

Sales Tax Rates in Major Cities, Midyear 2016

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Sales taxes in the United States are levied not only by state governments but also by city, county, tribal, and special district governments. In many cases these local sales taxes can have a profound impact on the total rate that consumers experience.

Several private firms maintain databases of the sales tax rates in the roughly 10,000 local jurisdictions in the United States that levy them. Here, we list the combined state and local sales tax rates in major U.S. cities, defined as all U.S. Census-designated incorporated places with a population over 200,000. This report complements our semi-annual calculation of the average of all local sales taxes in each state.¹

Highest and Lowest Sales Taxes Among Major Cities

On January 1, 2016, Chicago, Illinois, vaulted to the top of the list of cities imposing the highest combined state and local sales tax in the nation when a county tax increase brought the total rate to 10.25 percent.² Four cities trail closely behind at 10 percent: Birmingham and Montgomery, Alabama; and Baton Rouge and New Orleans, Louisiana.

The two cities in Louisiana are new inclusions at the very top, driven by a one percentage point increase in the Louisiana state sales tax effective April 1, 2016.³ They are followed by Seattle and Tacoma, Washington, at 9.6 percent; Fremont and Oakland, California, at 9.5 percent; Memphis and Nashville, Tennessee, at 9.25 percent; and Glendale, Arizona, at 9.2 percent.

Portland, Oregon, and Anchorage, Alaska, have neither a state nor local sales tax. Honolulu, Hawaii, has the third lowest sales tax among major cities with a rate of 4.5 percent. However, Hawaii's overly broad sales tax makes this not strictly comparable

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- 1 Jared Walczak and Scott Drenkard, "State and Local Sales Tax Rates, Midyear 2016," Tax Foundation Fiscal Fact No. 515, July 5, 2016, <http://taxfoundation.org/article/state-and-local-sales-tax-rates-midyear-2016>.
- 2 Jared Walczak, "Chicago Adopts Highest Sales Tax Among Major Cities," Tax Foundation Tax Policy Blog, July 16, 2015, <http://taxfoundation.org/blog/chicago-adopts-highest-sales-tax-among-major-cities>.
- 3 Tyler Bridges, "Louisiana Sales Tax System Now Ranks Worse Than Last Place," *The Advocate*, Mar. 31, 2016, <http://theadvocate.com/news/15350511-127/louisiana-sales-tax-system-now-ranks-worse-than-last-place>.

with other states. Richmond, Virginia (5.3 percent), Madison, Wisconsin (5.5 percent), and Tulsa, Oklahoma (5.5 percent), also impose low combined state and local sales tax rates.

The Role of Competition in Sales Tax

Sales tax avoidance is most likely to occur in areas where there is a significant difference between two jurisdictions' sales tax rates. Research indicates that consumers can and do leave high-tax areas to make major purchases in low-tax areas, such as from cities to suburbs.⁴ For example, strong evidence exists that Chicago-area consumers make major purchases in surrounding suburbs or online to avoid Chicago's high sales tax rates.⁵ At the statewide level, businesses sometimes locate just outside the borders of high sales tax areas to avoid being subjected to their rates. The state of Delaware actually uses its state border welcome sign to remind motorists that Delaware is the "Home of Tax-Free Shopping."⁶ State and local governments should be cautious about raising rates too high relative to their neighbors because doing so may lead to revenue losses despite the higher tax rate.

Sales Tax Bases: The Other Half of the Equation

This report ranks states and cities based on tax rates and does not account for differences in tax bases (the structure of sales taxes, defining what is taxable and non-taxable). States can vary greatly in this regard. For instance, most states exempt groceries from the sales tax, others tax groceries at a limited rate, and still others tax groceries at the same rate as all other products.⁷ Some states exempt clothing or tax it at a reduced rate.⁸ The taxation of services and business-to-business transactions also varies widely by state.⁹

Tax experts generally recommend that sales taxes apply to all final retail sales of goods and services but not intermediate business-to-business transactions in the production chain.¹⁰ These recommendations would result in a tax system that is not only broad-based but also "right-sized," applying once and only once to each product the market produces. Despite agreement in theory, the application of most state sales taxes is far from this ideal.¹¹

Hawaii has the broadest sales tax in the United States, taxing many products multiple times and, by one estimate, ultimately taxing more than 100 percent of the state's personal

4 Mehmet Serkan Tosun and Mark Skidmore, "Cross-Border Shopping and the Sales Tax: A Reexamination of Food Purchases in West Virginia" (Working Paper, 2005), <http://www.rri.wvu.edu/pdf/Tosunwp2005-7.pdf>. See also Randolph T. Beard, Paula A. Gant, and Richard P. Saba, "Border-Crossing Sales, Tax Avoidance, and State Tax Policies: An Application to Alcohol," *Southern Economic Journal*, 64(1), 293-306 (1997).

5 Susan Chandler, "The Sales Tax Sidestep," *Chicago Tribune*, July 20, 2008, http://articles.chicagotribune.com/2008-07-20/business/0807190001_1_sales-tax-tax-avoidance-tax-landscape.

6 "Raise taxes, and they'll move, constituents tell one delegate," *Marylandreporter.com*, Aug. 3, 2011, <http://marylandreporter.com/2011/08/03/raise-taxes-and-theyll-move-constituents-tell-one-delegate/>.

7 For a list, see Jared Walczak, Scott Drenkard, and Joseph Henchman, 2016 *State Business Tax Climate Index*, Tax Foundation, Nov. 17, 2015, <http://taxfoundation.org/article/2016-state-business-tax-climate-index/>.

8 Liz Malm and Richard Borean, "How Does Your State Sales Tax See That Blue and Black (or White and Gold) Dress?" Tax Foundation, Feb. 27, 2015, <http://taxfoundation.org/blog/how-does-your-state-sales-tax-see-blue-and-black-or-white-and-gold-dress>.

9 For a representative list, see Jared Walczak, Scott Drenkard, and Joseph Henchman, 2016 *State Business Tax Climate Index*.

10 Justin Ross, "A Primer on State and Local Tax Policy: Trade-Offs Among Tax Instruments," Mercatus Center at George Mason University, Feb. 25, 2014, <http://mercatus.org/publication/primer-state-and-local-tax-policy-trade-offs-among-tax-instruments>.

11 For a representative list, see Jared Walczak, Scott Drenkard, and Joseph Henchman, 2016 *State Business Tax Climate Index*.

income. This base is far wider than the national median, where the sales tax base applies to 36.3 percent of personal income.¹²

Conclusion

Sales taxes are just one part of the overall tax structure and should be considered in context. For example, Washington State has high sales taxes but no income tax, whereas Oregon has no sales tax but high income taxes. While many factors influence business location and investment decisions, sales taxes are something within policymakers' control that can have immediate impacts.

Table 1.

State and Local Sales Tax Rates in Cities with Populations above 200,000, as of July 1, 2016.

City	State	State	Local	Total	Rank
Chicago	Illinois	6.25%	4.00%	10.25%	1
Baton Rouge	Louisiana	5.00%	5.00%	10.00%	2
Birmingham (a)	Alabama	4.00%	6.00%	10.00%	2
Montgomery	Alabama	4.00%	6.00%	10.00%	2
New Orleans (b)	Louisiana	5.00%	5.00%	10.00%	2
Seattle	Washington	6.50%	3.10%	9.60%	6
Tacoma	Washington	6.50%	3.10%	9.60%	6
Fremont (c)	California	7.50%	2.00%	9.50%	8
Oakland (c)	California	7.50%	2.00%	9.50%	8
Memphis	Tennessee	7.00%	2.25%	9.25%	10
Nashville	Tennessee	7.00%	2.25%	9.25%	10
Glendale	Arizona	5.60%	3.60%	9.20%	12
Glendale (c)	California	7.50%	1.50%	9.00%	13
Long Beach (c)	California	7.50%	1.50%	9.00%	13
Los Angeles (c)	California	7.50%	1.50%	9.00%	13
Stockton (c)	California	7.50%	1.50%	9.00%	13
New York	New York	4.00%	4.875%	8.875%	17
Yonkers	New York	4.00%	4.875%	8.875%	17
Buffalo	New York	4.00%	4.75%	8.75%	19
San Francisco (c)	California	7.50%	1.25%	8.75%	19
San Jose (c)	California	7.50%	1.25%	8.75%	19
Spokane	Washington	6.50%	2.20%	8.70%	22
St. Louis	Missouri	4.225%	4.45%	8.679%	23
Phoenix	Arizona	5.60%	3.00%	8.60%	24
Tulsa	Oklahoma	4.50%	4.017%	8.517%	25
Aurora (d)	Colorado	2.90%	5.60%	8.50%	26
Sacramento (c)	California	7.50%	1.00%	8.50%	26
Kansas City (e)	Missouri	4.225%	4.25%	8.475%	28
Oklahoma City	Oklahoma	4.50%	3.88%	8.38%	29
Aurora	Illinois	6.25%	2.00%	8.25%	30
Austin (f)	Texas	6.25%	2.00%	8.25%	30
Colorado Springs	Colorado	2.90%	5.35%	8.25%	30

12 John Mikesell, "State Retail Taxes in 2012: The Recovery Continues," *State Tax Notes, 1001-1006 (June 2013)*.

Corpus Christi	Texas	6.25%	2.00%	8.25%	30
Dallas	Texas	6.25%	2.00%	8.25%	30
El Paso	Texas	6.25%	2.00%	8.25%	30
Fort Worth	Texas	6.25%	2.00%	8.25%	30
Garland	Texas	6.25%	2.00%	8.25%	30
Houston	Texas	6.25%	2.00%	8.25%	30
Irving	Texas	6.25%	2.00%	8.25%	30
Laredo	Texas	6.25%	2.00%	8.25%	30
Lubbock	Texas	6.25%	2.00%	8.25%	30
Plano	Texas	6.25%	2.00%	8.25%	30
San Antonio	Texas	6.25%	2.00%	8.25%	30
San Bernardino (c)	California	7.50%	0.75%	8.25%	30
Fresno (c)	California	7.50%	0.725%	8.225%	45
Henderson	Nevada	6.85%	1.30%	8.15%	46
Las Vegas	Nevada	6.85%	1.30%	8.15%	46
North Las Vegas	Nevada	6.85%	1.30%	8.15%	46
Tucson	Arizona	5.60%	2.50%	8.10%	49
Mesa	Arizona	5.60%	2.45%	8.05%	50
Anaheim (c)	California	7.50%	0.50%	8.00%	51
Arlington	Texas	6.25%	1.75%	8.00%	51
Atlanta (g)	Georgia	4.00%	4.00%	8.00%	51
Chula Vista (c)	California	7.50%	0.50%	8.00%	51
Cleveland	Ohio	5.75%	2.25%	8.00%	51
Columbus	Georgia	4.00%	4.00%	8.00%	51
Fontana (c)	California	7.50%	0.50%	8.00%	51
Huntington Bch (c)	California	7.50%	0.50%	8.00%	51
Irvine (c)	California	7.50%	0.50%	8.00%	51
Moreno Valley (c)	California	7.50%	0.50%	8.00%	51
Philadelphia	Pennsylvania	6.00%	2.00%	8.00%	51
Riverside (c)	California	7.50%	0.50%	8.00%	51
Rochester	New York	4.00%	4.00%	8.00%	51
San Diego (c)	California	7.50%	0.50%	8.00%	51
Santa Ana (c)	California	7.50%	0.50%	8.00%	51
Scottsdale	Arizona	5.60%	2.35%	7.95%	66
Chandler	Arizona	5.60%	2.20%	7.80%	67
Gilbert	Arizona	5.60%	2.20%	7.80%	67
Minneapolis (h)	Minnesota	6.875%	0.90%	7.775%	69
Saint Paul (i)	Minnesota	6.875%	0.90%	7.775%	69
Reno	Nevada	6.85%	0.88%	7.73%	71
Denver	Colorado	2.90%	4.75%	7.65%	72
Modesto (c)	California	7.50%	0.13%	7.63%	73
Columbus	Ohio	5.75%	1.75%	7.50%	74
Bakersfield (c)	California	7.50%	0.00%	7.50%	75
Durham	North Carolina	4.75%	2.75%	7.50%	75
Oxnard (c)	California	7.50%	0.00%	7.50%	75
Wichita	Kansas	6.50%	1.00%	7.50%	75
Albuquerque (j)	New Mexico	5.125%	2.1875%	7.3125%	79
Charlotte	North Carolina	4.75%	2.50%	7.25%	80
Lincoln	Nebraska	5.50%	1.75%	7.25%	80
Toledo	Ohio	5.75%	1.50%	7.25%	80
Cincinnati (k)	Ohio	5.75%	1.25%	7.00%	83
Fayetteville	North Carolina	4.75%	2.25%	7.00%	83
Fort Wayne	Indiana	7.00%	0.00%	7.00%	83

Indianapolis	Indiana	7.00%	0.00%	7.00%	83
Jersey City	New Jersey	7.00%	0.00%	7.00%	83
Newark	New Jersey	7.00%	0.00%	7.00%	83
Omaha (l)	Nebraska	5.50%	1.50%	7.00%	83
Hialeah	Florida	6.00%	1.00%	7.00%	90
Jacksonville	Florida	6.00%	1.00%	7.00%	90
Miami	Florida	6.00%	1.00%	7.00%	90
Pittsburgh	Pennsylvania	6.00%	1.00%	7.00%	90
St. Petersburg	Florida	6.00%	1.00%	7.00%	90
Tampa	Florida	6.00%	1.00%	7.00%	90
Greensboro	North Carolina	4.75%	2.00%	6.75%	96
Raleigh	North Carolina	4.75%	2.00%	6.75%	96
Winston-Salem	North Carolina	4.75%	2.00%	6.75%	96
Orlando	Florida	6.00%	0.50%	6.50%	99
Boston	Massachusetts	6.25%	0.00%	6.25%	100
Arlington (c, m)	Virginia	5.30%	0.70%	6.00%	101
Baltimore	Maryland	6.00%	0.00%	6.00%	101
Boise	Idaho	6.00%	0.00%	6.00%	101
Chesapeake (c)	Virginia	5.30%	0.70%	6.00%	101
Des Moines	Iowa	6.00%	0.00%	6.00%	101
Detroit	Michigan	6.00%	0.00%	6.00%	101
Lexington	Kentucky	6.00%	0.00%	6.00%	101
Louisville	Kentucky	6.00%	0.00%	6.00%	101
Norfolk (c)	Virginia	5.30%	0.70%	6.00%	101
Virginia Beach (c)	Virginia	5.30%	0.70%	6.00%	101
Washington	District of	5.75%	0.00%	5.75%	111
Milwaukee	Wisconsin	5.00%	0.60%	5.60%	112
Madison	Wisconsin	5.00%	0.50%	5.50%	113
Richmond (c)	Virginia	5.30%	0.00%	5.30%	114
Honolulu (j, n)	Hawaii	4.00%	0.50%	4.50%	115
Anchorage	Alaska	0.00%	0.00%	0.00%	116
Portland	Oregon	0.00%	0.00%	0.00%	116

(a) Most of Birmingham is located within Jefferson County and is subject to a 10 percent sales tax. However, part of the city lies in Shelby County and is subject to a total rate of 9 percent.

(b) Most of New Orleans is located within Orleans Parish and is subject to a 10 percent sales tax. However, part of the city lies in Jefferson Parish and is subject to a total rate of 9.75 percent.

(c) California (1.25%) and Virginia (1%) levy mandatory, statewide add-on sales taxes at the local level; these are included in their state sales tax rates. Northern Virginia and Hampton Roads have an additional 0.7 percent rate, which is treated here as a local tax.

(d) Most of Aurora is located within Adams County and is subject to an 8.5 percent sales tax. However, part of the city lies in Arapahoe County and is subject to a total rate of 8.0 percent.

(e) Most of Kansas City is located within Jackson County and is subject to a 8.35 percent sales tax. However, the city's top rate is in Platte County, at 8.475 percent, while another part of the city lies in Clay County, where it is subject to a total rate of 8.1 percent.

(f) Most of Austin is located within Travis and Williamson counties and is subject to an 8.25 percent sales tax. However, part of the city lies in Hays County and is subject to a total rate of 7.25 percent.

(g) Most of Atlanta is located in Fulton County and is subject to an 8 percent sales tax. However, part of the city lies in Cobb County and is subject to a total rate of 7 percent.

(h) Most of Minneapolis is within Hennepin County and is subject to a 7.775 percent sales tax. However, part of the city lies in Anoka County and is subject to a total rate of 7.625 percent.

(i) Most of St. Paul is located within Ramsey, Washington, and Dakota Counties and is subject to a 7.625 percent sales tax. However, part of the city lies in Hennepin County and is subject to a total rate of 7.775 percent.

(j) The sales taxes in Hawaii and New Mexico have broad bases that include many services.

(k) Most of Cincinnati is located within Hamilton County and is subject to a 7.0 percent sales tax. However, part of the city lies in Clarendon County and is subject to a total rate of 6.75 percent.

(l) Most of Omaha is located within Douglas County and is subject to a 7 percent sale tax. However, part of the city lies in Sarpy County and is subject to a total rate of 5.5 percent.

(m) Arlington is a county without any incorporated municipalities. However, we treat it as a city here because it is included in the Census Bureau's annual list of incorporated places.