

Taxpayer

Independence Day 2018

Saturday, April 14 Florida TaxWatch joins the taxpayers in our state in celebrating Florida Taxpayer Independence Day 2018. 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 2018, 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 three fewer days to achieve taxpayer independence as it did last year, when the date was April 17.¹ Florida’s economy is producing steady, but modest, growth in personal income, as well as state and local tax collections; however, the federal Tax Cuts and Jobs Act, which significantly reduced personal and corporate income taxes, is helping Floridians satisfy their tax obligations earlier this year. While the total taxes paid by Floridians is expected to grow by 1.8 percent in 2018, personal income should increase by 4.6 percent.

Taxpayer Independence Day for Floridians arrives eight days later than it did in 2009, when the Great Recession decimated government revenues. Despite the recent growth in tax revenue, tax independence still comes a week earlier than in 2006, the latest date for Taxpayer Independence Day in the last 20 years.

Historically, taxpayer independence comes sooner in Florida than for the average U.S. taxpayer, and this year is no exception. The Tax Foundation estimates that the national “Tax Freedom Day” will fall on April 19—five days later than Florida’s.²

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 11:17 a.m. daily. This symbolic time comes 12 minutes later than in 2009. Satisfying federal taxes alone requires one hour and 34 minutes of the eight-hour workday. Paying state taxes requires an additional 23 minutes, and 20 minutes is needed for local tax obligations. Overall, the average Floridian works 2 hours and 17 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.³

Florida will contribute \$285 billion in taxes to federal, state and local governments in 2018, \$7 billion more than last year.

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

² Tax Foundation, Tax Freedom Day 2018, April 2018.

³ Ibid.

The Components of Floridians' Total Tax Burden

LOCAL TAXES – Local taxes are estimated at \$40.5 billion in 2018 and comprise 14.2 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 lower than the national average, local taxes in Florida are higher than average.⁴ 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 (32.1 percent), increasing more than twice as fast as state government (14.7 percent).

STATE TAXES – State taxes are estimated at \$47.8 billion in 2018 and comprise 16.8 percent of the average Floridian's total tax burden. Florida has one of the lowest state tax burdens in the nation⁵ 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 taxes—the state's largest revenue source—has been growing steadily since the Great Recession and is 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 tax growth has not exceeded 3.7 percent in any of the last six years and have been the slowest growing component of Floridians' tax bills, until this year (see federal taxes below). Total state tax collections are estimated to rise by \$1.7 billion this year, or 3.6 percent.

FEDERAL TAXES – Federal taxes paid by Floridians are estimated to total \$196.4 billion in 2018 and comprise 69.0 percent of the average Floridian's total tax burden, more than twice the amount of state and local taxes combined. Despite the tax cuts passed late in 2017, the Congressional Budget Office (CBO) expects federal revenues to increase slightly (\$222 billion or 0.7 percent) in 2018—to \$3.338 trillion.⁶ 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 (approximately 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. In contrast, corporate income tax collections—which make up a much smaller percentage of federal taxes (9.0 percent in 2017)—are expected to fall by \$54 billion in 2018, a drop of 18.2 percent.

These federal tax cuts, coupled with increased federal spending, will increase the budget deficit from \$665 billion in 2017 to \$804 billion in 2018. Debt held by the public will approach 100 percent of gross domestic product by 2028, even assuming the tax cuts will be allowed to expire beginning in 2028.⁷ If the federal debt—which represents future taxes—is included, Taxpayer Independence Day would come 17 days later.⁸

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

⁵ Ibid

⁶ Congressional Budget Office, The Budget and Economic Outlook: 2018-2028, April 9, 2018.

⁷ Ibid.

⁸ Tax Foundation, Tax Freedom Day 2018. April 2018.

After-Tax Buying Power Expected to Increase Again in 2018

Florida TaxWatch projects that the average Florida household will see a 1.4 percent increase in its effective buying power (EBP) during 2018. EBP is after-tax income adjusted for inflation. After paying all taxes and adjusting for inflation, the average Florida household will have a bit more to spend in 2018 than it had in 2017. Household income increased 2.6 percent, while taxes grew by less than 1 percent.

This is the fourth year in a row that EBP increased, following three straight years of decline. EBP is also 6.9 percent higher than it was ten years ago. Of course, this is just an average. Varying tax bills and income will result in very different experiences.

TEN YEARS OF FLORIDA TAXPAYER INDEPENDENCE DAYS

Year	Days	Independence Day
2018	103	April 14
2017	106	April 17
2016	106	April 17
2015	108	April 19
2014	107	April 18
2013	101	April 12
2012	96	April 7
2011	95	April 6
2010	98	April 9
2009	95	April 6

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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