



How Much Did You Pay in Taxes?

by David Hogberg

For many of you it is that most wonderful time of year—April 15 is the deadline for filing your federal income taxes! As you are reveling in this most joyous occasion, you may be wondering exactly how much you pay in taxes each year. Not just income taxes, mind you, but all taxes such as sales, payroll, or utilities.

Indeed, it is often difficult to tell, because so many taxes like sales and utilities are paid in small amounts over time, and we often throw out the receipts and bills. To get a better idea how much an individual pays in total taxes, a gentleman that PII knows conducted a little experiment during 2003. He collected everything that listed a tax on it. This included his paycheck stubs, sales receipts, and phone, utility and cable bills. After he compiled this mass (mess?) of papers and had his income taxes done, he handed it over to PII. PII then totaled the numbers. Keep in mind that this is a man in his thirties who earned \$39,500 last year, is not married and has no children. He rents an apartment, so he does not pay property taxes.

Table 1 displays the total amount that he paid in taxes, broken down by tax type. Income taxes take the biggest bite, with FICA taxes running a not too distant second. In total, he paid \$9,434.72 in taxes for 2003, or 23.9% of his income. That's more than one dollar in five that he sends to some form of government!

Tax Type	Amount Paid
Federal Income	\$4,333.40
State Income	\$1,606.00
Social Security	\$2,406.40
Medicare	\$562.79
Sales	\$193.72
Utility	\$59.03
Phone	\$176.39
Cable	\$61.49
Car	\$35.50
Total	\$9,434.72

Yet this estimate misses some very important taxes, including the gasoline tax and regulations. Since the gasoline tax is not listed on the gasoline receipt, it was not included in this study. Thus, he underestimated the amount of taxes he paid. A study by researchers W. Mark Crain and Thomas D. Hopkins shows that the regulatory burden for American households is quite high.¹ If those two were

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included, this gentleman's tax burden could easily be 25%, or one dollar in four.

It's also interesting to examine the many taxes that he pays. For utilities he pays a state, local, and school tax on both the electric and gas portions of his bill. On his cable bill he pays a sales tax, franchise fee, and regulatory fee.² On his long-distance telephone bill he pays a city sales tax, a county sales tax, a state sales tax, a carrier universal service charge, a carrier property tax, and federal excise tax.³ On his local telephone bill he pays a federal access charge, a federal universal service fund charge, a federal charge for service provider portability, a 9-1-1 emergency surcharge, a school infrastructure tax, federal tax, and state/local tax.⁴

So what does he get for all the taxes that he pays? Well, he gets the protection of the police, fire department, and military. He also gets to use the roads, although the gas tax pays for roads and the gas tax is not included in the initial estimate. But since he is not 65, he received no Social Security or Medicare. Since he is not poor, he receives no welfare or Medicaid. He has no children, so he does not use the public schools. Nor does he receive any farm subsidies, corporate welfare, or National Endowment for the Arts grants. In short, much of his income goes to government programs that do not directly benefit him.

While no one would dispute that government must perform some functions, it is fair to ask how many of those functions are necessary. Society would not fall apart if we did not have corporate welfare, the National Endowment for the Arts, the Corporation for Public Broadcasting, or farm subsidies. Furthermore, as a group, seniors are the most affluent in our society. Why should a worker be required to pay for the retirement and health care of those seniors who are not indigent? And even for those services that are necessary, it is fair to ask what we are getting for our money. For example, we've spent more and more tax money on education over the last thirty years, but, based on test scores, we seem to have little to show for it. If government is going to continue taking about one dollar in four out of our incomes, these concerns need to be made front and center.

ENDNOTES:

¹W. Mark Crain and Thomas D. Hopkins, "The Impact of Regulatory Costs on Small Firms," a report for the Office of Advocacy, U.S. Small Business Administration, RFP No. SBAHQ-00-R-0027, 2001.

²Some of these taxes are a bit obscure and need explanation. The franchise fee is the charge the cable company pays the County for use of public rights-of-way. This money is placed in the general fund and used to pay for roads, schools, and other services used by County residents. FCC rules allow the cable company to pass these fees on to the customer. The FCC Regulatory Fee applies to every cable customer in the country. The FCC charges the fee to cover the cost of regulating the cable industry. Each year, the FCC sets the rate to reflect their actual costs.

³Universal service fees help fund government-mandated programs to make local telephone service more affordable to low-income and rural customers. These charges also help provide Internet access to schools, libraries and rural health care providers. The federal universal service fund and carrier universal service charge are just different names for the same tax. It is a tax that helps provide affordable telecommunications services for low-income customers and customers in rural areas. It also provides discounts on Internet access for eligible schools, libraries and rural health care providers.

⁴The federal access charge has been mandated since the mid-1980s to help cover the cost to maintain outside wires, poles, and other facilities used to link customers to the long-distance network.

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