



America Celebrates Tax Freedom Day®

America's Tax Freedom Day® Arrives April 26th in 2006, Three Days Later Than 2005

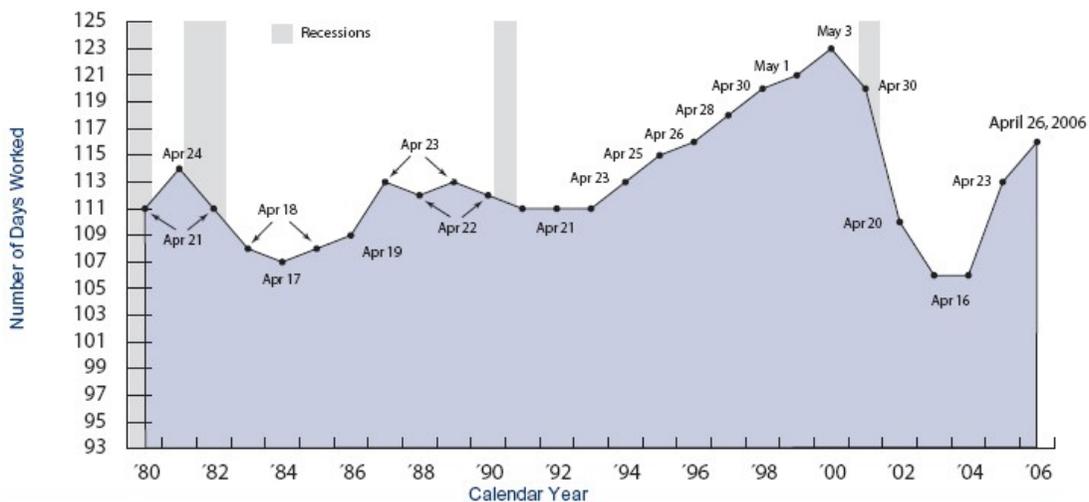
Tax Freedom Day® will fall on April 26 in 2006, according to the Tax Foundation's annual calculation using the latest government data on income and taxes. ([Click here to read the full study](#)).

“Tax freedom will come three days later in 2006 than it did in 2005,” said Tax Foundation President Scott A. Hodge, “and fully 10 days later than in 2003 and 2004 when a combination of slow income growth and tax cuts caused Tax Freedom Day to arrive comparatively early, on April 16.”

However, 2006's Tax Freedom Day is still considerably earlier than it was in 2000, when the economic boom, the tech bubble and higher tax rates pushed tax burdens to a record high, and Tax Freedom Day was postponed until May 3.

Tax Freedom Day, 1980-2006

Figure 1
Tax Freedom Day, 1980 - 2006



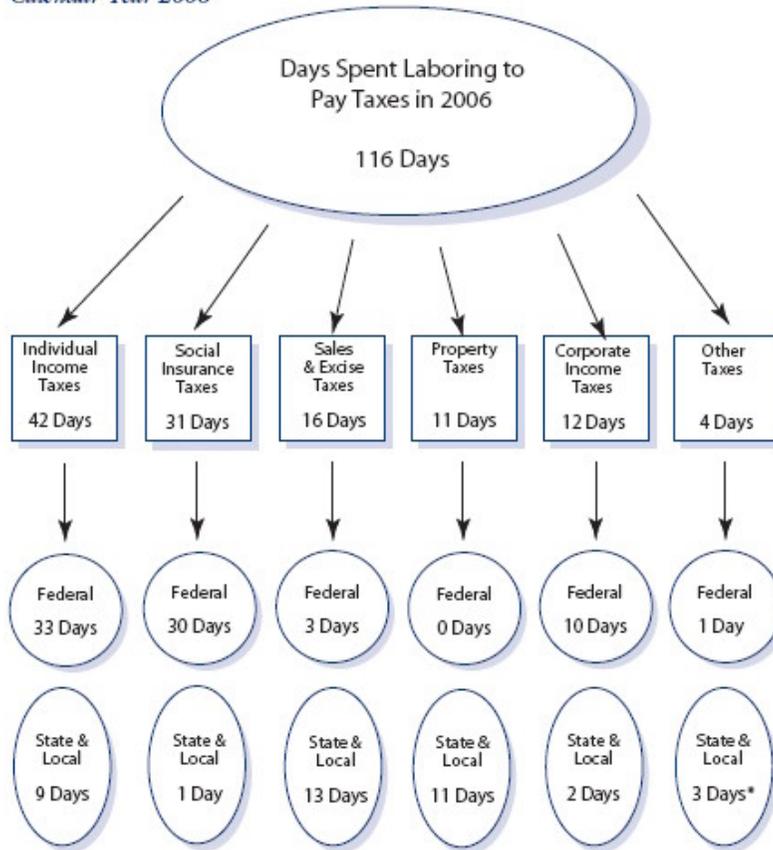
Note: Leap day is omitted so that dates are comparable over time.
Sources: Bureau of Economic Analysis, Congressional Budget Office and Tax Foundation calculations.

“The economy has been growing at a good clip since mid-2003,” said Hodge, “and those growing incomes are pushing people into higher tax brackets. When that happens, tax collections grow faster than incomes.”

The report is [Tax Foundation Special Report No. 140](#), “America Celebrates Tax Freedom Day®,” by Hodge and Tax Foundation economist Curtis Dubay. The report traces the course of America’s tax burden since 1900, examines the composition of today’s tax burden by type of tax, calculates a Tax Freedom Day for each state, and compares tax payments to other typical consumer expenditures.

Days Spent Working to Pay Various Taxes, 2006

*Figure 5
Average Number of Days Worked to Pay Taxes by Type of Tax and Level of Government
Calendar Year 2006*



* Includes two days' worth of other business taxes.
 Note: Due to rounding, components do not add up to total.
 Sources: Bureau of Economic Analysis and Tax Foundation calculations.

Taxes and Other Expenses

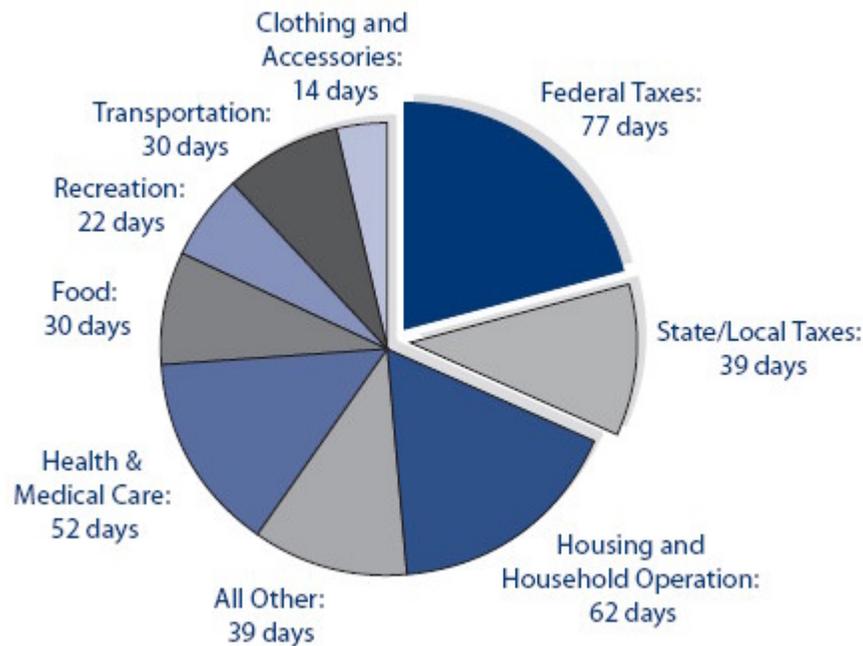
The report compares the number of days Americans work to pay taxes to the number of days they work to support themselves.

“Despite the tax cuts passed by the federal government recently, Americans will still spend more on taxes than they spend on food, clothing and housing combined,” said Hodge.

In 2006, Americans will work 77 days to afford their federal taxes and 39 more days to afford state and local taxes. That makes taxation a bigger financial burden than housing and household operation (62 days), health and medical care (52 days), food (30 days), transportation (30 days), recreation (22 days), or clothing and accessories (14 days).

Days Americans Work to Pay Taxes Compared to Other Expenses, 2006

How Many Days Per Year America Works to Pay Taxes Compared to Other Major Spending Categories, 2006



Note: The "All Other" category includes a two-day negative value for savings.
Sources: Bureau of Economic Analysis and Tax Foundation calculations.

Tax Freedom Day by State

Six out of the ten states with the heaviest tax burdens and the latest Tax Freedom Days are in the northeast: Connecticut (May 12), New York (May 9), New Jersey (May 6), Massachusetts (May 2), Maine (May 1) and Rhode Island (May 1). The other four are Washington (May 4), Minnesota (May 3), California (April 30) and Illinois (April 30).

Many of these states are taxed the heaviest and celebrate Tax Freedom Day later because of the progressive federal income tax. States with large metropolitan areas offer higher-

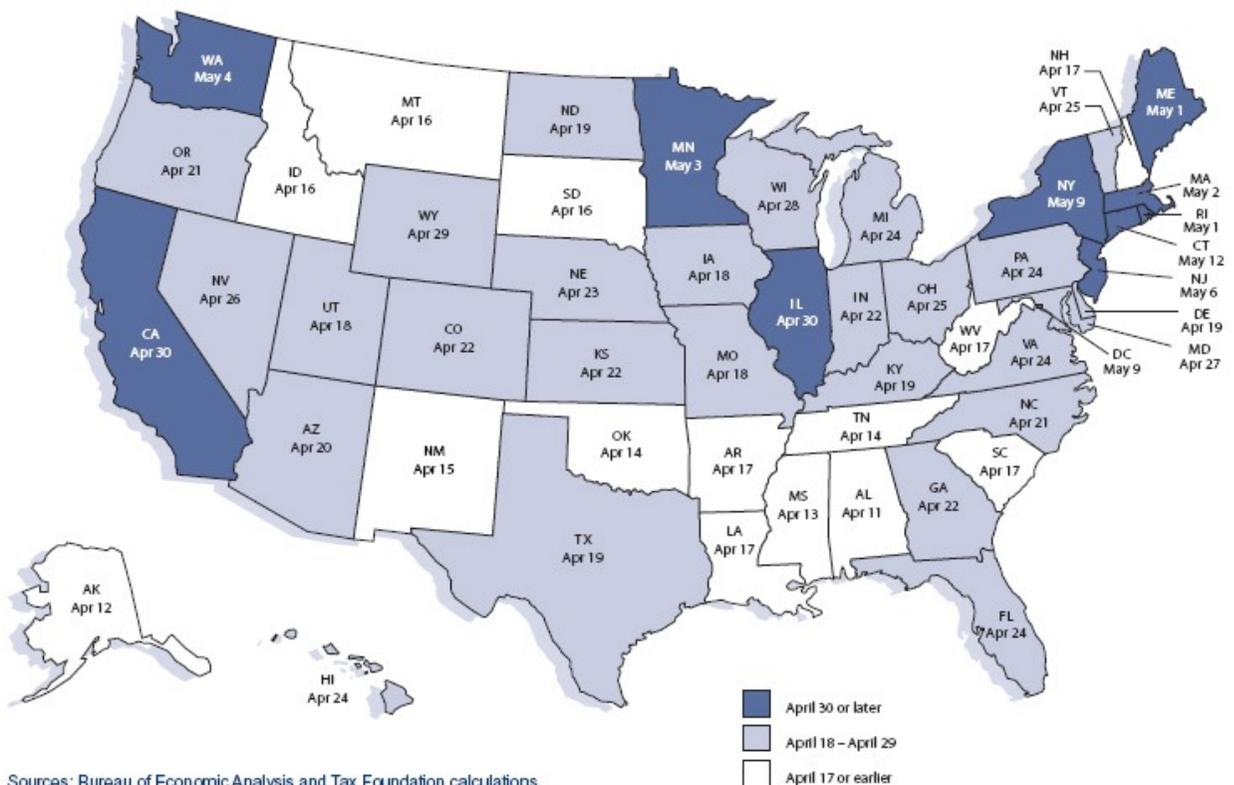
paying jobs, and as a result, many of the citizens earn enough to pay income tax at the highest rates—currently 25%, 28%, 33% and 35%. As a result, they must work longer to pay their disproportionate share of the tax burden. Maine stands out as the exception. Its total tax burden is high despite low income and below-average federal taxes because of its unusually high state-local taxes.

The ten states with the lightest total tax burdens celebrate Tax Freedom Day the earliest. Alabama’s April 11 is the earliest of all. The next nine are Alaska (April 12), Mississippi (April 13), Oklahoma (April 14), Tennessee (April 14), New Mexico (April 15), South Dakota (April 16), Montana (April 16), Idaho (April 16) and West Virginia (April 17).

In most of these states, Tax Freedom Day is early because of a large number of low-income taxpayers who pay most of their federal income taxes at the lower rates, 10% and 15%. Alaska stands out as an exception: income and federal tax payments are above average there, but state-local taxes are extraordinarily low.

Tax Freedom Day by State, 2006 (click to enlarge)

Figure 6
Tax Freedom Day by State, 2006



Comparing State-Local Tax Burdens

While the Tax Freedom Day calculation includes all taxes, many analysts use the underlying data to compare state-local tax burdens in each state. (See tables below—more historical data available at www.taxfoundation.org/taxdata/show/335.html and www.taxfoundation.org/taxdata/show/336.html).

This year, the nation's average state-local tax burden will be 10.6 percent of residents' income, with the highest being Maine's 13.5 percent and the lowest being Alaska's 6.6 percent.

How Tax Freedom Day is Calculated

Tax Freedom Day answers the basic question, "What price is the nation paying for government?" We divide the most authoritative figure for total tax collections by the most authoritative figure for the nation's income. The answer this year is that taxes will amount to 31.6 percent of our income. We convert that percentage into days worked, and if we started on January 1, it would take until April 26. That's when we could start keeping some of our earnings. Income and tax data are then parsed out to the states, yielding 50 state-specific Tax Freedom Days.

The Department of Commerce's Bureau of Economic Analysis (BEA) is the most authoritative source of income and total tax collection data. For its income measurement, the Tax Freedom Day report uses Net National Product as income, which among BEA's measures of income is most appropriate for comparison to tax collections. Critics of the Tax Freedom Day report have tried to make much of BEA's exclusion of capital gains from Net National Product. BEA's decision is wholly consistent with mainstream economic thinking, and the difference, usually around 1 percent, is small in any case. (Additional discussion of technical issues can be found in the full [Tax Freedom Day report](#), and at www.taxfoundation.org/publications/show/1406.html).

The Tax Foundation is a nonpartisan, nonprofit tax research organization that has monitored fiscal policy at the federal, state and local levels since 1937.

Year	Tax Freedom Day	Taxes as a Percentage of Income
1900	22-Jan	5.90%
1910	20-Jan	5.00%
1920	12-Feb	11.60%
1930	11-Feb	11.20%
1940	6-Mar	17.60%
1950	31-Mar	24.60%
1960	10-Apr	27.40%
1970	18-Apr	29.40%
1980	21-Apr	30.30%

1990	22-Apr	30.50%
2000	3-May	33.60%
2001	30-Apr	32.60%
2002	20-Apr	29.90%
2003	16-Apr	28.90%
2004	16-Apr	28.90%
2005	23-Apr	30.90%
2006	26-Apr	31.60%

Source: Office of Management and Budget; Internal Revenue Service; Congressional Research Service; National Bureau of Economic Research; Tax Foundation.

Table 2: Tax Freedom Day by State and Rank, Calendar Year 2006

United States	26-Apr	-
Connecticut	12-May	1
New York	9-May	2
New Jersey	6-May	3
Washington	4-May	4
Minnesota	3-May	5
Massachusetts	2-May	6
Maine	1-May	7
Rhode Island	1-May	8
California	30-Apr	9
Illinois	30-Apr	10
Wyoming	29-Apr	11
Wisconsin	28-Apr	12
Maryland	27-Apr	13
Nevada	26-Apr	14
Vermont	25-Apr	15
Ohio	25-Apr	16
Hawaii	24-Apr	17
Pennsylvania	24-Apr	18
Michigan	24-Apr	19
Virginia	24-Apr	20
Florida	24-Apr	21
Nebraska	23-Apr	22
Colorado	22-Apr	23
Indiana	22-Apr	24

Georgia	22-Apr	25
Kansas	22-Apr	26
North Carolina	21-Apr	27
Oregon	21-Apr	28
Arizona	20-Apr	29
North Dakota	19-Apr	30
Kentucky	19-Apr	31
Texas	19-Apr	32
Delaware	19-Apr	33
Utah	18-Apr	34
Missouri	18-Apr	35
Iowa	18-Apr	36
Louisiana	17-Apr	37
South Carolina	17-Apr	38
New Hamp.	17-Apr	39
Arkansas	17-Apr	40
West Virginia	17-Apr	41
Idaho	16-Apr	42
Montana	16-Apr	43
South Dakota	16-Apr	44
New Mexico	15-Apr	45
Tennessee	14-Apr	46
Oklahoma	14-Apr	47
Mississippi	13-Apr	48
Alaska	12-Apr	49
Alabama	11-Apr	50
D.C.	9-May	-

Source: Bureau of Economic Analysis; Tax Foundation.

U.S. Average	10.61%	
Maine	13.51%	1
New York	12.86%	2
Ohio	12.01%	3
Minnesota	11.92%	4
Hawaii	11.75%	5
Nebraska	11.61%	6
Wisconsin	11.56%	7

Rhode Island	11.48%	8
Connecticut	11.32%	9
Vermont	11.12%	10
Louisiana	11.04%	11
Indiana	10.96%	12
Washington	10.91%	13
Illinois	10.86%	14
California	10.85%	15
Michigan	10.79%	16
New Jersey	10.77%	17
Kansas	10.73%	18
Maryland	10.73%	19
Kentucky	10.69%	20
West Virginia	10.60%	21
Utah	10.55%	22
North Carolina	10.45%	23
Pennsylvania	10.44%	24
Georgia	10.38%	25
Iowa	10.36%	26
Arkansas	10.29%	27
Massachusetts	10.26%	28
Mississippi	10.23%	29
South Carolina	10.21%	30
Idaho	10.18%	31
Arizona	10.10%	32
Wyoming	10.07%	33
Missouri	9.91%	34
Oregon	9.89%	35
New Mexico	9.89%	36
North Dakota	9.83%	37
Colorado	9.76%	38
Florida	9.71%	39
Oklahoma	9.58%	40
Virginia	9.51%	41
Montana	9.50%	42
Nevada	9.47%	43
Texas	9.38%	44
South Dakota	9.17%	45
Alabama	8.84%	46
Tennessee	8.62%	47
Delaware	8.36%	48
New Hampshire	7.34%	49

Alaska	6.58%	50
D.C.	12.83%	-

Source: Bureau of Economic Analysis; Tax Foundation.

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