

BLS Consumer Expenditure Survey Data Usage: IRS Experience

Presentation to
BLS CE Data Users' Needs Forum
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Disclaimer

The views presented here are those of the author only. They are not necessarily of the views of the Internal Revenue Service or the Department of Treasury.

Outline of Presentation

- ❑ Background of IRS State & Local Sales Tax (SLST) Project
- ❑ How IRS Uses CE Data
- ❑ Sample Output
- ❑ Recommendations
- ❑ Concluding Remarks

Background of IRS SLST Project...

- ❑ IRC Sec. 164(b)(5) provides taxpayers with an option to deduct State and Local General Sales Tax in lieu of State and Local Income Tax.
- ❑ This provides a benefit particularly important to taxpayers residing in states with no income tax.
- ❑ Taxpayers may deduct actual sales tax amounts on Schedule A (Form 1040), if they kept all the receipts.
- ❑ As a service to taxpayers, IRS provides safe harbor amounts for taxpayers to use in lieu of actual amounts.
- ❑ When using the optional sales tax tables, taxpayers may also deduct sales tax paid on certain specified items such as motor vehicles, aircraft, boat, or home. (The amount of tax deducted for these specified items may not exceed what would be paid at the state's general sales tax rate if the sales tax rate for the specified items is higher.)

How IRS Uses CE Data

- ❑ IRS uses both Diary and Interview CE annual data since 2004.
- ❑ IRS provides both state and local taxability data at UCC levels to BLS.
- ❑ BLS uses these taxability data files to estimate the household sales tax amount, gives that data to the IRS, along with household income, family size, and other variables by state and locality.
- ❑ Based on BLS CE data, IRS develops several non-linear regression models to estimate state and local general sales tax amounts by family size and income bracket.

How IRS Uses CE Data -- continued

- ❑ Each state has its own sales tax table.
- ❑ Local sales tax estimates are grouped into four separate local tables, based on similar magnitudes and characteristics.
- ❑ The state and local sales tax tables were published in the *1040 Instructions* IRS mails to taxpayers each year, or in IRS Publication 600.
- ❑ An online “Sales Tax Deduction Calculator” is available at the www.irs.gov web site. Eligible taxpayers may use this calculator to get deduction amounts at the ZIP code level. Many users found this a really “time saver,” especially for taxpayers who moved across states or localities in a given year.

2009 Optional State and Certain Local Sales Tax Tables

Income	Exemptions						Exemptions						Exemptions						Exemptions						Exemptions											
	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5
At least	Alabama						Arizona						Arkansas						California ^{1,2}						Colorado											
But less than	4.0000%						5.6000%						6.0000%						8.0034%						2.9000%											
\$0	203	239	264	282	298	319	219	237	249	258	265	274	287	319	340	356	368	386	285	309	323	334	343	355	105	114	119	123	127	131	171	184	193	200	205	212
20,000	310	362	397	424	446	477	364	393	412	425	436	451	475	526	559	584	604	631	482	519	542	559	573	591	206	223	233	240	246	254	239	257	268	276	283	292
30,000	413	479	524	558	586	626	514	553	577	596	610	630	662	731	775	809	835	872	686	736	767	790	808	833	269	288	301	310	317	327	351	375	390	401	410	422
40,000	458	530	578	615	645	688	579	623	650	670	686	708	742	818	867	904	934	975	776	831	865	891	911	939	324	347	361	372	380	392	376	401	417	429	438	451
50,000	500	576	627	667	700	746	641	688	718	739	757	781	816	899	952	992	1025	1069	862	921	958	986	1008	1038	351	375	390	401	410	422	411	438	454	467	477	491
60,000	540	621	675	717	752	800	702	752	783	807	825	851	887	976	1034	1077	1111	1159	945	1009	1049	1078	1102	1134	382	407	423	435	444	457	441	469	485	497	507	521
70,000	578	663	720	764	801	852	759	812	846	871	890	917	954	1049	1110	1156	1193	1243	1025	1092	1135	1166	1191	1226	411	438	454	467	477	491	461	490	506	521	532	547
80,000	615	704	763	809	848	901	815	871	906	932	953	982	1017	1118	1183	1231	1270	1324	1102	1174	1218	1251	1278	1314	441	469	485	497	507	521	491	520	536	551	562	577
90,000	666	759	822	870	910	967	891	951	988	1016	1039	1069	1103	1211	1280	1332	1374	1431	1208	1284	1332	1367	1395	1434	461	490	506	521	532	547	511	540	556	571	582	597
100,000	737	836	903	955	998	1059	999	1064	1105	1135	1159	1192	1222	1339	1415	1472	1518	1580	1358	1441	1493	1531	1562	1604	511	540	556	571	582	597	561	590	606	621	632	647
120,000	801	906	977	1032	1077	1141	1098	1167	1210	1242	1268	1303	1327	1454	1535	1596	1645	1712	1496	1584	1639	1680	1713	1758	561	590	606	621	632	647	611	640	656	671	682	697
140,000	868	978	1053	1110	1158	1225	1200	1273	1319	1353	1380	1418	1434	1569	1656	1721	1774	1846	1638	1731	1790	1834	1869	1916	561	590	606	621	632	647	661	690	706	721	732	747
160,000	930	1045	1122	1183	1232	1302	1295	1372	1420	1456	1485	1524	1532	1675	1767	1835	1891	1967	1771	1869	1931	1977	2014	2064	561	590	606	621	632	647	711	740	756	771	782	797
180,000	1271	1407	1499	1571	1630	1713	1816	1910	1970	2014	2050	2099	2039	2221	2337	2424	2495	2591	2504	2624	2701	2757	2803	2865	561	590	606	621	632	647	811	840	856	871	882	897
200,000 or more	1930	2127	2243	2327	2402	2481	2587	2700	2771	2821	2863	2909	2821	3021	3151	3241	3311	3391	3204	3324	3401	3457	3503	3565	561	590	606	621	632	647	911	940	956	971	982	997

(Continued on next page)

2009 Optional State and Certain Local Sales Tax Tables (Continued)

Income	Exemptions						Exemptions						Exemptions						Exemptions						Exemptions							
	At least	But less than	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5
			Nevada^{1,3} 6.6764%						New Jersey⁴ 7.0000%						New Mexico 5.0000%						New York 4.0000%						North Carolina¹ 4.8973%					
\$0	\$20,000	239	262	276	287	296	307	244	260	271	278	284	292	212	236	248	256	263	273	145	154	159	163	166	171	206	225	237	246	253	263	
20,000	30,000	389	423	445	462	475	493	418	444	460	472	481	494	372	402	421	435	446	461	247	261	270	276	281	288	340	371	390	404	415	430	
30,000	40,000	470	510	536	555	571	592	514	544	563	577	588	603	455	491	513	530	543	561	303	320	330	338	344	352	412	448	471	487	501	519	
40,000	50,000	543	588	617	638	656	679	600	634	656	671	684	701	528	569	595	614	629	650	353	372	384	393	399	409	476	516	542	561	576	597	
50,000	60,000	611	660	692	715	734	760	679	717	741	759	773	791	595	641	670	691	708	731	399	421	434	443	451	461	534	579	607	628	645	668	
60,000	70,000	675	728	762	787	808	836	754	796	821	840	856	876	658	708	739	763	781	807	443	466	480	491	499	510	589	637	668	691	709	734	
70,000	80,000	737	794	830	857	879	909	827	872	899	919	936	958	718	772	806	831	851	879	486	510	526	537	546	558	641	693	726	751	770	797	
80,000	90,000	797	857	895	924	947	978	897	944	973	994	1012	1035	774	832	869	896	917	947	526	552	568	580	590	603	690	746	781	807	828	856	
90,000	100,000	855	918	958	988	1013	1045	964	1013	1044	1067	1085	1110	828	890	929	958	981	1012	565	593	610	622	632	646	738	796	833	861	883	913	
100,000	120,000	934	1001	1044	1077	1101	1136	1055	1107	1140	1165	1184	1211	901	968	1009	1040	1065	1099	618	647	666	679	690	704	801	864	904	933	957	989	
120,000	140,000	1048	1120	1166	1200	1227	1265	1183	1241	1276	1303	1324	1353	1003	1076	1122	1156	1183	1220	693	725	745	759	771	787	890	959	1002	1035	1061	1096	
140,000	160,000	1151	1227	1276	1312	1342	1382	1300	1361	1399	1427	1450	1481	1093	1172	1222	1258	1288	1327	760	794	816	831	844	861	970	1044	1090	1125	1153	1190	
160,000	180,000	1258	1339	1390	1429	1460	1502	1419	1484	1525	1555	1579	1611	1185	1270	1323	1362	1394	1436	829	866	888	905	918	936	1051	1130	1179	1216	1246	1286	
180,000	200,000	1359	1443	1497	1537	1570	1614	1530	1598	1641	1673	1698	1732	1270	1360	1416	1458	1491	1536	894	932	956	973	987	1006	1125	1209	1261	1300	1332	1374	
200,000 or more		1915	2017	2082	2131	2170	2224	2125	2210	2263	2302	2333	2376	1708	1824	1897	1951	1994	2052	1238	1286	1315	1337	1355	1378	1517	1623	1690	1739	1779	1833	

Income	North Dakota 5.0000%	Ohio 5.5000%	Oklahoma 4.5000%	Pennsylvania 6.0000%	Rhode Island 7.0000%																									
\$0	168	191	206	217	226	239	225	242	253	261	268	277	223	259	282	300	315	336	203	218	227	234	239	246	239	258	269	278	285	294
20,000	276	311	334	351	365	385	376	404	422	434	445	459	356	411	447	474	497	529	340	362	376	386	395	406	387	415	433	446	457	471
30,000	335	376	403	423	440	463	459	491	512	527	539	556	427	491	533	565	592	628	414	440	457	469	479	492	466	499	520	536	548	564
40,000	389	434	464	487	506	531	532	569	592	610	623	642	490	561	608	644	674	715	481	510	529	542	553	568	535	573	596	614	628	646
50,000	439	489	521	546	567	595	600	641	667	686	701	721	548	626	677	717	749	795	543	575	595	610	622	639	599	641	666	685	701	721
60,000	486	540	575	602	624	654	664	708	736	757	773	795	602	686	741	784	819	868	601	636	658	674	687	704	659	704	731	752	768	791
70,000	533	590	628	656	680	712	725	773	803	825	843	867	655	744	803	849	886	938	657	695	718	735	749	768	716	764	794	816	834	857
80,000	577	638	677	708	732	767	784	834	866	890	909	934	705	799	862	910	950	1005	711	751	775	794	808	828	770	821	853	876	895	920
90,000	621	684	726	758	784	820	840	894	927	952	972	999	754	853	918	969	1010	1068	763	805	831	850	865	886	823	876	909	934	954	980
100,000	681	748	792	826	853	892	916	974	1010	1036	1058	1086	820	924	994	1048	1092	1154	834	878	905	926	942	964	893	950	985	1011	1032	1061
120,000	767	839	887	923	953	994	1024	1087	1126	1155	1178	1209	913	1026	1102	1160	1207	1274	934	981	1011	1033	1051	1075	991	1053	1091	1120	1143	1173
140,000	846	923	973	1011	1043	1086	1121	1188	1230	1261	1286	1319	999	1119	1199	1260	1311	1382	1024	1075	1106	1130	1149	1174	1079	1145	1186	1217	1241	1274
160,000	929	1010	1062	1103	1136	1182	1221	1292	1337	1370	1396	1432	1087	1214	1298	1363	1417	1492	1117	1171	1204	1229	1249	1276	1168	1239	1283	1315	1341	1376
180,000	1008	1091	1146	1189	1224	1272	1313	1389	1435	1470	1498	1536	1170	1303	1391	1459	1515	1594	1203	1259	1295	1321	1342	1370	1251	1325	1372	1406	1433	1470
200,000 or more	1448	1547	1613	1664	1705	1763	1808	1902	1961	2004	2039	2087	1627	1786	1893	1976	2044	2140	1668	1736	1779	1811	1837	1871	1686	1780	1838	1881	1915	1961

Income	South Carolina 6.0000%	South Dakota 4.0000%	Tennessee 7.0000%	Texas 6.2500%	Utah 4.7000%																									
\$0	244	263	274	283	290	299	227	261	283	300	314	333	341	393	427	454	475	505	259	284	300	312	322	335	226	256	276	291	303	319
20,000	408	438	457	470	481	496	363	415	449	475	496	526	541	619	671	711	743	789	438	479	505	525	541	562	369	416	446	469	488	514
30,000	497	532	554	570	583	601	433	494	534	565	590	624	646	737	798	844	882	934	534	584	615	638	657	683	446	500	536	563	585	616
40,000	575	615	640	658	673	693	495	563	608	642	671	710	739	841	909	960	1002	1061	620	676	712	738	760	789	513	575	615	645	670	705
50,000	647	691	719	739	756	778	551	626	675	713	744	786	825	936	1010	1066	1112	1177	698	761	800	830	854	886	575	643	687	721	748	786
60,000	713	762	792	814	832	856	602	683	737	777	811	857	905	1024	1103	1164	1214	1283	771	839	882	915	941	976	633	707	751	791	820	861
70,000	778	830	863	887	906	932	651	738	795	839	874	924	981	1109	1193	1258	1311	1384	841	915	961	996	1024	1063	689	768	819	858	889	933
80,000	839	895	929	955	975	1003	697	789	850	896	934	986	1054	1188	1277	1346	1402	1480	907	985	1035	1073	1103	1144	742	825	880	921	954	1001
90,000	897	956	993	1020	1042	1071	741	838	902																					

Which Optional Local Sales Tax Table Should I Use?

IF you live in the state of...	AND you live in...	THEN use Local Table...
Alaska	Any locality	C
Arizona	Mesa, Phoenix, or Tucson	A
	Chandler, Gilbert, Glendale, Peoria, Scottsdale, Tempe, Yuma, or any other locality	B
Arkansas	Any locality	C
California	Los Angeles County	A
Colorado	Arvada, Aurora, City of Boulder, Fort Collins, Greeley, Longmont, Thornton, or Westminster	B
	Adams County, Arapahoe County, Boulder County, Centennial, Colorado Springs, Denver City/Denver County, El Paso County, Jefferson County, Lakewood, Larimer County, City of Pueblo, Pueblo County, or any other locality	A
Georgia	Any locality	B
Illinois	Any locality	A
Louisiana	Any locality	C
Missouri	Any locality	C
New York	New York City, or one of the following counties: Albany, Allegany, Cattaraugus, Cayuga, Chemung, Clinton, Cortland, Erie, Essex, Franklin, Fulton, Genesee, Herkimer, Jefferson, Lewis, Livingston, Monroe, Montgomery, Nassau, Niagara, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, St. Lawrence, Saratoga, Schenectady, Schoharie, Seneca, Steuben, Suffolk, Sullivan, Tompkins, Ulster, Warren, Washington, Westchester, Wyoming, or Yates	A
	Any other locality	D
North Carolina	Any locality	A
South Carolina	Cherokee, Chesterfield, Darlington, Dillon, Horry, Jasper, Lee, Lexington, or Myrtle Beach	B
	Any other locality	C
Tennessee	Any locality	C
Utah	Any locality	B
Virginia	Any locality	B

2009 Optional Local Sales Tax Tables for Certain Local Jurisdictions

(Based on a local sales tax rate of 1 percent)

Income At least	But less than	Local Table A					Local Table B					Local Table C					Local Table D								
		Exemptions					Exemptions					Exemptions					Exemptions								
		1	2	3	4	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	
\$0	\$20,000	37	41	44	46	47	49	45	51	55	59	61	65	56	64	69	73	76	81	36	39	40	41	42	43
20,000	30,000	61	67	71	74	76	79	72	82	88	93	96	102	89	101	109	115	120	126	62	65	68	69	70	72
30,000	40,000	74	81	85	89	91	95	86	98	105	110	115	121	106	120	129	136	142	150	76	80	83	85	86	88
40,000	50,000	85	93	98	102	105	109	99	112	120	126	131	138	121	137	147	155	162	170	88	93	96	98	100	102
50,000	60,000	96	105	110	114	117	122	111	124	133	140	146	153	135	152	164	172	179	189	100	105	109	111	113	115
60,000	70,000	106	115	121	126	129	134	122	136	146	153	159	168	148	167	179	188	196	206	111	117	120	123	125	128
70,000	80,000	116	126	132	137	141	146	132	148	158	166	172	181	160	180	193	203	211	222	122	128	132	134	137	140
80,000	90,000	125	136	142	147	151	157	142	159	170	178	185	194	172	193	207	217	226	237	132	138	142	145	148	151
90,000	100,000	134	145	152	157	162	167	152	170	181	190	197	207	183	205	219	230	239	252	141	148	153	156	158	162
100,000	120,000	147	158	166	171	176	182	165	184	196	205	213	223	198	221	237	248	258	271	155	162	167	170	173	176
120,000	140,000	164	177	185	191	196	202	184	204	217	227	235	246	219	244	261	273	284	298	173	181	186	190	193	197
140,000	160,000	180	194	202	209	214	221	201	222	236	247	255	267	237	264	282	296	307	322	190	199	204	208	211	215
160,000	180,000	197	211	220	227	232	240	218	241	256	267	276	289	256	285	304	318	330	346	207	217	222	226	230	234
180,000	200,000	213	227	237	244	249	257	235	258	274	285	295	308	274	304	323	339	351	368	224	233	239	243	247	252
200,000	or more	298	316	327	336	343	352	323	351	370	385	397	413	365	402	427	445	461	482	310	322	329	334	339	345

Recommendations

- ❑ Currency of the CE data is very important to the IRS.
 - Currently we have a two-year lag between the UCC/CE data and the tax year to which we apply the data.
 - In a normal situation, it's not a major problem. But if the economy experiences severe downturn, like we have recently, there could be a significant mis-match between the UCC/CE data year and the applicable tax year.
 - We have tried alternative approaches, such as multi-year averaging, but challenges remain for using this method. For example, to be consistent over time, this requires no change in UCC's.

Concluding Remarks...

- ❑ SLST deduction is an important benefit for taxpayers residing in states without income tax or for taxpayers making purchases of certain specified big-ticket items.
- ❑ BLS CE data is critical to IRS's SLST project. Better and more timely BLS CE data means more reliable sales tax estimates for taxpayers.
- ❑ IRS is indebted to BLS for supplying this critical data to allow IRS to provide this important service to the taxpayers.

Thank you.

Any Questions?