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## UPDATE POST



## The Top 5 Hidden Taxes

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We're well aware of our federal and state income tax burdens. Most of us are also familiar with sales tax and FICA, the 15.3 percent of our paycheck that is withheld (half from us, half from our employer) to fund Medicare and Social Security. But few of us know about the myriad of other "hidden" taxes that we routinely pay in our day to day lives. Though less onerous than the more well-known taxes, they still limit our ability to spend on goods, services, and charity. They also hurt the ability of business owners to expand their companies and hire new people. Below we list the top five:

**1. Cable tax.** Our cable bills have skyrocketed over the last decade in part because of the extra fees and taxes imposed on them. Federal, state, and local governments sneak taxes into our bills to pay for, among other things, the Federal Communications Commission and communications equipment for schools and libraries. While the total amount of these fees vary by locality, an analysis by the Heartland Institute estimates that we pay an average of 12 percent in cable tax on each month's bill.

**2. Cellphone tax.** Our cell phone bills are similarly loaded with extra taxes, surcharges, and fees. They appear on our bills under cryptic names like "Gross Receipts Tax Surcharge" and "Telecommunications Services Excise Tax Surcharge" and go to pay for things like 911 fees and access to government owned radio waves. The same analysis by Heartland finds that we also pay about 12 percent in cellphone tax on each month's bill. If you pay around a \$100 a month for your cell phone, that means you're paying \$144 a year in extra taxes.

**3. Alcohol tax.** Alcohol taxes are part of a group of "sin" taxes, so named because they apply to activities like drinking, smoking, or gambling. The federal government taxes spirits at \$13.50 a gallon, or \$2.70 for each 750 ml bottle (also known as a "fifth.") Then states tack on additional taxes of their own that vary from a high of \$35.22 a gallon (or \$7.04 for a "fifth") in Washington State to a low of \$2.00 a gallon (37 cents) in Missouri. Depending on the quality of spirits you buy and what state you're in, you could pay about 33 percent in alcohol tax. And don't think you can get off the hook by drinking beer or wine either; these drinks are also taxed, though at lower rates.

**4. Gasoline tax.** Like alcohol, each gallon of gas is subject to a fixed federal and a varying state excise tax. The federal tax is 18.4 cents per gallon, while additional state taxes range from a high of 50.6 cents in New York to a low of 8 cents in Alaska and average 27.2 cents for the country as a whole. With a gallon of gas costing about \$3.65 at the moment, this means that you pay about 12.5 percent in gasoline tax with each fill up.

**5. Healthcare tax.** The new health care law introduced 20 new or higher taxes to American families and businesses that total over \$500 billion, according to the Congressional Budget Office. For example, medical device manufacturers (which employ 360,000 people in 6,000 plants across the country) face a new 2.3 percent tax. Indoor tanning salons now charge an extra 10 percent tax. And employees face a 0.9 percent increase in Medicare payroll tax on earnings above \$200,000. It's still unclear how much the new health care law will cost us in total, but it's likely that it won't be hidden, despite the government's best efforts.