

E-News from Congressman Tim Murphy

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It's Tax Day, and There's No Better Time For TAX FACTS

Contents:

1. **Did you know? Interesting tax information.**
2. **How does Pennsylvania compare?**
3. **Want to change the tax code?**

1. By the Numbers:

- As of 2001, the Internal Revenue Code contained 1,685,000 words-a 13% increase since 1995 and nearly 380 times the number of words in the U.S. Constitution.
- As of 2001, IRS Regulations contained over 6,752,000 words-a 10% increase since 1995 and over 8-1/4 times the total number of words in the King James Bible.
- There are 733 separate sections of the federal income tax code-a 612% increase over the tax code in 1954.
- As of last year, the IRS produced 649 separate forms, schedules, and instructions with approximately 16,100 lines. IRS publications providing guidance to taxpayers alone totaled about 13,400 pages.
- In 1998, 46 tax experts surveyed came up with 46 different answers when determining a particular tax liability. The tax calculations ranged from \$34,240 to \$68,912.

Compliance & The IRS:

- Ten years ago, the IRS said it took the average person 9- $\frac{1}{4}$ hours to complete the 1040. Today's average is 13 hours-time enough to complete at least 4 baseball games.
- This year, Americans will spend an estimated 6.4 billion hours complying with the tax code-6.4 billion hours ago was 734,645 years before the birth of Jesus Christ.
- It cost all taxpayers an estimated \$203.4 billion in 2003 just to comply with the tax code-that is enough money to buy a fleet of 5.1 million brand new Cadillac DeVille 4-Door Sedans at retail price. Annual compliance costs are projected to rise to \$244 billion by 2007.
- Nearly three-in-five tax filers use paid preparers.
- In 2002, businesses spent an estimated 2.75 billion hours complying with the federal tax system-that's the equivalent of 1000 employees working 40-hour weeks for more than 132 years.
- The IRS spent \$9.4 billion in 2003 (up from \$9.1 billion in 2002)-that's more than the FY2003 appropriations for the FBI and the Federal Prison System combined.
- In FY2003, the IRS employed an average of 98,824 people-more than the number of employees (as of September 2003) at the Departments of State, Labor, Energy, Housing & Urban Development, and Education, plus the Environmental Protection Agency **combined**.
- Yet, with all these resources, in 2001 the IRS answered less than 60% of the phone calls they received requesting information or assistance. When the IRS does answer, one out of every five answers they provided is either incomplete or incorrect.

Think You Have Paid Your Taxes for the Year? *Think Again!*

- Throughout the rest of the year, Americans will continue paying more federal taxes every time they fly on an airplane, make a phone call, fill up their gas tank, or even sit down to have a cold beer. These federal excise taxes cost the average American about \$500 per year.
- Since the federal government taxes corporations, they are forced to factor these costs into the prices of the products and services they sell. Corporate income taxes and the employer share of payroll taxes cost consumers over \$1,600 a year in increased prices.

Working for the Taxman:

- Last year, 100% of the income the average American earned from January 1st to April 13th (103 days) went to pay federal, state, and local taxes. Therefore, April 14th was "Tax Freedom Day," the day on which the average American started working for anything besides taxes. **This year the Tax Foundation reports that, thanks to Republican tax cuts, Tax Freedom Day is April 11th (the earliest Tax Freedom Day in 37 years).**
- However, if current law prevails and the tax cuts are not extended, the Tax Foundation projects that Tax Freedom Day will fall back to April 14th next year and reach April 29th in 2014.
- Americans spent more time working to pay federal, state, and local taxes than they spent working to pay medical expenses, put food on their tables, and buy clothing combined.

2. How does the average taxpayer in Pennsylvania compare to those in the rest of the country?

NEW YORK (CNN/Money) -- There are countless reasons why you choose to live where you live. The climate, the schools, the prospect for work and the proximity to a big metropolis are just a few.

But there are also state and local taxes to consider. They can make a big difference to your bottom line.

Below is a look at the average taxpayer's total state and local tax burden in each of the 50 states and the District of Columbia. That burden reflects what residents pay in state and local income taxes, property taxes, sales taxes, luxury taxes and fuel taxes, among others. It also accounts for the portion of business taxes that is passed along to the consumer by way of higher prices and lower wages

State-Local Tax Burdens, Calendar Year 2004 State/Local taxes as % of per capita income

New York	12.9%
District of Columbia	12.8%
Maine	12.3%
Ohio	11.3%
Hawaii	11.3%
Rhode Island	11.1%
Wisconsin	11.1%

Utah	10.8%
West Virginia	10.6%
Connecticut	10.6%
Minnesota	10.5%
Idaho	10.4%
Vermont	10.4%
Michigan	10.2%
Nebraska	10.2%
New Jersey	10.1%
Indiana	10.1%
Kentucky	10.0%
Georgia	10.0%
National Average	10.0%
Mississippi	10.0%
Arizona	10.0%
Washington	9.9%
Kansas	9.9%
Louisiana	9.9%
Maryland	9.9%
Arkansas	9.8%
California	9.8%
Iowa	9.8%
Montana	9.8%
New Mexico	9.7%
Nevada	9.7%
North Carolina	9.7%
Illinois	9.7%
North Dakota	9.7%
Oregon	9.5%
Pennsylvania	9.4%
Massachusetts	9.4%
Virginia	9.3%
Missouri	9.3%
Oklahoma	9.2%
Colorado	9.1%
Alabama	9.1%
South Dakota	9.0%
South Carolina	9.0%
Wyoming	8.9%
Florida	8.8%
Texas	8.7%
Tennessee	8.5%
Delaware	8.2%
New Hampshire	7.5%
Alaska	6.3%

(Source: Tax Foundation, 2004)

The state/local tax burden reflects what a state and its local governments collect as a percentage of per capita income. So, for example, with a state/local tax burden of 10.1 percent, the state of New Jersey and its local governments get about a tenth of what its residents make per capita.

Of course, if you live in the Garden State your personal tax burden may be higher or lower. Much will depend, as it would in any state, on whether you own your home, where in the state you live, how much you make and the source of your income.

3. Want to change the tax code?

Take a look at these proposed bills:

H.R. 3060, by Nick Smith (R-Mich) would repeal the tax code and replace it with a flat tax.

http://www.house.gov/nicksmith/budget_taxes.htm

H.R. 25, by John Linder (R-GA) would repeal the tax code and replace it with a consumption tax.

<http://linder.house.gov/>

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Prepared by the Office of Congressman Tim Murphy