Sales Tax in Consumer Expenditure Data

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BLS

Sales Tax Agenda

- Sales Tax Process Overview

- Interview Survey Process

- Diary Survey Process

- Sales Tax Inputs & Application

- Files & Output

Sales Tax Process Overview

Purpose:

- To **add** sales tax amounts to selected cost fields where sales tax was **not included** at collection

- Sales tax amounts are calculated by multiplying a sales tax rate to the item cost

$$\textbf{Sales tax amount = Cost} * r_{sales\ tax}$$

Interview Survey Process: Collection

Respondents are asked if the cost for specific items included sales tax for these item categories:

- Household appliances and equipment
- Household item repairs & service contracts
- Household furnishings

- Clothing services, watches, jewelry, suits

- Owned vehicles
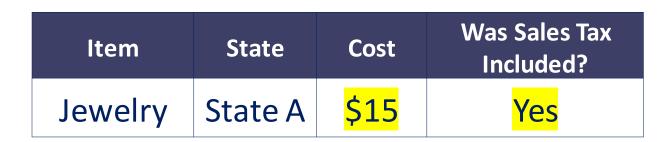- Vehicle maintenance and repair

Interview Survey Process: Editing

If response is "No (the sales tax is not included)":

- Sales tax is added to the reported cost

- Data field for if sales tax was included changed from **No** to **Yes**

Item	State	Cost	Was Sales Tax Included?
Jewelry	State A	$10	No

Item	State	Cost	Was Sales Tax Included?
Jewelry	State A	$15	Yes

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Diary Survey Process: Collection

Reported costs that **exclude** Sales Tax:

Part 1. Food and Drinks for Home Consumption ("Food")

Part 3. Clothing, Shoes, Jewelry, and Accessories ("Clothing")

Part 4. All Other Products, Services, and Expenses ("Other")

Reported costs that **include** Sales Tax:

Part 2. Meals, Snacks, & Drinks Away from Home ("Meals")

Diary Survey Process: Editing

Item	State	Cost
T-shirt	State A	$10

Item	State	Cost	Sales Tax Rate
T-Shirt	State A	$11	0.10

The sales tax data processing:

- Adds sales tax amounts to the cost fields of the items that are reported for Food, Clothing, and Other categories

- Lists sales tax rates for each item in all categories

Sales Tax Inputs & Application

How do we obtain and apply sales tax rates?

Step 1

The sales tax process requires the following inputs:

- U.S. State

- Reported Item

- Reported Cost

- Tax Rate[1]

[1] Sourced and maintained internally by the Division of Consumer Prices and Price Indexes

Sales Tax Inputs & Application

How do we obtain and apply sales tax rates?

Step 2

(a) Aggregate tax jurisdiction-level sales tax rates to a state level

States can have different sales tax rates for different items:

Groceries: 3.5%
Suits: 7%

(b) Select rate by matching state and item from records to sales tax rate files

Sales Tax Inputs & Application

How do we obtain and apply sales tax rates?

Apply sales tax to item cost to obtain total cost

$$Total\ Cost = Cost_{item} * (1 + r_{sales\ tax})$$

example: $10.60 = $10.00 * (1 + 0.06)

Sales tax is included in Microdata cost variables

Files and Output

The sales tax output is reviewed by an analyst to ensure that:

- Sales tax amounts are applied only once
- All cost amounts include sales tax

Both Interview and Diary sales tax rate files are:

- Organized by state and item
- Updated annually

Contact Information

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