Rhode Island's Future

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Celebrate Rhode Island's Taxes

Did you know you live in a low-tax state? According to the Tax Foundation, average taxes per person in Rhode Island are lower than in any other northeast state besides Maine, and lower than Utah, Nevada, Wyoming, Delaware, and Virginia.

Each year, you see, the tribunes of wealth and privilege who run the Tax Foundation calculate the date of "Tax Freedom Day" to make a point about how much our nation pays in taxes. The idea is that your pay from January 1 until tax freedom day goes to federal, state, and local taxes and the rest of the year is for you. It's a perfect expression of our national tax allergy, since TF day comes without a trace of a mention of what we get for that money. Nope, the Tax Foundation is all about the price of government, not about its value.

But put that kind of scoffing aside, what do they show? According to their calculations, TF day comes on April 15 in Rhode Island, compared to April 22 in Massachusetts, May 1 in New York, April 11 in Texas, April 23 in Wyoming, April 17 in Utah, April 17 in Delaware, and April 18 in Nevada. The only state north and east of West Virginia that has an earlier TF day is Maine (April 8). Hooray for low taxes!

Of course my experience with the Tax Foundation says that you can trust their numbers, but it always pays to read the footnotes so you know what those numbers actually are because they are seldom what you think. In the footnotes and cross-references, you learn, for example, that their calculations of state taxes usually include the state taxes you pay to other states. No joke. For example, some small fraction of the gas you buy comes (or could come) from Alaska, some small fraction of every dollar you spend on gasoline winds up funding the State of Alaska Permanent Fund. And people from Rhode Island often pay sales taxes to Massachusetts or Connecticut when they shop there, so that counts, too.

This gets to the heart of my complaint about the Tax Foundation. When I'm looking at economic or tax data I don't just want information. I want information relevant to the decisions before us. The Tax Foundation specializes in information that isn't relevant to any particular decision. Why do I care how much of my money goes to other states when I'm discussing tax policy in Rhode Island? And why do I care about average taxes paid per person when I know very well that there aren't any average people? The taxes we pay vary according to your wealth and according to where you live. Over the past 20 years, we've shifted the load from people who have money and live in the suburbs to people who don't have much money and who live in cities. To think that some kind of overall average can capture that dynamic is absurd and makes this kind of comparison with other states not just meaningless, but counter-productive.

What is useful about this kind of report is that it puts the lie to claims that there's anything especially egregious about the level of Rhode Island taxes. We don't live in a "tax hell," more highly taxed than other states. We live in a place where inadequate understanding of the economics of taxation has led our leaders to make some really bad decisions about who can afford what, and the result is perpetual cuts in taxes on rich people and increases in taxes on less rich people. That's all.

As an aside, there's also an interesting chart on the tax freedom page (look for the heading that says "Historical Tax Freedom Day"). It shows movements in taxes versus movements in the deficit, and you can see from it that before 1980 the two tended to move in sync and since then they've moved in anti-sync. I wrote about a chart very much like that in 2006, when the late director of the **Cato Institute,** William Niskanen, wrote an article to say that low taxes do not lead to a decrease in the size of government and that real conservatives should stop pretending that they do. Find that article here