



## How Much Higher Should We Raise Taxes?

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The Tax Foundation has declared April 24 National Tax Freedom Day. The date is often loosely, albeit somewhat inaccurately, interpreted to mean in 2016, the average American will spend 114 days working to pay taxes. “Americans will collectively spend more on taxes in 2016 than they will on food, clothing, and housing combined,” says the report released in time to get people in the mood for last-minute federal filings. If the foundation’s algorithms included money owed for taking out more debt, the amount would be even larger.

Since 2002, the United States has been running a deficit. Since 2009, the deficit has been about \$1 trillion annually. The deficit, by way of reminder, is the difference between revenues and expenditures in the annual budget, and is not to be confused with the over \$19 trillion in debt racking up, which does not include unfunded liabilities. The calculations don’t include “hidden taxes” like inflation or costs of compliance with regulation, either.

The estimate seems low for a wage slave paying 25 percent in state and local income taxes, and considering claims by Americans for Tax Reform, led by the controversial Grover Norquist, that hidden taxes, in a more general sense, averaged 35 cents of every \$1.14 loaf of bread, \$34.40 for an \$80 hotel room, and \$39.35 of a \$153.09 monthly utility bill. Over half the cost of a gallon of gasoline could be taxes. But then, about half of Americans pay no income taxes.

Tax Freedom Day was first calculated as a hobby by businessman Dallas Hostetler. In 1971, he transferred the trademark for the calculation to the Tax Foundation.

Tax Freedom Day is determined by multiplying 365 by the quotient of all federal, state, and local taxes, and the total national income. In 2016, Americans are expected to pay \$3.34 trillion in federal taxes and \$1.64 trillion in state and local taxes. The even \$5 trillion total represents 31 percent of the national income.

Sliced another way, Americans will work 46 days to pay off individual income taxes; 26 days for payroll taxes; 15 days for sales and excise taxes; 11 days for property taxes; and 7 days for estate, inheritance, customs, and other taxes.

North Carolina will reach its Tax Freedom Day April 16. It will be the nineteenth state to reach Tax Freedom Day this year. The first to cross the finish line was Mississippi (April 5), followed by Tennessee (April 6), and Louisiana (April 7). Coming in dead last will be Connecticut (May 21), with New Jersey (May 12), and New York (May 11) lugging in slightly sooner.

Tax Freedom Day is actually one day earlier than it was last year. The latest national Tax Freedom Day ever was May 1, 2000. In a bygone era favoring personal responsibility, Tax Freedom Day fell on January 22, 1900.

Not in response to the publication, presidential candidates Hillary Clinton and Bernie Sanders have suggested raising the highest income tax rates to 43.6 and 23-52 percent, respectively. Donald Trump suggested lowering it to 25 percent, and Ted Cruz wanted to replace payroll and corporate taxes with a 15-16 percent tax on payroll and profits and a flat 10-15 percent tax on income.

Democrat solutions are largely dismissed by Republicans because they overlook evasion strategies and assume higher rates bring in higher incomes. They also overestimate the power of soaking the rich, it being time and again established that imposing a 100-percent tax on the infamous 1 Percent won't make a dent in the national debt.

Republicans, however, want to use lower rates to spur growth and expand the tax base. Alan Reynolds, for the Cato Institute, wrote the Republicans' plans were being judged unfairly; they were being compared to CBO baseline projections even the CBO said were "totally unrealistic." Reynolds reminds readers, "The unprecedented revenue surge in the tech boom of 1998-2000 has much to do with cutting the capital gains tax from 28 percent to 20 percent in 1997, combined with the quintupling of NASDAQ stocks, which also created big stock option payouts for thousands of non-executives."

A number of other nations calculate tax freedom days. However, comparisons are worse than oranges and apples, differences being attributed to disparate methods of "collecting and categorizing" data. Some nations have not updated their data for as much as ten years, either. Reasons for differences include whether or not taxes are calculated for all citizens or only those employed. Taxes on corporate profits, gasoline, and cigarettes may or may not be included in a given study.

For what it's worth, some of the better numbers go to Switzerland (February 6), India (March 14), and Albania (March 25). Among the worst are Norway (July 29), France (July 16), and Turkey and Israel in a tie (July 14). One study showed Belgium and Hungary with Tax Freedom Days in August.

The Tax Foundation is better than many organizations trying to shape public policy in that they adhere strictly to standards for mathematical