

# Taxpayer

# Independence Day 2020

## Floridians' tax burden is going to decrease but so is our ability to pay for it

Every year, right around the usual April 15 deadline to pay your federal taxes, Florida TaxWatch releases our *Taxpayer Independence Day* report. This marks the symbolic date that Floridians are finally earning money for themselves—not for the government. This 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 and serves as a gauge for how fast government is growing versus our ability to pay for it.

This year, as with almost every aspect of daily life, the COVID-19 virus is bringing a lot of uncertainty to Taxpayer Independence Day (TID). Based on the most recent estimates, all made before the virus hit, TID 2020 would come on April 14, one day sooner than last year. This means that on average, Floridians' income was expected to grow a bit faster than last year; however, the economic slowdown brought about by COVID-19 is likely going to cause historic reductions in government revenue and personal income, at least in the short-term. Depending on the relative reductions in taxes and income—in both magnitude and timing—actual taxpayer independence in 2020 is likely to differ significantly from the current estimate.

### *Facts About Florida's Tax Burden:*

- Floridians' total tax burden (federal, state and local) exceeds \$300 billion, or more than 30 percent of the state's gross domestic product (GDP), and federal taxes make up 70 percent;
- For the average Florida household, earning enough to pay its taxes takes about three and a half months. Looking at it another way, you have to work approximately 2 hours and 15 minutes of each 8-hour workday to earn enough to pay taxes;
- Taxes are a family's single largest expense—more than food, housing and clothing combined;<sup>1</sup>

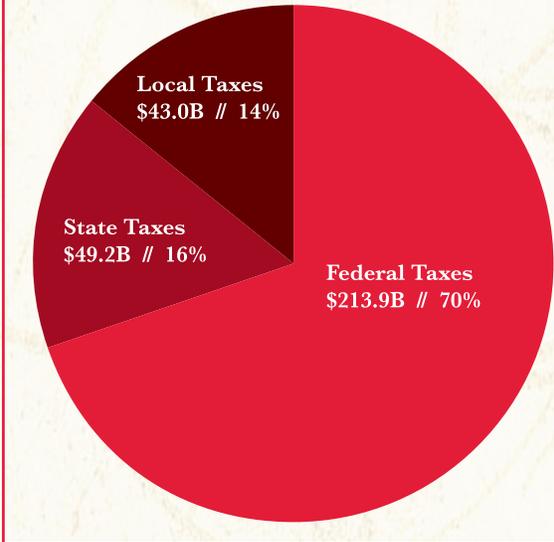
<sup>1</sup> Tax Foundation, Tax Freedom Day 2019. April 2019

- Florida’s tax burden is smaller than the average American, so Taxpayer Independence Day comes earlier in Florida than it does nationally;
- Florida’s state government tax burden is one of the lowest in the nation, while the local government burden is much closer to the national average; and
- If the more than \$1 trillion annual federal deficit—which represents future taxes—were included, Taxpayer Independence Day would come 22 days later.<sup>2</sup>

**TEN YEARS OF FLORIDA TAXPAYER INDEPENDENCE DAYS**

Year	Days	Independence Day
2019	104	April 15
2018	103	April 13
2017	105	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

**COMPONENTS OF FLORIDA'S TAX BURDEN**



Florida’s tax system has proven to be quite resilient over the years. Until the Great Recession, Florida’s state government tax collections had never fallen from one year to the next. But that major economic crisis caused tax collections to fall in three straight years, from FY2006-07 through FY2008-09. The

COVID-19 crisis is sure to bring about another rare instance of falling tax revenues. The drop will likely be historic, but it will hopefully not last as long.

Economic forecasts are starting to pour in, and they differ considerably. Most agree we are heading into a global recession and the contraction in the U.S. economy will be sudden and steep. Many are pointing to a reduction in GDP of around 10% in the second quarter of this year. The most pessimistic we’ve seen among major financial firms is Goldman Sachs’ prediction of a massive 24% decline in GDP, two and a half times larger than the previous record.<sup>3</sup>

<sup>2</sup> Tax Foundation, Tax Freedom Day 2019: April 2019

<sup>3</sup> Carmen Reinicke, Markets Insider, “7 financial heavyweights have unveiled forecasts for a sudden US recession. Here’s what they had to say about the economic damage coronavirus will cause,” March 21, 2020.

Most forecasts concede there is considerable uncertainty in these estimates—we are in uncharted territory. The economy will rebound, but there is much disagreement on how quickly this will happen. There will be pent up spending demand when business open back up.

If you are lucky enough to keep your paycheck through the crisis you will likely be ready to spend, but for those who lost their jobs or were already living paycheck to paycheck, it will take longer to get back on their feet.

This will hit Florida revenues hard, since so much of the state's tax collections come from transactions. When people don't spend there is no sales tax, when people don't drive there is no gas tax. Tourists, who help us pay so much of our tax burden, will not be flocking back for a while. Hopefully, the federal \$2 trillion-plus stimulus package (the CARES Act) will help, and there is likely more on the way.

Florida is going to have to take steps too. Florida TaxWatch would like to reiterate two suggestions to help shore up state revenue without raising taxes: joining the rest of the nation in taking measures to collect the taxes already owed on internet sales (e-fairness) could bring in \$700 million annually; and the state is also foregoing \$350 million a year by not renewing the gaming compact with the Seminole Tribe, an amount that could grow significantly with some acceptable changes to the agreement.

## ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog for more than forty years, 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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