden. Florida relies more heavily on local governments than almost every other state. As a result, while Floridian's overall tax burden is one of the lowest in the nation, local taxes in Florida are much closer to the average.³ In 2009, local governments collected more taxes than the state government. The recession hit government revenues hard, especially local governments, where property taxes have been slower to rebound. Now, the local tax burden is back to being the smallest of the three levels of government, but over the last five years local taxes have been the fastest growing level of taxation (43.4 percent), increasing more nearly triple the rate of state government (15.4 percent).

STATE TAXES – State taxes are estimated at \$49.8 billion in 2019 and comprise 16.5 percent of the average Floridian's total tax burden. Florida has one of the lowest state tax burdens in the nation⁴ and the commitment of the Governor and the Legislature to cut taxes in recent years has kept it low, even with an improving economy. Sales tax collections—the state's largest revenue source—have been growing steadily since the Great Recession and are now well above the pre-recession high. Real estate transaction taxes (documentary stamp and intangibles taxes) are rebounding more slowly and are still well below the pre-recession high. State taxes will grow an estimated 3.3 percent in 2019—much lower than local or federal tax growth. Over the last five years, state taxes have been the slowest growing component of Floridians' tax bills. Total state tax collections are estimated to rise by \$1.6 billion this year, or 3.3 percent.

FEDERAL TAXES – Federal taxes paid by Floridians are estimated to total \$207.0 billion in 2019 and comprise 68.7 percent of the average Floridian's total tax burden, more than twice the amount of state and local taxes combined. The federal Tax Cuts and Jobs Act brought tax independence earlier in 2018, fueled by a steep drop in corporate income tax collections (personal income tax collections actually grew slightly). This year, the Congressional Budget Office (CBO) expects corporate taxes to start rising again and estimates total federal revenues will increase by 5.6 percent in 2019 and by 4.6 percent in 2020. Although many taxpayers will see a decrease in their tax bills, individual income tax collections—which make up nearly half of all federal taxes—are expected to increase by 3.3 percent in 2018. Growth in these taxes is expected to remain fairly steady (between 4 and 5 percent annually) until many of the tax cuts expire in 2025. This growth is attributed to stock market gains, taxable retirement benefits, and “real bracket creep.” This is where incomes rise faster than tax brackets because the brackets are indexed only to inflation and income growth should outpace inflation.

These federal tax cuts, coupled with the federal government continuing to spend more than it brings in, will increase the budget deficit from \$779 billion in 2018 to \$897 billion in 2019 and will exceed \$1 trillion by 2022. Federal debt held by the public will grow by another \$1 trillion in 2019, reaching \$16.6 trillion. Foreign investors hold 40 percent of U.S. debt, and debt is forecast to reach 90 percent of gross domestic product by 2026.⁵ If the federal debt—which represents future taxes—is included, Taxpayer Independence Day would come 22 days later.⁶

³ Florida TaxWatch, 2017 How Florida Compares: Taxes, April 2017.

⁴ Florida TaxWatch, 2017 How Florida Compares: Taxes, April 2017.

⁵ Congressional Budget Office, The Budget and Economic Outlook: 2019-2029, January 2019.

⁶ Tax Foundation, Tax Freedom Day 2019. April 2019.

After-Tax Buying Power Expected to Increase Again in 2018

Even with increased taxes, Florida TaxWatch projects that the average Florida household will see a small 0.14 percent increase in its effective buying power (EBP) during 2019. EBP is after-tax income adjusted for inflation. After paying all taxes and adjusting for inflation, the average Florida household will have a bit \$123 more to spend in 2019 than it had in 2018. Both household income and taxes grew by approximately 3 percent, and continued low inflation helped the bottom line.

This year's minor rise in EBP follows a 1.8 percent increase last year. EBP has risen in six of the last 10 years and is 8.5 percent higher than it was ten years ago. Of course, this is just an average. Varying tax bills and income can result in very different experiences for individual Florida families.

TEN YEARS OF FLORIDA TAXPAYER INDEPENDENCE DAYS

Year	Days	Independence Day
2019	103	April 14
2018	102	April 13
2017	104	April 15
2016	105	April 16
2015	106	April 17
2014	107	April 18
2013	101	April 12
2012	96	April 7
2011	95	April 6
2010	98	April 9

Floridians Find Value in Taxes Paid, See Room for Reforms

In a public opinion poll conducted in early 2019,¹ Florida TaxWatch found that, generally speaking, Floridians are satisfied with the return on investment from their tax dollars, and the tax system itself. More than 54% feel that their taxes are "about right," 70% feel that Florida's tax system is somewhat or very fair, and at least 65% feel that the return-on-investment they receive for their taxes is adequate or better, at both the state and local levels.

Additionally, 60% of Florida taxpayers utilize the state's sales tax holidays for back to school and hurricane preparedness each year, nearly 60% support the reduction or elimination of the Business Rent Tax, and 54% support the Legislature taking steps to ensure e-fairness by increasing the collection of sales tax on online sales from outside of Florida.

These results show that Floridians see their local and state governments as good investments, support common-sense tax reforms such as those Florida TaxWatch research shows to be necessary to Florida's competitiveness, and find value in the state's sales tax holidays each year.

¹ Statistically significant poll of 500 Florida voters conducted by Florida TaxWatch and Cherry Communications, February 1-5, 2019.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible memberships and private grants, and does not accept government funding. Memberships provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

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The findings in this *Report* are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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