

SPECIAL REPORT

April 2009
No. 165

April 13 is Tax Freedom Day®

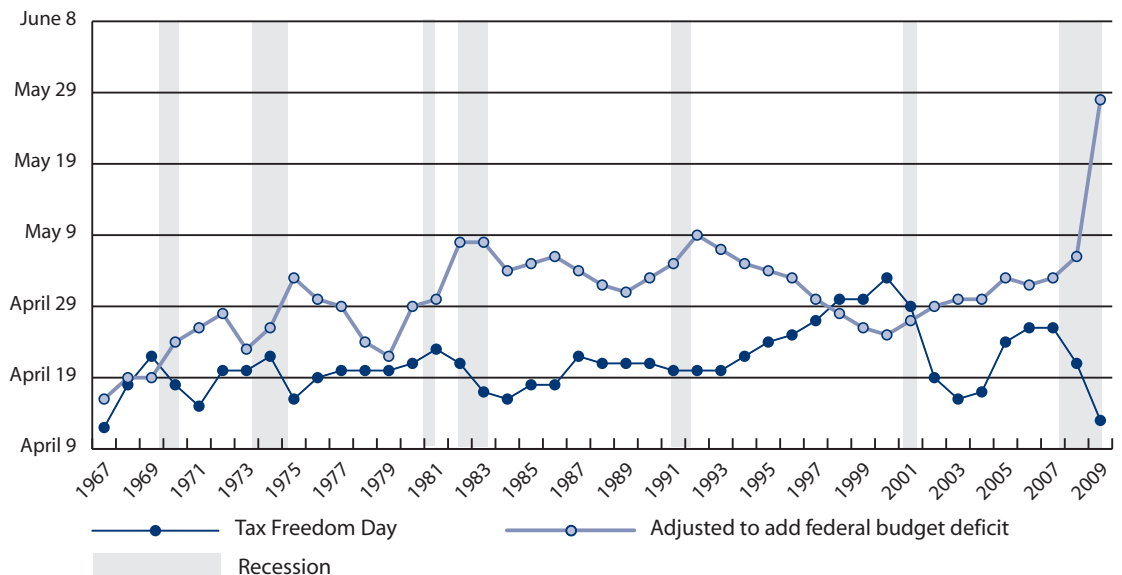
By
Josh Barro
Staff Economist

Tax Freedom Day® will arrive on April 13 this year, the 103rd day of 2009. That means Americans will work about three and a half months of the year, from January 1 to April 13, before they have earned enough money to pay this year's tax obligations at the federal, state and local levels.

Tax Freedom Day falls a full two weeks earlier in 2009 than it did in 2007. In fact, not since 1967 has Tax Freedom Day come

earlier than this year's April 13 date. This shift has been driven by two factors: the recession has reduced tax collections even faster than it has reduced income; and the stimulus package, a.k.a. HR 1, the American Recovery and Reinvestment Act of 2009, includes large temporary tax cuts for 2009 and 2010. Nevertheless, in 2009, Americans will pay more in taxes than they will spend on food, clothing and housing combined.

Figure 1
Tax Freedom Day
1967–2009



Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office and Joint Committee on Taxation.

Table 1

*Tax Freedom Day & Total Effective Tax Rate
Calendar Years 1900–2009*

Significant Tax Legislation Noted with First-Year Impact on Tax Burden

Year	Tax Freedom Day	Number of Days Spent Working to Pay Taxes	All Taxes as a Percentage of Income
1900	January 22	22	5.9%
1901	January 21	21	5.8
1902*	January 21	21	5.6
1903*	January 20	20	5.3
1904*	January 21	21	5.7
1905	January 20	20	5.4%
1906	January 19	19	5.1
1907*	January 19	19	5.1
1908*	January 21	21	5.7
1909	January 19	19	4.9
1910*	January 19	19	5.0%
1911*	January 20	20	5.3
1912*	January 19	19	5.0
1913*	January 19	19	5.2
1914*	January 23	23	6.1
1915	January 25	25	6.7%
1916	January 24	24	6.5
1917	January 24	24	6.4
1918*	February 8	39	10.5
1919*	February 7	38	10.2
1920*	February 13	44	12.0%
1921*	February 22	53	14.5
1922	February 11	42	11.4
1923*	February 4	35	9.5
1924*	February 7	38	10.3
1925	February 4	35	9.6%
1926*	February 6	37	10.0
1927*	February 8	39	10.7
1928	February 9	40	10.8
1929*	February 9	40	10.7
1930*	February 12	43	11.7%
1931*	February 15	46	12.4
1932*	February 25	56	15.1
1933*	March 3	62	17.0
1934	March 1	60	16.2
1935	February 26	57	15.6%
1936	February 27	58	15.6
1937*	March 4	63	17.1
1938*	March 6	65	17.8
1939	March 4	63	17.1
1940	March 7	66	17.9%
	<i>The Revenue Act of 1940 (+1.3% of NNP)</i>		
	<i>The Second Revenue Act of 1940 (+1.0% of NNP)</i>		
1941	March 16	75	20.4
	<i>The Revenue Act of 1941 (+3.1% of NNP)</i>		
1942	March 18	77	20.9
	<i>The Revenue Act of 1942 (+6.7% of NNP)</i>		
1943	April 4	94	25.7
	<i>The Current Tax Payment Act of 1943 (+1.4% of NNP)</i>		
	<i>The Revenue Act of 1943 (+0.5% of NNP)</i>		
1944	March 29	88	24.0
	<i>The Individual Income Tax Act of 1944 (-0.3% of NNP)</i>		
1945*	March 30	89	24.2%
	<i>The Revenue Act of 1945 (-2.9% of NNP)</i>		
1946	March 30	89	24.3
1947	April 2	92	24.9

Continued

While tax revenues are falling, government expenditures are expected to explode in 2009, also driven in significant part by HR 1. Tax Freedom Day, like almost all tax burden measures, ignores the current year's deficits. If the projected deficit for 2009 were counted as a tax, Tax Freedom Day would arrive on May 29 instead of April 13—the latest date ever for this deficit-inclusive measure.

Figure 1 shows Tax Freedom Day, as traditionally presented and with the inclusion of the federal budget deficit, since 1967.

Tax Freedom Day in Recent Years

The latest-ever Tax Freedom Day was May 3, 2000. Starting in 2001, a recession and tax cut legislation came simultaneously to move Tax Freedom Day earlier in the year. In each year from 2001 to 2003, the Bush administration enacted tax cuts; by 2003, Tax Freedom Day arrived on April 16, which is the second-earliest Tax Freedom Day since the Johnson administration (see Table 1 and Figure 1).

From 2003 through 2006, corporate income taxes rose rapidly along with rapidly growing corporate profits. Personal income tax receipts also rose sharply, starting in 2004. As a result, Tax Freedom Day shifted later, reaching April 27 in 2007.

Since 2006, corporate tax revenues have fallen sharply and are projected to do so again in 2009; indeed, we expect that 2009's corporate income tax revenues will be less than 50 percent of their 2006 peak. Personal income taxes also fell in 2008 and are expected to fall again in 2009 due to the weakening economy and tax cuts in HR 1.

In 2009, we expect government at all levels to take 28.2 percent of the nation's income in the form of taxes, the lowest level since 1967. The highest ever was in 2000 when government took 33.6 percent.

Because most of HR 1's tax cuts continue through 2010, Tax Freedom Day could be expected to shift later by a few days next year only if the economy improves. For 2011, both the HR 1 tax cuts and the earlier Bush tax cuts of 2001 and 2003 are set to expire. The future

Table 1 (continued)

Tax Freedom Day & Total Effective Tax Rate

Calendar Years 1900–2009

Significant Tax Legislation Noted with First-Year Impact on Tax Burden

	Tax Freedom Day	Number of Days Spent Working to Pay Taxes	All Taxes as a Percentage of Income
1948*	March 27	86	23.3
	<i>The Revenue Act of 1948 (–2.1% of NNP)</i>		
1949*	March 22	81	21.9
1950	March 31	90	24.6%
	<i>The Revenue Act of 1950 (+1.7% of NNP)</i>		
	<i>The Excess Profits Tax of 1950 (+1.2% of NNP)</i>		
1951	April 7	97	26.3
	<i>The Revenue Act of 1951 (+1.8% of NNP)</i>		
1952	April 7	97	26.4
1953*	April 6	96	26.2
1954*	April 1	91	24.8
	<i>(The Excise Tax Reduction Act of 1954 (–0.3% of NNP)</i>		
	<i>The Internal Revenue Code of 1954 (–0.1% of NNP)</i>		
1955	April 4	94	25.6%
1956	April 6	96	26.3
1957*	April 7	97	26.4
1958*	April 4	94	25.7
1959	April 8	98	26.7
1960*	April 11	101	27.7%
1961*	April 11	101	27.6
1962	April 12	102	27.7
	<i>The Revenue Act of 1962 (0.0% of NNP)</i>		
1963	April 13	103	28.2
1964	April 9	99	26.9
	<i>The Revenue Act of 1964 (–1.9% of NNP)</i>		
1965	April 8	98	26.8%
1966	April 11	101	27.5
	<i>The Tax Adjustment Act of 1966 (+0.7% of NNP)</i>		
1967	April 12	102	27.9
1968	April 18	108	29.5
	<i>The Revenue and Expenditure Control Act of 1968 (+1.9% of NNP)</i>		
1969*	April 23	113	30.8
	<i>The Tax Reform Act of 1969 (+0.4% of NNP)</i>		
1970*	April 19	109	29.6%
1971	April 16	106	28.9
	<i>The Revenue Act of 1971 (–0.4% of NNP)</i>		
1972	April 20	110	30.1
1973*	April 20	110	30.1
1974*	April 23	113	30.8
	<i>The Employee Retirement Income Security Act of 1974</i>		
1975*	April 17	107	29.1%
	<i>The Tax Reduction Act of 1975 (–0.7% of NNP)</i>		
1976	April 19	109	29.8
	<i>The Tax Reform Act of 1976 (–0.9% of NNP)</i>		
1977	April 20	110	30.1
	<i>The Tax Reduction and Simplification Act of 1977 (–1.0% of NNP)</i>		
1978	April 20	110	30.0
	<i>The Revenue Act of 1978 (–0.6% of NNP)</i>		
1979	April 21	111	30.1
1980*	April 21	111	30.4%
	<i>The Crude Oil Windfall Profit Tax Act of 1980 (+0.5% of NNP)</i>		
1981*	April 24	114	31.1
	<i>The Economic Recovery Tax Act of 1981 (–1.4% of NNP)</i>		

Continued

timing of Tax Freedom Day will depend on which tax cuts Congress and the Obama Administration choose to extend through 2011 and thereafter.

The Federal Budget Deficit

Because of the federal government's ability to deficit-finance its operations, Tax Freedom Day moves somewhat independently from an alternative calculation that adds the federal budget deficit to total taxes collected. In 2009, an unprecedented budget deficit over \$1.5 trillion produces a date of May 29, fully forty-five days later than Tax Freedom Day.¹

May 29 is the latest date in the year this deficit-inclusive measure has ever fallen. The only previous years when taxes and deficit spending comprised a similarly large share of national income were 1944 and 1945, at the peak of World War II (see Figure 2). In the postwar era, this date had never fallen later than May 9 (in 1992).

Tax Freedom Day in History

The United States has traditionally been a low-tax nation. From the founding of the country until the early part of the twentieth century, the United States was in part defined by its mistrust of government power and its correspondingly low taxes.

In 1900, as Table 1 shows, Americans paid only 5.9 percent of their income in taxes and Tax Freedom Day arrived on January 22. Between 1900 and 1917 the nation's tax burden was steady, never going over 6.7 percent, and the latest date for Tax Freedom Day was January 25.

World War I more than doubled the nation's tax burden. From 1917's January 24, Tax Freedom Day jumped to February 8 in 1918 and February 22 in 1921. Taxes were cut somewhat after the war but never to pre-war levels.

Tax Freedom Day arrived in February throughout the twenties. It was at this time in our tax history that Justice Holmes famously called taxes the price of civilized society,

¹ This measure does not include effects from the president's proposed FY 2010 budget not included in the current CBO baseline, which would add approximately \$200 billion to the federal budget deficit in calendar year 2009.

though the price was significantly lower at the time than it is today.

In 1933, trying to free the country from the Great Depression, President Roosevelt

Table 1 (continued)

Tax Freedom Day & Total Effective Tax Rate

Calendar Years 1900–2009

Significant Tax Legislation Noted with First-Year Impact on Tax Burden

	Tax Freedom Day	Number of Days Spent Working to Pay Taxes	All Taxes as a Percentage of Income
1982*	April 22	112	30.4
	<i>The Tax Equity and Fiscal Responsibility Act of 1982 (+0.6% of NNP)</i>		
	<i>The Highway Revenue Act of 1982 (+0.1% of NNP)</i>		
1983	April 18	108	29.4
	<i>The Social Security Amendments of 1983 (+0.2% of NNP)</i>		
	<i>The Interest and Dividend Tax Compliance Act of 1983 (-0.1% of NNP)</i>		
1984	April 17	107	29.2
	<i>The Deficit Reduction Act of 1984 (+0.3% of NNP)</i>		
1985	April 18	108	29.5%
	<i>The Consolidated Omnibus Budget Reconciliation Act of 1985 (0.0% of NNP)</i>		
1986	April 19	109	29.7
	<i>The Tax Reform Act of 1986 (+0.5% of NNP)</i>		
1987	April 22	112	30.7
	<i>The Omnibus Budget Reconciliation Act of 1987 (+0.2% of NNP)</i>		
1988	April 21	111	30.4
1989	April 22	112	30.5
	<i>The Omnibus Budget Reconciliation Act of 1989 (+0.1% of NNP)</i>		
1990*	April 21	111	30.4%
	<i>The Omnibus Budget Reconciliation Act of 1990 (+0.5% of NNP)</i>		
1991*	April 21	111	30.2
1992	April 20	110	30.0
1993	April 21	111	30.2
	<i>The Omnibus Budget Reconciliation Act of 1993 (+0.4% of NNP)</i>		
1994	April 23	113	30.7
1995	April 24	114	31.1%
1996	April 26	116	31.6
	<i>The Small Business Job Protection Act of 1996 (+0.0% of NNP)</i>		
1997	April 28	118	32.1
	<i>The Tax Relief Act of 1997 (-0.1% of NNP)</i>		
1998	April 30	120	32.8
1999	May 1	121	33.0
2000	May 3	123	33.6%
	<i>The Economic Growth and Tax Reform Reconciliation Act of 2001 (-0.8% of NNP)</i>		
2001*	April 30	120	32.6
2002	April 19	109	29.8
	<i>The Job Creation and Worker Assistance Act of 2002 (-0.6% of NNP)</i>		
2003	April 16	106	29.0
	<i>The Jobs and Growth Tax Relief and Reconciliation Act of 2003 (-0.6% of NNP)</i>		
2004	April 17	107	29.3
2005	April 23	113	31.1%
2006	April 26	116	31.7
2007*	April 27	117	31.8
2008*	April 21	111	30.4
	<i>The Economic Stimulus Act of 2008 (-0.9% of NNP)</i>		
2009*	April 13	103	28.2
	<i>The American Recovery and Reinvestment Act of 2009 (-0.9% of NNP)</i>		

* Year in which the economy shrank during at least one quarter.

Note: Leap Day is omitted.

Source: Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office, Joint Committee on Taxation, Office of Management and Budget, Internal Revenue Service, Congressional Research Service, and National Bureau of Economic Research.

embarked on a massive federal government expansion. His New Deal programs required higher taxes and pushed Tax Freedom Day into March. The tax burden lightened in the mid-thirties, and Tax Freedom Day arrived in February again from 1934 through 1936. But as World War II loomed, spending and taxing surged again, and Tax Freedom Day never saw February again.

World War II was the catalyst that pushed Tax Freedom Day into April in 1943, and it dipped back into March for the last time in 1954. In 1950, Tax Freedom Day fell on March 31, and after a decade of modest government growth, it arrived on April 11 in 1960.

The “Kennedy tax cut” pushed through by President Johnson in 1964 helped stem the tide of rising taxes, pushing Tax Freedom Day back to April 9 in 1964. Under Johnson and Nixon, the Vietnam War combined with Johnson’s Great Society programs to force taxes up in the late sixties and seventies, adding 15 days’ work to the price of government. Tax Freedom Day in 1981 arrived on April 24, the latest date ever at that point.

Just as the Kennedy tax cut had done in 1964, the Reagan tax cut in 1981 — the Economic Recovery Tax Act — restrained the tax burden. At the same time, downward pressure on state and local taxes spurred by California’s Proposition 13 brought Tax Freedom Day earlier, and in 1984 it arrived on April 17. But a surge in economic growth during the late eighties along with an increase in payroll taxes raised the tax burden, and in 1989, Tax Freedom Day arrived on April 22.

The next significant change in the tax burden came during the mid-to-late 1990s. New higher tax brackets were added to the federal code in 1993, and the nation’s tax burden rose considerably as income surged, pushing people into those higher brackets. By 1997, Tax Freedom Day came later than ever, April 28, and despite a federal tax cut that year, the nation was in for a string of record-setting tax burdens.

The tax burden reached new highs in 1999 and 2000, and Tax Freedom Day arrived in May for the first time. Tax Freedom Day arrived 123 days into the year, on May 3, 2000, and that still stands as the latest date ever.

Predictably, following such a tax surge, American opposition to taxes grew, and President Bush was narrowly elected on a tax-cut platform. At the same time, income was slowing, and in 2001, before most of the Bush tax cuts had taken effect, Tax Freedom Day arrived on the 120th day of the year, April 30.

The tax burden fell again the next year by a whopping 11 days' work, and Tax Freedom Day arrived on April 19. As more federal tax cuts were enacted during 2002 and 2003, the tax burden continued falling, and Tax Freedom Day arrived on April 16 in 2003, the earliest date in 20 years.

However, while taxes fell, government spending rose as a share of national income, as did the federal budget deficit; while Tax Freedom Day moved earlier in the first half of the decade, it would have moved later if adjusted to include deficit spending.

Since 2007, stimulus tax cuts and a weakening economy have come together to push Tax Freedom Day earlier. Meanwhile, government spending has continued to grow (especially rapidly in 2009) resulting in the first ever 10-figure federal budget deficit.

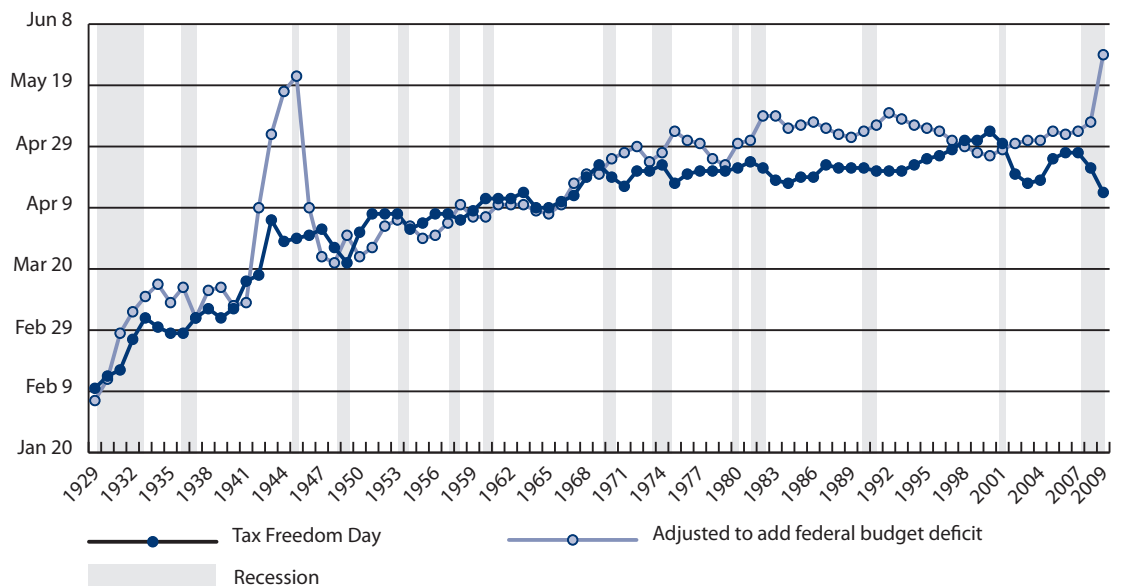
Income and Payroll Taxes Dominate the Tax Burden

Americans face an array of different taxes in their day-to-day lives. Figure 3 presents a breakdown of the nation's tax bill for 2009 by type of tax. The largest and most visible of these taxes are directly subtracted from Americans' paychecks — individual income taxes and payroll taxes.

Income Taxes

Individual income taxes represent the largest component of Americans' tax bills, and they are the best known for a number of reasons. All workers have a portion of their paychecks withheld to pay federal, state and in some cases local income taxes. Each worker then needs to file the famous Form 1040 with the IRS by April 15 of each year so that the government

Figure 2
Tax Freedom Day
1929–2009



Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office and Joint Committee on Taxation.

can find out if too much or too little was withheld over the year.

All but seven states levy some sort of income tax on top of the federal income tax, and some localities do as well. When these are added to the federal income tax burden, income taxes are projected to amount to an average of 38 days' worth of work for Americans in 2009.

Payroll Taxes

We also project for 2009 that Americans will spend another 27 days working to afford their payroll taxes, or social insurance taxes — those taxes dedicated to funding social insurance programs such as Social Security and Medicare. Almost all taxpayers are aware of these

taxes because they appear as line-item deductions on the pay stubs of most Americans.

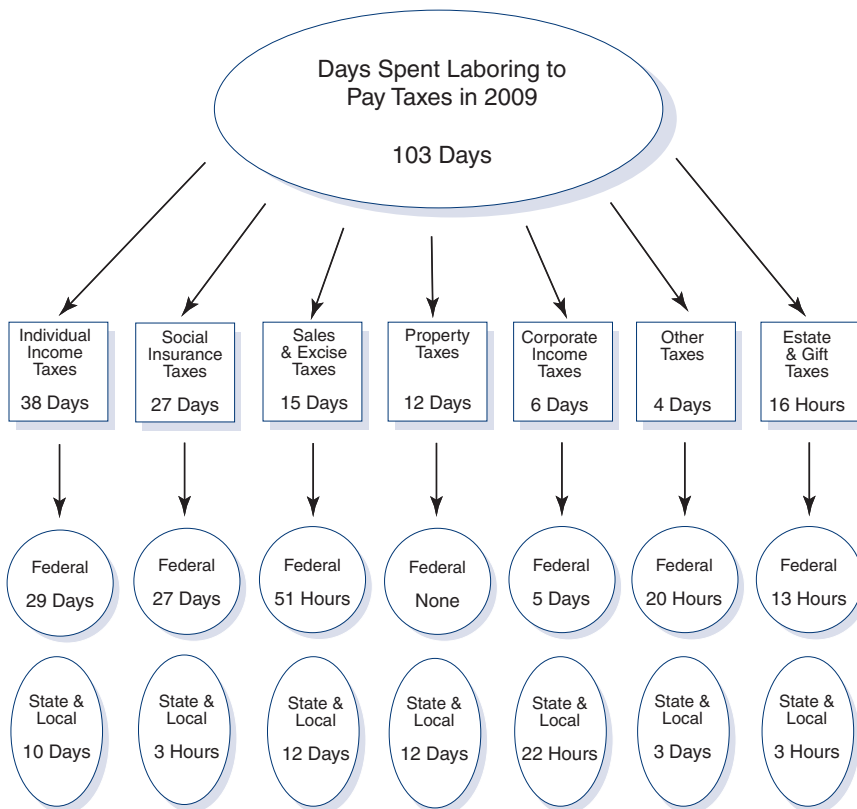
Other Taxes

Some taxes are less apparent to the taxpayer than income and payroll taxes because they are difficult to total up. Foremost among these less well-known taxes are sales and excise taxes. We project that Americans will work 15 days to pay these add-on taxes that are imposed at all levels of government and that raise the prices of nearly all goods and services. Another 12 days will be spent working to pay property taxes, which are primarily levied by local governments but increasingly by states as well.

This year, we project that Americans will have to work an additional six days to pay their share of corporate income taxes—down from 14 days when corporate income tax collections peaked in 2006. The reason these taxes are rightly counted as part of the nation's tax burden is that taxes on businesses are ultimately passed on to individuals: consumers, employees, and shareholders in the form of higher prices, lower wages or employment levels, and lower share value.

Finally, Americans will log four more days to pay other miscellaneous taxes, most notably including tariffs, motor vehicle license taxes and severance taxes, and about one day to pay estate taxes.

*Figure 3
Average Number of Days Worked to Pay Taxes by Type of Tax and Level of Government
Calendar Year 2009*



Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office, and Joint Committee on Taxation. Figures reported in hours where total is less than three days. Figures may not add exactly due to rounding.

Tax Freedom Day by State

The total tax burdens borne by residents of different states vary considerably, as illustrated by Figure 4. This occurs not only because residents of different states pay different amounts of state and local taxes, but also because their federal tax payments can vary dramatically. Higher-income states like Connecticut face a significantly higher total federal tax rate than lower-income states, even before accounting for the fact that many high-income states also have high state and local tax burdens.

Table 2 and Figure 4 rank each state on its Tax Freedom Day and days spent working to pay for government. Residents of Alaska will bear the lowest average tax burden in 2009. Because of their modest incomes and extremely

Table 2
*Tax Freedom Day and Days Worked in Each State
Calendar Years 2008 and 2009*

	2009			2008		
	Days Spent Working to Pay Taxes	Tax Freedom Day	Rank	Days Spent Working to Pay Taxes	Tax Freedom Day	Rank
United States	103	April 13		111	April 21	
Alabama	92	April 2	44	99	April 9	44
Alaska	82	March 23	50	89	March 30	50
Arizona	100	April 10	23	108	April 18	24
Arkansas	94	April 4	37	101	April 11	40
California	110	April 20	4	118	April 28	4
Colorado	102	April 12	16	111	April 21	16
Connecticut	120	April 30	1	130	May 10	1
Delaware	101	April 11	20	110	April 20	18
Florida	99	April 9	27	109	April 19	21
Georgia	102	April 12	17	110	April 20	17
Hawaii	103	April 13	14	111	April 21	15
Idaho	102	April 12	18	110	April 20	19
Illinois	103	April 13	15	111	April 21	13
Indiana	98	April 8	28	106	April 16	30
Iowa	94	April 4	39	101	April 11	39
Kansas	98	April 8	30	106	April 16	29
Kentucky	93	April 3	41	100	April 10	42
Louisiana	87	March 28	49	94	April 4	48
Maine	96	April 6	33	103	April 13	35
Maryland	109	April 19	5	118	April 28	5
Massachusetts	106	April 16	7	115	April 25	6
Michigan	100	April 10	24	107	April 17	26
Minnesota	105	April 15	9	113	April 23	9
Mississippi	87	March 28	48	93	April 3	49
Missouri	96	April 6	34	103	April 13	34
Montana	93	April 3	42	101	April 11	41
Nebraska	98	April 8	31	105	April 15	32
Nevada	98	April 8	29	108	April 18	25
New Hampshire	100	April 10	22	109	April 19	22
New Jersey	119	April 29	2	128	May 8	2
New Mexico	92	April 2	43	99	April 9	43
New York	115	April 25	3	124	May 4	3
North Carolina	99	April 9	25	107	April 17	28
North Dakota	91	April 1	46	98	April 8	45
Ohio	101	April 11	21	108	April 18	23
Oklahoma	94	April 4	40	101	April 11	38
Oregon	99	April 9	26	107	April 17	27
Pennsylvania	104	April 14	11	111	April 21	12
Rhode Island	104	April 14	10	112	April 22	10
South Carolina	94	April 4	38	101	April 11	37
South Dakota	88	March 29	47	96	April 6	47
Tennessee	95	April 5	36	102	April 12	36
Texas	96	April 6	32	105	April 15	33
Utah	103	April 13	13	111	April 21	11
Vermont	102	April 12	19	110	April 20	20
Virginia	106	April 16	6	115	April 25	7
Washington	106	April 16	8	114	April 24	8
West Virginia	91	April 1	45	98	April 8	46
Wisconsin	103	April 13	12	111	April 21	14
Wyoming	95	April 5	35	105	April 15	31
District of Columbia	103	April 13		112	April 22	

Note: Leap day is omitted

Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office, Joint Committee on Taxation, Census Bureau, Energy Information Administration, and Beer Institute.

low state-and-local tax burden, we estimate Alaska's Tax Freedom Day for 2009 to be March 23.

Louisiana, Mississippi, South Dakota and West Virginia round out the five states that we project will experience Tax Freedom Day earliest in 2008.

At the other end of the tax burden spectrum are states with comparatively late Tax Freedom Days. The residents of Connecticut will celebrate last, as usual, working until the 120th day of the year, from January 1 to April 30, before earning enough to pay all their taxes. Because Connecticut's income per capita is higher than in any other state, its residents pay extraordinarily high federal income taxes. Nearby states New Jersey and New York are second and third, respectively. California and Maryland round out the top five.

Tax Freedom Day: Origin and Methodology

Tax Freedom Day was conceived by Florida businessman Dallas Hostetler in 1948. He performed the calculation himself and promoted his copyrighted concept until his retirement in 1971. He deeded the intellectual property to the Tax Foundation, and since then the Tax Foundation has used historical data to calculate Tax Freedom Day back to the beginning of the 20th century. In 1990 sufficient data became available to calculate a separate Tax Freedom Day for each state.

Tax Freedom Day is a vivid, calendar-based illustration of government's cost, and it gives Americans an easy way to gauge the overall tax take. We count every dollar that is officially part of national income according to the Department of Commerce's Bureau of Economic Analysis, and every payment to the government that is officially considered a tax is counted. Taxes at all levels of government are included, whether levied by Uncle Sam or state and local governments.

We assume that the nation starts working on January 1, earning the same amount each day and spending nothing. When the nation has finally earned enough to pay all the taxes

that will be due for that year, Tax Freedom Day has arrived.

Determining the national Tax Freedom Day involves calculating an overall average tax rate for the nation. This is done by dividing the nation's total tax payments by the nation's income as projected by the Tax Foundation for 2009. The following formula presents this calculation for 2009:

$$\frac{\text{Federal, state \& local taxes}}{\text{Total income}} = \frac{\$3,481 \text{ billion}}{\$12,365 \text{ billion}} = 28.2\%$$

$$28.2\% \times 365 \text{ days} = 103 \text{ days} = \text{April 13}$$

The source for income and tax data is the National Income and Product Accounts published by the Bureau of Economic Analysis in the Department of Commerce. For a more detailed description of Tax Freedom Day's methodology and some questions relating to the timing of tax burdens and income, please see "Tax Freedom Day: How It's Calculated and Addressing Some Methodological Issues."

State Tax Freedom Day Calculation

In calculating Tax Freedom Day for each state, we look at taxes borne by residents of each state, whether paid to the federal government, their own state or local government, or governments of other states. Where possible, we allocate tax burdens to the taxpayer's state of residence. For example, Massachusetts income tax levied on wages of New Hampshire residents will be allocated to New Hampshire, not Massachusetts.

In recent years, our ability to account for tax exporting has greatly increased, and so the ranking of states' Tax Freedom Days has changed significantly. Tax Freedom Day by state as listed in this report is not directly comparable to Tax Freedom Day reports from previous years. However, we have recalculated past years' Tax Freedom Day by state based on this new methodology. Figures for 2008 and 2009 are shown in Table 2; figures back to 1977 are available on our website.



SPECIAL REPORT (ISSN 1068-0306) is published at least 6 times yearly by the Tax Foundation, an independent 501(c)(3) organization chartered in the District of Columbia.

4–20 pp.
Single copy: free
Multiple copies: \$5 each

The Tax Foundation, a nonprofit, nonpartisan research and public education organization, has monitored tax and fiscal activities at all levels of government since 1937.

©2009 Tax Foundation

Editor and Communications Director, Bill Ahern

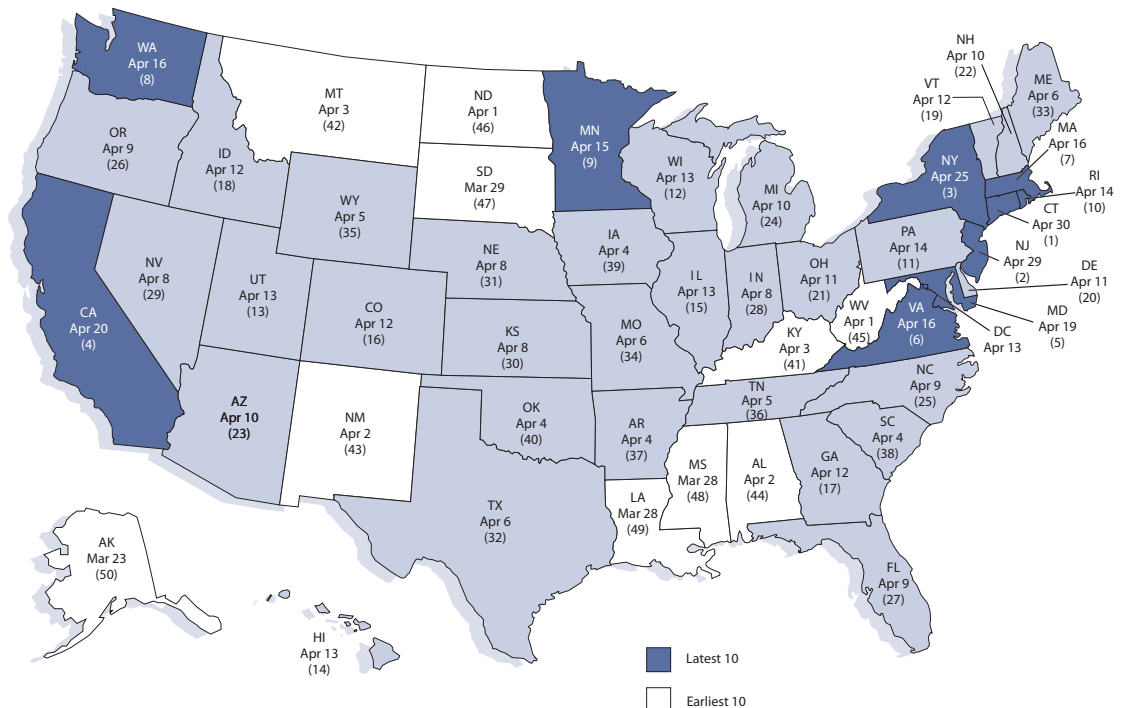
Copy Editor, Alicia Hansen

Tax Foundation
2001 L Street, NW, Suite 1050
Washington, DC 20036

After May 1, 2009:
National Press Building
529 14th Street, NW, Suite 420
Washington, DC 20045-1000

(202) 464-6200
(202) 464-6201 fax
www.TaxFoundation.org
TF@TaxFoundation.org

Figure 4
Tax Freedom Day by State and Rank Calendar Year 2009



Source: Tax Foundation calculations based on data from the Bureau of Economic Analysis, Congressional Budget Office, Joint Committee on Taxation, Census Bureau, Energy Information Administration, and Beer Institute.