

# FISCAL FACT

## State and Local-Option General Sales Tax Rates in U.S. States

By Kail Padgitt

### Introduction

Retail sales taxes are correctly described in textbooks as “transparent” taxes, that is, citizens are aware of how much they pay and when. Indeed, on any particular purchase, an individual can easily identify the amount and percentage he paid in sales tax; it’s right there on the receipt. As a result, where local-option sales taxes are not imposed, even people with no interest in taxation know the general sales tax rate where they live. However, in two-thirds of the country, local-option sales taxes play an important role in government finance, so it is somewhat more difficult for citizens to know what the rates are, and transparency suffers.

Thirty-four states allow localities to charge a local sales tax. The rates vary from jurisdiction to jurisdiction, and here we average those in a way that gives an accurate impression of the sales tax in each state (see Table 1).

<b>Table 1</b>				
<b>State and Local Sales Tax Rates, Ranked by Total Rate</b>				
<b>As of July 1, 2010</b>				
	<b>State</b>	<b>Local</b>	<b>Total</b>	<b>Rank</b>
Alabama	4.00%	4.03%	8.03%	10
Alaska	0.00%	1.11%	1.11%	46
Arizona	6.60%	2.41%	9.01%	3
Arkansas	6.00%	2.10%	8.10%	9
California (1)	8.25%	0.83%	9.08%	2
Colorado	2.90%	4.07%	6.97%	25
Connecticut	6.00%	0.00%	6.00%	33
Delaware	0.00%	0.00%	0.00%	47
Florida	6.00%	0.98%	6.98%	24
Georgia	4.00%	2.95%	6.95%	26
Hawaii	4.00%	0.35%	4.35%	45
Idaho	6.00%	0.03%	6.03%	32
Illinois	6.25%	1.97%	8.22%	8
Indiana	7.00%	0.00%	7.00%	19

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Iowa	6.00%	1.00%	7.00%	23
Kansas	6.30%	1.65%	7.95%	12
Kentucky	6.00%	0.00%	6.00%	33
Louisiana	4.00%	4.69%	8.69%	4
Maine	5.00%	0.00%	5.00%	43
Maryland	6.00%	0.00%	6.00%	33
Massachusetts	6.25%	0.00%	6.25%	31
Michigan	6.00%	0.00%	6.00%	33
Minnesota	6.88%	0.26%	7.14%	17
Mississippi	7.00%	0.00%	7.00%	19
Missouri	4.23%	3.23%	7.46%	15
Montana	0.00%	0.00%	0.00%	47
Nebraska	5.50%	0.89%	6.39%	29
Nevada	6.85%	1.11%	7.96%	11
New Hampshire	0.00%	0.00%	0.00%	47
New Jersey	7.00%	0.00%	7.00%	19
New Mexico	5.13%	2.01%	7.14%	18
New York	4.00%	4.52%	8.52%	6
North Carolina	5.75%	2.07%	7.82%	13
North Dakota	5.00%	0.87%	5.87%	39
Ohio	5.50%	1.28%	6.78%	27
Oklahoma	4.50%	3.83%	8.33%	7
Oregon	0.00%	0.00%	0.00%	47
Pennsylvania	6.00%	0.33%	6.33%	30
Rhode Island	7.00%	0.00%	7.00%	19
South Carolina	6.00%	1.26%	7.26%	16
South Dakota	4.00%	1.22%	5.22%	41
Tennessee	7.00%	2.44%	9.44%	1
Texas	6.25%	1.36%	7.61%	14
Utah (1)	5.95%	0.63%	6.58%	28
Vermont	6.00%	0.00%	6.00%	33
Virginia (1)	5.00%	0.00%	5.00%	43
Washington	6.50%	2.11%	8.61%	5
West Virginia	6.00%	0.00%	6.00%	33
Wisconsin	5.00%	0.42%	5.42%	40
Wyoming	4.00%	1.17%	5.17%	42
District of Columbia	6.00%	0.00%	6.00%	-
(1) California and Virginia have a mandatory 1 percent "local" add-on and Utah has a 1.25 percent "local" add-on. Since localities have no authority over these taxes they are included in the state rate. Sources: Sales Tax Clearinghouse,				

## Combined Rates

There are five states that do without a general statewide sales tax: Alaska, Delaware, Montana, New Hampshire and Oregon. Four of them prohibit local-option taxes as well, so they have a combined rate of zero. Alaska does allow the local option, notably Juneau's city sales tax rate of 5 percent, and the weighted average of the local rates is 1.11 percent, so the combined rate is also 1.11 percent.

Among states with a state-level general sales tax, the five with the lowest combined rates are Hawaii (4.35 percent), Maine (5 percent), Virginia (5 percent), Wyoming (5.17 percent) and South Dakota (5.22 percent). The five states with the highest combined state-local rates are Tennessee (9.44 percent), California (9.08 percent), Arizona (9.01 percent), Louisiana (8.69 percent) and Washington (8.61 percent).

## State Rates

California has the highest state-level rate of 8.25 percent, including a mandatory 1 percent tax collected by the state but distributed to local governments. (Some sources describe California's statewide sales tax as one percentage point lower for this reason.) Six states tie for the second-highest rate of 7 percent: Indiana, North Carolina, Mississippi, New Jersey, Rhode Island and Tennessee.

The lowest non-zero state-level sales tax is Colorado's 2.9 percent rate. Next lowest is 4.0 percent, a rate levied in seven states: Alabama, Georgia, Hawaii, Louisiana, New York, South Dakota and Wyoming.

## Local Rates

Sixteen states have no local option general sales tax, but in the 34 states that do, local rates can be substantial, larger than the state-level rate in four states. Alaska has a 1.11 percent average local rate compared to a zero rate at the state level. Colorado's average local rate is 4.07 percent on top of a state rate of 2.9 percent. Louisiana and New York both have state rates of 4.0 percent but average local rates are higher, 4.69 percent in Louisiana and 4.52 percent in New York.

Other states with high average local sales tax rates are Alabama (4.03 percent) and Oklahoma (3.83 percent). The states with the lowest non-zero local rates are Idaho (0.03 percent), Minnesota (0.26 percent), Pennsylvania (0.33 percent), Hawaii (0.35 percent) and Wisconsin (0.42 percent).

## Methodology

General sales tax rates are widely available on state government websites and many publications, most portably the Tax Foundation's annual pocket-sized booklet of state tax rate comparisons, *Facts & Figures: How Does Your State Compare?*

Sales tax rates for counties and cities are reported by five-digit zip code on a paid subscription basis from the Sales Tax Clearinghouse. Localities may contain all or part of many zip code areas, and there are at least 40,000 five-digit zip code areas overlapping the more than 8,000 localities in the U.S., so some inexactitude creeps in during the conversion from zip code to

locality. Here we calculate an unweighted average of the zip code rates within each locality. Within each state, however, we do weight the local rates by personal income (Bureau of Economic Analysis) so that a high tax rate in a major city will affect the average much more than low or zero rates in sparsely populated counties where relatively few sales occur.

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