



**April 29
2007**

FLORIDA TAXPAYER INDEPENDENCE DAY 2007!

Floridians' Income Should Keep Pace With Taxes

Sunday, April 29, is Florida Taxpayer Independence Day 2007, estimates Florida TaxWatch. On that day, Floridians can take satisfaction in knowing they finally are earning money for themselves—not the tax collector. This symbolic date assumes that every dollar earned since January 1 goes to pay federal, state, and local tax obligations. On average, Floridians' personal income will keep pace with the taxes they pay, meaning it will take the same number of days to pay their tax bills in 2007 as it did in 2006. However, this is three days later than in 2005 and seven days later than in 2004, meaning Floridians' tax burden has grown over these years.

While it is later than it was a couple years ago, this year's date is 11 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 2007 takes 118 out of 365 days, or just about one-third of the year.**

Floridians' personal income should grow just a bit faster than taxes during 2007, but not enough to gain a day on Taxpayer Independence. Income growth of 6.3% just outpaces tax growth of 6.1%. Federal taxes, by far the biggest part of the total tax bill, are expected to grow 5.9%. State taxes will be relatively flat, but increasing local property taxes will keep Floridians from achieving tax freedom earlier this year than last. Local taxes are projected to grow 14% this year. Since Florida's property tax system currently creates wide disparities in tax obligations among taxpayers, this will create even larger differences in individual taxpayer independence than usual. Overall, Florida's income growth should keep pace with its rising tax obligations.

Evaluating the tax burden on a daily basis for a year, if working 9:00 a.m. to 5:00 p.m., Floridians' Taxpayer Independence Time falls at 11:34 a.m. daily. Federal taxes alone take up 1 hour and 42 minutes of the eight-hour workday. Add 28 minutes for state and 24 minutes for local tax obligations, and the average Floridian works 2 hours and 34 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 22 minutes, health and medical care takes 1 hour and 8 minutes, and food requires 40 minutes.

HIGHLIGHTS

- ◆ Florida Taxpayer Independence Day 2007 is April 29. Floridians must work 118 out of 365 days to pay their taxes—the same number of days as last year. Although it did not change this year, it is still seven days later than in 2004. However, it is eleven days earlier than it was in 1998, when Taxpayer Independence Day fell on May 10.
- ◆ It takes 2 hours and 34 minutes of every eight-hour workday to pay taxes, workers' largest single expense. Federal taxes alone take up 1 hour and 42 minutes.
- ◆ Although Floridians income should grow faster than their federal and state tax obligations, increasing local property taxes will keep Floridians from achieving tax freedom earlier this year than last.
- ◆ The Florida Tax Index now stands at 279.0. This means that total taxes (federal, state, and local) paid by Floridians have far more than doubled, increasing 179.0% since FY 1990. Growth in total taxes during 2007 is projected at 5.9%. This growth is much lower than growth of 11.6% in 2006.
- ◆ Local taxes are by far the fastest growing level of taxation in Florida over the history of the Tax Index, and that growth has been even more pronounced recently. Since 2000, local taxes have grown by an average annual rate of 10.4%. This compares to 5.5% for state taxes and 3.5% for federal taxes.
- ◆ Florida's total state tax collections should fall by 1.3% in FY 2007, the first time in the state's history there has been an annual decrease in total taxation.
- ◆ After an unprecedented three-year period in which total federal taxes decreased, Floridians' tax payments to Uncle Sam are back on the upswing.
- ◆ Growth in personal income outpaced that of taxes, so Floridians' Effective Buying Power (EBP)—the amount of income left after taxes and inflation—rose 2.0% in 2007, the biggest increase in three years.

Local Taxes, While the Smallest Component of Total Tax Bills, Are Growing Much Faster Than State and Federal

The 2007 Florida Tax Index climbed to 279.0, meaning that all taxes paid by Floridians to federal, state and local governments have increased 179% since the base year of FY 1990 (Table 1). After an unprecedented drop in total taxes paid of 3.6% from 2001 to 2003, collections are rising again. Following growth of 13.2% in 2005 and 11.4% in 2006, total taxes increased a more modest 5.9% in fiscal year 2007.

The index for total per capita taxes (Table 2) is at 192.2, meaning that these taxes have almost doubled since 1990, increasing 92%. This contrasts with inflation of 59.8% over this time. Per capita taxes are expected to rise \$417 (3.7%) this year. The FY 2007 taxes for each man, woman and child in Florida are projected at \$11,716.

Florida's FY 2007 total tax bill is estimated at \$218 billion. Federal taxes are expected to grow 5.6%, state taxes are expected to decrease by 1.3% and local taxes should grow a whopping 17%.

Local Taxes: Skyrocketing Property Taxes Lead to Calls for Relief

Local taxes have certainly been the focus of attention in Florida recently. Property taxes, which comprise the lion's share of local taxes, have been increasing dramatically. The 2007 Legislature is currently debating numerous proposals to provide major property tax relief and to reform the system.

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Taxes paid to counties, cities and special districts are estimated to total \$34.1 billion in 2007, or \$1,832 per Floridian.

Total State Taxation Expected to Fall in 2007

Florida's total state tax collections should fall by 1.3% in FY 2007, the first time in the state's history there has been an annual decrease in total taxation. The Florida Legislature has not passed a significant tax increase in many years and has even enacted substantial tax cuts in recent years. Still, Florida's revenue system has preformed well and tax collections have kept increasing. A generally strong economy has allowed the sales tax—Florida's big moneymaker—to provide steady growth even through the last recession. In the last couple years, the housing boom and hurricane rebuilding produced two straight years of double digit growth. Without those two spikes, tax collections in FY 2007 fell slightly, but are still 31% higher than they were four years ago.

State tax collections are projected to fall slightly to \$40.2 billion in FY 2007. That amounts to a tax burden of \$2,159 per Floridian.

Economic Growth Pushes Federal Tax Collections Up

After an unprecedented three-year period (2001-2003) during which total federal taxes paid by Floridians decreased, collections are on the way back up. A growing economy has led to increases in individual and corporate income taxes, as well as social security taxes. After two years of double-digit growth, federal taxes should increase another 5.6% in 2007.

Federal tax collections are projected to rise to \$144 billion in FY 2007, or \$7,725 per Floridian.

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. The Tax Index is on a fiscal year basis.

Year	Days	Date
2007	118	April 29
2006	118	April 29
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
1998	129	May 10

* leap year

Source: Florida TaxWatch, April 2007.

The Florida Tax Index

Total Taxes Reach \$218 Billion – \$11,716 Per Person

Table 1 - Taxes and Tax Indices in Florida, 1987-2007

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Millions	Index	Millions	Index	Millions	Index	Millions	Index
1987	6,566	70.6	10,891	75.2	43,391	79.7	60,848	77.8
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	25,487	273.9	36,920	254.9	122,376	224.7	184,783	236.1
2006	29,056	312.3	40,758	281.4	136,305	250.2	206,119	263.4
2007	34,140	366.9	40,233	277.7	143,962	264.3	218,335	279.0

Table 2 - Per Capita Taxes and Tax Indices in Florida, 1987-2007

FY	LOCAL		STATE		FEDERAL		TOTAL	
	Dollars	Index	Dollars	Index	Dollars	Index	Dollars	Index
1987	555	76.6	920	81.6	3,667	86.4	5,142	84.3
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	1,127	155.6	1,748	155.0	6,874	162.0	9,750	159.9
2002	1,178	162.5	1,780	157.8	6,330	149.2	9,287	152.4
2003	1,251	172.7	1,814	160.8	5,929	139.7	8,994	147.5
2004	1,336	184.4	1,922	170.4	6,120	144.3	9,379	153.9
2005	1,430	197.4	2,072	183.6	6,867	161.9	10,369	170.1
2006	1,593	219.8	2,234	198.0	7,472	176.1	11,299	185.3
2007	1,832	252.8	2,159	191.3	7,725	182.1	11,716	192.2

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 2007.

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

Even though it will take about the same amount of time to pay their tax bill, 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 2.0% increase in its effective buying power (EBP) during 2007. 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 \$1200 more to spend in 2007 than it had in 2006.

Even though tax collections have increased, so have Floridians' personal incomes. In fact, projected average household income growth of 6.3% in 2007 mirrors the average annual growth of the last ten years. This steady 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 about \$2,500. Because inflation is still relatively low, Floridians' 2007 income should have more buying power.

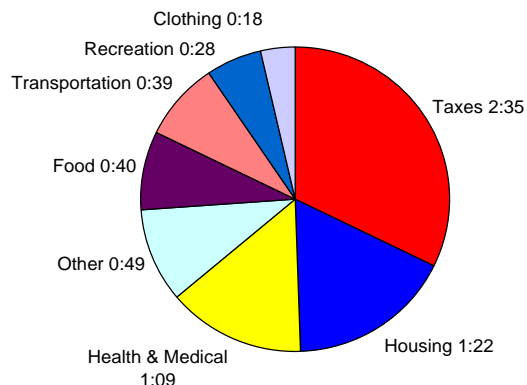
Even though it was relatively flat the last two years, EBP has increased fairly steadily, if not spectacularly, over the last ten years. Overall, despite rising tax payments, strong personal income and low inflation have caused the effective buying power of Floridians to rise 20.0% over the last ten years.

Since 1997 (per household):

Inflation Up	27.8%
Personal Income Up	46.9%
Taxes Up	34.9%

In 1997, the average Florida household earned \$62,823. After all taxes were paid, \$40,849 in disposable income was left. In 2007, that household earned an estimated \$92,260, but its tax now stands at \$29,637, leaving \$62,623. When adjusted for inflation, effective buying power is up \$1,228 from last year.

Taxes Consume 2 Hours and 35 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 2.6% in 2007, or 30.3% since 1997, for your effective buying power and standard of living to keep pace with the combined effects of taxation and inflation.

This report was researched and written by Kurt R. Wenner, Senior Research Analyst,
under the direction of John Turcotte, Senior Vice President for Research.

Michael Jennings, Chairman; Steve Evans, Chief Operating Officer, Dominic M. Calabro, President, Editor and Publisher
<http://www.floridatxwatch.org>

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