May 3 was Tax Freedom Day in America this year. It has never come later. The Tax Foundation <www.taxfoundation.org>, a think tank located in Washington, D.C., determines the exact date each year. The idea behind Tax Freedom Day is that we work part of the year to support our governments and the rest of the year to support ourselves. Tax Freedom Day is when we stop working to support governments and start working to support ourselves.

Tax Freedom Day is a statistical creation. Total taxes are 33.8 percent of total income throughout the nation, and May 3rd is 33.8 percent of the way through the year. The exact arrival of Tax Freedom Day depends on the state where you live. In Virginia it came on April 30th, the same as for California and Maryland. This is roughly in the middle among all states. It came April 16th for someone living in Alaska, but someone living in Connecticut must wait until May 25th.

Above the entrance to the headquarters of the Internal Revenue Service is chiseled a quotation from Oliver Wendell Holmes: “Taxation is the price we pay for civilization.” It is easy to see why the IRS would display this quotation. A surface reading might seem to suggest that we should gladly accept whatever taxes are imposed on us. A deeper reading, though, reveals ambiguity about taxation. After all, our nation was founded on the proposition that taxes can become too high. We can acknowledge with Holmes that proper taxation may
well be a price we pay for civilization, while at the same time recognizing with our forebears that taxation becomes destructive if it is too high.

How do we assess our current situation? Why does Tax Freedom Day move in one direction only and creep ever closer to Independence Day? While there are short periods where Tax Freedom Day does not change very much in either direction, the long-term trend is clearly one where it comes ever later. The last year Tax Freedom Day arrived in March was 1954, when it arrived on the 30th. By the time Nixon took office in 1969, Tax Freedom Day was April 21st. From Nixon to the elder Bush there was little overall change, as Tax Freedom Day arrived on April 20th when Clinton took office. In Clinton’s eight years in office, he pushed back Tax Freedom Day by two weeks. Even that so-called tax cutter Ronald Reagan had no effect Tax Freedom Day. It was April 22nd the year he took office and April 21st the year he left.

The so-called tax reductions proposed by President Bush would not cause Tax Freedom Day to arrive earlier. They would only slow its retreat. Without the President’s tax program, Tax Freedom Day ten years from now would arrive on May 10th. With the President’s program, it would arrive on May 5th. After ten years of Bush-the-tax-cutter, Tax Freedom Day would arrive two days later than it now arrives. We are surely seeing some strange use of language in politics.

We should remember that that in contemporary Washingtonian English a tax cut does not mean a true cut in your taxes. It means only that your tax increases will be less than what the Treasury Department had planned for them to be. Any proposal to decrease future increases in taxes is called a tax cut.
Any proposal to reduce proposed increases in spending is called a spending cut. Yet taxes are not cut. Nor is spending. Debates over so-called cuts are simply debates over how much to pare back projected increases in taxes and spending.

There is a ratchet-effect at work, whereby taxes continually inch upward. Debates in Washington are over how fast taxes will rise. Genuine tax reductions are never on the table. This reflects a political bias toward spending money over returning it to taxpayers. Consider this simple illustration. There are five people who must decide by majority vote whether to cut each of their taxes by $100. Suppose the tax cut would eliminate a public program that was worth only $360. The tax cut would seem to make good sense. However, if that $360 were concentrated among three people, tax reduction would fail. This is, of course, a simple, hypothetical illustration. It does, however, make a well-recognized point about a democratic bias toward higher rather than lower taxation.

Tax Freedom Day is not a perfect indicator of the costs imposed by taxation. It is, however, a useful indicator. Even the serfs of the middle ages attained tax freedom by the first of April. Should we be happy with being treated even more harshly than those serfs of old?