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## Ranking State and Local Sales Taxes

*By*

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### Introduction

Retail sales taxes are often the most transparent way to collect tax revenue. Indeed, while many citizens do not know the standard 10, 15, 25, 28, 33 and 35 percent federal personal income tax rates, they tend to have at least some idea of the sales tax in their state, or could reach into their pocket to pull out a receipt with the rate printed on it.

However, almost three-quarters of the states have some presence of local-option sales taxes that may be less known to residents, with rates varying from county to county. This report provides a population-weighted average that answers the question: “If I walk out of my house and buy something, what is the average sales tax I will pay?”

### Combined Rates

Five states do not have a statewide sales tax: Alaska, Delaware, Montana, New Hampshire and Oregon. Four of these five (all but Alaska) do not allow localities to charge a local sales tax. In Alaska, high local rates in populous places like Juneau and Kodiak (5 and 6 percent, respectively) certainly increase the average local rate, but not enough to give Alaskans a higher combined rate than any state that charges a statewide rate.

Among states that do collect a statewide tax, the five with the lowest average combined rates are Hawaii (4.35 percent), Maine (5 percent), Virginia (5 percent), Wyoming (5.34 percent), and Wisconsin (5.43 percent). The five highest combined rates are Tennessee (9.43 percent), Arizona (9.12 percent), Louisiana (8.84 percent), Washington (8.79 percent) and Oklahoma (8.66 percent).

The highest total sales tax burden in the United States is in Tuba City, Arizona, which has a combined rate of 13.725 percent.<sup>1</sup> This rate is composed of a 6.6 percent state tax, a 1.125 percent Coconino county tax, and an additional 6 percent tribal tax levied by the To’Nanees’Dizi local government.

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<sup>1</sup> Vertex, Inc. *Average Combined Sales and Use Tax Continues to Rise in 2011.*

<http://www.vertexinc.com/PressRoom/2011/Vertex-6-month-2011-Rate%20Report-FINAL.pdf?ref=rss>

**Table 1: State and Local General Sales Tax Rates as of July 1, 2011**

State	State Tax Rate	Average Local Tax Rate	Combined Rate	Rank
Alabama	4.00%	4.64%	8.64%	6
Alaska	None	1.74%	1.74%	46
Arizona	6.60%	2.52%	9.12%	2
Arkansas	6.00%	2.50%	8.50%	7
California (a)	7.25%	0.88%	8.13%	12
Colorado	2.90%	4.58%	7.48%	15
Connecticut	6.35%	None	6.35%	31
Delaware	None	None	None	47
Florida	6.00%	0.65%	6.65%	29
Georgia	4.00%	2.87%	6.87%	23
Hawaii (b)	4.00%	0.35%	4.35%	45
Idaho	6.00%	0.02%	6.02%	35
Illinois	6.25%	2.02%	8.27%	9
Indiana	7.00%	None	7.00%	21
Iowa	6.00%	0.81%	6.81%	25
Kansas	6.30%	1.96%	8.26%	10
Kentucky	6.00%	None	6.00%	36
Louisiana	4.00%	4.84%	8.84%	3
Maine	5.00%	None	5.00%	43
Maryland	6.00%	None	6.00%	36
Massachusetts	6.25%	None	6.25%	33
Michigan	6.00%	None	6.00%	36
Minnesota	6.875%	0.30%	7.18%	17
Mississippi	7.00%	0.003%	7.00%	20
Missouri	4.225%	3.45%	7.67%	14
Montana ( c )	None	None	None	47
Nebraska	5.50%	1.27%	6.77%	27
Nevada	6.85%	1.08%	7.93%	13
New Hampshire	None	None	None	47
New Jersey	7.00%	0.03%	7.03%	19
New Mexico (b)	5.125%	2.11%	7.23%	16
New York	4.00%	4.48%	8.48%	8
North Carolina	4.75%	2.10%	6.85%	24
North Dakota	5.00%	1.38%	6.38%	30
Ohio	5.50%	1.28%	6.78%	26
Oklahoma	4.50%	4.16%	8.66%	5
Oregon	None	None	None	47
Pennsylvania	6.00%	0.34%	6.34%	32
Rhode Island	7.00%	None	7.00%	21
South Carolina	6.00%	1.14%	7.14%	18
South Dakota (b)	4.00%	1.81%	5.81%	40
Tennessee	7.00%	2.43%	9.43%	1
Texas	6.25%	1.89%	8.14%	11
Utah (a)	5.95%	0.73%	6.68%	28
Vermont	6.00%	0.14%	6.14%	34
Virginia (a)	5.00%	None	5.00%	43
Washington	6.50%	2.29%	8.79%	4
West Virginia	6.00%	None	6.00%	36
Wisconsin	5.00%	0.43%	5.43%	41
Wyoming	4.00%	1.34%	5.34%	42
D.C.	6.00%	-	6.00%	

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

(b) Hawaii's, South Dakota's and New Mexico's sales taxes have broad bases that include many services.

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

Source: Tax Foundation calculations; Sales Tax Clearinghouse; 2010 Census

## State Rates

California, despite a recent 1 percent reduction in its sales tax rate, still has the highest state-level rate at 7.25 percent.<sup>2</sup> 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 in Colorado, which boasts a rate of 2.9 percent. Seven states follow with 4 percent: Alabama, Georgia, Hawaii, Louisiana, New York, South Dakota and Wyoming.

In addition to California, there have been two recent changes in state rates since the publication of the most recent Tax Foundation report on local sales taxes in February, 2011. On July 1, 2011 North Carolina lowered its sale tax rate by 1 percentage point to 4.75 percent, and Connecticut raised its state rate by 0.35 percentage points to 6.35 percent.

## Local Rates

The five highest average local rates are in Louisiana (4.84 percent), Alabama (4.64 percent), Colorado (4.58 percent), New York (4.48 percent) and Oklahoma (4.16 percent).

Fourteen states have no local option general sales tax, but this does not always make for favorable rankings. Indiana, despite having no local general sales taxes, still ranks 21st because of a 7 percent statewide rate.

Mississippi has the lowest non-zero average local rate of 0.003 percent; attributable entirely to a 2.5 percent sales tax in the small city of Tupelo, which has a population of 34,546.<sup>3</sup> After Mississippi, the states that round out the lowest five non-zero rates are Idaho (0.02 percent), New Jersey (0.03 percent), Vermont (0.14 percent) and Minnesota (0.30 percent).

The highest local rate is 7 percent in Wrangell, Alaska, which--thanks to its small population (Census estimates 2,369 people)--does not have a substantive effect on the average local rate.

## Methodology

Sales Tax Clearinghouse publishes quarterly sales tax data at the state, county and city level by zip code. These numbers are weighted according to Census 2010 population figures in an attempt to account for local rates that are levied in addition to statewide rates.

It is worth noting that population numbers are only published at the zip code level every ten years by the Census Bureau, and so the methodology in this version is slightly different than past versions of this calculation.

It should also be noted that while the Census Bureau reports population data using a five-digit identifier that looks much like a zip code, these are actually what is called a "Zip Code Tabulation Area" (ZCTA), which attempts to create a geographical area associated with a given zip code. This is done because a surprisingly large number of zip codes do not actually have any residents. For example, the National Press Building, where the Tax Foundation is located, has its own zip code solely for postal reasons.

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<sup>2</sup> This number includes a mandatory 1 percent add-on tax which is collected by the state but distributed to local governments. Because of this, some sources will describe California's sales tax as 1 percent lower.

<sup>3</sup> U.S. Census Bureau; Census 2010, Summary File 1; generated by Scott Drenkard; using American FactFinder; <http://factfinder.census.gov>; (20 September 2011).

For our purposes, zip codes that do not have a corresponding ZCTA population figure are omitted from calculations. These omissions do not likely pose a notable problem for the resultant averages though, because proximate zip code areas which do have a ZCTA population number assigned to them would capture the tax rate of whatever city the area is located in.

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