Sales tax for goods

Overview

There are two dofiles:

* Sales taxes on goods\_clean.do (in the raw folder)
  + Creates the “salestaxrates\_goods`year'.dta”, which include state and local sales tax rates.
  + For 2005/06, the local rates are not available, and we use the local rates for 2009.
* Sales taxes on goods.do
  + Creates “salestax\_goods`year'.dta”, which shows the sales taxes on goods paid by income category and state.
  + Combines the tax rates of the cleaned folder(state) with the CE-tables (income category).

Issue:

In the paper, you made an adjustment to the sales tax in California and Virginia. This is explained in footnote 26:

“The only exceptions are California and Virginia which include a 1.25% and 1.0% statewide local tax rate (1.0% for both states in 2006.) We account for this when combining average local sales tax rates and state rates.”

It seems that you have subtracted the rates for California and Virgina by 1.25 and 1 pst. respectively. I don’t quite understand why you would have to do this.

The footnote at the end of the table for the 2010 taxrates states: “(1) California and Virginia have a mandatory 1 percent “local” add-on and Utah has a 1.25 percent “local” add-on. Since localities have no authority over these taxes they are included in the state rate.

If I am not mistaken, if you subtract the state tax rate by 1 or 1,25 %, you will have to increase the local tax rate correspondingly, leaving the sum the same.

These adjustments have not been made in my calculations.