

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” includes a combined total of 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 to two decimal places.

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 Site:

- ▶ State Department of Taxation & Revenue

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