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## **FINDINGS OF TAX FOUNDATION'S "TAX FREEDOM DAY" REPORT SHOULD BE TREATED WITH CAUTION**

### **Statement by the Center on Budget and Policy Priorities**

The Tax Foundation's new report on tax burdens across the country should be approached with caution.

The findings regarding each state's tax burden for 2005 do not reflect actual tax collections for 2005 — or even 2004. Rather, they are based on a set of estimates and projections, largely derived from years-old data and from national samples that were never intended to be used for state-by-state estimates, and calculated using a methodology that has never been formally published or subject to outside review.

A vivid demonstration of the problems of this approach occurs when the Tax Foundation revises its initial calculations. For instance, the latest revision says that only eight states had higher tax burdens in 2002 than in 2000, not the 38 states it had initially claimed in 2002. (Data from the Census Bureau show, in fact, that the tax burden had risen in only four states over the 2000 to 2002 period.)

The report's *national* findings are also flawed. In particular, they substantially overstate tax burdens on the "average American."

For further analysis, please see the following Center reports:

**Tax Foundation Estimates of State and Local Tax Burdens Are Not Reliable:**  
<http://www.cbpp.org/4-7-05tax.htm>

**Tax Foundation Figures Do Not Represent Middle-Income Tax Burdens:**  
<http://www.cbpp.org/4-7-05tax2.htm>