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Ranking State and Local Sales Taxes

By

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Introduction

Retail sales taxes are correctly described in textbooks as “transparent” taxes; citizens are aware of how much they pay and when. 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, even people with no interest in taxation have an idea of the general sales tax rate where they live.

However, in two-thirds of the country, local-option sales taxes make it somewhat more difficult for citizens to know what the rates are, and transparency suffers. Thirty-three 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).

Combined Rates

Five states 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 1.1 percent, so the combined rate is also 1.1 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), South Dakota (5.22 percent), and Wyoming (5.3 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 (8.64 percent).

Table 1: State and Local Sales Tax Rates, Ranked by Total Rate
as of January 1, 2011

State	State Tax Rate	Average Local Tax Rate	Total Rate	Rank
Alabama	4.00%	4.03%	8.03%	10
Alaska	None	1.10%	1.10%	46
Arizona	6.60%	2.41%	9.01%	3
Arkansas	6.00%	2.10%	8.10%	9
California (a)(c)	8.25%	0.83%	9.08%	2
Colorado	2.90%	4.08%	6.98%	24
Connecticut	6.00%	None	6.00%	33
Delaware	None	None	None	47
Florida	6.00%	0.99%	6.99%	23
Georgia	4.00%	2.95%	6.95%	25
Hawaii (b)	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%	None	7.00%	19
Iowa	6.00%	0.84%	6.84%	26
Kansas	6.30%	1.65%	7.95%	12
Kentucky	6.00%	None	6.00%	33
Louisiana	4.00%	4.69%	8.69%	4
Maine	5.00%	None	5.00%	43
Maryland	6.00%	None	6.00%	33
Massachusetts	6.25%	None	6.25%	31
Michigan	6.00%	None	6.00%	33
Minnesota	6.875%	0.265%	7.140%	17
Mississippi	7.00%	None	7.00%	19
Missouri	4.225%	3.237%	7.462%	15
Montana (d)	None	None	None	47
Nebraska	5.50%	0.89%	6.39%	29
Nevada	6.85%	1.11%	7.96%	11
New Hampshire	None	None	None	47
New Jersey	7.00%	None	7.00%	19
New Mexico (b)	5.125%	2.010%	7.135%	18
New York	4.00%	4.52%	8.52%	6
North Carolina	5.75%	2.07%	7.82%	13
North Dakota	5.00%	0.57%	5.57%	39
Ohio	5.50%	1.28%	6.78%	27

Oklahoma	4.50%	3.83%	8.33%	7
Oregon	None	None	None	47
Pennsylvania	6.00%	0.34%	6.34%	30
Rhode Island	7.00%	None	7.00%	19
South Carolina	6.00%	1.25%	7.25%	16
South Dakota	4.00%	1.22%	5.22%	42
Tennessee	7.00%	2.44%	9.44%	1
Texas	6.25%	1.36%	7.61%	14
Utah (a)	5.95%	0.67%	6.62%	28
Vermont	6.00%	None	6.00%	33
Virginia (a)	5.00%	None	5.00%	43
Washington	6.50%	2.14%	8.64%	5
West Virginia	6.00%	None	6.00%	33
Wisconsin	5.00%	0.42%	5.42%	40
Wyoming	4.00%	1.30%	5.30%	41
District of Columbia	6.00%	-	6.00%	-

Source: Tax Foundation calculations; state revenue departments; Sales Tax Clearinghouse.

Note: Some states levy gross receipts taxes in addition to sales taxes.

(a) Three states levy a mandatory local add-on sales tax at the state level: California (1%), Utah (1.25%), and Virginia (1%). We include this in their state sales tax.

(b) Hawaii and New Mexico have broad sales taxes that also apply to many services.

(c) California's state sales tax is scheduled to drop 1 percentage point on July 1, 2011.

(d) Due to data limitations, this table does not include sales taxes in local resort areas in Montana

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.) Five states tie for the second-highest rate of 7 percent: Indiana, 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

Seventeen states have no local option general sales tax, but in the 33 states that do, local rates

can be substantial, larger than the state-level rate in five states. Alaska has a 1.1 percent average local rate compared to a zero rate at the state level. Colorado's average local rate is 4.08 percent on top of a state rate of 2.9 percent. Louisiana, New York, and Alabama all have state rates of 4.0 percent, but average local rates are higher: 4.69 percent in Louisiana, 4.52 percent in New York, and 4.03 percent in Alabama.

Other states with high average local sales tax rates are Oklahoma (3.83 percent) and Missouri (3.237 percent). The states with the lowest non-zero local rates are Idaho (0.03 percent), Minnesota (0.265 percent), Pennsylvania (0.34 percent), Hawaii (0.35 percent) and Wisconsin (0.42 percent).

Methodology

General sales tax rates are widely available on state government websites and in 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. We then weight this at the county level by population using Census Bureau data.

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