Florida TaxWatch

Taxpayer Independence Day 2023

Tuesday, April 18, Florida TaxWatch joins the taxpayers in our state in celebrating Florida Taxpayer Independence Day 2023. 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 2023, on average, it takes Florida 107 out of 365 days to pay its taxes, or three and a half months. Floridians are experiencing tax collections that are growing faster than the personal income to pay for them, so it will take taxpayers four more days to achieve tax independence than it did last year, when the date was April 10. After Taxpayer Independence Day came earlier in six straight years, this is the second consecutive year the date falls later on the calendar. Independence is coming nine days later this year than in 2020, when the pandemic led to reduced tax collections.

Coincidentally, Taxpayer Independence Day 2023 comes on the same day Floridians' federal tax returns are due. Last year, Taxpayer Independence Day came on April 23, the latest date since 2006. This year, for the first time since 2020, Florida personal income is expected to grow faster than the taxes paid by Floridians to all levels of government. As a result, it will take taxpayers five fewer days to achieve tax independence than it did last in 2022.

When the pandemic reduced both federal and state tax revenues in FY2019-20, without a corresponding slowdown in Floridians' personal income, Taxpayer Independence Day 2020 came on April 8, the earliest date since the Great Recession. However, the pandemic's negative impact on revenues was short lived, and taxes paid by Floridians entered a two-year period of unprecedented growth in 2021 and 2022, pushing Taxpayer Independence Day more than two weeks later, reaching April 23 in 2022.

This period of tax collections far outpacing the growth in personal income was not simply due to government passing tax increases, although some temporary tax relief provisions Congress passed in response to the pandemic expired. Still, the growth in federal revenue from personal income and payroll taxes was "larger than the currently available data on economic activity would suggest."[1]

Florida state tax collections also greatly exceeded economists' projections, led by sales tax and corporate income taxes. Despite several large upward revisions of the state's revenue forecast, actual collections surpassed the Revenue Estimating Conference's estimates for 30 consecutive months.

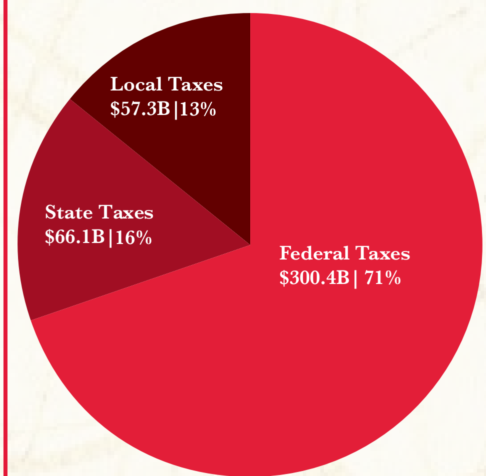
It is now estimated that the long-anticipated slowdown in tax collection growth at both the state and federal levels will begin sometime this year, resulting in a slight drop in revenue. Coupled with personal income growth of six percent, Florida TaxWatch estimates tax independence will come sooner for Florida taxpayers in 2023.

1 Congressional Budget Office, The Budget and Economic Outlook: 2022 to 2032. May 2022.

Note: On a daily basis (if working 9:00 a.m. to 5:00 p.m), Floridians' Taxpayer Independence Time falls at 11:21 a.m. each day. This symbolic time comes seven minutes earlier than in 2022. Satisfying federal taxes alone requires one hour and 40 minutes of the eight-hour workday. Paying state taxes requires an additional 22 minutes, and 19 minutes is needed for local tax obligations. Overall, the average Floridian works 2 hours and 21 minutes every day of the year just to pay all their taxes, the single largest expense incurred by citizens.

State Taxes – Florida's state government revenue structure is very dependent on the sales tax and collections have been exploding. After falling in the first half of 2020, collections quickly rebounded. There were several reasons for this. Federal pandemic aid put money in consumers' pockets and helped keep business afloat. Floridians also began spending the record savings that they had been building up, and their spending mix moved more heavily to taxable goods and away from exempt services. Then inflation raised prices which also increased taxes. All these factors led to Florida's sales tax collections growing a staggering 40.0 percent in two years. Corporate income tax collections also increased significantly, due to the tax base expansion measures passed by Congress and largely adopted by the Legislature. Even with the temporary refund and rate reductions the Legislature enacted in an attempt to make the federal changes more revenue neutral in Florida, collections averaged $3.0 billion in FY2020-21 and 2021-22, an increase of 35.7 percent over FY2019-20. These increased sales and corporate income taxes contributed to the delay in Taxpayer Independence Day in 2021 and 2022.

COMPONENTS OF FLORIDA'S TAX BURDEN



Now, pandemic relief funds are gone, savings are depleted, and purchases are returning to a more typical mix. The state's economists are predicting a "downshift" in 2023, leading to a slight reduction in total collections. This contributed to Taxpayer Independence Day coming earlier this year.

TEN YEARS OF FLORIDA TAXPAYER INDEPENDENCE DAYS

Year	Days	Independence Day
2023	107	April 18
2022	112	April 23
2021	105	April 16
2020	97	April 8
2019	98	April 9
2018	101	April 12
2017	103	April 14
2016	104	April 15
2015	105	April 16
2014	106	April 17

Local Taxes – Property values continued to rise during the pandemic, keeping property tax revenues (the largest local tax source) from falling. There were even some property tax increases enacted as few counties adopted the rolled-back millage rate. Further, local voters have been approving numerous sales and property tax increases for their local governments and schools.[2] Voters approved $2.7 billion in new or extended taxes from 2020 to 2022. As a result, Floridians' local tax burden has exhibited steady growth through the pandemic and unlike federal and state taxes, Floridians' local tax payments are expected to increase in 2023.

Federal Taxes – Federal tax collections have the biggest impact on Taxpayer Independence Day since they comprise 71 percent of all taxes paid by Floridians. Personal income and payroll taxes (Social Security and Medicare) provide more than 80 percent of all federal tax revenue. Growth in federal taxes has been similar to that of state taxes. They fell slightly in 2020, thanks in part to pandemic-related tax relief. They then increased significantly in 2021 and 2022, increasing by a total of 41.3 percent. This was due in part to the end of temporary

2 Florida TaxWatch, Florida Voters Continue to Say Yes to Proposed Tax Increases, January 2023. https://floridataxwatch.org/Research/Full-Library/florida-voters-continue-to-say-yes-to-proposed-tax-increases

provisions enacted in response to the pandemic, such as allowing employers to defer payment of a portion of certain payroll taxes. The Congressional Budget Office (CBO) estimates this accounted for one-third of the growth in federal taxes in 2022. Another third resulted from growth in the economy and income and the remaining third cannot yet be explained. Similar to the state level, federal tax collections have been surpassing what would be expected based on normal economic factors. In addition, like the state's revenue estimators, the CBO expects a small decline in revenue during 2023 as the temporary factors that boosted collections fade away.

Note: Florida will contribute $424 billion in taxes to federal, state and local governments in 2022. This is only $1.7 billion (0.4 percent) more than last year, the smallest percentage growth since the Great Recession.

Facts About Florida's Tax Burden

- Florida's total tax burden (federal, state and local) totals an estimated $424 billion in 2023, or $18,683 per capita. This is 29.3 percent of personal income.
- Federal taxes make up the lion's share at 71 percent of Floridian's total burden, state taxes account for 16 percent and local taxes make up 13 percent.
- Over the last ten years, the total taxes paid by Floridians have increased by 90.8 percent. Federal taxes have grown the most (100.4 percent), followed by local taxes (87.1 percent) and state taxes (58.6 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 21 minutes of each 8-hour workday to earn enough to pay taxes.
- Taxes are a family's single largest expense.
- 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.

Floridians' After-Tax Buying Power Expected to Increase Slightly in 2023

Even with decent personal income growth and a small decrease in its tax bill, Florida TaxWatch projects that the average Florida household will only see a minor increase in its effective buying power (EBP) during calendar year 2023. This increase of 0.6 percent was tempered by slowing, but still relatively high inflation. EBP is after-tax income adjusted for inflation. After paying all taxes and adjusting for inflation, the average Florida household will have $593 more to spend in 2023 than it had in 2022. This is good news after EBP dropped significantly in each of the last three years.

Despite the recent drop, the large gain over the preceding five-year period means EBP is still up over the last ten years. EBP is now more than $3,802 (4.9 percent) greater than in 2013. Of course, this is just an average. Varying tax bills and income can result in very different results for individual Florida families. The mixed economic environment we are in has likely created major disparities between the experience of the "average" household and those at either end of the spectrum.

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 donations and private grants, and does not accept government funding. Donations 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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