



TAXPAYER INDEPENDENCE DAY

INDEPENDENCE COMES FOUR DAYS LATER THAN 2012

APRIL 21, 2013

Sunday, April 21, is Florida Taxpayer Independence Day 2013, as estimated by Florida TaxWatch. 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.

Taxpayer independence for Floridians comes four days later than it did last year, mostly due to increasing federal taxes and a slowly recovering economy that is starting to grow state tax collections again. Although Floridians' personal income is starting to grow again, Floridians' total tax bill is expected to rise faster.

Beginning in 2007, the trend had been toward an earlier Taxpayer Independence Day (TID). This was due federal tax cuts and a recession that decreased government tax revenues faster than it decreased families' income. TID fell on May 1 in 2006. By 2009, 17 days were shaved off the length of time it takes Floridians to pay their taxes, and independence came on April 14. The next two years both saw TID coming on April 15. There was a two day increase last year and this year it takes four days more to earn the money for the tax bill. This increase in tax burden is the largest since 2005. And while this year's TID comes later than last year, it is still 10 days earlier than it was in 2006. Floridians' latest Taxpayer Independence Day came in 1998, when it fell on May 7.

Floridians will contribute \$246 billion in taxes to federal, state and local governments in 2013, \$18 billion more than last year. In 2013, for the average Florida household, paying their taxes takes 111 out of 365 days, or more than three and a half months.

Evaluating Floridians' tax burden on a daily basis, working 9:00 a.m. to 5:00 p.m., Floridians' Taxpayer Independence Time falls at 11:26 a.m. daily. This symbolic time is five minutes later than it was last year, but 14 minutes earlier than in 2006. Satisfying federal taxes alone requires one hour and 43 minutes of the eight-hour workday. Paying state taxes requires an additional 25 minutes, and 18 minutes is needed for local tax obligations. Overall, the average Floridian works 2 hours and 26 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.

HIGHLIGHTS

- Floridians must work 111 out of 365 days to pay their taxes – four days later than last year. This date is latest tax independence has come since 2008, but it is 10 days sooner than in 2006.
- It takes 2 hours and 26 minutes of every eight-hour workday to pay taxes, five minutes a day more than last year. Taxes are workers' largest single expense. Federal taxes alone take up one hour and 43 minutes.
- Floridians' tax burden began falling in 2007, when the recession caused tax collections to drop even faster than Floridians' personal income. In the last couple years, the tax burden has begun to rise again, as a slowly recovering economy began to boost tax collections. This year, the addition of increasing federal taxes led to the big jump in tax burden.
- For the second year in a row, even though inflation is low, the average family's growth in after-tax personal income is not expected to exceed inflation, causing the effective buying power (EBP) of Floridians to decrease slightly, by 0.13%.

The Components of Floridians' Total Tax Burden

LOCAL TAXES – It took a little longer for the recession to affect local tax revenues, in part because property is taxed based on its January 1 value, nine months before the fiscal year begins. Local government tax collections increased significantly the first two years of the recession, while state collections fell. In 2008, total local collections exceeded state taxes for the first time. But as property values started to decline (property taxes are local governments' major tax source), so did tax revenues. But while state taxes began rising again in FY 2009-10, local taxes are still falling. Florida TaxWatch estimates a slight decrease in FY 2012-13, but growth beginning again next year. Local taxes comprise 13 percent of Floridians' total tax bill.

STATE TAXES – State taxes are driven by sales and other transaction taxes, so the recession hit collections quickly and deeply. Florida had never had an annual decrease in tax collections until FY 2007, when a string began where collections fell in three straight years. State taxes began to rise again in FY 2010, but that was due largely to an almost \$1 billion tobacco tax hike and a \$850 million highway safety fee increase. Then, without raising taxes, a slowly rebounding economy has increased tax collections by 14.2 percent over the last three years. State taxes comprise 17 percent of Floridians' total tax bill.

FEDERAL TAXES – Federal taxes are expected to increase by 10.6 percent in 2013, due largely to the fiscal cliff deal. The expiration of the 2% cut in social security taxes led to Americans paying \$108 billion more in these taxes. Increased individual income tax rates on high-income taxpayers and a new surcharge on investments contributed another \$60 billion. These taxes comprise the lion's share (70%) of Floridians' tax burden. It should be noted that Taxpayer Independence Day calculations do not include the annual federal deficit. Even though the 2013 annual deficit is smaller than \$1 trillion (\$833 billion) for the first time in five years, the Tax Foundation estimates that including the deficit would delay tax freedom for all Americans by 21 days.

Ten Years of Florida Taxpayer Independence Days

| | | |
|------|-----|----------|
| 2013 | 111 | April 21 |
| 2012 | 107 | April 17 |
| 2011 | 105 | April 15 |
| 2010 | 105 | April 15 |
| 2009 | 104 | April 14 |
| 2008 | 113 | April 23 |
| 2007 | 119 | April 29 |
| 2006 | 121 | May 1 |
| 2005 | 118 | April 28 |
| 2004 | 112 | April 22 |
| 2003 | 108 | April 18 |

Since 2003 (per household)

| | |
|-----------------|----------|
| Inflation | Up 26.5% |
| Personal Income | Up 34.6% |
| Taxes | Up 38.6% |

Floridians' After-Tax Buying Power Expected to Fall Slightly in 2013

Florida TaxWatch projects that the average Florida household will see a small decrease in its effective buying power (EBP) during 2013. EBP is after-tax income adjusted for inflation. After paying all taxes and adjusting for inflation, the average Florida household will have approximately 0.13% less to spend in 2013 than it had in 2012. However, EBP has increased over the last ten years. Despite relative slow growth in personal income, even slower tax growth and low inflation have allowed the EBP of Floridians to rise 5.1% over the last ten years.

Of course, this is just an average. Varying tax bills and income will result in different experiences and this average EBI means nothing to the large number of Floridians who are still out of work.



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