

Tax Freedom Day is Rapidly Approaching

Each year, the Tax Foundation calculates an increasingly popular date called Tax Freedom Day. By analyzing five categories of taxes that make up most of the tax burden—individual income, payroll, sales and excise, corporate income and property—they first determine a representative level of taxes paid by Joe American. Then, the Tax Foundation considers the following: If, instead of paying a portion of your taxes steadily throughout the year, you first paid all of your tax liabilities before keeping anything, at what date would you begin to earn income for yourself? Taxes are so ingrained into our life that it is easy to overlook exactly how burdensome taxation really is; Tax Freedom Day helps put the scope of taxes back into perspective.

This year, Tax Freedom Day falls on April 23, 113 days into the year. (Coincidentally, Tax Freedom Day tends to fall around the day that taxes are due, April 15.) Last year, Americans worked three more days in order to pay off their tax burden, until April 26. The latest Tax Freedom Day has ever occurred was May 3, 2000. Remember, these are the days which, assuming you paid all of your taxes first, you begin to earn income for yourself.

While Tax Freedom Day over the last fifty years has generally oscillated around the middle of April, the same cannot be said when the analysis is extended to view the entire last century. It is no secret that since the turn of the 20th century tax revenue as a percentage of income has grown dramatically, and the progression of Tax Freedom Day bears this out. In 1900, Tax Freedom Day fell on January 22, and then fell in 1910 to January 19. The 1920s and 1930s had dates in February; the 1940s and 1950s, March. Tax Freedom Day began falling in April beginning in the 1960s, and continues to do so currently.

These dates provide a different way of looking at taxation in America. Saying that the typical American pays over 30% of their income in taxes generally receives a look of indifference, if not implicit acceptance; explaining that Americans do not begin working for themselves until April—when before they used to work for themselves in January—tends to elicit more of a response.

Towards the end of placing taxes in the proper perspective, comparing days of taxes levels to days of other common expenditures is an interesting exercise in its own regard. Of the 113 days needed to pay taxes this year, 32 days alone are needed for personal income tax at the federal level. Social insurance taxes take 28 days to pay off. By comparison, the average individual works 35 days just for food; in this regard, paying federal income tax is like feeding yourself twice. Transportation requires 29 days of work; similarly, paying social security doubles your commute cost. I am fairly confident that most Americans would not willingly do their daily commute twice.

As there is a wide variance in state policy, the Tax Foundation also calculates Tax Freedom Day for each of the states. Such a variance in policy creates a wide spectrum of Tax Freedom Days, from March 29 (Alaska) to May 8 (Connecticut). And at first glance, Tax Freedom Day may be one economic measure in which West Virginia doesn't lag behind the rest of the country. Here,

Tax Freedom Day falls on April 8, the third best such date. But Tax Freedom Days across states reflect the disparity in income more so than marked discrepancies in tax rates. Six of the ten earliest Tax Freedom Days—the best days at face value—fall in one of the ten lowest state incomes per capita. Similarly, six of the latest Tax Freedom Days fall in states that have one of the ten highest state incomes per capita. This result highlights the progressive nature of the American tax system, i.e., individuals pay a progressively higher portion of their income in taxes as they make more money. Claiming that an early Tax Freedom Day for West Virginia is a good thing overlooks the fundamental outcome of our state's foundering economy—namely, our residents do not make a lot of money compared to the rest of the country. Of course, West Virginians earn relatively small incomes due to our lack of economic freedom. A horrid business climate and weak legal system have long been hallmarks of the Mountain State. Improvements in these areas will begin to bring West Virginia back to the rest of the country. If anything, the cross-state Tax Freedom Day results might raise questions about the vitality of a progressive tax structure—but that's a topic worthy of more than a few sentences.

Ultimately, the Tax Foundation brings the burden of taxes into a format that is easy to digest for everyday Americans. Those that are not comfortable with dollars can hopefully view our oppressive tax system through the lens of days and weeks. After all, it should be awfully stunning that Americans will only begin working for themselves starting next Wednesday.

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