

# Sales Tax in CE Data

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# Outline

- Sales Tax Rate Edit – Overview
- Sales Tax – Interview Survey
- Sales Tax – Diary Survey
- Sales Tax – Applying Sales Tax Rates
- Sales Tax Rate – Resource Sites



# Sales Tax Edit - Overview

## Purpose:

- The *basic function* of this edit is to add sales taxes to selected cost fields where the “sales tax” was not included.
- Sales taxes are calculated by applying the sales tax rate to the reported cost of the item.

$$\text{Sales tax} = \text{Cost} * \text{rate}$$

# Sales Tax – Interview Survey

- The respondent is “asked” if the reported cost included “sales tax” (for specific items).
  - Household appliances and equipment
  - Household item repairs and service contracts
  - Household furnishings
  - Clothing, clothing services, watches, jewelry
  - Owned vehicles
  - Vehicle maintenance and repair
  
- If the response is “No” the sales tax edit will add sales taxes to the reported cost and change the “No” answer to “Yes” (*sales tax is included*).

# Sales Tax – Diary Survey

- Respondents are instructed NOT to include any sales taxes in Parts 1, 3, and 4 of the Diary.
  - ▶ Part 1. Food and Drinks for Home Consumption
  - ▶ Part 3. Clothing, Shoes, Jewelry, and Accessories
  - ▶ Part 4. All Other Products, Services, and Expenses
  
- The *sales tax edit* will add “sales taxes” to the cost fields of the items that are reported.

# Sales Tax – Diary Survey

- In Part 2 of the Diary – respondents are instructed to include the “sales taxes” in the total cost.
  - ▶ Part 2. Meals, Snacks, and Drinks Away from Home
- The sales tax edit will “assign” a sales tax “rate” to each item.

# Applying Sales Tax Rates

- CE “Sales tax rates” are determined by combining the State, County and City sales tax rates.
- States can have *multiple* sales tax rates that are applicable to different items.

## State X:

**General Sales Tax Rate = 9%**

**Groceries = 3.5%**

- The sales tax edit selects the “Sales tax rate” by matching the State with the Item – within the Sales Tax Rate files.

# Applying Sales Tax Rates

- That “rate” is then applied to the cost to obtain “Total Cost” – which includes the sales tax”.

$$\text{Total Cost} = \text{Cost} * (1 + \text{RATE})$$

$$\text{Ex: } \$10.60 = \$10.00 * (1.06)$$

- Sales taxes are included in the cost variables in the Microdata.



# Both Surveys

- ▶ Additional Details:
  - ✓ The total cost is rounded.
  - ✓ Output is reviewed by an analyst to ensure that sales taxes are not applied twice.

# Sales Tax Rate Files

- Two files: Interview and Diary
  - ▶ Organized by State and Item
  - ▶ Updated annually

# Sales Tax Rate Resource Sites

## ■ Sales Tax Rates – Resource Sites:

### ▶ State Department of Taxation & Revenue

- ▶ Federation of Tax Administrators – <http://www.taxadmin.org>
- ▶ The Sales Tax Clearinghouse – <https://thestc.com/STRates.stm>
- ▶ Tax Foundation - <http://taxfoundation.org>
- ▶ Avalara Tax Rates - <http://www.avalara.com/taxrates>
- ▶ Sale-Tax.com - <http://sale-tax.com>

# Contact Information

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