



50 states. 50 sales tax rules. 100% frustrating.

A coast-to-coast comparison of sales tax laws
across the U.S.

Fifty. It's a popular reference for everything from New York Times bestseller lists to pop music lyrics to milestone birthdays. But when it comes to the 50 states and sales tax, there's no slipping out the back, Jack.

Below is an “A-to-DC” look at sales tax laws across the U.S.



Alabama is a home rule state, which means that, in addition to state sales tax, certain localities are granted the right to administer and set their own sales tax rules and rates. Alabama currently has 385 home rule jurisdictions. Each of these is like a mini-state where you have to calculate the right rates and rules, collect and remit sales tax and file returns. These cities can also audit you for sales and use tax.



Alaska doesn't impose a state sales and use tax. However, some jurisdictions impose local sales tax, which can be as high as 7%. Certain cities grant senior citizens an exemption on paying sales tax. The age and income criteria for the exemption varies by jurisdiction as does the type of products eligible for exemption.



Arizona doesn't have a state sales tax but does have a Transaction Privilege Tax (TPT). This tax is actually a tax on the vendor but is usually passed on to the consumer. TPT may be assessed and collected at the state, county and city level, which can make returns a nightmare for Arizona businesses.



Arkansas wineries (in and out of state) can only sell and ship wine to Arkansas residents who have visited and purchased wine directly at the winery. No shipments or sales may be made via phone, fax or Internet. Shipments may only be made to “wet” territories (approximately half of the counties in Arkansas are dry), only during certain hours (10 am to midnight), and not on Christmas Day.



California is one of the “big four” sales tax states along with Florida, New York and Texas. These four states are the most populous and have the highest sale tax revenue collections in the U.S. California is unique in that it is the only modified-origin state when it comes to sales tax. Most state base sales tax on either origin (location of the seller) or destination (location of the buyer). California does both. State, county, and city taxes are based on the origin of the sale, while district taxes are based on the destination of the sale.



Colorado requires short-term rental owners to collect state sales tax on rentals of less than 30 consecutive days. This applies to bed and breakfasts, campsites, condominiums, hotels, inns, motels and lodging time shares. Furthermore, owners and managers of more than one short-term rental must complete a sales tax withholding application for each location.



Connecticut. Affiliate relationships with retailers in excess of \$2,000 creates nexus in Connecticut. This includes links on websites that drive traffic to your website (click-through nexus). Connecticut charges a 1% sales tax rate on most technology related products instead of the 6.35% state sales tax rate. This includes data processing, digital goods (books, audio and video), downloadable software, SAAS, software implementation and support.



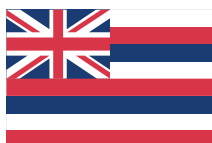
Delaware is one of five states with no sales tax. However, it does impose a gross receipts tax. Retailers can deduct the first \$100,000 each month prior to paying the tax. The state also has a low 8.7% flat tax on corporations, which is probably why more than half of the country's publicly traded companies are based there.



Florida extended its August "Back to School" sales tax holiday to 10 days in 2015, making it the longest seasonal sales tax holiday in the U.S. Broadly defined, tax-free purchases include clothing under \$100, school supplies under \$15, and the first \$750 of a personal computer purchase. Online sales during this period also qualify. But shoppers and businesses would do well to study up on what is and isn't eligible. For example, calculators are tax exempt; staplers are not. Legal pads are exempt; computer paper is taxable. Ski suits are tax-free; ski boots are taxable. And if sales of items are over the price thresholds, tax applies to the entire purchase, not just the amount over the holiday cap.



Georgia raised taxes on gas for the first time in 44 years in July 2015. The increase is part of a bill passed earlier in the year to raise \$900 million annually for state transportation improvements. Under the new law, Georgia's 7.5 cent excise tax and 4 percent sales tax was replaced with a flat 26 cent excise tax, resulting in an average increase of 6 or 7 cents per gallon. Because this is an excise tax, it's paid at the wholesale level versus by the consumer.



Hawaii doesn't have a state sales tax but rather imposes a general excise tax (GET) on transactions of goods and services. Very few goods and services are exempted from this. In fact, the Hawaii Supreme Court recently ruled that nine online travel companies owed the state close to \$250 million in unpaid GET for hotel rooms or similar accommodations in the Aloha State booked through their websites.



Idaho imposes a higher sales tax on hotel, motel, and campground accommodations (7% to 11%). The state also subjects recreation fees to sales tax. This includes lift tickets (including season ski passes), green fees, fees for bowling, health club membership fees, and admissions to amusement parks, water parks, theaters, and movies.



Illinois sales tax applies almost exclusively to goods. In fact, only five services are taxed in Illinois. For U.S. states that collect sales tax, the average is 51 services. A recent policy study showed that if Illinois lawmakers extended sales tax to more services, it would generate \$2.1 billion in revenue for the state (currently facing a \$6.2 billion budget shortfall) and \$526 million for local governments.



Indiana exempt most services from sales tax. However, the state requires morticians and funeral directors to register as retail merchants and collect sales tax on any tangible property they sell. If the funeral home or mortuary doesn't itemize this property separately from the services it provides and bills them as one lump sum to the customer, then sales tax is due on the entire transaction. If the invoices lists these services out separately from the tangible property, then sales tax is only due on the taxable goods.



Iowa assesses a use tax for the use, storage, or consumption of something in a state, regardless of where the purchase was made. For example, if you buy a computer while visiting a state that doesn't charge sales tax, you may still need to pay a use tax when you bring it home to Iowa.



Kansas allows sale of lower-alcohol beer, referred to as "cereal malt beverage," in convenience and grocery stores but also taxes it at a higher rate, which is contradictory to most liquor sales. In Pomona, Kansas for example, if you buy a six-pack of Budweiser (5% alcohol by volume) at the liquor store, you pay the 8% state alcohol sales tax – same as any other liquor sale. Buy that Bud at a convenience store and you pay 9.7%.



Kentucky passed a bill in 2013 requiring out of state sellers to provide customers with a use tax notification on their sales invoices, websites, and retail catalogs. The law applies to retailers who have more than \$100,000 in gross total sales from Kentucky customers and don't collect sales tax. The 6% use tax applies to both physical and digital goods that have been purchased, leased or rented outside of Kentucky for storage, use or consumption in the state. Kentucky also encourages these retailers to include a "prominent link" to the state's DOR website to facilitate reporting and payment of use taxes.



Louisiana hosts a Second Amendment sales tax holiday every September. It is one of two states (Mississippi is the other) to offer this tax-free shopping period for hunting supplies and equipment, ammunition, and firearms. Louisiana also offers merchants a credit of up to \$25 for costs associated with having to reprogram point-of-sale or other electronic invoicing systems to accommodate changes in the sales tax rate or base.



Maine's annual lobster festival is one of the state's largest fundraisers. But for 67 years, organizers failed to collect and remit sales tax on the sales of food, apparel and other festival goods. In Maine, sales to nonprofits are exempt from sales tax; sales by nonprofits aren't necessarily so. Organizers paid restitution of \$73,000 in back taxes, penalties and interest. The festival now taxes food sales at 8% rate and souvenirs at 5.5%.



Maryland imposes a local admissions and amusement tax rate from .5% up to 10% on gross receipts from what it deems taxable activities. Different rates apply depending on the activity, where it's happening, what's being served and how much is being charged. Have fun figuring all this out!



Massachusetts settled a lease dispute between two retailers regarding the taxable sales of competing food items by ruling that burritos don't fall into that same category as sandwiches due to how they're constructed (rolled vs. flat). But they're both still considered taxable sales. Dine in or take out, it doesn't matter; burritos and sandwiches are prepared meals and subject to sales tax. And that's a wrap.



Michigan. New click-through nexus laws went into effect October 1, 2015. Out of state sellers who meet nexus law requirements on sales into the state are required to register and collect sales tax on these transactions. Michigan is the 23rd state to enact a law of this kind.



Minnesota exempts fake fur from sales tax. Real fur is subject to the state's 6.5% sales tax, depending on how much of the coat is real and how much is fake. The real fur portion must be three times the amount of the next most valuable material to be taxable. So if the item is 75% fur and 25% polyester, it's taxable. If it's 50%/50%, it's exempt. This rule applies even if you buy the item online and have it shipped.



Mississippi is one of two states (along with Louisiana) that has a Second Amendment sales tax holiday every September. This is a tax-free shopping period for hunting supplies and equipment, ammunition, and firearms. The state and local sales and use tax exemption does not apply to hunting clothing and shoes, binoculars, gun safes or hunting stands and blinds (detailed guide available on Mississippi DOR website).



Missouri only considers trade show attendance to be a nexus-creating activity if orders for goods are taken. Just attending and exhibiting at the event doesn't create sales tax nexus in the state.



Montana has no general sales tax, so the state doesn't provide a sales tax exemption number, which is something vendors are often asked to provide when ordering products from manufacturers or out-of-state wholesalers. In lieu of this, vendors should use either their Social Security number (SSN) or federal identification number (FEIN).



Nebraska hunters who pay a landowner to hunt on his property must pay sales tax on the admission fee. If the hunter hires a guide, that service is tax-exempt. However, if the guide is included in the land admission fee, then sales tax is owed on the guide services. However, if the guide pays the landowner directly for the use of the land, then admission is tax-exempt (under lease and rental law), but the admission charges to customers by the guide are taxable. Fees charged by landowners for each animal bagged are subject to sales tax as part of the gross receipts of the sale.



Nevada taxes labor related to tangible goods differently. Labor involved in changing the form of tangible property (fabrication) is taxable, but labor to restore or refit (refurbish) an item is tax-exempt. How various services are billed also impacts taxation. Installation and repair services are sales tax-exempt if separately stated on invoices. The same with transportation, shipping and postage. Gratuities are generally tax-exempt unless the tip is built into the bill (i.e. for large parties), in which case it becomes part of the taxable sale.



New Hampshire takes its "live free or die" motto seriously. The state doesn't have sales tax or income tax. But that's only for permanent residents. The state does have a Meals and Rooms Rental Tax of 9% that applies to patrons of hotels (or any facility with sleeping accommodations), restaurants, rooms and meals costing more than 36 cents.



New Jersey is one of three states that makes a distinction between pumpkins used for food and pumpkins used for decorations. If they're painted, varnished, carved or sold as decorations, pumpkins are taxable. If they are sold for food (such as pies), they are tax exempt.



New Mexico doesn't have a state sales tax but rather imposes a gross receipts tax on businesses. The state recently ruled that New Mexico companies that hire independent contractors have to pay tax on any sales related to those services. But if the NM company's employees perform services in the state for a customer, and that work is under a certain threshold of total working hours, those services are exempt. Simply put: when employees don't work in New Mexico, the business has a physical presence (aka nexus). But when employees do work in New Mexico, they don't have enough of a physical presence to warrant nexus.



New York exempts clothing purchases under \$110 from sales tax. The exemption only applies to clothing and shoes worn by humans (not pets) and excludes costumes, formal wear, athletic equipment and protective gear, and anything heavily embellished (stones, pearls, metal, etc.) that would make repair difficult. Additionally, while purchases of clothing under \$110 are exempt from state sales tax, local jurisdictions may still tax these sales. Certain cities may also apply a MCTD (metro commuter transportation district) tax to these sales.



North Carolina requires use tax be paid on products or services used within the state. The state provides a line on the state income tax return for identifying use tax owed. North Carolina does not charge state sales tax on food sales, however it does allow local sales tax on food items; that rate is currently 2%. In July 2014, the state repealed the sales tax exemption on prepared food sold to students at colleges and universities.



North Dakota provides localities the ability to impose a maximum cap on sales and use tax paid on a single transaction. For example, in Hillsboro the maximum tax cap is \$50 per sale and in Ward County, it's \$12.50 per sale. Prior to 2005, retailers in cities and counties with caps would apply the cap exemption at checkout. But a law change now requires customers to request a refund from the Tax Commissioner on local tax paid in excess of the caps.



Ohio. Sales tax is referred to in Ohio as a “trust tax,” meaning that the buyer pays the tax to the seller and “trusts” that the seller remits it to the state. Filing of sales tax returns is done only electronically. Paper returns are not accepted.



Oklahoma. Most states have property taxes on real property (land and structures). But only Oklahoma still charges a “tangible personal property tax” on items like furniture, equipment and jewelry for both households and businesses.



Oregon has no statewide sales tax, but local municipalities may impose sales taxes if they choose to do so. Ashland, for example, has a 5% sales tax on prepared food. Additionally, the state allows businesses to pass certain excise taxes on to consumers. These include local lodging tax (plus a 1% state lodging tax), tax on tobacco products, and a “privilege tax” on beer, wine and spirits.



Pennsylvania offers a 25% tax credit to film companies that spend at least 60% of their total production budget in the state. Filmmaker M. Night Shyamalan convinced lawmakers to renew the tax credit in 2009, claimed that without the credit, the industry would take their business elsewhere. The state acquiesced, even granting Paramount a special waiver to claim the tax credit on \$29 million in visual effects work that was performed outside the state.



Rhode Island is one of the few states with a single, statewide sales tax. No municipality can add sales tax on top of the state rate. However, Rhode Island legislators can vote to change sales and use tax rates at any time. This makes it difficult to keep track of tax rate changes. Rhode Island is also the only state to offer a statewide sales tax exemption on the artistic works of writers, composers and artists.



South Carolina voters rejected a 1% sales tax to pay for road improvements. The reason? In the bill, groceries would have been subject to the new tax. Greenville County officials later commented that they failed to note that the referendum they submitted to the voters would have taxed unprepared foods bought at grocery stores. If lawmakers aren't even aware of the sales tax ramifications of their own legislation, how is a business owner supposed to be aware of all the intricacies of sales tax in a multitude of jurisdictions?



South Dakota. There's no attorney privilege in South Dakota, at least not when it comes sales tax. South Dakota is one of the few states that imposes sales tax on legal services. Attorneys with practices in-state must apply the sales tax rate in effect at the location of their office. Attorneys based out-of-state that do work on behalf of South Dakota clients collect use tax at the rate in effect at the location of their clients. Non-resident attorneys who practice in South Dakota (including making court appearances, taking depositions or having agents working in the state on their behalf) must have a sales tax license.



Tennessee's intoxicating liquor laws are some of the most confusing in the nation, with hundreds of provisions regulating the production, distribution, sale and taxation of liquor, wine and beer in the state. The highly debated WIGS (wine in grocery stores) legislation will go into effect in July 2016.



Texas. Holiday greenery, such as wreaths, mistletoe, and Christmas trees, are all subject to sales tax in Texas unless purchased from a charitable organization. Sales tax is also waived if the customer buys the holiday decorations but hires a decorating service to put them up. However, if the decorating service provides the decorations, then both materials and labor are taxable.



Utah. State sales and use tax makes up 26% of Utah's overall state and local taxes, making it the second largest source of tax revenue for the state. Local sales and use tax makes up 6% of all state tax revenue. Utah is one of the few states that taxes food (groceries), albeit at a lower rate (3%). Utah allows local jurisdictions to collect up to 1% tax for transit, hospital, arts and attractions (such as zoos), roads, resorts, tourism and other town and county options.



Vermont exempts food sold for personal consumption from sales tax but charges sales tax on items sold in bulk. However, this can still be confusing for vendors when selling to consumers. One buyer purchased maple syrup to be shipped to an Oklahoma address. He was charged sales tax by one vendor, use tax by a second vendor and not charged sales tax by a third.



Virginia levies a 50-cent tax on every lamb or sheep sold in the state. This “checkoff program” collects taxes from an industry to fund promotional campaigns for the products. Similar campaigns authorized by the U.S. Department of Agriculture include “Beef: It’s what’s for dinner” and “Got milk?” Virginia’s program is much more modest; funds go to the Virginia Sheep Industry Board, which spends them mostly on predator control.



Washington has no state income tax, which makes sales tax its biggest tax revenue source. Washington taxes many products and services that other states exempt. This includes installation, repair, alterations, construction, decorating, improvements to real or personal property, amusement and recreational activities, lawn maintenance, and physical fitness activities. Washington also taxes computer software and related hardware systems and digital products. It does not tax training or support.



West Virginia used to tax food at the 6% sales tax rate. Beginning in 2005, the state gradually reduced the tax rate down to 1% and, in 2013, eliminated the tax altogether. The exemption applies only to food that is to be prepared at home. Prepared foods, food from vending machines and soft drinks are still taxable sales.



Wisconsin. Hire a cleaning company to do non-routine or specialized cleaning such as shampooing carpets or washing windows, or hire them on an infrequent basis for regular cleaning, and you’ll have to pay sales tax on this service. But clean up your act on a regular basis and you’re good. Businesses and individuals that hire cleaners on a routine basis (weekly, monthly) don’t have to pay sales tax on this service.



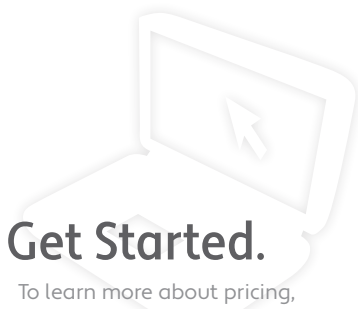
Wyoming recently changed the rules for sales tax on tools lost down holes during the construction of oil and gas wells. Now, if the tool is lost or damaged beyond repair during the “pre-production casing phase” of building the well, then the customer is not charged sales tax on the tool. However, if the tool is lost or damaged beyond repair during the production casing phase, the tool is subject to sales tax. Taxability rules for services performed within an oil or gas well site remain unchanged.



Washington DC charges an 18% tax rate for parking in commercial lots. In April 2015, the mayor proposed increasing that to 22% for downtown parking garages. It's believed that this tax will impact Virginia and Maryland commuters more than DC residents. The tax increase is expected to bring in an additional \$10 million in revenue, which will be used to fund public transportation.

This is by no means an exhaustive list and odds are you're not just looking at compliance in one state. Start adding up where you have offices or customers or sales tax nexus and you'll be 50-ways-to-frustrated in no time.

You really only need one way to deal with sales tax: AvaTax. It's accurate, real-time sale tax calculation software works in your existing billing system and is 50-times easier than anything you're doing now (like downloading rate tables).



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