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Pull the Curtain Back on Hidden Taxes

You know that it's tax season when every other commercial you see is for tax preparation services.

By Alfredo Ortiz

As we all start to get our W-2s and interest statements, we start to realize how much money the government takes directly out of our paychecks. While it is often shocking to see it added up for one year—to quote Rachel from Friends—“who’s is FICA and why is he getting all my money?”—it is important that we not forget all the hidden taxes we pay on everything from cellphone bills to alcohol. Each day we pay taxes that are built into the price of items we purchase, without even knowing it.

It may come as a surprise, but each month when you pay your phone bill, you’re also paying a ton of extra taxes and charges. Cell phone bills are loaded with mysterious sounding fees for things like the “Telecommunications Services Excise Tax Surcharge” and the “Federal Universal Service Fund,” which fund Federal Communication Commission programs. All told, these taxes add up to about 12 percent of each month’s cell phone bill. So, if you pay \$100 per month for your cell phone, you’re also paying an extra \$144 each year in hidden taxes.

Alcohol is taxed with so-called “sin taxes,” or extra taxes on activities the government deems inappropriate – smoking and gambling also come with these hidden fees. The federal government taxes spirits at \$13.50 a gallon. On top of that, states also tax alcohol at various rates. Washington, which has the highest tax of any state, takes \$35.22 for each gallon sold, while Missouri, on the other end of the spec-

trum, takes \$2.00 a gallon. Depending on what state you’re in, and how much you buy, you could be looking at paying an additional 33 percent in alcohol tax.

Just like alcohol, gasoline comes with built-in taxes from both state and federal governments. The U.S. federal excise tax on gasoline is just over 18 cents per gallon. States also take anywhere from eight to 50 cents per gallon – an average of about 27 cents for the country as a whole. With the average price of gasoline at around \$1.83, that means you pay almost 25 percent in gasoline tax every time you fill up your tank.

Hidden cable taxes also hit Americans particularly hard. Cable bills have gone through the roof in the last ten years, in part because of the extra fees we have to pay. On average, about 12 percent of each month’s cable bill goes to paying these hidden taxes.

To paraphrase Ben Franklin — the only things certain in this life are death and taxes. We all expect to pay things like income and sales taxes, and we can see them reflected on receipts and paychecks. But the hidden taxes are a little bit tougher to swallow, and they’re driving up costs for stuff we buy every day. So, the next time someone complains about how high their taxes are this tax season, tell them that the taxes they see are just the tip of the iceberg.

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