

Monday, April 12, 2010

BANDOW: Tax Freedom Day mirage

[Doug Bandow](#)

Americans are about to finish paying taxes this year. Kind of. Tax Freedom Day (TFD) came on April 9, but it's an artificial freedom. Massive borrowing this year - the federal deficit is expected to run about \$1.6 trillion - guarantees future tax increases.

And just wait until the real cost of health care "reform" kicks in.

April 9 is a day later than 2009 but about two weeks earlier than in 2007. We still are devoting more than a third of our lives to working for Uncle Sam, but in relative terms, things seem to be a lot better than just a couple years ago.

If only it were so.

The relief is temporary. The Tax Foundation, which measures TFD, points out, "The recession has reduced tax collections even faster than it has reduced income" and legislators "have enacted large but temporary income tax cuts for 2009 and 2010, just as President Bush did in 2008." Moreover, the estate tax has been temporarily repealed.

Even as it is, Americans this year will spend more on taxes than on clothing, food and shelter combined.

Also, consider the value of the government "services" we received: Bailouts of most everyone with a lobbyist; a coming federal takeover of the health care system, a gaggle of foreign "welfare queens" on the American military dole, expanding government bureaucracies determined to micromanage our lives, out-of-control entitlement programs set to wreck federal finances, and thousands of pork-barrel projects designed to re-elect the very politicians who voted for all of the aforementioned programs and policies.

The average TFD is bad enough. Many states are worse. Connecticut continues to dominate the No. 1 position, coming in at April 27. New Jersey is No. 2, with its people paying for

government until April 25. New York suffers at No. 3, with its TFD on April 23.

At the other end of the spectrum are Alaska and Louisiana, whose residents were able to start partying on March 26. Mississippi was next at March 28.

Unfortunately, TFD today is merely the proverbial calm before the storm. In a world of endless red ink and the coming debt tsunami, spending rather than taxing is the true measure of government's burden.

Explains the Tax Foundation: "Since 2008 ... deficits have been massive by any measure, and as a result Tax Freedom Day may give the impression that the burden of government is smaller than it really is. If the federal government were planning to collect enough in taxes during 2010 to finance all of its spending, it would have to collect about \$1.3 trillion more, and Tax Freedom Day would arrive on May 17 instead of April 9 - adding an additional 38 days of work to the nation's work for government."

The previous TFD record was May 1 in 2000. And that year, borrowing would not have pushed the date forward even one hour. In 2000, Washington ran a \$236 billion surplus, the largest ever. May 1 really did reflect the burden of government.

The future looks bleak. In its analysis of the president's budget, released in March, the Congressional Budget Office figured that the deficit for this year would be slightly less than the administration projected, but the collective red ink from 2011 and 2020 would be \$1.2 trillion greater, for a total of \$9.8 trillion.

At least as a percentage of gross domestic product, deficits are projected to drop through 2014, but "would rise steadily thereafter," according to CBO. The federal debt obviously would rise, too. As a result, "Net interest would more than quadruple between 2010 and 2020," jumping "from 1.4 percent of GDP in 2010 to 4.1 percent in 2020."

These estimates don't include any of the inevitable but unbudgeted future spending increases. The FDIC has been closing a record number of banks. The Pension Benefit Guaranty Corp.'s fund is running in the red. Fannie Mae and Freddie Mac continue to lose money. Most federal health care "reform" outlays don't kick in until middecade.

Then there are Social Security and Medicare, which together have \$107 trillion in unfunded liabilities. Countering expectations, Social Security began running a deficit this year. And there's no money in the fraudulent "trust fund" to pay for future benefits.

America is starting to look like a bigger version of Greece, only a few years behind.

Even after you've finished paying your taxes this year, it's too soon to celebrate. You really aren't done, and you may never be done.

The president and Congress are attempting to run a welfare state on the cheap. Unfortunately, the bill eventually will come due. When it does, we may be lucky if Tax Freedom Day ever comes again.

Doug Bandow is a senior fellow at the Cato Institute and former special assistant to President Ronald Reagan.

· **Ads by Google** 

[Income Tax](#)

[Federal Tax Returns](#)

[Indirect Tax](#)

[2010 Tax](#)

[Tax Percent](#)