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State Sales Tax Breadth and Reliance, Fiscal Year 2021.

Key Findings

- Sales taxes account for 29.52 percent of state tax revenue, but most sales taxes are imposed on narrow—and still-narrowing—bases, with average sales tax breadth of only 29.71 percent and a median of 35.72 percent.
- Sales tax bases range from 19.32 percent of personal income in Massachusetts to 93.89 percent in Hawaii; the Massachusetts base is extremely narrow, while the Hawaii base features significant tax pyramiding.
- Within states with a sales tax, the mean taxpayer cost of sales taxes is \$1,131, or about \$199 per percentage point on the tax rate.
- An ideal sales tax is imposed on all final consumption, both goods and services, but excludes intermediate transactions to avoid tax pyramiding.
- Sales tax breadth has declined from a mean of 98 percent in 2000 to the current 29.52 percent, reflecting continued erosion that has largely been offset by an increase in the mean state rate from 5.16 to 6.00 percent over the period.
- The pandemic has yielded temporary fluctuations as the amount and composition of consumer expenditures has changed, though long-term sales tax trends remain highly visible in the data.

Continue reading.

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