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.

  \[ \text{Sales tax} = \text{Cost} \times \text{rate} \]
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”.

\[
\text{Total Cost} = \text{Cost} \times (1 + \text{RATE})
\]

Ex: $10.60 = \$10.00 \times (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://thestic.com/STRates.stm
  - Tax Foundation - http://taxfoundation.org
Contact Information

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