

THE BOOK OF THE STATES 2014

Facts & Figures

SALES TAXES

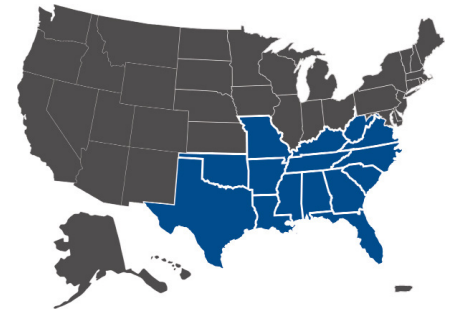
Forty-five states levy a general statewide sales tax, with rates ranging from 2.9 cents to 7.5 cents per dollar. During the past decade, sales tax rates have remained relatively stable, with few states making significant changes to them. While rates have remained stable, depressed consumer spending has led to declines in total sales tax revenue and many states continue to struggle to get back to pre-recessionary levels of revenue.

Forty-five states plus the District of Columbia levied a general statewide sales tax as of Jan. 1, 2014.¹

- ▶ Alaska, Delaware, Montana, New Hampshire and Oregon do not have a statewide sales tax.
- ▶ Among the 45 states that levied a sales tax, the average rate was 5.6 percent,² while rates ranged from a low of 2.9 percent in Colorado to a high of 7.5 percent in California.
- ▶ In 2004, the average sales tax rate for states that levied a sales tax was 5.4 percent; in 2014, the rate was 5.6 percent.

During the past decade, state sales tax rates have remained relatively stable.³

- ▶ Between 2004 and 2014, no state decided to start or stop levying a general sales tax.
- ▶ The tax rate in 2014 is different than the tax rate in 2004 in 18 states.
- ▶ In two states—New York and Ohio—the rate is higher by 0.25 cents.



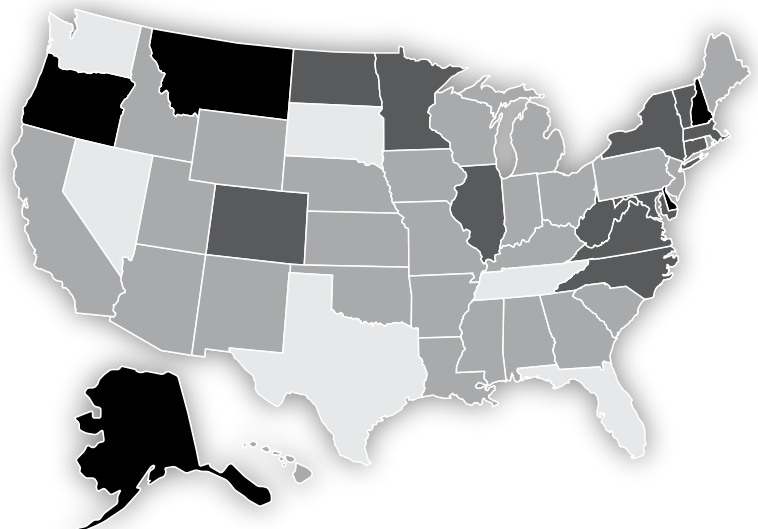
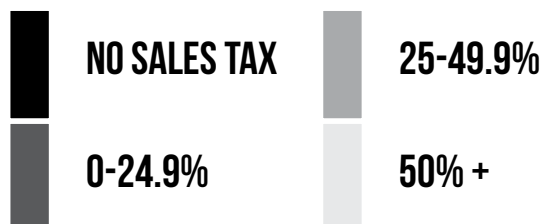
In 16 states, the rate has declined, the most significant of which occurred in Massachusetts, where the 2014 tax rate of 5 cents per dollar is 1.25 cents less than its 2004 rate of 6.25 cents per dollar.

- ▶ From 2013 to 2014, the sales tax rate changed in five states—Arizona, Arkansas, Kansas, Ohio and Virginia—and in the District of Columbia.
- ▶ In two states and the district, the rate decreased—from 6.6 percent to 5.6 percent in Arizona; from 6.3 percent to 6.15 percent in Kansas; and from 6 percent to 5.75 percent in the district
- ▶ In three states, the rate increased—from 6 percent to 6.5 percent in Arkansas; from 5.5 percent to 5.75 percent in Ohio; and from 5 percent to 5.3 percent in Virginia.

For many states, sales taxes are an important source of revenue, but that level of importance varies across states.⁴

- ▶ In the 2012 fiscal year, general sales and gross receipts tax revenue totaled \$245 billion nationally, or \$787 per capita, and represented 31 percent of all state taxes collected.⁵
- ▶ Sales tax revenue has grown for two consecutive years after two years of year-over-year declines. From 2011 to 2012, sales tax revenue grew 3.2 percent.
- ▶ In nominal terms, post-recessionary sales tax revenue has recovered beyond the peak figure of \$240 billion in 2008. When adjusted for inflation,⁶ however, revenues remain below pre-recessionary highs.

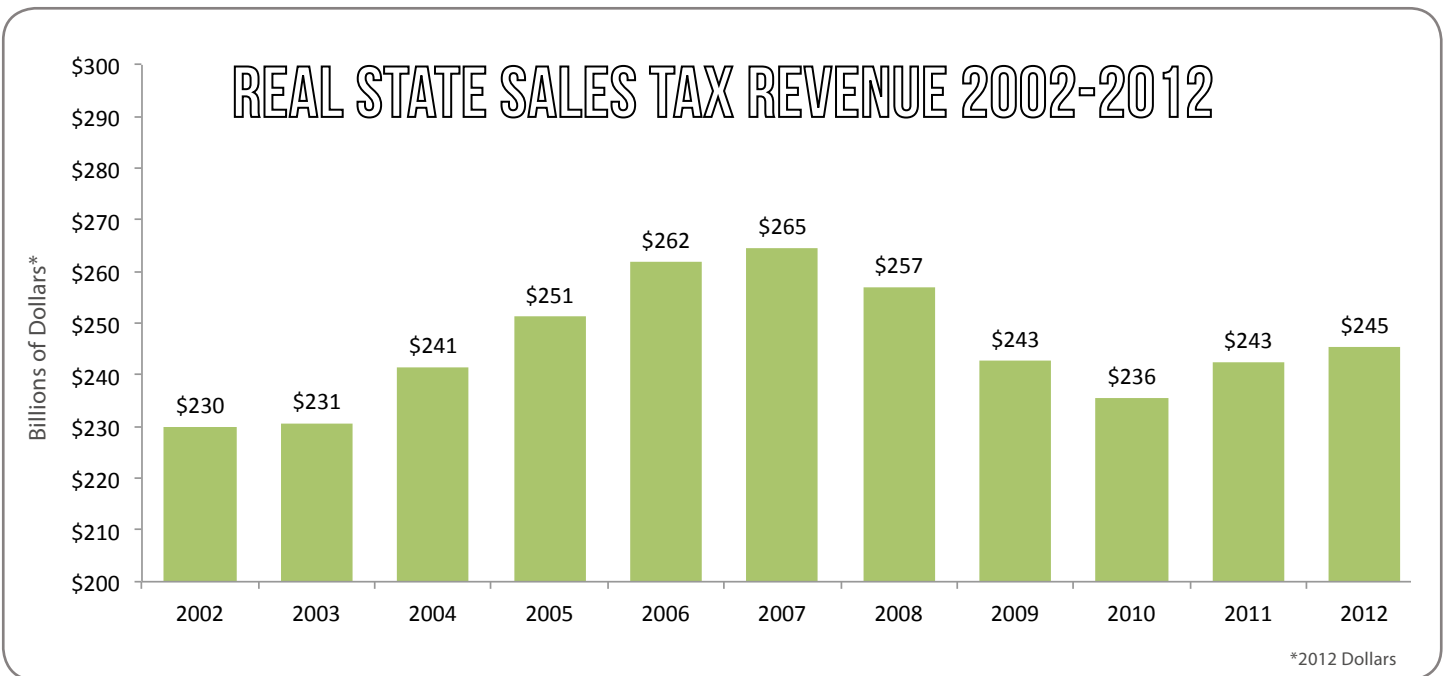
RELIANCE ON SALES TAX - PERCENTAGE OF TOTAL TAX REVENUE FROM GENERAL SALES TAXES



- ▶ Revenues from sales taxes have not rebounded as quickly as revenues from income taxes, stalling overall revenue growth in those states that rely heavily on sales taxes.
- ▶ In 2012, California (\$31.3 billion), Texas (\$24.5 billion) and Florida (\$19.4 billion) had the most sales tax revenue, while Vermont (\$342 million), South Dakota (\$838 million) and Rhode Island (\$842 million) had the least.
- ▶ From 2011 to 2012, only four states—California, Michigan, New Jersey and North Carolina—saw their sales tax revenue decline, with North Carolina decreasing the most at 9.9 percent. The remaining 41 states saw revenues increase year-over-year—from 0.1 percent in Louisiana and 0.3 percent in Washington to 44.6 percent in North Dakota and 17.1 percent in Nevada.
- ▶ Among the 45 states that levy a general sales tax, the percentage of total tax revenue from sales taxes ranges from a low of 12.4 percent in Vermont and 16.6 percent in New York to a high of 60.2 percent in Washington and 58.1 percent in Florida. States that rely more heavily on sales taxes tend not to levy one or both kinds of income tax (individual or corporate).

Sales tax rates and the percentage of total tax revenue that comes from sales taxes vary across regions.

- ▶ All 15 states in CSG’s Southern region levied a general sales tax as of Jan. 1, 2014.
- ▶ The average sales tax rate for the region was 5.4 percent, ranging from a low of 4 percent in Alabama, Georgia and Louisiana to a high of 7 percent in Mississippi and Tennessee.
- ▶ From 2011 to 2012, Southern regional sales tax revenue grew by 5.6 percent. All states in the region, except for North Carolina, saw an increase in revenue.
- ▶ Collectively, 39.4 percent of total tax revenue in region came from sales taxes in 2012.
- ▶ Virginia derived the smallest percentage of tax revenue from sales taxes—19.2 percent, followed by West Virginia at 24.2 percent, while Florida at 58.8 percent and Tennessee at 54.4 percent relied on sales tax revenue the most.



RESOURCES

¹Compiled by The Federation of Tax Administrators from various sources, 2004, 2013, 2014, http://www.taxadmin.org/fta/rate/tax_stru.html#Sales.
²The statewide rate used in calculations throughout this report for two states—Utah (1.25 percent) and Virginia (1 percent)—includes a local tax levied statewide. Otherwise, state tax rates do not include taxes levied by local jurisdictions. According to the Tax Foundation, local sales taxes are collected in 38 states.
³Federation of Tax Administrators
⁴U.S. Census Bureau, Annual Survey of State Government Tax Collections, <http://www.census.gov/govs/statetax/>
⁵Note: This figure does not include selective sales tax revenue from taxes on motor fuels, tobacco products, alcoholic beverages, etc. Selective sales taxes contributed an additional \$132 billion in revenue to states in fiscal 2012.
⁶Author’s calculation of inflation-adjusted 2012 dollars using the Bureau of Labor Statistics Consumer Price Index

STATE SALES TAX RATES »

State Sales Tax Rates

	Sales Tax Rates ¹					Sales tax revenue (\$) ²		
	2004 (%)	2013 (%)	2014 (%)	Change in rate (%p)		2012 (in \$ thousands)	As percent of total tax revenue (%)	Percent Change - 2011-2012
				2004-2014	2013-2014			
United States	N/A	N/A	N/A	N/A	N/A	245,316,442	30.7	3.2
EAST REGION								
Connecticut	6	6.35	6.35	-0.35	0	3,758,881	24.4	13.9
Delaware	NO SALES TAX							
Maine	5	5	5	0	0	1,064,342	28.2	5.4
Maryland	5	6	6	-1	0	4,076,578	23.9	4.6
Massachusetts	5	6.25	6.25	-1.25	0	5,079,105	22.3	3.2
New Hampshire	NO SALES TAX							
New Jersey	6	7	7	-1	0	8,099,549	29.5	-0.6
New York	4.25	4	4	0.25	0	11,904,357	16.6	2.8
Pennsylvania	6	6	6	0	0	9,166,842	27.8	2.4
Rhode Island	7	7	7	0	0	842,134	29.8	3.6
Vermont	6	6	6	0	0	342,085	12.4	5.1
MIDWEST REGION								
Illinois	6.25	6.25	6.25	0	0	8,034,466	22.2	8.3
Indiana	6	7	7	-1	0	6,621,954	42.2	5.6
Iowa	5	6	6	-1	0	2,423,160	30.9	8.6
Kansas	5.3	6.3	6.15	-0.85	-0.15	2,825,880	38.1	13.6
Michigan	6	6	6	0	0	8,933,937	37.3	-7.5
Minnesota	6.5	6.875	6.875	-0.375	0	4,942,140	24.0	6.1
Nebraska	5.5	5.5	5.5	0	0	1,570,450	36.2	1.8
North Dakota	5	5	5	0	0	1,122,783	20.0	44.6
Ohio	6	5.5	5.75	0.25	0.25	8,272,728	31.9	6.5
South Dakota	4	4	4	0	0	838,240	55.1	3.7
Wisconsin	5	5	5	0	0	4,288,739	26.8	4.4
SOUTH REGION								
Alabama	4	4	4	0	0	2,274,658	25.1	4.6
Arkansas	6	6	6.5	-0.5	0.5	2,809,416	33.9	2.6
Florida	6	6	6	0	0	19,403,788	58.8	5.6
Georgia	4	4	4	0	0	5,303,524	32.0	4.4
Kentucky	6	6	6	0	0	3,052,236	29.1	5.4
Louisiana	4	4	4	0	0	2,815,919	31.3	0.1
Mississippi	7	7	7	0	0	3,072,243	44.2	3.5
Missouri	4.225	4.225	4.225	0	0	3,103,410	28.7	4.4
North Carolina	4.5	4.75	4.75	-0.25	0	5,573,658	24.5	-9.9
Oklahoma	4.5	4.5	4.5	0	0	2,415,964	27.3	11.0
South Carolina	5	6	6	-1	0	2,926,177	36.4	4.7
Tennessee	7	7	7	0	0	6,512,362	54.3	5.3
Texas	6.25	6.25	6.25	0	0	24,500,909	50.4	12.4
Virginia	4.5	5	5.3	-0.8	0.3	3,487,343	19.2	0.8
West Virginia	6	6	6	0	0	1,277,328	24.2	5.5
WEST REGION								
Alaska	NO SALES TAX							
Arizona	5.6	6.6	5.6	0	-1	6,210,756	47.9	5.7
California	7.25	7.5	7.5	-0.25	0	31,253,629	27.2	-6.6
Colorado	2.9	2.9	2.9	0	0	2,302,333	22.5	5.9
Hawaii	4	4	4	0	0	2,697,951	48.9	8.1
Idaho	6	6	6	0	0	1,224,656	36.3	3.2
Montana	NO SALES TAX							
Nevada	6.5	6.85	6.85	-0.35	0	3,433,958	50.7	17.1
New Mexico	5	5.125	5.125	-0.125	0	1,990,535	39.1	5.2
Oregon	NO SALES TAX							
Utah	4.75	5.95	5.95	-1.2	0	1,857,035	32.0	0.4
Washington	6.5	6.5	6.5	0	0	10,614,137	60.2	0.3
Wyoming	4	4	4	0	0	994,167	39.0	15.2

¹Compiled by The Federation of Tax Administrators from various sources, 2004, 2013, 2014, http://www.taxadmin.org/fta/rate/tax_stru.html#Sales. Year-over-year changes calculated by author.
²U.S. Census Bureau, Annual Survey of State Government Tax Collections, <http://www.census.gov/govs/statetax/>

