



FLORIDA TAXPAYER INDEPENDENCE DAY 2006!

One Day Earlier Than Last Year

**April 29
2006**

Saturday, April 29, is Florida Taxpayer Independence Day 2006, 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 faster than the taxes they pay, resulting in it taking less time to earn enough to pay their taxes. Taxpayer Independence Day comes one day earlier than it did in 2005. Last year, taxpayer independence came five days later than in 2004.

This year it comes a bit earlier, and this year's date is 11 days earlier than it was in 1998 when May 10 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 2006 takes 118 out of 365 days, or just about one-third of the year. This is one day less than last year.**

Although tax independence comes a day earlier in 2006, the total taxes Floridians pay are increasing significantly again this year. However, this increase in taxes is not due to governments enacting tax increases, but rather from stronger economic growth. Larger than expected growth in taxes at the state level, coupled with rebounding federal income tax collections and rapidly increasing local property tax bills, have increased the total taxes paid by Floridians by 31% in just three (calendar) years, including 6.8% in 2006. However, the growth in personal income in the state has been strong over this period as well. Although it could not match the 14% growth in taxes during 2005, the 7.5% increase in personal income in 2006 should help Floridians satisfy their tax obligations a bit more quickly.

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 11:35 a.m. daily. Federal taxes alone take up 1 hour and 41 minutes of the eight-hour workday. Add state and local tax obligations, and the average Floridian works 2 hours and 35 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 22 minutes, health and medical care takes 1 hour and 9 minutes, and food requires 40 minutes.

HIGHLIGHTS

- ◆ Florida Taxpayer Independence Day 2006 is April 29. Floridians must work 118 out of 365 days to pay their taxes—one day earlier than last year. Although it comes a bit earlier this year, it is still eight days later than in 2003. However, it is eleven days earlier than it was in 1998, when Taxpayer Independence Day fell on May 10.
- ◆ It takes 2 hours and 35 minutes of every eight-hour workday to pay taxes, workers' largest single expense. Federal taxes alone take up 1 hour and 41 minutes.
- ◆ Although tax independence comes a day earlier, the total taxes Floridians pay are increasing significantly again this year. However, this increase is not due to governments enacting tax increases, but rather from stronger economic growth.
- ◆ The Florida Tax Index now stands at 258.5. This means that total taxes (federal, state, and local) paid by Floridians have far more than doubled, increasing 158.5% since FY 1990. Growth in total taxes during 2006 is projected at 7.9%. This is healthy growth, but it is much lower than growth in 2005 of 14.5%.
- ◆ Local governments solidified their position as the fastest growing level of government in terms of tax collections. Total local tax collections, fueled by escalating property values, have gone up 42% in just three years.
- ◆ A strong economy, coupled with a housing boom and spending on hurricane recovery, has resulted in state tax growth not seen since the 1980s, although growth should slow next year. Similarly, after five 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 9.2% and 6.1%, respectively, in FY 2006.
- ◆ Growth in personal income outpaced that of taxes, so Floridians' Effective Buying Power (EBP)—the amount of income left after taxes and inflation—rose 2.7% in 2006, the biggest increase in five years.

The Total Taxes Paid by Floridians Have Grown 33% in Just Three Years

The 2006 Florida Tax Index climbed to 258.5, 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 158.5%. After an unprecedented drop in total taxes paid of 3.6% from 2001 to 2003, collections are rising again. Following growth of 7.3% in 2004 and 14.5% in 2005, total taxes increased another 7.9% in 2006.

The index for total per capita taxes (Table 2) is at 182.2, meaning that these taxes are up 82.28% since 1990. This contrasts with inflation of 56% over this time. Per capita taxes are expected to rise \$585 (5.6%) this year. The FY 2006 taxes for each man, woman and child in Florida are projected at \$11,104.

Florida's FY 2006 total tax bill is estimated at \$202.3 billion. Tax growth of 6.1% is expected at the federal level, 9.2% at the state level, and 14.1% at the local level. Such robust growth is remarkable in that taxes have generally not been increased, and in fact have been cut at the state and federal level.

Local Taxes: Escalating Property Values Lead to Rising Tax Collections

In 2006, local governments solidified their position as the fastest growing level of 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 tax revenue comes from the property tax.

The average total millage rate in Florida has fallen in seven straight years. In fact, the projected average millage rate for FY 2005-06 of 19.54 mills is the lowest since 1989. Despite this, property tax collections have continued to rise and have had double-digit growth in each of the last three years. Rising property values and significant new construction are leading to projected growth of 11.9%, 10.4% and 14.8% in those three years. Local governments are projected to bring in over \$3.3 billion more in property taxes in 2006 than the previous year.

Taxes paid to counties, cities, and special districts are estimated to total \$30.1 billion in 2006, or \$1,653 per Floridian.

State Revenue Projections Continue to Be Increased

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 almost \$10 billion more in 2006 than it did three 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. However, housing—the key to Florida's recent revenue generating performance—is starting to cool. As a result, general revenue growth is expected to slow to 1.6% in 2006-07. Even with the housing slowdown, the underlying strength of Florida's economy—particularly when compared to other states—appears strong.

State tax collections are projected to rise to \$40.3 billion in FY 2006. That amounts to a tax burden of \$2,214 per Floridian.

Economic Growth Pushes Federal Tax Collections Up

The Federal Government has cut taxes in each of the last five years. But after an unprecedented three-year period during which total federal taxes paid by Floridians decreased, collections are on the way back up. Following the largest annual increase in federal taxes paid by Floridians in 25 years during 2005, collections are expected to rise another 6.1% this year.

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
2006	118	April 29
2005	119	April 30
2004*	114	April 24
2003	111	April 22
2002	114	April 25
2001	120	May 1
2000*	128	May 8
1999	128	May 9
1998	129	May 10
1997	128	May 9

* leap year

Source: Florida TaxWatch, April 2006.

The Florida Tax Index

Total Taxes Exceed \$200 Billion – \$11,104 Per Person

Table 1 - Taxes and Tax Indices in Florida, 1986-2006

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Millions	Index	Millions	Index	Millions	Index	Millions	Index
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	14,486	100.0	54,469	100.0	78,259	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	103,584	190.2	146,427	187.1
2000	17,119	184.0	27,732	191.4	113,305	208.0	158,156	202.1
2001	18,317	196.9	28,406	196.1	111,677	205.0	158,400	202.4
2002	19,533	209.9	29,531	203.9	104,996	192.8	154,060	196.9
2003	21,232	228.2	30,789	212.5	100,603	184.7	152,624	195.0
2004	23,759	255.4	33,463	231.0	106,532	195.6	163,754	209.2
2005	26,230	281.9	36,949	255.1	124,278	228.2	187,457	239.5
2006	30,112	323.6	40,338	278.5	131,873	242.1	202,323	258.5

Table 2 - Per Capita Taxes and Tax Indices in Florida, 1986-2006

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Dollars	Index	Dollars	Index	Dollars	Index	Dollars	Index
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	84.3
1988	602	83.0	1,039	92.0	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	4,243	100.0	6,096	100.0
1991	801	110.5	1,156	102.5	4,214	99.3	6,171	101.2
1992	851	117.4	1,232	109.2	4,268	100.6	6,352	104.2
1993	856	118.1	1,372	121.6	4,539	107.0	6,767	111.0
1994	909	125.4	1,451	128.6	4,880	115.0	7,239	118.8
1995	935	129.0	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	140.2	6,039	142.3	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	151.0	6,688	157.6	9,454	155.1
2000	1,078	148.7	1,746	154.8	7,135	168.2	9,959	163.4
2001	1,127	155.6	1,748	155.0	6,874	162.0	9,750	159.9
2002	1,178	162.5	1,780	157.8	6,330	149.2	9,287	152.4
2003	1,251	172.7	1,814	160.8	5,929	139.7	8,994	147.5
2004	1,365	188.3	1,922	170.4	6,120	144.3	9,408	154.3
2005	1,472	203.1	2,073	183.8	6,974	164.4	10,519	172.6
2006	1,653	228.0	2,214	196.2	7,237	170.6	11,104	182.2

Source: Florida TaxWatch, U.S. Bureau of the Census, Florida Consensus Estimating Conference, Tax Foundation, United States Department of the Treasury, April 2006.

Growth in Floridian's Buying Power Is the Largest in Five Years, Despite Sizable Tax Growth

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 2.7% increase in its effective buying power (EBP) during 2006. Effective buying power is after-tax income adjusted for inflation. This is the largest growth in five years and follows three years of relatively flat growth.

After paying all taxes and adjusting for inflation, the average Florida household will have approximately \$1500 more to spend in 2006 than it had in 2005.

Even though tax collections have increased considerably, so have Floridians' personal incomes. In fact, projected average household income growth of 7.5% in 2006 follows growth of 7.9% last year. These are the two largest annual growth rates since 1990. Although the taxes on the average household increased by \$1,200 in 2006, that household's income rose by more than \$4,000. Because inflation is still relatively low, Floridians' 2006 income should have more buying power.

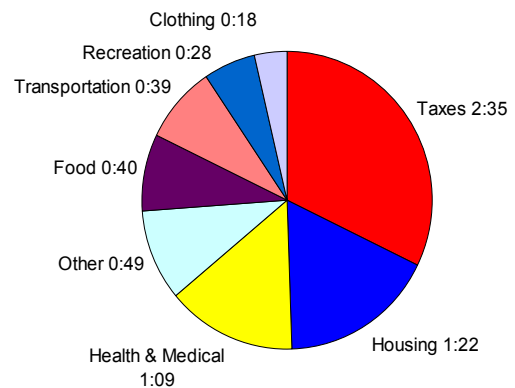
Even though it fell very slightly last year (-0.08%), EBP has increased fairly steadily, if not spectacularly, over the last ten years. The 2.7% growth in 2006 is the third largest in the last ten years. Overall, despite rising tax payments, strong personal income and low inflation have caused the effective buying power of Floridians to rise 16.8% over the last ten years.

Since 1996 (per household):

Inflation Up	27.6%
Personal Income Up	44.6%
Taxes Up	36.1%

In 1996, the average Florida household earned \$60,076. After all taxes were paid, \$39,461 in disposable income was left. In 2006, that household earned an estimated \$86,859, but its tax now stands at \$28,056, leaving \$58,803. When adjusted for inflation, effective buying power is up \$1,516 from last year, and up \$6,618 from 1996.

Taxes Consume 2 Hours and 35 Minutes of a Floridian's Earnings from an 8-Hour Workday



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 2006, or 29.5% since 1996, for your effective buying power and standard of living to keep pace with the combined effects of taxation and inflation.

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