



News

Tax Dispute: Economists Rip Anti-Tax Group's Claims

By MICHELLE HIRSCH, The Fiscal Times on Aug 20, 2010

A new report from an anti-tax group suggests that it takes nearly eight months of earnings for the average American to pay off his or her share of all taxes and regulation each year. But along with Americans for Tax Reform's [annual release](#) of this number comes the annual controversy about the validity of its data and conclusions.

According to this year's "Cost of Government Day" report by Americans for Tax Reform (ATR), the average person had to work 231 days in 2010 in order to earn enough gross income to pay off their federal, state, and local [spending and regulatory burden](#). This year's "Cost of Government Day" – today, Aug. 19 – is 34 days later than it was in 2008, before the enactment of economic stimulus or health care reform.

"The goal is to give people not just a talking point, but a very lucid data point they can point to and say, 'Look, this is what government has done to me this year alone,'" said report editor Mattie Corrao, executive director for the ATR's Center for Fiscal Accountability.

[Conservative commentators](#) picked up on the report, but economists from different points on the political spectrum say the report is unsourced, misleading or just plain inaccurate. "There's no actual methodology laid out, and many of the charts in this paper have no appendix, no footnote, and no source," said Michael Linden, associate director for tax and budget policy at the left-leaning Center for American Progress. "And, that aside, there are substantial, serious data mistakes – a lot of them."

For example, the [report](#) cites the years between 1996 and 2000 as a time of high deficits and low growth. In fact, those were [boom times](#) that [produced surpluses](#). "We had a surplus from 1998 to 2000, so three of those years the deficit was actually zero," Linden said. "We had a small deficit in 1996 and 1997, especially expressed as a share of GDP. And 1996 to 2000 were the boom years where economic growth was very high."

Similarly, a section in the report focusing on the size of the government workforce cites selective data. "Government employment has increased by over 500,000 jobs since 2009," the report said, claiming the cost of those jobs falls on taxpayers. But according to the [Bureau of Labor Statistics](#), total government employment was lower in July 2010 than at the beginning of 2009 and now appears to be decreasing further.

Though it's not clear from the sourcing or methodology, the report appears to double-count federal money that is sent to the states and redistributed from there. If that's the case, the report shows a large increase in state spending when the [government data suggest](#) that the numbers have stayed relatively constant. And the report's figures are not inflation-adjusted or expressed as a percentage of GDP, which allows comparisons over time.

ATR, led by conservative activist Grover Norquist, has been calculating the "Cost of Government Day" since 1977. The

group's report calls the deficit "a distraction" and downplays the impact that tax cuts can have on it, focusing instead on taxing and spending. But it seems to acknowledge some of the flaws in its methods, such as tracking spending by calendar year, rather than fiscal year.

"That was mainly just for the ease of people being able to see it," said Benjamin Pacini, the report's author, at the National Press Club on Thursday. "The data was more continuous that way."

"It makes sense to people that way, since most American families don't think about their year in terms of the fiscal year, but when you're talking about January first it makes more sense when you are budgeting for your household," Corrao added.

At the libertarian Cato Institute, budget analyst Tad DeHaven said that while it's no surprise to see a significant uptick in government regulation and spending, "there's just a lack of support information on how they arrive at some of those numbers.

"It's not an academic or scientific paper, and it's not supposed to be, but there should be more sourcing," DeHaven said. "This is an attempt to put out a little benchmark that regular folks can identify with. It's for the consumption of their readership base."

At the left-leaning Economic Policy Institute, analyst Ethan Pollack was more blunt. "This report more closely resembles a press release than an actual academic paper," he said.