



Written by [Bob Adelman](#) on April 18, 2013

Today Is Tax Freedom Day, Except ...

According to the Tax Foundation, “Tax Freedom Day” — the day when the nation as a whole has earned enough money to pay all of its taxes for the year — arrived this year on Thursday, April 18, five days later than last year. The math is simple: The foundation adds up all the taxes Americans pay to any level of government — federal, state, and local — and compares that to total income earned, and then figures out how many days out of 365 it takes to pay those taxes.



For 2013 Americans will pay \$2.76 trillion in federal taxes and another \$1.45 trillion in state and local taxes for a total of \$4.22 trillion. Total income is \$14.4 trillion. So governments extract 29.4 percent of Americans’ income in taxes. That works out to be 107.3 days which is rounded up to 108 days — voila! — April 18.

Except that this calculation leaves out several significant, and expensive, additional factors. The first is that nothing is included in this calculation about the annual deficit. If that is treated as unpaid future taxes, then Tax Freedom Day really occurs 21 days later — on May 9 — according to the Tax Foundation’s calculation.

Except that the Tax Foundation excludes any taxes on capital gains because it gets its raw data from the Bureau of Economic Analysis, which doesn’t count capital gains as income. If it were counted, Tax Freedom Day would be pushed out even farther.

Except that most Americans pay taxes that they don’t even know — or perhaps care — about, totaling at least 95 others. These include taxes on food, gasoline and meals out, along with accounts receivable tax, accumulated earnings tax, ad valorem tax, alternative minimum tax, aviation fuel tax, cigarette tax, consumption tax, corporate income tax, corporation license tax, court fines, customs duty tax, dog license tax ... and this is just the first 15 of those 95.

Except that there’s an inflation tax. A simple example will suffice. A gallon of gasoline cost \$1.03 in 1998 but today costs about \$3.50. It’s the same gas but it costs more. And although many factors may be involved, a large one is the diminishing purchasing power of the dollar owing to the expansion of the money supply. That’s the inflation tax.

Except that there’s the bracket creep tax whereby an individual gets to pay more as his income goes up and he enters a higher tax bracket even though his purchasing power remains the same.

Except that, thanks to withholding, most Americans don’t even feel it. The federal and state income and payroll taxes are removed from their checks before they even see them. This was implemented by conservative economist Milton Friedman during his stint during World War II in the Treasury Department. As Murray Rothbard explained:

One of Friedman’s most disastrous deeds was the important role he proudly played, during World War II in the Treasury Department, in foisting upon the suffering American public the system of the



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withholding tax.

Before World War II, when income tax rates were far lower than now, there was no withholding system; everyone paid his annual bill in one lump sum, on March 15. It is obvious that under this system, the Internal Revenue Service could never hope to extract the entire annual sum, at current confiscatory rates, from the mass of the working population. The whole ghastly system would have happily broken down long before this.

Only the Friedmanite withholding tax has permitted the government to use every employer as an unpaid tax collector, extracting the tax quietly and silently from each paycheck.

Except that it takes more than six billion man hours to complete and file all those tax returns, time which would be more profitably spent doing something else.

Except that the Tax Foundation is only including two of the twenty-one Obamacare taxes that are due to kick in over the next couple of years.

Except that it could be worse. While it takes 108 days for America to pay its taxes (with the exceptions noted), in New Zealand it takes 141 days, in England it takes 150 days, in Canada it takes 157 days, in Germany it takes 190 days, in France it takes 197 days, and in Belgium it takes a staggering 217 days for citizens in that country to earn enough to pay its taxes.

Except that the IRS is having to cut its staff, and as a result audits are declining significantly, meaning that fewer Americans will face penalties and interest for under reporting their income.

Except for the untaxed black market, which in the United States is estimated to be about 10 percent of its gross domestic product, or about \$1.5 trillion, taxes would be even higher.

All in all, with these exceptions noted, it could be worse. In Nazi Germany and in the Soviet Union their citizens enjoyed Tax Freedom Day on December 31.

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