

FLORIDA TAXPAYER INDEPENDENCE DAY 2008!

Independence Comes One Day Earlier Than Last Year

April 25
2008

Friday, April 25, is Florida Taxpayer Independence Day 2008, as estimated by Florida TaxWatch. On that day, Floridians can take satisfaction in knowing that they finally are earning money for themselves – not the tax collector. This symbolic date assumes that every dollar earned since January 1 has gone to pay federal, state, and local tax obligations. On average, Floridians' personal income growth will slightly outpace the taxes they pay, meaning it will take one less day to pay their tax bills in 2008 than it did in 2007 and two less days than in 2006; however, this year's Independence Day is four days later than it was in 2004. Taxpayer Independence Day is based on the relative size of all taxes paid in Florida to total Florida personal income.

While it is later than it was a couple years ago, this year's date is 14 days earlier than it was in 1998 when May 10 was the latest Florida Taxpayer Independence Day ever. The earliest day Florida TaxWatch ever calculated was April 17 in 1983. **For the average Florida household, paying their taxes in 2008 takes 115 out of 366 days, or a bit less than one-third of the year.**

Unfortunately, this reduction in tax burden is due more to a poor economy than to tax cuts or a large increase in Floridians' personal income. Property tax cuts passed by the 2007 Legislature helped, but the economy's impact on state taxes is the real reason for the reduction. Personal income growth in 2008 will be small, but enough to be a bit faster than taxes during 2008. Income growth of 4.0 percent just outpaces tax growth of 2.9 percent. Federal taxes, by far the biggest part of the total tax bill, are expected to grow 4.1 percent. Local tax growth has also finally slowed, but is still up. However, actual state tax receipts will fall for the second year in a row during 2008. Florida's property tax system creates wide disparities among taxpayers and this creates even larger differences in individual tax burdens than usual. But overall, Florida's income growth should exceed its tax bill.

Evaluating the tax burden on a daily basis, if working 9:00 a.m. to 5:00 p.m., Floridians' Taxpayer Independence Time falls at 11:30 a.m. daily. Federal taxes alone take up 1 hour and 41 minutes of the eight-hour workday. Add 25 minutes for state and 24 minutes for local tax obligations, and the average Floridian works 2 hours and 30 minutes every day of the year just to pay the tax collector. Taxes are still the single largest expense incurred by citizens (see figure on last page). By contrast, housing and utility costs take 1 hour and 19 minutes, health and medical care takes 1 hour and 6 minutes, and food requires 46 minutes.

HIGHLIGHTS

- ◆ Florida Taxpayer Independence Day 2008 is April 25. Floridians must work 115 out of 366 days to pay their taxes—one day less than last year. This is the second year in a row it has come one day earlier, but it is still four days later than in 2004; however, it is fourteen days earlier than it was in 1998, when Taxpayer Independence Day fell on May 10.
- ◆ It takes 2 hours and 30 minutes of every eight-hour workday to pay taxes, workers' largest single expense. Federal taxes alone take up 1 hour and 41 minutes.
- ◆ This reduction in tax burden is due more to a poor economy than a large increase in Floridians' personal income or tax cuts.
- ◆ The Florida Tax Index now stands at 287.2. This means that total taxes (federal, state, and local) paid by Floridians have nearly tripled, increasing 187.2 percent since fiscal year 1990. Growth in total taxes during 2008 is projected at 1.6 percent. This growth is much lower than growth of 6.6 percent in 2007.
- ◆ Although growth has slowed, skyrocketing property taxes have established local taxes as, by far, the fastest growing level of taxation in Florida. Local taxes increased by a phenomenal 50 percent in just three years (2004-2007). As a result, these taxes now almost equal the amount of state taxes paid by Floridians. Local taxes were 9 percent of Floridians' tax bill in 1980; they now comprise 16 percent of the total tax burden.
- ◆ 2007 was the first time ever that total state tax collections fell, dropping 1.9 percent. This year, the drop was even more pronounced — down 6.0 percent.
- ◆ Total per capita taxes increased by only \$2 in 2008. These taxes have risen at an annual average rate of only 2.2% in the 2000s, compared to 5.0% in the 1990s and 7.2% in the 1980s.
- ◆ Growth in personal income just outpaced that of taxes, so Floridians' Effective Buying Power—the amount of income left after taxes and inflation—rose 0.7 percent in 2008. This is about \$475 for the average Florida household.

Tax Growth Slows at All Levels of Government, State Tax Collections Fall for the Second Consecutive Year

The 2008 Florida Tax Index climbed to 287.2, meaning that all taxes paid by Floridians to federal, state and local governments have increased 187.2 percent since the base year of FY 1990 (Table 1 on the next page). Total tax growth has been quite erratic since the turn of the century. After an unprecedented drop in total taxes paid of 3.5% during the first three years of the 2000s, total tax burden began to grow very quickly, including growth of 13.9% in 2005 and 11.5% in 2006. Tax growth is now starting to slow again; total taxes increased a modest 1.6% in fiscal year 2008, following 6.6% growth in 2007.

The index for total per capita taxes (Table 2 on the next page) is at 195.0, meaning that these taxes have almost doubled since 1990, increasing 95 percent. This contrasts with inflation of 62.7 percent over this time. This year, however, there was virtually no growth in per capita taxes (only \$2 per person). The fiscal year 2008 taxes for each man, woman, and child in Florida are projected at \$11,889.

Florida's FY 2008 total tax bill is estimated at \$225 billion. Federal taxes are expected to grow 3.4% and local taxes are expected to grow by 3.0%, while state taxes fell by a record 6.0 percent.

Local Taxes: Property Tax Relief, Falling Values Finally Put the Brakes on Local Tax Growth

Skyrocketing property taxes, which comprise the lion's share of local taxes, have helped establish local taxes as, by far, the fastest growing level of taxation in Florida. Local taxes increased by a phenomenal 50 percent in just three years (2004-2007). As a result, these taxes now almost equal the amount of state taxes paid by Floridians.

These increases in property taxes caused the Legislature to focus on the issue, and they have provided some relief. The millage rate reductions passed in 2007, coupled with falling property values, are expected to result in property tax growth in 2008 being the smallest in almost 30 years. Not all local governments cut their taxes, however, and total taxable value in the state increased slightly. Total property taxes will grow slightly, increasing 1.8 percent. Moreover, it appears that many local governments turned to other sources to supplement their tax/revenue growth. Amendment 1 and other possible changes proposed by the Taxation & Budget Reform Commission could have an effect on tax growth in coming years.

Taxes paid to counties, cities and special districts are estimated to total \$36.0 billion in 2008, or \$1,903 per Floridian.

Economic Downturn Leads to Unprecedented Drop in State Taxes

Florida is in the midst of an unprecedented decrease in its total tax collections. Fueled by the housing bubble and hurricane rebuilding, Florida enjoyed robust tax collections in 2005 and 2006, with growth of more than 10 percent in both years. Now, the bubble has burst and as the nation heads towards recession, tax collections have suffered. Last year (2007) was the first time ever total collections fell, dropping 1.9 percent. This year, the drop was even more pronounced — down 6.0 percent. This has led to a series of budget cuts and a budget for FY 2008-09 that is likely to be \$5 billion less than the one passed last year. While current estimates predict at least modest growth to return next year, economists warn there is still considerable downside risk to the forecast.

State tax collections are projected to drop to \$37.6 billion in FY 2008. That amounts to a tax burden of \$1,987 per Floridian.

Individual Income Tax Collections Help Federal Taxes Growth Slightly

After an unprecedented three-year period (2001-2003) during which total federal taxes paid by Floridians decreased, collections grew significantly the next two years. That growth has slowed again, due to the economy and falling corporate income tax receipts. Increased individual income tax receipts, from "bracket creep" and reduced AMT exemptions, led to projected growth of 3.4 percent in 2008.

TEN YEARS OF FLORIDA TAXPAYER INDEPENDENCE DAYS

Some past Taxpayer Independence Days may have been revised to reflect changing estimates. All years cited in discussion of Taxpayer Independence Day are calendar years. The Tax Index, however, is on a fiscal year basis.

Year	Days	Date
2008*	115	April 25
2007	116	April 25
2006	117	April 26
2005	115	April 26
2004*	111	April 21
2003	110	April 21
2002	114	April 25
2001	121	May 2
2000*	128	May 8
1999	128	May 9

* leap year

Source: Florida TaxWatch, April 2008.

Federal tax collections are projected to rise to \$151 billion in FY 2007, or \$7,799 per Floridian.

The Florida Tax Index

Total Taxes Reach \$225 Billion – \$11,889 Per Person

Table 1 - Taxes and Tax Indices in Florida, 1988-2008

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Millions	Index	Millions	Index	Millions	Index	Millions	Index
1988	7,313	78.6	12,623	87.1	46,962	86.2	66,898	85.5
1989	8,277	89.0	13,647	94.2	52,557	96.5	74,481	95.2
1990	9,304	100.0	14,486	100.0	54,469	100.0	78,259	100.0
1991	10,533	113.2	15,216	105.0	55,447	101.8	81,196	103.8
1992	11,415	122.7	16,531	114.1	57,255	105.1	85,201	108.9
1993	11,699	125.7	18,759	129.5	62,045	113.9	92,503	118.2
1994	12,691	136.4	20,253	139.8	68,129	125.1	101,073	129.2
1995	13,341	143.4	21,023	145.1	73,771	135.4	108,135	138.2
1996	13,829	148.6	22,258	153.7	81,348	149.3	117,435	150.1
1997	14,647	157.4	23,512	162.3	89,738	164.8	127,897	163.4
1998	15,442	166.0	25,007	172.6	97,811	179.6	138,260	176.7
1999	16,446	176.8	26,397	182.2	103,584	190.2	146,427	187.1
2000	17,119	184.0	27,732	191.4	113,305	208.0	158,156	202.1
2001	18,317	196.9	28,406	196.1	111,677	205.0	158,400	202.4
2002	19,533	209.9	29,531	203.9	104,996	192.8	154,060	196.9
2003	21,232	228.2	30,789	212.5	100,603	184.7	152,624	195.0
2004	23,255	249.9	33,463	231.0	106,532	195.6	163,250	208.6
2005	25,969	279.1	36,949	255.1	123,012	225.8	185,930	237.6
2006	29,605	318.2	40,740	281.2	137,013	251.5	207,358	265.0
2007	34,933	375.5	39,980	276.0	146,218	268.4	221,131	282.6
2007	35,982	386.7	37,567	259.3	151,206	277.6	224,755	287.2

Table 2 - Per Capita Taxes and Tax Indices in Florida, 1988-2008

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Dollars	Index	Dollars	Index	Dollars	Index	Dollars	Index
1988	602	83.0	1,039	92.0	3,864	91.1	5,504	90.3
1989	664	91.6	1,095	97.0	4,216	99.4	5,975	98.0
1990	725	100.0	1,128	100.0	4,243	100.0	6,096	100.0
1991	801	110.5	1,156	102.5	4,214	99.3	6,171	101.2
1992	851	117.4	1,232	109.2	4,268	100.6	6,352	104.2
1993	856	118.1	1,372	121.6	4,539	107.0	6,767	111.0
1994	909	125.4	1,451	128.6	4,880	115.0	7,239	118.8
1995	935	129.0	1,474	130.6	5,171	121.9	7,580	124.4
1996	950	131.1	1,530	135.6	5,591	131.8	8,071	132.4
1997	986	136.0	1,582	140.2	6,039	142.3	8,607	141.2
1998	1,019	140.6	1,650	146.2	6,453	152.1	9,121	149.6
1999	1,062	146.5	1,704	151.0	6,688	157.6	9,454	155.1
2000	1,078	148.7	1,746	154.8	7,135	168.2	9,959	163.4
2001	1,128	155.6	1,749	155.0	6,875	162.0	9,751	160.0
2002	1,178	162.5	1,780	157.8	6,330	149.2	9,287	152.4
2003	1,251	172.6	1,814	160.8	5,928	139.7	8,994	147.5
2004	1,336	184.4	1,923	170.4	6,121	144.3	9,380	153.9
2005	1,457	201.1	2,074	183.8	6,903	162.7	10,434	171.2
2006	1,623	224.0	2,234	197.9	7,512	177.0	11,368	186.5
2007	1,878	259.1	2,149	190.5	7,860	185.3	11,887	195.0
2008	1,903	262.6	1,987	176.1	7,999	188.5	11,889	195.0

Source: Florida TaxWatch, using data from the U.S. Bureau of the Census, Florida Consensus Estimating Conference, Tax Foundation, United States Department of the Treasury, April 2008.

Growth in Floridian's Buying Power Continues Steady, But Unspectacular Growth

This year, the amount of income the average Florida family has after taxes is increasing faster than inflation, meaning Floridian's paychecks are going a bit farther this year. Florida TaxWatch projects that the average Florida household will enjoy a small 0.7 percent increase in its effective buying power (EBP) during 2008. Effective buying power is after-tax income adjusted for inflation. Of course, this is just an average. Varying tax bills, such as huge discrepancies among many Floridians' property tax bills, means many Floridians will not be so lucky,

After paying all taxes and adjusting for inflation, the average Florida household will have approximately \$475 more to spend in 2008 than it had in 2007.

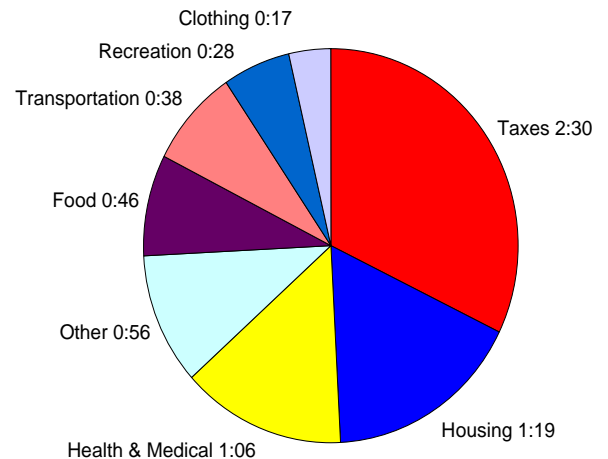
While personal income growth this year is expected to be small, the growth of taxes should be even smaller. The projected average household income growth of 2.7 percent in 2008 exceeds the tax growth on that household of 1.5 percent. This trend of small but steady income growth and even smaller tax growth has allowed Floridians' buying power to continue to increase over the last ten years. This year, the average household's after-tax income rose by just over \$2,000. Because inflation is still relatively low, Floridians' 2008 income should have more buying power.

Even though growth in recent years has been modest, EBP has increased fairly steadily, if not spectacularly, over the last ten years. Overall, relatively slow tax growth, steady personal income and low inflation have caused the effective buying power of Floridians to rise 19.0 percent over the last ten years.

Since 1998 (per household):

Inflation Up	30.0%
Personal Income Up	46.1%
Taxes Up	30.3%

Taxes Consume 2 Hours and 30 Minutes of a Floridian's Earnings from an 8-Hour Workday



THE BOTTOM LINE . . .
WHERE DO YOU STAND?

Of course, everybody's economic and tax situations are different; however, on the average, your household income had to rise 2.1 percent in 2008, or 30.1 percent since 1998, for your effective buying power and standard of living to keep pace with the combined effects of taxation and inflation.

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ABOUT FLORIDA TAXWATCH

Florida TaxWatch is a statewide, non-profit, non-partisan research institute that over its 29 year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies and programs and to increase the productivity and accountability of Florida state and local government. Its support comes from homeowners and retirees, small and large businesses, philanthropic foundations, and professional associations. On the web at www.FloridaTaxWatch.org.