I'm an American living in Sweden. Here's why I came to embrace the higher taxes.

by Tom Heberlein on April 8, 2016


I was visiting the Apostle Islands National Lakeshore, a 23-island archipelago in Lake Superior, when suddenly I found myself pining for Stockholm. Why? Because standing on the boat dock in Bayfield, Wisconsin, I realized that the 23,000-island Stockholm archipelago is more accessible to me, an American, than my own 23-island national park.

These wilderness islands with haunting sea caves are accessible only by tour boat at a cost of $151 for a family of two adults and three children. There is no free 15-minute ride across the strait to Basswood Island closest to the mainland, nor a $10 shuttle between the islands, as there would be in Sweden where a heavily subsidized ferry system makes the Stockholm archipelago available to all citizens — as well as to American tourists.

Swedish taxes are easy to pay, rational, and efficient. Best of all, rather than take away opportunities, Swedish taxes expand them. It seems that Americans would rather have inaccessibility to public places and crumbling infrastructure than pay more in taxes, right? After all, every American seems to know that taxes in Sweden are high and that they want nothing to do with high.

My wife and I have been dividing our time between jobs in Sweden and Wisconsin for the past dozen years, and I'm here to tell you that taxes in Sweden are not that high. To my surprise, I found that there are lots of things to love about the Swedish tax system. Swedish taxes are easy to pay, rational, and efficient. Best of all, rather than take away opportunities, Swedish taxes expand them.

Here are six reasons I have come to love Swedish taxes.

1) Swedish income taxes are not much higher than US taxes — but they give you an education

US critics say that Swedes pay 56 percent — so the government takes over half of your money. This is not true — 56 percent is the marginal tax rate, i.e. what high earners pay on income over a certain amount in both state and local taxes. Only 15 percent of Swedes pay tax at this rate. It turns out the average Swede pays less than 27 percent of his or her income in direct taxes. As I've written elsewhere, my wife and I pay about 22 percent of our US income in taxes. Our Swedish income tax was 31
percent. So, yes, our income taxes in Sweden were higher than in the US, but we still paid less than one-third in tax.

And you get far more for your taxes than you do in the US. In Sweden, college is free and students get a housing stipend. A colleague’s daughter, Kerstin, just completed a five-year dental program. Her family paid nothing for her education. The Swedish government gave her $340 a month to live on when she was in school and the right to borrow $700 more a month, which she did. After five years, she graduated with a debt of $37,153.

In the US, dental students graduate with an average of $215,000 in debt from dental school alone.

2) Tax forms come already filled out

Our US federal and state forms tax forms were more than 30 pages long last year, downloaded completely blank. During the two weeks we'll spend in Wisconsin this summer, our main job will be to get our taxes done.

I'll wade through stacks of bank and credit card records line by line, documenting all professional income beyond our wages and scanning for every possible business or charitable deduction. Once this is done, we — like the majority of US taxpayers — will hire a tax professional who charges us $500 to review and co-sign our work.

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Tax-preparation services cost American taxpayers more than $32 billion per year. My wife, Betty, and I each have a PhD, but that's not enough to understand IRS
instructions. Finally, with a great sigh of relief, our marriage still intact, we'll sign the forms and send them to the IRS.

Of course, despite our great efforts, we don't know whether the IRS is going to be happy or not. We might get audited and have to dig up all this stuff again, because the government has three years to check and revise our returns.

In Sweden, the four-page tax form comes in the mail already filled out. On a Saturday morning, Betty and I take our coffee to the couch and review the forms. Seeing they look reasonable, as they always do, we "sign" with a text from our phones. In 15 minutes we are done. We don't have to hire a tax consultant, and we avoid fights about whether a print cartridge bought at the drugstore is a business expense or not.

The Swedes expect their government to be efficient, and the tax authority is. Only 11 percent of the Swedish taxpayers say it is NOT easy to fill out their forms. I can't imagine what a similar survey question would show in the US.

3) There is no property tax

Property taxes go back to the founding of the United States. They are administered by local governments and most go to pay for schools, local roads, and other services. They range from a high of 2.38 percent in New Jersey to a low of 0.28 percent in Hawaii. Property taxes hurt older citizens, whose incomes are not going up but whose property taxes are. In our great American tradition of making taxes hurt, Wisconsin property tax bills come in a lump sum just before Christmas. The envelope might as well say, "I am from the government, and I am here to make you miserable."

When the conservative government, favoring lower taxes, came to power in Sweden in 2006 one of its first steps was abolish the property tax and replace it with a fixed fee. The real estate fee for services is 7,112 SEK per house ($825 at current exchange rates).

This is the same for everyone no matter what the assessed value of the dwelling. The fee is $12 a month for our co-op apartment in Stockholm. If we owned the same property in Madison, our taxes would be $18,000 a year.
4) Sales taxes in Sweden are higher — but less noticeable
Swedes and many other Europeans are grumpy when they visit the US, buy something for $10, and the clerk asks for $10.55. Just as we make our income tax process miserable and the property tax bill shows up just before Christmas, sales taxes are an add-on, which makes you notice them more.

Sales taxes are high in Sweden, but you don't see them, and that makes them easier to pay. If something costs 100 kronor, you pay the 100 kronor! Only when you look at the receipt do you see that it costs 80 kronor and 20 kronor for VAT (value-added tax). Many things are taxed at lower rates — 12 percent to have dinner out or buy groceries, 6 percent (only half a percent higher than our sales tax in Madison) for books and tickets to cultural events and in-country travel. Health related items: zero percent.
It is true that sales taxes are regressive; poor people pay a higher proportion of their income in this tax. In the US, a 25 percent sales tax would have to be offset with some kind of subsidies for our many poor. But because Sweden has a narrower income distribution, its sales tax is less regressive than in the US.

5) We get cash instead of deductions

One of the reasons US income tax preparation is so awful is that we try to reward certain activities by providing a tax deduction. If you do some good deed (like putting in a solar panel) and if you can find the receipt and documentation (I am thinking ahead to our summer "tax vacation" in the Wisconsin), then you can list a number on Form H, line 36, that will lower your taxes.

Does this feel good? Do you feel rewarded for your solar panel? Or is it just another damn number on a tax form?

If the Swedish government wants you to do something, they give you the money. For example: Having children is good for the society and costs parents money. In the US, you get a deduction on your income tax for dependents. In Sweden, you get a check every month and you can use it to buy shoes. For one child you get $120 a month and up to $620 for four children. Every parent gets a check.

The process is simple, fair, totally clear, and you don't have to do anything on your tax form. The money comes when you need it—not a year or more later hidden in a tax refund check.

In Sweden, the four-page tax form comes in the mail already filled out. In 15 minutes we are done. Another example: To stimulate the economy in 2008, Sweden’s parliament approved a "rotavdrag" as a temporary job stimulus paying up to 50 percent of the labor costs for household repairs. As a result, the Swedish IRS paid its share of our recent remodeling bill — and I didn't have to do a bit of paperwork. When I got the final remodeling bill, there was a deduction of 50,000 kronor for my wife and 50,000 for me (the maximum allowed). I asked if I was supposed to pay this. "Oh, no," the contractor said. "Just pay the remainder, and the Swedish IRS will send me their share."

6) High taxes give me more choices and freedoms

David Brooks, in a New York Times editorial, argues that if Americans paid European-style high taxes, it would "weaken the ability of members of the middle class to make choices about their own lives."

Maybe Brooks needs to live abroad. Guys like Brooks seem to be proud that tax revenues in the US are only 26 percent of GDP (the third lowest of all countries in the
Organization for Economic Co-operation and Development) while in Sweden they are 43 percent.

But tax dollars are not burned — they are used to provide collective goods that are beyond the reach of any individual and that benefit everyone. These collective goods give the middle class more choices, not fewer.

Not having to pay for college gives the best and the brightest the opportunity to attend any school they choose — equalizing opportunity on merit, not parents' wealth.

No matter how rich Bill Gates is, he cannot buy a hiking trail system in Seattle like those we take for granted in Stockholm. I get to use it for free and have more choices for hiking than I can ever enjoy in Wisconsin. The family of five I witnessed waiting on the dock to visit the Apostle Islands was powerless to see them. Our national park, accessible to the few but not the many, is but one casualty of our low taxes.

Another casualty? Our public transportation system. Betty and I used to live the village of Lodi, about 25 miles from Madison. This being America, I was free to travel to Madison however and whenever I wanted, as long as it was by private automobile. There was (and is) no bus service to Madison. Even though railroad tracks run right through the village, there is no commuter rail service either.

If this were a suburb of Stockholm or any other European city of 250,000, there would be train service and bus service several times an hour. These are the choices Europeans have that we don't, because they devote more of their income to collective goods.

If we value freedom, those of us who drive cars should pay higher gas taxes so that those who are old, infirm, too poor to have a car, or want to reduce their environmental impact can have fast and efficient bus and train service. Besides the moral issue of providing freedom of choice, there is a great economic value. If we had bus and train service to Madison, the value of all of the real estate in Lodi would shoot up, and our crumbling downtown would have a shot at a future.

The 33 million Americans who are still not covered by health insurance don't have much choice when they get sick, unless you think, "Your money or your life?" is a choice. Paradoxically it turns out the bloated, heavily lobbied, privatized US system spends more tax money ($4,437) per person than Sweden’s socialized health care ($3,184).
This is due to Swedish efficiency rather than poor service. I do get to choose my doctor, have high-quality care a short walk from my home, same-day appointments and short waits when I walk in unannounced. And one day my physician himself phoned to tell me I had left my gloves in his office — it was my choice to walk back and get them.

I am not burdened by Swedish taxes. In fact, paying more allows me to increase my quality of life in a big way. That's why I believe that if we all paid higher taxes with less pain in the collection, more of us would be granted the American version of freedom we have been promised.

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