



April 11th, 2012

No. 296

Fiscal Fact

Sales Tax Rates in Major U.S. Cities

By

Scott Drenkard, Alex Raut, and Kevin Duncan

Executive Summary

Sales taxes in the United States are levied not only by state governments but also by city, county, special district, and Native American governments. In many cases these local sales taxes can have a profound impact on the total rate that consumers see at the check-out register.

Several private firms maintain databases of the sales tax rates in the 9,600 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 annual calculation of the average of all local sales taxes in each state.¹

Highest and Lowest Sales Taxes Among Major Cities

Birmingham and Montgomery, both in Alabama, have the highest combined state and local sales tax rate among major U.S. cities at 10 percent. They are followed by Chicago, Illinois; Glendale, Arizona; and Seattle, Washington, each with rates of 9.5 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 with other states. Five local jurisdictions in Virginia (Arlington, Chesapeake, Norfolk, Richmond, and Virginia Beach) are also relatively low on the list, levying just a 5 percent statewide sales tax.

The Role of Competition in Sales Tax

Evasion of sales tax 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.² For example, strong evidence exists that Chicago-area consumers make major

¹ See Scott Drenkard, *State & Local Sales Taxes in 2012*, Tax Foundation Fiscal Fact No. 291, Feb. 14, 2012, at <http://www.taxfoundation.org/news/show/27967.html>.

² Mehmet Serkan Tosun & Mark Skidmore, *Cross-Border Shopping and the Sales Tax: A Reexamination of Food Purchases in West Virginia* (Working Paper, 2005), available at <http://www.rri.wvu.edu/pdf/Tosunwp2005-7.pdf>. See also Randolph T. Beard, Paula A. Gant, Richard P. Saba, *Border-Crossing Sales, Tax Avoidance, and State Tax Policies: An Application to Alcohol*, *Southern Economic Journal*, 64(1), 293-306 (1997).

purchases in surrounding suburbs or online to avoid Chicago's high sales tax rates.³ 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."⁴ 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.⁵ Some states exempt clothing or tax it at a reduced rate.⁶ The taxation of services and business-to-business transactions also vary widely by state.⁷ Experts generally agree that Hawaii has the broadest sales tax in the United States, taxing many products multiple times and, by one estimate, ultimately taxing 99.21 percent of the state's personal income. This base is far wider than the national median, where the sales tax base applies to 34.46 percent of personal income.⁸

Conclusion

Of course, sales taxes are just one part of an overall tax structure and should be considered in context. For example, Washington State has high sales taxes but no income tax; 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. One gauge of competitiveness is how a city's sales tax rate compares to its neighbors.

Table 1: State and Local Tax Rates in Cities with Population above 200,000, As of April 1, 2012

Geographic Area		Sales Tax			
City	State	State	Local	Total	Rank
Birmingham (a)	Alabama	4.0%	6.0%	10.0%	1
Montgomery	Alabama	4.0%	6.0%	10.0%	1
Chicago	Illinois	6.25%	3.25%	9.5%	3
Glendale	Arizona	6.6%	2.9%	9.5%	3
Seattle	Washington	6.5%	3.0%	9.5%	3
Phoenix	Arizona	6.6%	2.7%	9.3%	6
Memphis	Tennessee	7.0%	2.25%	9.25%	7
Nashville	Tennessee	7.0%	2.25%	9.25%	7
Tucson	Arizona	6.6%	2.5%	9.1%	9
Mesa	Arizona	6.6%	2.45%	9.05%	10

³ Susan Chandler, *The Sales Tax Sidestep*, The Chicago Tribune, July 20, 2008, at http://articles.chicagotribune.com/2008-07-20/business/0807190001_1_sales-tax-tax-avoidance-tax-landscape

⁴ *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/>

⁵ For a list, see Tax Foundation Background Paper no. 62, *2012 State Business Tax Climate Index*, <http://www.taxfoundation.org/taxdata/show/22661.html>.

⁶ *State Sales Taxes on Clothing*, Tax Foundation Tax Policy Blog (Jan. 24, 2012), <http://taxfoundation.org/blog/show/27915.html>

⁷ For a representative list, see Tax Foundation Background Paper no. 62, *2012 State Business Tax Climate Index*, <http://www.taxfoundation.org/taxdata/show/22661.html>.

⁸ John Mikesell, *The Disappearing Retail Sales Tax*, State Tax Notes, Mar. 5, 2012, 777-791.

Baton Rouge	Louisiana	4.0%	5.0%	9.0%	11
New Orleans (b)	Louisiana	4.0%	5.0%	9.0%	11
Scottsdale	Arizona	6.6%	2.35%	8.95%	13
New York	New York	4.0%	4.875%	8.875%	14
Chandler	Arizona	6.6%	2.2%	8.8%	15
Gilbert	Arizona	6.6%	2.2%	8.8%	15
Buffalo	New York	4.0%	4.75%	8.75%	17
Fremont (c)	California	7.25%	1.5%	8.75%	17
Long Beach (c)	California	7.25%	1.5%	8.75%	17
Los Angeles (c)	California	7.25%	1.5%	8.75%	17
Oakland (c)	California	7.25%	1.5%	8.75%	17
Spokane	Washington	6.5%	2.2%	8.7%	22
Tulsa	Oklahoma	4.5%	4.017%	8.517%	23
San Francisco (c)	California	7.25%	1.25%	8.5%	24
Saint Louis	Missouri	4.225%	4.266%	8.491%	25
Oklahoma City	Oklahoma	4.5%	3.875%	8.375%	26
Austin (d)	Texas	6.25%	2.0%	8.25%	27
Corpus Christi	Texas	6.25%	2.0%	8.25%	27
Dallas	Texas	6.25%	2.0%	8.25%	27
El Paso	Texas	6.25%	2.0%	8.25%	27
Fort Worth	Texas	6.25%	2.0%	8.25%	27
Garland	Texas	6.25%	2.0%	8.25%	27
Houston	Texas	6.25%	2.0%	8.25%	27
Irving	Texas	6.25%	2.0%	8.25%	27
Laredo	Texas	6.25%	2.0%	8.25%	27
Lubbock	Texas	6.25%	2.0%	8.25%	27
Plano	Texas	6.25%	2.0%	8.25%	27
San Jose (c)	California	7.25%	1.0%	8.25%	27
San Antonio	Texas	6.25%	1.875%	8.125%	39
Henderson	Nevada	6.85%	1.25%	8.1%	40
Las Vegas	Nevada	6.85%	1.25%	8.1%	40
North Las Vegas	Nevada	6.85%	1.25%	8.1%	40
Arlington	Texas	6.25%	1.75%	8.0%	43
Atlanta	Georgia	4.0%	4.0%	8.0%	43
Aurora (e)	Colorado	2.9%	5.1%	8.0%	43
Philadelphia	Pennsylvania	6.0%	2.0%	8.0%	43
Rochester	New York	4.0%	4.0%	8.0%	43
San Bernardino (c)	California	7.25%	0.75%	8.0%	43
Stockton (c)	California	7.25%	0.75%	8.0%	43
Fresno (c)	California	7.25%	0.725%	7.975%	50
Kansas City (f)	Missouri	4.225%	3.625%	7.85%	51
Minneapolis	Minnesota	6.875%	0.9%	7.775%	52
Anaheim (c)	California	7.25%	0.5%	7.75%	53
Chula Vista (c)	California	7.25%	0.5%	7.75%	53
Cleveland	Ohio	5.5%	2.25%	7.75%	53
Irvine (c)	California	7.25%	0.5%	7.75%	53

Riverside (c)	California	7.25%	0.5%	7.75%	53
Sacramento (c)	California	7.25%	0.5%	7.75%	53
San Diego (c)	California	7.25%	0.5%	7.75%	53
Santa Ana (c)	California	7.25%	0.5%	7.75%	53
Reno	Nevada	6.85%	0.875%	7.725%	61
Saint Paul	Minnesota	6.875%	0.75%	7.625%	62
Denver	Colorado	2.9%	4.72%	7.62%	63
Colorado Springs	Colorado	2.9%	4.5%	7.4%	64
Modesto (c)	California	7.25%	0.125%	7.375%	65
Wichita	Kansas	6.3%	1.0%	7.3%	66
Charlotte	North Carolina	4.75%	2.5%	7.25%	67
Bakersfield (c)	California	7.25%	0.0%	7.25%	67
Durham	North Carolina	4.75%	2.25%	7.0%	69
Fayetteville	North Carolina	4.75%	2.25%	7.0%	69
Fort Wayne	Indiana	7.0%	0.0%	7.0%	69
Indianapolis	Indiana	7.0%	0.0%	7.0%	69
Jersey City	New Jersey	7.0%	0.0%	7.0%	69
Lincoln	Nebraska	5.5%	1.5%	7.0%	69
Newark	New Jersey	7.0%	0.0%	7.0%	69
Omaha (g)	Nebraska	5.5%	1.5%	7.0%	69
Hialeah	Florida	6.0%	1.0%	7.0%	69
Jacksonville	Florida	6.0%	1.0%	7.0%	69
Miami	Florida	6.0%	1.0%	7.0%	69
Pittsburgh	Pennsylvania	6.0%	1.0%	7.0%	69
Saint Petersburg	Florida	6.0%	1.0%	7.0%	69
Tampa	Florida	6.0%	1.0%	7.0%	69
Albuquerque (h)	New Mexico	5.125%	1.8745%	6.9995%	83
Columbus (i)	Ohio	5.5%	1.25%	6.75%	84
Greensboro	North Carolina	4.75%	2.0%	6.75%	84
Raleigh	North Carolina	4.75%	2.0%	6.75%	84
Toledo	Ohio	5.5%	1.25%	6.75%	84
Winston-Salem	North Carolina	4.75%	2.0%	6.75%	84
Cincinnati	Ohio	5.5%	1.0%	6.5%	89
Orlando	Florida	6.0%	0.5%	6.5%	89
Boston	Massachusetts	6.25%	0.0%	6.25%	91
Baltimore	Maryland	6.0%	0.0%	6.0%	92
Boise	Idaho	6.0%	0.0%	6.0%	92
Des Moines	Iowa	6.0%	0.0%	6.0%	92
Detroit	Michigan	6.0%	0.0%	6.0%	92
Lexington	Kentucky	6.0%	0.0%	6.0%	92
Louisville	Kentucky	6.0%	0.0%	6.0%	92
Washington	District of Columbia	6.0%	0.0%	6.0%	92
Milwaukee	Wisconsin	5.0%	0.6%	5.6%	99
Madison	Wisconsin	5.0%	0.5%	5.5%	100
Arlington (c), (j)	Virginia	5.0%	0.0%	5.0%	101
Chesapeake (c)	Virginia	5.0%	0.0%	5.0%	101

Norfolk	Virginia	5.0%	0.0%	5.0%	101
Richmond (c)	Virginia	5.0%	0.0%	5.0%	101
Virginia Beach (c)	Virginia	5.0%	0.0%	5.0%	101
Honolulu (h), (k)	Hawaii	4.0%	0.5%	4.5%	106
Anchorage	Alaska	0.0%	0.0%	0.0%	107
Portland	Oregon	0.0%	0.0%	0.0%	107

(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 9 percent sales tax. However, part of the city lies in Jefferson Parish and is subject to a total rate of 8.75 percent.

(c) California (1%) and Virginia (1%) levy mandatory, statewide add-on sales taxes at the local level; these are included in their state sales tax rates.

(d) 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.

(e) Most of Aurora is located within Arapahoe County and is subject to an 8 percent sales tax. However, part of the city lies in Adams County and is subject to a total rate of 8.5 percent.

(f) Most of Kansas City is located within Jackson County and is subject to a 7.85 percent sales tax. However, part of the city lies in Clay County and is subject to a total rate of 7.6 percent.

(g) 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.

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

(i) Most of Columbus is located within Franklin County and is subject to a 6.75 percent sales tax. However, part of the city lies in Delaware County and is subject to a total rate of 7.25 percent.

(j) 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.

(k) In the table, "Honolulu" refers to the incorporated portion of the larger City and County of Honolulu.

Sources: Sales Tax Clearinghouse, U.S. Census Bureau, Google Maps

© Tax Foundation
National Press Building
529 14th Street, N.W., Suite 420
Washington, DC 20045

202.464.6200
www.TaxFoundation.org

About the Tax Foundation

The Tax Foundation is a 501(c)(3) non-partisan, non-profit research institution founded in 1937 to educate the public on tax policy. Based in Washington, D.C., the Foundation's economic and policy analysis is guided by the principles of sound tax policy: simplicity, neutrality, transparency, and stability.