

Taxpayer *Independence Day* 2016

Wednesday, April 20 Florida TaxWatch joins the taxpayers in our state in celebrating Florida Taxpayer Independence Day 2016. 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 2016, for the average Florida household, paying its taxes takes 110 out of 365 days, or more than three and a half months.

It takes the same number of days for Floridians to achieve taxpayer independence as it did last year, when the date was also April 20. An improving economy in Florida is producing steady, albeit modest, growth in personal income, but this economic activity is increasing tax collections as well, especially at the local level, as property values are rising again. Overall, the growth in income and taxes in 2016 is expected to be similar, resulting in Taxpayer Independence Day arriving on the same date.

Prior to this year, Taxpayer Independence Day had come later than the year before in four straight years. This caused the date to move from April 8 in 2011 to April 20 in 2015. Over the last 15 years, the latest TID came on April 28 in 2006.

Taxpayer independence will come sooner in Florida than for the average U.S. taxpayer. The Tax Foundation estimates that the national "Tax Freedom Day" will fall on April 24 this year, one day later than last year. They also estimate that if the federal debt, which represents future taxes, is included, the day would come 16 days later.

Evaluating Floridians' tax burden on a daily basis, working 9:00 a.m. to 5:00 p.m., Floridians' Taxpayer Independence Time falls at 11:24 a.m. daily. This symbolic time comes 15 minutes later than in 2011. Satisfying federal taxes alone requires one hour and 41 minutes of the eight-hour workday. Paying state taxes requires an additional 24 minutes, and 19 minutes is needed for local tax obligations. Overall, the average Floridian works 2 hours and 24 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.

Florida will contribute \$274 billion in taxes to federal, state and local governments in 2016, \$13 billion more than last year.

The Components of Floridians' Total Tax Burden

LOCAL TAXES – Local taxes are estimated at \$36.4 billion in 2016 and comprise 13.3 percent of the average Floridian's total tax burden. While Floridian's overall tax burden is lower than the national average, local taxes in Florida are higher than average. Property taxes are local governments' biggest tax source. In 2008, the housing bubble led to local tax collections exceeding state collections for the first time. However, the falling housing prices during the Great Recession caused local tax revenues to fall faster than state government revenues and property values were slow to respond when the economy started improving. Now, Florida's local tax burden is back to being the smallest of the three levels of government, but after four consecutive years of decline, local tax collections are growing again and have increased an estimated 12 percent over the last two years.

STATE TAXES – State taxes are estimated at \$45.7 billion in 2016 and comprise 16.7 percent of the average Floridian's total tax burden. State tax collections in Florida are heavily dependent on sales and other transaction taxes, so the improving economy is leading to increased tax revenue. However, this has been tempered by the commitment of the Governor and the Legislature to cut taxes in recent years. State taxes have been the slowest growing component of Floridians' tax bills for three years in a row. Total state tax collections are estimated to rise by just over \$1 billion this year, or 2.6 percent.

FEDERAL TAXES – Federal taxes paid by Floridians are estimated to total \$192 billion in 2016 and comprise 70.0 percent of the average Floridian's total tax burden. Nationally, the Congressional Budget Office expects federal revenues to rise by 4 percent in 2016—to \$3.4 trillion, or 18.3 percent of Gross Domestic Product. Individual income taxes will rise an estimated 5 percent, due mostly to “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 taxes should fall by 5 percent, due to the extension of several expired tax provisions, retroactive to the beginning of 2015.

After-Tax Buying Power Expected to Increase

Florida TaxWatch projects that the average Florida household will see a 2.5 percent increase in its effective buying power (EBP) during 2016. 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 2016 than it had in 2015.

This is the second year in a row that EBP increased, following three straight years of decline; however, EBP has now increased over the last ten years. Until this year, the combined effects of taxes and inflation had reduced Floridians' EBP below the 2007 level. These last two years of growth have now pushed EBP into the black (compared to 2007) and the EBP of Floridians has risen 2.1 percent over the last ten years. Of course, this is just an average. Varying tax bills and income will result in very different experiences.

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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