

Sales Tax: National and Regional Comparisons



STATE *of* WYOMING LEGISLATURE

◆ Wednesday, May 29, 2024 ◆ Dean Temte, Senior Fiscal Analyst

Sales Tax: National and Regional Comparisons

Sources of information used in comparisons:

- ◆ Tax Foundation

Facts & Figures 2024: How does your state compare?

- ◆ Federation of Tax Administrators

Sales Taxation of Services Survey, 2017



Sales Tax: National and Regional Comparisons

- ◆ 45 of 50 states impose a state sales tax.
 - ◆ Alaska, Delaware, Montana, New Hampshire and Oregon do not impose a state sales tax (ranked #46).
 - ◆ State sales tax rates range from 2.9% to 7.25%.
 - ◆ Colorado's rate is the lowest at 2.9% (ranked #45).
 - ◆ California's rate is the highest at 7.25% (ranked #1).
 - ◆ Wyoming's state sales tax rate is 4.0% (ranked #40).
 - ◆ Alabama, Georgia, Hawaii and New York also have a state sales tax rate of 4.0%.
 - ◆ Wyoming's 4.0% state tax rate is the second lowest rate among states with a state sales tax.



Sales Tax: National and Regional Comparisons

- ◆ In a comparison of Wyoming with surrounding states (including North Dakota), Wyoming has the third lowest state sales tax rate.
 - ◆ Colorado 2.9%
 - ◆ Idaho 6.0%
 - ◆ Montana no state sales tax
 - ◆ North Dakota 5.0%
 - ◆ Nebraska 5.5%
 - ◆ South Dakota 4.2% effective 7/1/23 to 6/30/27*
 - ◆ Utah 6.1%
 - ◆ Wyoming 4.0%

* State rate reduced from 4.5% to 4.2%, per South Dakota Dept. of Revenue website.



Sales Tax: National and Regional Comparisons

- ◆ 46 of 50 states allow imposition of local sales tax.
 - ◆ Delaware, Montana,* New Hampshire and Oregon impose neither state nor local sales tax (combined rate ranked #47).
 - ◆ *Montana local resort areas may impose a sales tax.
 - ◆ Combined weighted average sales tax rates range from 1.82% to 9.56%.
 - ◆ Alaska's combined rate is the lowest at 1.82%, ranked #46.
 - ◆ Louisiana's combined rate is the highest at 9.56%, ranked #1.
 - ◆ Wyoming's combined weighted average sales tax rate is 5.44% (ranked #44) is the third lowest rate among states with sales taxes.
 - ◆ Hawaii's 4.5% combined sales tax rate is the second lowest rate among states with sales taxes.
 - ◆ Wyoming's 5.44% combined sales tax rate is the lowest rate in the continental U.S. among states with sales taxes.



Sales Tax: National and Regional Comparisons

- ◆ In a comparison of Wyoming with surrounding states (including North Dakota), Wyoming's has the second lowest combined sales tax rate.
 - ◆ Colorado 7.81%
 - ◆ Idaho 6.03%
 - ◆ Montana no state or local sales tax*
 - ◆ Nebraska 6.97%
 - ◆ North Dakota 7.04%
 - ◆ South Dakota 6.11%**
 - ◆ Utah 7.25%
 - ◆ Wyoming 5.44%

* Local resort sales taxes are not included.

** State rate reduced from 4.5% to 4.2%, per South Dakota Dept. of Revenue website.



Sales Tax: National and Regional Comparisons

- ◆ State and local sales tax collections are based on two factors:
 - ◆ The sales tax base (the goods and services subject to sales tax)
 - ◆ The sales tax rate (the tax rate applied to taxable goods and services)
- ◆ “Sales tax breadth is defined as the ratio of the implicit sales tax base to state personal income.”¹
 - ◆ “...breadth represents the share of the state’s economy, as measured by state personal income, included in the sales tax base.”²
- ◆ In fiscal year 2022, state sales tax breadth (expressed as a percentage) ranges from 119% (Hawaii) to 24% (Massachusetts)
 - ◆ Wyoming sales tax breadth in fiscal year 2022 is 57%, ranked #4

1. “Tax Foundation Facts & Figures 2024: How does your state compare?”, Table 21, Tax Foundation.

2. Walczak, Jared, “State Sales Tax Breadth and Reliance, Fiscal Year 2021”, Tax Foundation Fiscal Fact No. 792, May 2022.



Sales Tax: National and Regional Comparisons

- ◆ 7 states have a sales tax breadth of 50% or more in fiscal year 2022:
 - ◆ Hawaii 119% (#1), New Mexico 62% (#2), South Dakota 60% (#3), Wyoming 57% (#4), Washington 56% (#5), Texas 52% (#6), Mississippi 50% (#7)
- ◆ 11 states have a sales tax breadth of 30% or less in fiscal year 2022:
 - ◆ Massachusetts 24% (#45), California 24% (#44), Virginia 25% (#43), Connecticut 27% (#42), New York 27% (#41), Vermont 28% (#40), South Carolina 29% (#39), Pennsylvania 29% (#38), Illinois 30% (#37), New Jersey 30% (#36), Missouri 30% (#35)
- ◆ Wyoming's sales tax breadth is 2nd highest in a comparison of surrounding states (including North Dakota).
 - ◆ Colorado 33% (#32), Idaho 44% (#11), Montana (not ranked), Nebraska 38% (#22) , North Dakota 49% (#8), South Dakota 60% (#3), Utah 44%, (#14), Wyoming 57% (#4)



Sales Tax: National and Regional Comparisons

- ◆ Of the 45 states that impose a state sales tax, 33 states (including Wyoming) have a sales tax exemption for food.
 - ◆ Wyoming's food exemption is on food for domestic home consumption.
- ◆ 7 states impose a reduced sales tax rate on food.
 - ◆ Alabama (3.0%), Arkansas (0.125%), Illinois (1.0%), Kansas (2.0%), Missouri (1.225%), Tennessee (4.0%), Utah (3.0%)
- ◆ 5 states fully include food in the sales tax base at the full tax rate.
 - ◆ Hawaii, Idaho, Mississippi, Oklahoma, South Dakota
- ◆ Regional comparison of Wyoming and surrounding states
 - ◆ Colorado, Nebraska, North Dakota and Wyoming have a food tax exemption.
 - ◆ Utah imposes a reduced sales tax rate on food (3.0%).
 - ◆ Idaho and South Dakota include food in the sales tax base at the full tax rate.
 - ◆ Montana does not impose a state sales tax.



Sales Tax: National and Regional Comparisons

- ◆ The Federation of Tax Administrators (FTA) conducts a survey of states on the sales taxation of 176 different services. This survey was last updated in 2017.
- ◆ The results of the survey reflect a wide variation on the sales taxation of services. The 2017 update of the survey reflects the following:
 - ◆ Wyoming taxes 66 services.
 - ◆ 2 states (Alaska and Oregon) tax of only 1 service.
 - ◆ 11 states tax more than 1 service but less than 30.
 - ◆ California (21), Colorado (19), Illinois (29), Massachusetts (19), Michigan (27), Missouri (24), Montana (17), Nevada (21), New Hampshire (9), North Dakota (22), Virginia (17)
 - ◆ 6 states tax more than 100 services.
 - ◆ Delaware (152), Hawaii (167), New Mexico (164), South Dakota (152), Washington (167), West Virginia (115)



Sales Tax: National and Regional Comparisons

State & Local Sales Tax Rates and Number of Services Taxed by Category - Wyoming, Surrounding States and North Dakota

State and Local Sales Tax Rates as of January 1, 2024

	Colorado	Idaho	Montana	Nebraska	North Dakota	South Dakota	Utah	Wyoming
State Sales Tax Rate	2.90%	6.00%	-	5.50%	5.00%	4.20%	6.10%	4.00%
Combined State and Local Sales Tax Rate	7.81%	6.03%	-	6.97%	7.04%	6.11%	7.25%	5.44%

Source: Tax Foundation Facts & Figures 2024, table 18

Total Number of Services Taxed by Category

Total # in Category	Service Categories	Colorado	Idaho	Montana	Nebraska	North Dakota	South Dakota	Utah	Wyoming
5	Agricultural Services	0	0	0	2	0	4	1	0
4	Industrial and mining services	0	1	0	1	0	4	2	1
4	Construction	0	0	1	0	0	4	0	0
16	Utilities	4	0	12	14	4	14	7	10
9	Transportation	0	0	0	0	0	5	2	3
6	Storage	0	0	0	0	0	5	0	1
8	F.I.R.E. (Finance, insurance and real estate)	0	0	1	0	0	7	0	0
20	Personal services	1	3	0	10	1	19	8	7
34	Business services	2	4	0	14	4	28	6	5
8	Computer services	0	0	0	3	2	8	0	4
8	Computer Online Services	4	4	0	6	1	8	5	5
5	Automotive services	0	0	0	4	0	5	4	4
15	Admissions and amusements	2	9	1	12	8	13	11	6
9	Professional services	0	0	0	0	0	5	0	0
4	Leases	2	2	2	2	2	4	2	4
19	Fabrication, repair and installation	3	6	0	12	0	18	15	16
2	Miscellaneous	1	1	0	1	0	1	1	0
176	Total Service Categories Taxed	19	30	17	81	22	152	64	66

Source: Federation of Tax Administrators, Taxation of Services Survey, 2017



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Observations and major take-aways from comparison

- ◆ Wyoming's 4.0% statewide sales tax rate is the second lowest rate in the U.S. among states with a state sales tax.
- ◆ Wyoming's combined sales tax rate of 5.44% is the lowest rate in the continental U.S. among states with state and local sales taxes.
- ◆ Wyoming's state sales tax breadth (ratio of implicit sales tax base to state personal income) is the fourth highest in the U.S in FY 2022.
- ◆ Of the 45 states that impose a state sales tax, Wyoming is 1 of 33 states with a sales tax exemption for food.
- ◆ According to the 2017 update of the FTA survey, Wyoming taxes 66 services, which is the third highest in the comparison to surrounding states and North Dakota.

