

Tax Freedom Day 2016 is April 24th

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Key Findings

- This year, Tax Freedom Day falls on April 24, or 114 days into the year (excluding Leap Day).
- Americans will pay \$3.3 trillion in federal taxes and \$1.6 trillion in state and local taxes, for a total bill of almost \$5.0 trillion, or 31 percent of the nation's income.
- Tax Freedom Day is one day earlier than last year, due to slightly lower federal tax collections as a proportion of the economy.
- Americans will collectively spend more on taxes in 2016 than they will on food, clothing, and housing combined.
- If you include annual federal borrowing, which represents future taxes owed, Tax Freedom Day would occur 16 days later, on May 10th.
- Tax Freedom Day is a significant date for taxpayers and lawmakers because it represents how long Americans as a whole have to work in order to pay the nation's tax burden.

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What Is Tax Freedom Day?

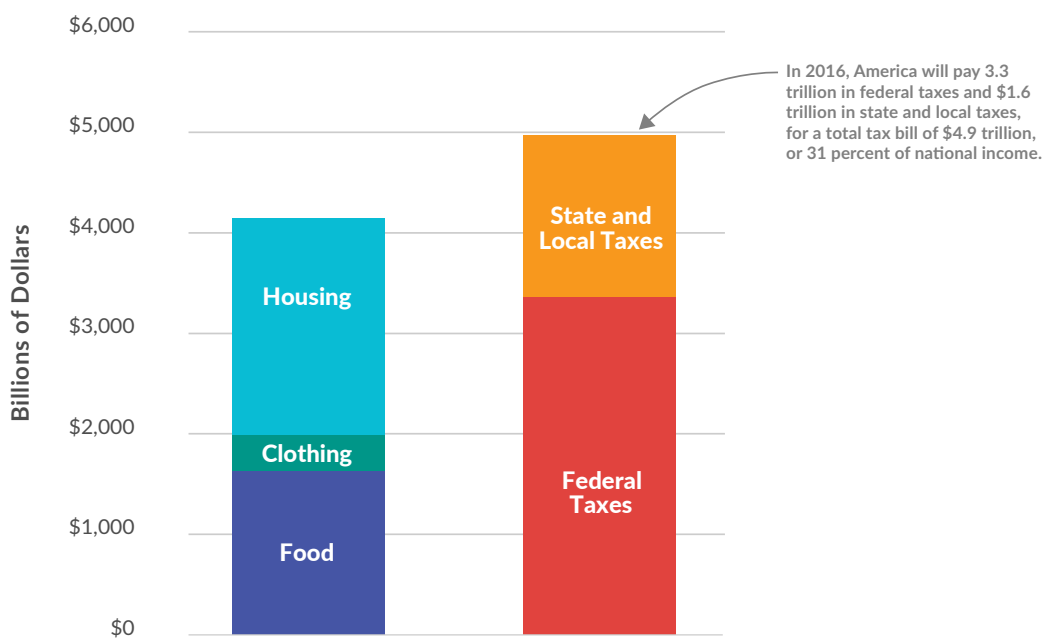
Tax Freedom Day® is the day when the nation as a whole has earned enough money to pay its total tax bill for the year. Tax Freedom Day takes all federal, state, and local taxes and divides them by the nation's income. In 2016, Americans will pay \$3.34 trillion in federal taxes and \$1.64 trillion in state and local taxes, for a total tax bill of \$4.99 trillion, or 31 percent of national income. This year, Tax Freedom Day falls on April 24th, or 114 days into the year (excluding Leap Day).

What Taxes Do We Pay?

This year, Americans will work the longest to pay federal, state, and local individual income taxes (46 days). Payroll taxes will take 26 days to pay, followed by sales and excise taxes (15 days), corporate income taxes (9 days), and property taxes (11 days). The remaining 7 days are spent paying estate and inheritance taxes, customs duties, and other taxes.

Chart 1.

America Will Spend More on Taxes in 2016 than It Will on Food, Clothing, and Housing Combined



Source: Bureau of Economic Analysis; Tax Foundation calculations.

Why Is Tax Freedom Day Earlier This Year?

Tax Freedom Day is one day earlier than last year. This is due mainly to slightly lower projected federal tax collections, as a share of the U.S. economy. While federal individual income tax revenues are expected to rise as a share of the economy, federal corporate, payroll, and excise tax revenues are projected to fall.

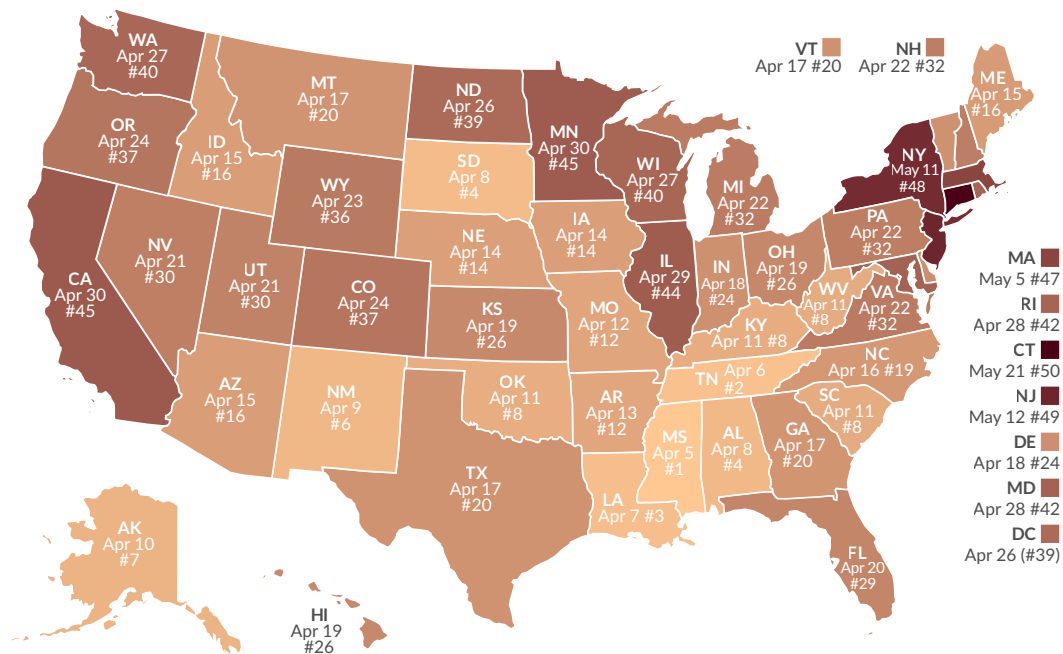
When Is Tax Freedom Day if You Include Federal Borrowing?

Since 2002, federal expenses have surpassed federal revenues, with the budget deficit exceeding \$1 trillion annually from 2009 to 2012. In calendar year 2016, the deficit will grow significantly, to from \$592 billion to \$698 billion. If we include this annual federal borrowing, which represents future taxes owed, Tax Freedom Day would occur on May 10th, 16 days later. The latest ever deficit-inclusive Tax Freedom Day occurred during World War II on May 25, 1945.

When Is My State's Tax Freedom Day?

The total tax burden borne by residents of different states varies considerably due to differing state tax policies and the progressivity of the federal tax system. This means a combination of higher-income and higher-tax states celebrate Tax Freedom Day later: Connecticut (May 21), New Jersey (May 12), and New York (May 11). Residents of Mississippi will bear the lowest average tax burden in 2016, with Tax Freedom Day arriving for them on April 5. Also early are Tennessee (April 6) and Louisiana (April 7).

When Does Tax Freedom Day® 2016 Arrive in Your State?



Note: Each state's Tax Freedom Day® is the day when taxpayers in the state have collectively earned enough money to pay their federal, state, and local tax bill for the year.

Source: Tax Foundation, *Tax Freedom Day*® 2016.



Chart 2.

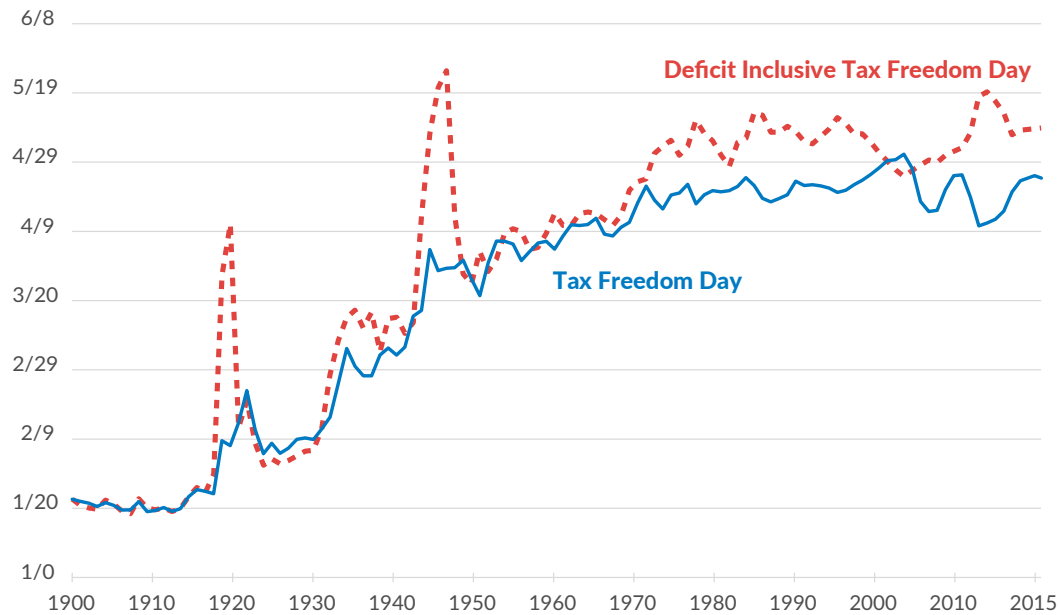
How Has Tax Freedom Day Changed over Time?

The latest ever Tax Freedom Day was May 1, 2000; in that year, Americans paid 33 percent of their total income in taxes. A century earlier, in 1900, Americans paid only 5.9 percent of their income in taxes, meaning that Tax Freedom Day came on January 22.

Chart 3.

How Has Tax Freedom Day Changed over Time?

Tax Freedom Day, 1900 to 2016



Source: Tax Foundation calculations.

Methodology

In the denominator, we count every dollar that is officially part of net national income according to the Department of Commerce's Bureau of Economic Analysis. In the numerator, we count every payment to the government that is officially considered a tax. Taxes at all levels of government—federal, state, and local—are included in the calculation. In calculating Tax Freedom Day for each state, we look at taxes borne by residents of that state, whether paid to the federal government, their own state or local governments, or governments of other states. Where possible, we allocate tax burdens to each taxpayer's state of residence. Leap days are excluded, to allow comparison across years, and any fraction of a day is rounded up to the next calendar day.