



Independence (from government) Day!

by Amy K. Frantz

When you go to work each day, you might think you are earning your paycheck to take care of your own expenses; your food, clothing, shelter, and all the other necessities and not-so-necessary things we buy with our income. But actually, for just over half of the year you are going to work to take care of the government's necessities and many not-so-necessary things politicians buy with your money.

Each year, Tax Foundation, a research and public education organization in Washington, D.C., calculates "Tax Freedom Day." This is the day when the average American has earned enough in wages to pay his or her federal, state, and local taxes for the year. This year, Tax Freedom Day did not arrive until May 3.¹ Tax Foundation also calculates the Tax Freedom Day for each state. The average Iowan had to work until April 27 this year to earn enough to pay federal, state, and local taxes.²

Table 1 illustrates the amount of time worked to pay the individual taxes that are used to calculate Tax Freedom Day. Corporate income taxes are included because, although these taxes are paid by businesses, they are ultimately passed along to consumers, employees, and shareholders.

Table 1. Average Number of Days Worked to Pay Taxes by Type of Tax

Days Spent Laboring to Pay Taxes in 2001: 123 Days

Individual Income Taxes	50 Days
Social Insurance Taxes	29 Days
Sales & Excise Taxes	16 Days
Property Taxes	10 Days
Corporate Income Taxes	12 Days
Other Business Taxes	3 Days
All Other Taxes	2 Days

Note: Due to rounding, components do not add up to total.

Source: *America Celebrates Tax Freedom Day*
by J. Scott Moody, Tax
Foundation Economist, Tax
Foundation Special Report,
April 2001, No. 104, p. 2.

In 1901, Tax Freedom Day for the average American fell on January 21.³ One hundred years later, in 2001, Tax Freedom Day fell on May 3. The growing federal tax burden in recent years has rapidly pushed Tax Freedom Day later and later in the year. "In the relatively short span

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since 1994, the time that Americans have had to spend working for the government has increased 11 days...In 2000, Tax Freedom Day jumped three days, as federal tax collections soared, and for the first time, taxes pushed Tax Freedom Day back into the month of May.⁴

Tax Freedom Day does not include the cost of complying with cumbersome federal, state, and local tax codes. The cost of complying with the federal tax code alone is calculated as \$140 billion. Including this cost would push Tax Freedom Day back an additional six days, to May 9.⁵

Americans for Tax Reform, a national taxpayer advocacy group based in Washington, D.C., calculates the burden government places on the average taxpayer in the annual "Cost of Government Day." This is the day on which "the average American worker has earned enough gross income to pay off his or her share of tax and regulatory burdens imposed by all levels of government (federal, state, and local taxation and regulatory compliance costs)."⁶

While we celebrate our country's independence from the British on July 4, we didn't celebrate Cost of Government Day, the day we receive our independence from the burden of taxes and regulatory costs, until two days later, on July 6, 2001. In Iowa, the celebration started a bit earlier, as Cost of Government Day for our state fell on June 26 this year.⁷

Just as with the Tax Foundation's Tax Freedom Day calculations, Americans for Tax Reform's Cost of Government Day has been steadily creeping later in recent years. In 1989, Cost of Government Day for the nation was June 18. In 1994 Cost of Government Day was June 25, and each year since, Cost of Government Day has been later than the previous year.⁸

For the remainder of this year, we can go to work knowing that we are now working for ourselves, not to cover the cost of government. But beginning on January 1, 2002, it's back to working away to keep big-spending politicians happy.

ENDNOTES:

¹Moody, J. Scott, *America Celebrates Tax Freedom Day*, Tax Foundation Special Report, April 2001, No. 104, p. 1.

²*Ibid*, p. 6.

³*Ibid*, p. 4.

⁴*Ibid*, p. 3.

⁵*Ibid*, p. 11.

⁶Ansell, Damon, Marc Hudak, and Andy Seamans, Editors, with Research and Analysis by Ryan B. Horn, *Cost of Government Day Report Calendar Year 2001*, Ninth Edition, Americans for Tax Reform Foundation, p. 1, found at www.atr.org.

⁷*Ibid*, p. 15.

⁸*Ibid*, p. 2.

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