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CITIZENS RESEARCH COUNCIL OF MICHIGAN

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Diversifying Local-Source Revenue Options in Michigan

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Diversifying Local-Source Revenue Options in Michigan

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Diversifying Local-Source Revenue Options in Michigan

In a Nutshell

- In Michigan, the current local government revenue structure is largely disconnected from the local economy. Communities need more mechanisms to capture the economic activity taking place within their boundaries.
- Many other states afford their local units of government a number of tax options - general and selective sales, income, transportation, various tourism, and others - to capture economic activity and to create diverse revenue streams.
- Expanding access to local-option taxes in Michigan requires the state to authorize local units to levy different taxes, but it does not require local units to actually levy them. The expansion would simply provide more options for officials. Ultimately, voters must decide the appropriate menu and level of services and the taxes to finance the services. Expansion of local-option taxes may be best suited to the regional level of government (e.g., counties or larger regions)

Summary

Local units of government in Michigan have been facing both revenue and spending pressures for years. Spending pressures are felt from both internal and external sources (e.g., legacy costs and mandates imposed by the state). Revenue pressures are largely the result of local property tax revenue declines, which have been the result of both recessionary declines and property tax limitations that have been adopted into law over the years, and cuts to state revenue sharing. A number of steps have been taken to address these growing spending and revenue pressures, including collaboration among local units, expenditure cuts and service reductions, and increases in currently available local revenue sources (e.g., property taxes and fees). These options have been pursued for years and it is time to consider new models for local government revenue and service delivery structures that can meet local needs and grow with the economy.

A recent Citizens Research Council report addressed the expenditure side of the equation and recommended consolidating many local government services and providing them more regionally at the county level.[a] In this report on local-source revenue options, the Research Council takes a closer look at the revenue side of the equation and recommends that the state consider allowing local units of government in Michigan to levy more types of local-option taxes. The key component to the recommendations in both of these reports is the need to look at how services can be delivered and revenues can be levied at the regional level of government.

Local-option taxes, especially when levied at the most local level of government (i.e., city, village, township level) can create administrative difficulties and local competition; introduce economic distortions by creating incentives for people to live or work or purchase items in certain jurisdictions; and intensify socioeconomic disparities across local units of government (e.g., local units with the least ability to raise funds from local property taxes generally have the least ability to raise funds from other taxes too). Some of these concerns over economic distortions, socioeconomic disparities, and local competition can be addressed by authorizing the levy of local-option taxes at the regional, rather than most local, level. Moving forward, the discussion needs to continue on regional tax base sharing, regional services, and regional governance. Providing services and raising taxes at the regional level can ad-

[a] See Citizens Research Council of Michigan Report 395: Counties in Michigan: An Exercise in Regional Government, March 2017, (https://crcmich.org/counties_regional_service_provider-2017/).

dress a lot of the concerns around local government service delivery and local-option taxes.

In this report, the Research Council takes a close look at the local-option taxes currently authorized to local governments in Michigan and finds that local units in Michigan are generally limited to the local property tax. The few exceptions to this include city income taxes, which 23 cities currently levy, and city and county tourism-related taxes (e.g., hotel accommodations, restaurant meals, and vehicle rental excise taxes), which are authorized to a select number of counties and cities across the state, but are not generally authorized to local units of government. One big exception includes Detroit, which is authorized to levy both a utility users' excise tax and casino gambling tax. For the most part, when compared with other states, especially its Great Lakes neighbor states, Michigan allows its local units of government to levy relatively few local-option taxes.

A review of tax laws found the following local-option taxes are allowed across the states:

- Income taxes are authorized in 18 states, including Michigan (limited to cities in Michigan).
- Sales taxes are authorized in 37 states.
- Local units in 11 states are authorized to levy motor fuel taxes.
- Local units in 37 states are authorized to levy some kind of vehicle-related tax.
- Local governments in 18 states benefit from utility taxes.
- Alcohol taxes are authorized in eight states and local cigarette taxes are authorized in 13 states.
- Medical marijuana taxes are authorized in six states and seven more allow for local taxes on recreational marijuana (one state taxes both).
- Local governments in 15 states benefit from casino gambling taxes.
- Local units in 44 states levy at least one tourism-related tax (Michigan allows select local units to levy, but does not broadly authorize these taxes).
- Multiple states allow local units to levy other taxes, including entertainment and amusement taxes, soda or sugar taxes, and sharing economy taxes, among others.

Furthermore, when looking at local general own-source revenue per capita, and more specifically at local tax revenue per capita, Michigan is below the national average and generally lower than its neighboring Great Lakes states. This suggests that there may be room to expand local-option taxes in Michigan and remain competitive with neighboring states. It is also important to note that expanded access to local-option taxes does not necessarily have to lead to local tax increases. Changes made to the local tax mix can be designed to be revenue neutral when initially implemented, but allow for greater growth in local taxes in reaction to economic activity.

Before any new local tax can be levied by any local government in Michigan, the state must enact a law authorizing local units to levy the tax; allowing for a local-option sales tax may require amending the Michigan Constitution. If a state law is passed, then the legislative body of the local unit would need to pass a resolution or ordinance to levy the tax at whatever rate is desired by the local unit and allowed for in state law. Finally, no new tax could be levied unless approved by local voters.

Moving forward, the discussion over local services and taxes needs to focus on regional tax base sharing, regional service provision, and regional governance. Local governments cannot rely on the local property tax and state revenue sharing alone and need access to more local-option taxes; however, local governments also need to reevaluate how services are provided and how things can be done more efficiently and effectively.

Diversifying Local-Source Revenue Options in Michigan

Local governments in Michigan are facing pressures from many sides: revenue declines largely outside of local control, legacy costs that continue to mount, and expenditure pressures from both inside local government and outside of it (e.g., imposed by the state). With both revenue and spending pressures facing local units of government in recent years, local officials have been left with few options: further downsize the menu and depth of services provided to residences and businesses within their community, work with neighboring and/or county governments to shed services or collaborate to achieve economies of scale in the provision of services, or seek to replace revenues by increasing property tax rates or by levying alternative local taxes. The problem with these options is that local governments have been pursuing them for years. They have cut services, collaborated, and attempted to increase local-source revenues. In this and other recent reports, the Citizens Research Council is attempting to outline potential next steps for local units of government, now that they have tried all of the aforementioned alternative options. Our research suggests that it is time to adopt new models for local government revenue and service delivery structures.

These next steps include major changes in how local government is done: a recent Research Council report addressed the expenditure side of the equation and recommends consolidating many local government services and providing them more regionally at the county level.[1] On the revenue side, local government officials must contend with 1) state officials who regularly cut state revenue sharing to fund local services during tough state budgetary cycles and 2) a local revenue structure that limits local units' abilities to benefit from positive economic growth within their jurisdictions and that is too dependent on the local property tax. The next steps to address the revenue side of the equation include consideration of expanding access to more types of local-option taxes in Michigan.

Problems with the Current Local Government Fiscal Structure

Michigan's local government revenue structure, which is primarily made up of local property taxes and state revenue sharing, has not proven to provide a sufficient level of revenue for local governments in times when the state economy is declining nor in times when the state economy is expanding after a decline.

Local Revenue Sources are Disconnected from the Local Economy

The biggest challenge with the current revenue structure for local governments is that local revenue sources are disconnected from the local economy. Local communities need more mechanisms to allow them to capture the economic activity taking place within their boundaries. The local property tax captures only a narrow segment of economic activity. Many communities are expanding and/or experiencing economic growth, but the economic recovery evident with bustling downtowns and job growth does not translate into growing revenue streams for local governments. With the exception of city income taxes, which are levied by very few cities, and county hotel taxes, which are a minor revenue source, current local taxes do not capture this economic activity (e.g., rising incomes, sales, etc.). Several state taxes do tax these forms of economic activity, but little of this money is returned to the community experiencing the growth.

Local communities need ways to benefit from tourism, commerce, and other activities that lead to increased daytime populations within their boundaries. These activities require increased expenditures by local governments, but do not provide ways for those governments to benefit from these activities in order to fund the necessary increase in expenditures. For example, some lakeshore communities in Northern Michigan experience much larger populations in the summer, which require increased expenditures for services such as public safety. Local property taxes do not increase in the summer months simply because more people are staying in hotels in the area or staying at their second home (higher local property taxes are levied on second homes, but those benefit the local school district not the local government). Also, many metro-Detroit suburbs (e.g., Warren and Livonia) are commerce hubs because they have a lot of businesses and jobs in their communities. Without an income tax or other local-option taxes, these cities cannot capture the revenue needed to help pay for the services consumed by daytime residents who commute in for work, but go home to and pay property taxes to another community.

Local Property Tax is an Insufficient Revenue Source

The main tax authorized to local governments in Michigan, the local property tax, was not intended to serve as the sole source of local government revenue in Michigan. The amount of property tax revenue collected by local units of government is determined by both the rate and the base of the property tax levied – both of which are controlled, at least partially, by state law. High property tax rates are burdensome to taxpayers and generally unsustainable. They can lead residents and businesses to leave jurisdictions in search of a better tax climate. Local governments that levy property taxes at higher rates also have been hit harder by tax foreclosures. Population declines and high levels of tax foreclosures have had a large impact on Michigan's larger, older cities (e.g., Detroit and Flint).

Property Tax Limitations. Property taxes are authorized to every type of local government in Michigan – counties, cities, villages, townships, school districts, intermediate school districts, community college districts, and some special authorities – and are also levied by the state. Growing property tax burdens led to the passage of two different constitutional amendments to severely limit the growth of property tax revenues in the last 40 years.[2]

The 1978 Headlee Amendment to the 1963 Michigan Constitution did many things, including adding language stating that property taxes and other local taxes and state taxation and spending may not be increased above the limitations without direct voter approval.[3] Section 31 of the 1963 Michigan Constitution prohibits units of local government from levying any tax rate not authorized by law or charter or from increasing the rate of an existing tax above the rate authorized by law or charter without voter approval. If local property tax revenues grow at a rate greater than inflation, then the millage rate for the unit will be decreased so that revenues cannot grow at a rate greater than inflation (commonly referred to as Headlee rollbacks) unless electors vote to keep the tax rate from decreasing (commonly referred to as Headlee overrides).

Proposal A of 1994 amended the Michigan Constitution to reform how public education was funded in Michigan (moving away from local property taxes to the state sales tax and other taxes) and also superimposed a modified acquisition value method of determining the taxable value of property upon the existing property assessment system.[4] For property assessments on or after December 31, 1994, annual increases in the taxable value of individual parcels of existing property are limited to the lesser of either five percent or the rate of inflation. When ownership of a parcel of property is transferred as defined by law, the parcel is reassessed "at the applicable proportion of current true cash value," which typically results in a one-time jump (commonly referred to as a "pop-up") in the property's taxable value. Additions and modifications to existing property and new property are placed on the tax rolls at 50 percent of current true cash value (referred to as state equalized value or SEV).

The tax revenues collected by the federal and state governments are capable of recovering from recessionary conditions simply through growth of the tax bases; however, Michigan's property taxes do not respond to post-recession expansion of the economy because of these tax limitations. The property tax limitations instituted by the Headlee Amendment require a local unit of government's tax rate to be adjusted downward when existing property in a jurisdiction increases faster than the rate of inflation. Thus, "pop-ups" in taxable values triggered by property tax transfers can often lead to Headlee rollbacks. This leads to situations where property tax revenues can decrease quickly and substantially during economic declines, as they did during the Great Recession (December 2007 to June 2009), but increase at no greater than the rate of inflation once the economy starts expanding (especially for mature, built out local units).

From Fiscal Year (FY) 2008 to FY2012, the taxable value of all cities in Michigan fell 17.9 percent; from FY2012 to FY2017, taxable value has increased 6.2 percent. The declines have been largest in Michigan's bigger cities and in Southeast Michigan (which is home to many of Michigan's bigger cities). If taxable value in a hypothetical city increased at an annual rate of two percent beginning in FY2012, it would take a city that suffered a 20 percent decline 12 years to recover its lost property values, not adjusted for inflation; in real terms, the city will never recover their property tax losses under the current system.[5]

State Revenue Sharing is in Peril

Michigan's program of unrestricted state revenue sharing is somewhat unique across the states. Many states provide restricted state revenue sharing (e.g., sending state-collected funds to local units for specific purposes such as education), but Michigan sends state collected revenues to local units to use at their discretion. Originally, all revenue sharing dollars were sent to local units of government on a per capita basis, but, since 1971, the state has attempted to give revenue sharing greater purpose by directing funds in the statutory revenue sharing program to the local governments with the greatest need – defined as the lack of capacity to fund services from locally collected revenue sources.[6]

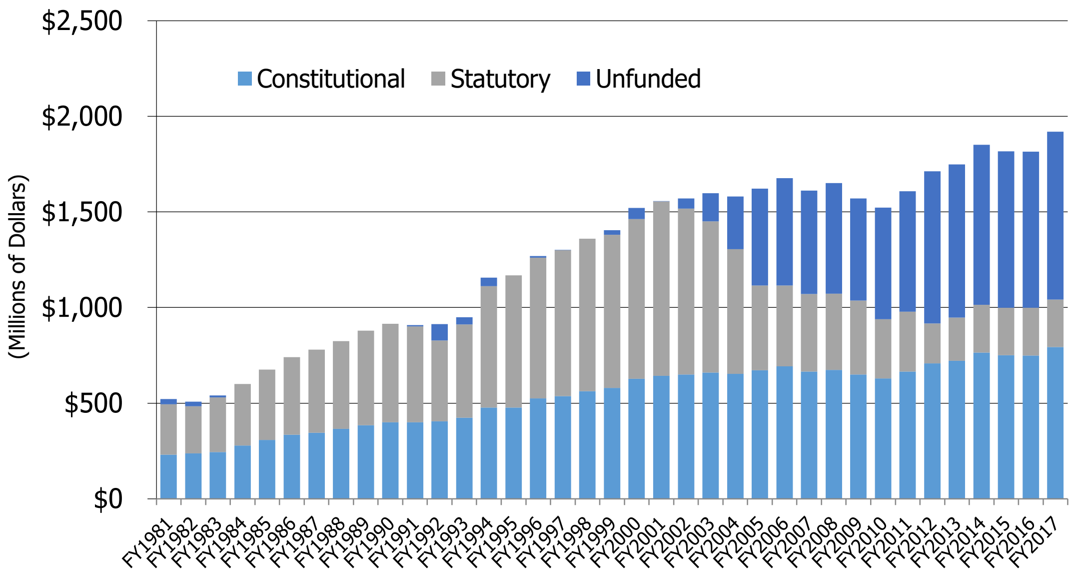
Michigan's system of state revenue sharing, as well as other programs of state aid (e.g., highway funding and court funding) were created as part of a specific state policy to contribute state-raised funds to the local government revenue structure and intended to provide some diversity in the revenue structure of local governments in place of local-option taxes. State policymakers agreed to serve in a revenue raising capacity to capitalize on revenue raising efficiencies and share state-collected revenue with local governments, oftentimes because the finances of local governments were negatively affected by statutory changes that exempted parts of the property tax base from taxation.

State revenue sharing helped local government revenue structures benefit from economic growth not reflected in changing property values or property tax revenues. Prior to consolidating all state revenue sharing payments under the state sales tax, revenues were shared from multiple state taxes, including state intangibles, income, single business, and sales taxes. Full funding of revenue sharing meant that revenue sharing payments to local governments were enriched by a vibrant economy as reflected in increased consumption and bigger paychecks. Michigan's local governments didn't need a local-option sales tax because they already benefited from increases in consumption with shared sales tax revenues. They didn't need a local-option gas tax, because they benefit from increased distributions of dollars collected by the state.

The problem with this system is that, though it works well when state revenues are strong, it has proven an easy funding source to cut when state revenues are declining so that state policymakers can use those revenue sharing dollars to fill state budget holes, leaving local governments scrambling to make up for their revenue shortfalls (see **Chart 1**). In 1998, the state passed legislation that earmarked 21.3 percent of the sales tax at a four-percent rate for revenue sharing payments to cities, villages, and townships. These funds, however, must be appropriated annually, and the formula was only fully funded in one year (2001). Since 1998, revenue sharing funding losses to local units total more than $8 billion; in FY2017, the shortfall was more than $800 million. From FY2008 to FY2015, revenue sharing payments to cities declined by 18 percent (24 percent if adjusted for inflation).[7] Only about one-quarter of local governments eligible for funding continue to receive statutory state revenue sharing today, and the methodology for determining the levels of funding distributed to each of those governments has more to do with the levels

Chart 1

Constitutional, Statutory, and Unfunded State Revenue Sharing, FY1981 to FY2017



Source: Michigan Department of Treasury.

of funding in prior years than any measure of current needs or fiscal capacity.

A recent Research Council report identifies a number of upcoming state budget pressures, both cyclical and structural, that will require difficult decisions by state policymakers to keep the state's budget balanced moving forward.[8] As has been the case in past times of budgetary pressures, it is foreseeable that statutory state revenue sharing and other programs that assist local government's ability to fund local services may be at risk during these budgetary discussions. Past, as well as potential future, reductions in state revenue sharing distributions to local government are significant because of the proportion that those dollars contributed to local government budgets (especially the budgets of those local units with the least ability to raise their own-source revenue), but also because local governments have lost much of their connection to the prosperity created by economic expansion. It is true that constitutional state revenue sharing has remain unchanged, but the per capita distribution of those dollars lessens the ties to the economy for the population centers that are the locus of economic activity in the state. Although these places host commerce, retail, industry, and other activities that increase state tax revenues, they are rewarded no more than any other unit of local government.

The argument is that if the state is not going to share the revenues it collects, then maybe Michigan local governments should have greater latitude to levy taxes to benefit from economic activity on their own. In the current system, with revenue sharing dollars in peril, the revenues of local governments will be nearly completely divorced from economic growth.

Problems with the Local Government Service Delivery Model

Michigan's local government fiscal structure problems are not limited to revenues. A 2017 report discusses the current service delivery model, which includes over 1,700 municipalities and 83 counties providing services.[9a] The majority of local government services are provided by cities and townships. With modern methods of transportation and communication, this is not an efficient service delivery system.

Local government service delivery should be examined to see what services could be provided more efficiently at the county level. By building up the information technology infrastructure to connect the county governments with the cities, villages, and townships within them, counties could offer file sharing and develop resources to capitalize on advances in communications. Counties could provide many back office functions and play stronger roles in such things as tax collection, elections, assessing property, maintaining roads, and aspects of planning and land use. County sheriffs can assume enhanced responsibilities for policing.

Changing the local government service delivery model to allow counties to provide more services would free up resources for the vital services that remain with cities, villages, and townships, including developing the identity and place making that will make their communities attractive. This realignment of service delivery should be done in conjunction with local tax restructuring.

One Potential Solution: Provide Local Governments with More Access to Local-Option Taxes

Many local governments are struggling to find adequate local revenue sources due to over-reliance on property taxes and the disconnect between local revenue sources and the local economy. This creates a juxtaposition where the current local revenue system is not meeting the revenue needs of vibrant, growing local units or of declining local units experiencing disinvestment. Local governments suffer because the current revenue structure does not allow them to benefit from the positive economic growth that is occurring within their jurisdictions. For cities like Detroit that have suffered from disinvestment and abandonment, there is a need to relieve dependence on the property tax. These cities receive higher than average poverty exemption applications, and Michigan's tax foreclosure system has proven unsuccessful at productively returning properties to the tax rolls. Increased access to local-option taxes will allow local officials and voters to choose the right mix of taxes and services for their local community.

Local-option taxes could be crafted to replace, not supplement, property taxes. A revenue neutral implementation would target tax rates of a new tax to yield roughly the same amounts of revenue as is currently produced by property taxes. Thereafter, a tax that is more responsive to economic growth would yield revenues capable of sustaining local government services. Of all of the tax options discussed below, only sales and income taxes levied at fairly low rates are capable of yielding revenues at sufficient levels to replicate revenues produced by the property tax. Working out a revenue neutral exchange gets more complicated when city and township taxes are replaced with county or regional local-option taxes.

Local-Option Taxes

The local government finance structure can include a variety of local-option tax revenues, beyond what is currently allowed in Michigan, from general taxes on income and retail sales to specialized taxes on tobacco and casino gambling. It is important to understand those currently authorized in Michigan, as well as those that are not currently authorized, but may be options for expanding local-option revenue sources in Michigan.

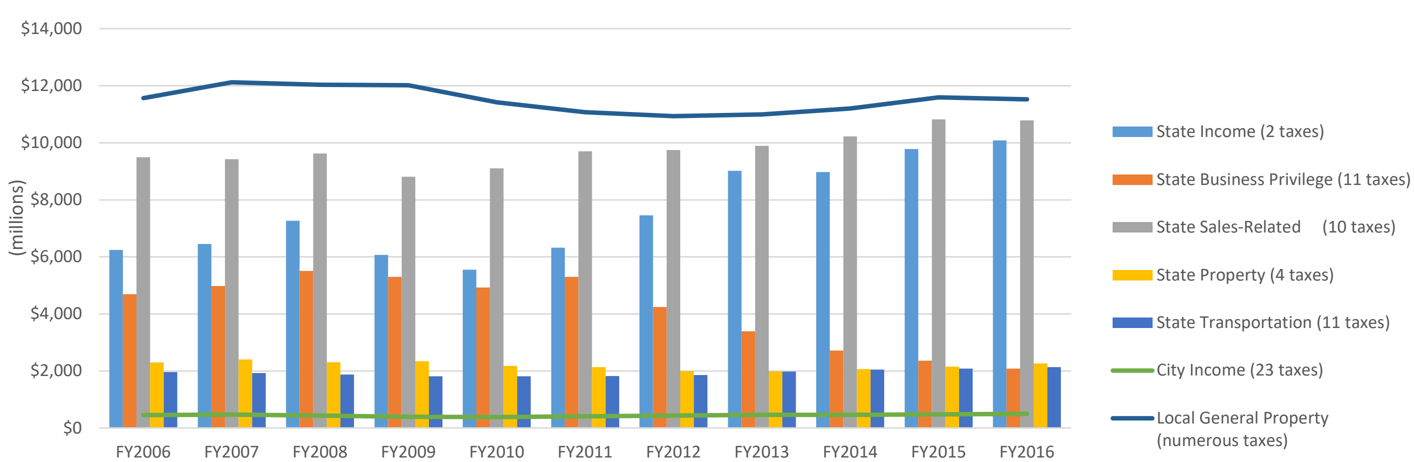
The 1963 Michigan Constitution gives charter counties, cities, and villages the power to levy taxes other than ad valorem property taxes for public purposes, subject to limitations and prohibitions provided by the Constitution or state law. It goes on to say that "The provisions of this constitution and law concerning counties, townships, cities and villages shall be liberally construed in their favor."[9b] While this seems to provide broad local taxing authority, at least to charter counties and home-rule cities and villages, state law has served to limit local units' ability to levy local-option taxes. Almost immediately following adoption of the 1963 Constitution, the state legislature passed an act to prohibit cities and villages from levying any local tax, other than an ad valorem property tax, unless the tax was being levied prior to January 1964.[10] The practical effect of this act was to undermine the broad taxing authority granted to cities and villages in the state Constitution. The Charter Counties Act gives charter counties – of which there are only two in Michigan (Wayne and Macomb counties) – the authority to levy and collect any taxes authorized by state law.[11]

General law counties, villages, and townships have powers provided in state law and may only levy taxes as authorized by state law. Authorization for local-option taxes, other than city income taxes, currently exists for a select few purposes in Michigan.

Chart 2 highlights the general taxes levied by the state compared with those levied by local units. The graph omits some minor taxes levied by local units across the state, and those minor taxes will be discussed, but it shows that the state levies many more types of general taxes than local units levy. The state collects large sums of revenue from income, business privilege, sales related, property, and transportation taxes. Local units collect large sums of income from general property taxes and small amounts of income from city income taxes.

Chart 2

Total State and Local Tax Collections from Major Revenue Sources, FY2006 to FY2016



* Casino gaming tax revenues and utility users' tax revenues collected by Detrit are omitted from this this graph.

Source: Citizens Research Council of Michigan, "Outline of the Michigan Tax System," 2006-2016.

In addition to detailing the current status of local taxes in Michigan and what state law authorizes, it is important to understand what types of local-option taxes are levied in other states and the implications of those taxes. Notwithstanding the economic conditions that plagued Michigan through the first decade of this century, the difference between Michigan's local government finance structure and those of many other states is Michigan's heavy reliance on a single source of revenue: the property tax. Many other states afford their local governments a number of tax options – sales, income, motor fuel, vehicle registration, cigarette, alcohol, utility users', among other taxes – that create diverse revenue streams.

These taxes are not uniformly authorized for levy by a single level of government in other states. These taxes, alone or in combination with other taxes, may be authorized to city governments to fund municipal services, county governments to fund services across relatively small regions, or regional authorities to fund transit, museums, sports facilities, and other amenities that span multiple jurisdictions. The level of government at which the taxes are levied determines the potential economic effects the taxes may have on residents and businesses.

In 2014, state governments across the United States collected more than $1.7 trillion of general revenue, with revenue from income, sales, and other taxes totaling nearly $870 billion (approximately half of all general state revenue). In 2014, local governments across the United States collected more than $1.5 trillion of general revenue, with revenue from local property, sales, and other taxes totaling $624 billion (or 41 percent of general revenue). **Charts 3 and 4** highlight state and local government revenue by source in the United States.[12]

Expanding local-option taxes has both advantages and disadvantages. A major advantage of local-option taxes is that they allow local units of government to diversify their revenue sources and therefore reduce their reliance on property taxes and state aid. Additionally, local-option taxes allow local units to levy taxes on a tax base that reflects an area's economic strengths (e.g., retail or tourism). Local-option taxes increase local autonomy by giving local officials and voters more options to levy local taxes to pay for local services.[13]

Chart 3

U.S. State Government General Revenue by Source, FY2014

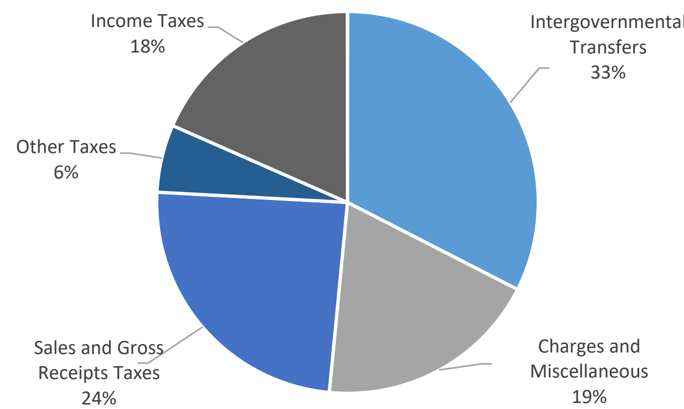
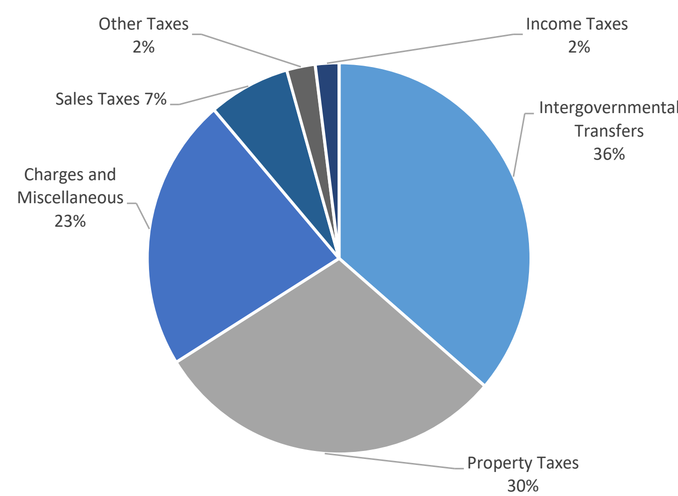


Chart 4

U.S. Local Government General Revenue by Source, FY2014



Source: Urban Institute, Brookings Institution, and individual authors. *The Tax Policy Center's Briefing Book,* 2016 (http://www.taxpolicycenter.org/briefing-book, accessed 10/3/17); Urban-Brookings Tax Policy Center, State and Local Government Finance Data Query System.

One big disadvantage to local-option taxes is that they can increase the combined state and local tax rates in an area. However, this is not always the case as changes made to the local tax mix can be designed to be revenue neutral when initially implemented, but allow for greater growth in local taxes in the future. Additionally local taxes could hurt a state's competitiveness in a region and limit the state's ability to raise tax rates.

Local-option taxes also create disparities among local units within a state. While local taxes allow municipalities to generate additional revenue from untapped sources (e.g., tourism), the revenue-generating capacity from local-option taxes is not evenly distributed across municipalities. High-income, property-rich local units of government generally possess more local-option tax capacity than low-income, property-poor local units. Increased local-option taxes may induce local units of government to make land-use decisions to maximize local revenues at the expense of other local needs (e.g., promoting affordable housing or preserving green space). Local taxes can also increase administrative burdens on taxpayers and local units of government. Finally, expanding local taxes could make local governments more vulnerable to economic downturns as many of the local-option taxes discussed are more connected to the economy, and therefore more volatile, than the property tax.[14]

Local Income Tax

A local-option income tax is available to cities in Michigan. The Uniform City Income Tax Act of 1964 grants all cities in the state the authority to levy an income tax.[15] Other local units in Michigan – counties, villages, townships, school districts, special authorities – are statutorily precluded from levying an income tax. As **Table 1** illustrates, cities levying an income tax range from small cities with populations under 2,000 residents to some of the largest cities in the state.

Table 1

City Income Tax Rates, FY2018

City	Year Adopted	2016 Population	Residents	Corporations	Nonresidents
Albion	1972	8,337	1.00%	1.00%	0.50%
Battle Creek	1967	51,534	1.00%	1.00%	0.50%
Benton Harbor	2017	9,919	1.00%	1.00%	0.50%
Big Rapids	1970	10,437	1.00%	1.00%	0.50%
Detroit	1962	672,795	2.40%	2.00%	1.20%
Flint	1965	97,386	1.00%	1.00%	0.50%
Grand Rapids	1967	196,445	1.50%	1.50%	0.75%
Grayling	1972	1,837	1.00%	1.00%	0.50%
Hamtramck	1962	21,752	1.00%	1.00%	0.50%
Highland Park	1966	10,883	2.00%	2.00%	1.00%
Hudson	1971	2,236	1.00%	1.00%	0.50%
Ionia	1994	11,300	1.00%	1.00%	0.50%
Jackson	1970	32,918	1.00%	1.00%	0.50%
Lansing	1968	116,020	1.00%	1.00%	0.50%
Lapeer	1967	88,340	1.00%	1.00%	0.50%
Muskegon	1993	38,349	1.00%	1.00%	0.50%
Muskegon Heights	1990	10,795	1.00%	1.00%	0.50%
Pontiac	1968	59,698	1.00%	1.00%	0.50%
Port Huron	1969	29,231	1.00%	1.00%	0.50%
Portland	1969	3,936	1.00%	1.00%	0.50%
Saginaw	1965	48,984	1.50%	1.50%	0.75%
Springfield	1989	5,196	1.00%	1.00%	0.50%
Walker	1988	24,775	1.00%	1.00%	0.50%

Sources: Michigan Department of Treasury and U.S. Census Bureau, 2016 Population Estimates

The Case of Detroit

Detroit presents a unique case for Michigan. In general, the state does not allow local units of government to levy many local-option taxes; however, Detroit is the exception to the rule. Detroit is Michigan's largest and most urban city and it has suffered population and revenue decline for many reasons, including racial and financial tensions, increases in crime and violence, and some municipal mismanagement over the years. Some blame Detroit's problems more on mismanagement and community reasons, others on demographic reasons outside of the community's control. Regardless of blame, the fact is that Detroit has faced unique financial and revenue problems, and the state has been attentive to Detroit's revenue challenges and has provided Detroit with exclusive local-option revenue sources to address its funding needs.

The state has authorized counties and other cities to levy some local-option taxes, but Detroit stands alone as the local unit of government with the most authority to levy local-option taxes in Michigan. That being said, when compared with big cities in other states, Detroit is limited in the number of local-option taxes it has authority to levy.

Taxes Authorized to Different Levels of Government in Michigan

	Property Taxes	Income Taxes	Retail Sales Taxes	Motor Fuel Taxes	Vehicle Registration Taxes	Utility Users' Taxes	Alcohol Taxes	Tobacco Taxes	Marijuana Taxes	Casino Gambling Taxes	Soda/ Sugar Taxes	Restaurant Meals Taxes	Hotel/ Motel Taxes	Vehicle Rental Taxes	Entertainment/ Admissions Taxes	9-1-1 Phone Taxes	Sharing Economy Taxes	Total
State	X	X	X	X	X		X	X	X	X						X		10
Counties	X			+	+				+			*	X	*		X		3
Detroit	X	X		+	+	X			+	X								4
Other Cities	X	X		+	+				+			*	*	*				2
Townships/Villages	X								+									1

* Selected local units can levy (not included in total because of small number allowed to levy)

+ State taxes shared with local units of government

The Research Council has published a standalone paper (Memorandum 1147, "Diversifying Local-source Revenue Options in Detroit," February 2018) to explore the opportunities created by a diversified menu of tax options. (http://crcmich.org/diversifying-local-source-revenue-options-in-detroit)

The Uniform City Income Tax Act authorizes a uniform tax with a single tax rate and a uniform tax base for all cities. For city residents, the tax base includes compensation, net profits, investments, and other income. City income taxpayers are allowed a credit for nonresident income taxes paid to another city. For nonresidents, the tax base is measured as income earned while working in the city. For corporations, the tax base is income earned in the city, allocated based on property, sales, and payroll. The tax rate remains uniform for most of the cities levying the tax, but over the years a few cities have had exceptions written into the law to authorize the levy of the tax at higher rates. The rate levied on nonresidents may not exceed one-half the rate levied on residents. For most cities, income tax revenues go into the city's general fund or other governmental fund; a portion of Detroit's city income tax revenue is earmarked to the city police budget.

Imposition of a City Income Tax. In order to levy a city income tax, two things must happen: 1) an ordinance in support of a city income tax must be adopted by legislative action of the city council or commission and 2) city residents must vote in support of the tax at the ballot.[a] Currently only 23 out of 276 cities levy a local income tax in Michigan.[16]

Several cities have considered and/or proposed a local income tax, but have been unable to gain support or voter approval, including Hillsdale (income tax feasibility study completed in 2012), Mt. Pleasant (considered by city council in 2013), Ann Arbor (rejected by voters in 1969 and 1972; currently under consideration for 2018 ballot), Ypsilanti (rejected by voters in 2007 and 2012), East Lansing (rejected by voters in 2017), and Marquette. In November 2017, a city income tax passed in Benton Harbor, making it the 23rd city in the state to levy a local-option income tax (Benton Harbor voters defeated a city income tax in 2013). For other types of local units (e.g., counties, villages, or townships) to gain the ability to levy a local income tax, state law would have to be modified to provide authorization.

[a] Approval of city voters is required by provisions of the Headlee Amendent to the 1963 Michigan Constitution (Article IX, Section 31), which prohibits units of local government from levying any tax not authorized by law or charter when this section of the constitution was ratified in 1978 without the approval of a majority of qualified electors.

Administration of a City Income Tax. City income taxes are administered by the cities themselves and this requires separate skills and employees from property tax administration. Administration of property taxes requires tracking property sales and appraisals of real and personal property; property taxes are remitted in summer and winter payments. Administration of income taxes requires an ongoing, monthly activity to collect taxes as employers remit taxes withheld from each paycheck; it also requires an auditing function for the cities to know that they are receiving the taxes due to them. The Michigan Department of Treasury has offered to administer the tax on behalf of each city and does so for Detroit, but all other cities administer their income taxes locally. The state and cities may wish to revisit this offer as the state and local governments continue to streamline their functions and eliminate duplication of efforts.

Levying and collecting corporate income taxes, requires states and local units to determine whether companies have "nexus" within their boundaries (i.e., enough physical or economic presence to owe an income tax), and then determine the taxable income generated by activities within their state or local unit of government. Until recently, states used a three-factor formula based on the Uniform Division of Income for Tax Purposes Act to determine the portion of corporate income taxable in the state; the formula gave equal weight to the shares of a corporation's payroll, property, and sales in the state. In more recent years, states have moved toward formulas that either weight more heavily or rely exclusively on sales within the state to apportion income. By using the portion of a corporation's sales rather than employment or property to determine tax liability, states hope to encourage companies to relocate or expand operations within their states.[17]

Positives and Negatives of a City Income Tax. Motivation for adopting a local income tax has varied for each city, but the benefits include the fact that revenue from income taxes can supplement dwindling property tax revenues or can allow cities with prohibitively high property tax rates to lower their rates. The income tax also allows cities to export the tax to workers that reside in surrounding communities, but work in those cities. Sometimes it is to compensate for economic activity occurring in governmental offices, correctional facilities, hospitals, or universities that do not directly contribute to the property tax (e.g., five income tax cities host institutions of higher education and four host significant federal and state governmental properties). At other times, it is because large businesses have located in the cities, drawing workers from surrounding communities; these workers do not pay property taxes to the cities, but do consume city services such as roads, police and fire, and water and sewer. Additionally, income taxes allow governments to capture economic activity that is not captured by property taxation. Property taxes capture the value of investment in real and personal property; income taxes capture the value of earned income, investments, and profits.

Income tax revenues are more closely tied to the ebbs and flows of the economy than property tax revenues. Employment levels tend to fluctuate with the economy (i.e., unemployment declines when the economy is expanding and increases when the economy is declining) and the income tax is directly tied to employment levels. Therefore income tax revenues can be more cyclical, bringing in higher revenue when the economy is doing well and lower revenue when it is doing poorly; property tax revenue are more stable by comparison. Although a new city income tax may provide an infusion of revenue to support service provision, the fluctuations in revenue can make it difficult to finance ongoing services at constant levels. Additionally, because a vote of the people is required to levy a city income tax, the one-time costs of running a campaign to win approval at the ballot can be a disincentive. Ballot campaigns require the expense of scarce funds, and also require the expense of "political capital" campaigning for what have proven to be unpopular ballot questions for city income taxes. Income tax bases must also be shared with the federal and state governments, which can lead to high cumulative tax rates in communities with a local-option income tax.

Perhaps the biggest negative associated with the current city income tax is that Michigan authorized the tax at the most local level of government. Local income taxes can create disincentives to live or work in the cities that levy them. These higher tax burdens can create incentives for people to locate or find jobs in cities or townships that do not levy a local income tax; it can also create incentives for corporations to locate in cities without an income tax. This has not been the universal experience in Michigan: some cities have experienced abandonment before and after the imposition of a city income tax, but other cities have grown and used the income tax revenue to enhance city services and improve their communities. On the whole, it is not clear that the disincentives created by city income taxes are any different than those created by city property taxes levied at high rates relative to the surrounding communities. One way to address this concern would be to authorize local-option income taxes at the county or regional level to remove some of the dislocation tendencies associated with these taxes.

City Income Revenue Trends. In the 22 cities that levy an income tax (Benton Harbor is excluded because it just started levying the tax in 2018), the percentage of city tax revenue that comes from income taxes varies, but on average about 56 percent of these cities' tax revenue come from income tax revenue and approximately 44 percent from property tax revenue (it is important to note that **Table 2,** page 11, includes only city tax revenue and omits all other forms of city revenue as well as some small property-related city taxes and the revenue from some specialized local taxes levied by Detroit). Over half of the total local income tax revenue is raised by Detroit.

City income tax revenues as a whole have not experienced the level of growth from FY2005 to FY2016 that state income tax revenue and median household income have (see **Chart 5,** page 12). The slow growth of city income tax revenue may reflect the makeup of the larger cities that levy this tax; several of the cities in the state that are suffering the greatest economic decline levy city income taxes. Both state and city income taxes reflect economic fluctuations, but the city income tax revenue also reflect the out-migration and loss of income in the state's largest core cities. When setting FY2005 as the base year, city income tax revenue declined in actual dollar amount some years, but grew approximately seven percent overall from FY2005 to FY2016. In contrast, state personal income tax revenue grew 52 percent and median household income in Michigan grew 24 percent over the same time period.

Other States' Experiences with Local Income Taxes. Local-option income taxes can include individual income taxes and corporate income taxes. Individual income tax burdens in different local units vary widely due to factors such as differences in tax base, tax rates, exemptions, deductions, and the treatment of federal taxes. Furthermore, several different types of individual income tax

Table 2

City Income and Property Tax Revenue, FY2016
General Fund and Other Governmental Funds

City	Income Tax Revenue	% of Total	Property Tax Revenue	% of Total	Total
Albion	$1,061,052	38.4%	$1,699,529	61.6%	$2,760,581
Battle Creek	$15,655,945	46.1%	$18,295,624	53.9%	$33,951,569
Big Rapids	$2,097,641	42.5%	$2,835,752	57.5%	$4,933,393
Detroit	$263,178,629	55.9%	$207,773,186	44.1%	$470,951,815
Flint	$15,604,399	54.1%	$13,246,606	45.9%	$28,851,005
Grand Rapids	$88,174,251	68.6%	$40,292,268	31.4%	$128,466,519
Grayling	$551,990	38.4%	$885,012	61.6%	$1,437,002
Hamtramck	$2,201,857	32.2%	$4,631,326	67.8%	$6,833,183
Highland Park	$3,397,691	30.2%	$7,843,657	69.8%	$11,241,348
Hudson	$462,650	45.8%	$548,419	54.2%	$1,011,069
Ionia	$2,326,254	68.6%	$1,065,819	31.4%	$3,392,073
Jackson	$8,306,948	45.6%	$9,920,350	54.4%	$18,227,298
Lansing	$34,573,130	48.2%	$37,092,910	51.8%	$71,666,040
Lapeer	$3,173,337	59.6%	$2,148,882	40.4%	$5,322,219
Muskegon	$8,290,803	53.2%	$7,296,714	46.8%	$15,587,517
Muskegon Heights	$963,708	35.2%	$1,773,251	64.8%	$2,736,959
Pontiac	$11,655,616	51.1%	$11,159,649	48.9%	$22,815,265
Port Huron	$6,531,737	40.5%	$9,609,327	59.5%	$16,141,064
Portland	$624,384	33.3%	$1,249,329	66.7%	$1,873,713
Saginaw	$12,998,457	79.5%	$3,342,717	20.5%	$16,341,174
Springfield	$929,523	44.1%	$1,180,083	55.9%	$2,109,606
Walker	$11,081,952	89.2%	$1,336,579	10.8%	$12,418,531
Total	$493,841,954	56.2%	$385,226,989	43.8%	$879,068,943

* This table does not include minor, property-related taxes collected by some cities. It also omits casino gaming tax revenue and utility users' tax revenue collected by Detroit.

Sources: Citizens Research Council of Michigan. "Outline of the Michigan Tax System, 2017 Edition," May 2017.

Michigan Department of Treasury. 2016 Ad Valorem Property Tax Report, Rev. 02-17 (http://www.michigan.gov/documents/taxes/2016_625_Ad_Val_Tax_Levy_Report_553708_7.pdf, accessed 1/16/18).

systems exist, including systems with graduated state and local rates, systems with graduated state and flat local rates, systems with flat state and local rates, and systems with graduated or flat state tax rates with exemptions.[18] These factors can make comparing different systems difficult, but what is done in other states can show what is possible in Michigan.

While most states levy some type of state tax on individual income, it is not as common for local units of government to levy an individual income tax.[b] In 2014, state governments collected $312 billion, or 26 percent of state own-source general revenue, from individual income taxes. Local governments, on the other hand, collected just $30 billion, or three percent of own-source general revenue, from local income taxes. At the individual income level, most states and localities follow the federal definition of taxable income, however, states can apply different rules than the federal government for certain types of income (e.g., municipal bond interest from securities). Most state and local income taxes are fairly flat, even in those states that apply graduated rates (e.g., states have relatively few brackets and differences among the rate levels).

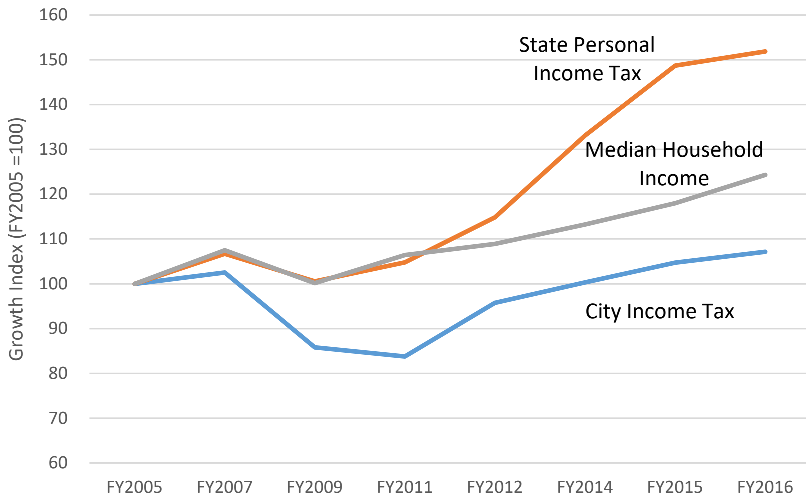
Additionally, all but four states levy some type of tax on corporate income or gross receipts.[c] In 2013, states collected $45 billion, or four percent of own-source revenue, from corporate income taxes; local governments collected $8 billion, less than one percent of

[b] Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming are the only states that do not levy any type of state individual income tax.

[c] Nevada, South Dakota, Washington, and Wyoming had no corporate income or gross receipts tax in 2016.

Chart 5

Income Tax Revenue and Michigan Household Income Growth, FY2005 to FY2016



Sources: Citizens Research Council of Michigan. "Outline of the Michigan Tax System," 2006-2017 and U.S. Census Bureau, Historical Income Tables: Households, Table H-8: Median Household Income by State (https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html, accessed 1/25/18).

own-source revenue, from corporate income taxes. Only seven states allow their local units to levy a corporate income tax, and New York City is responsible for 84 percent of the corporate income tax revenue collected by local units of government (the District of Columbia is responsible for another six percent).[19]

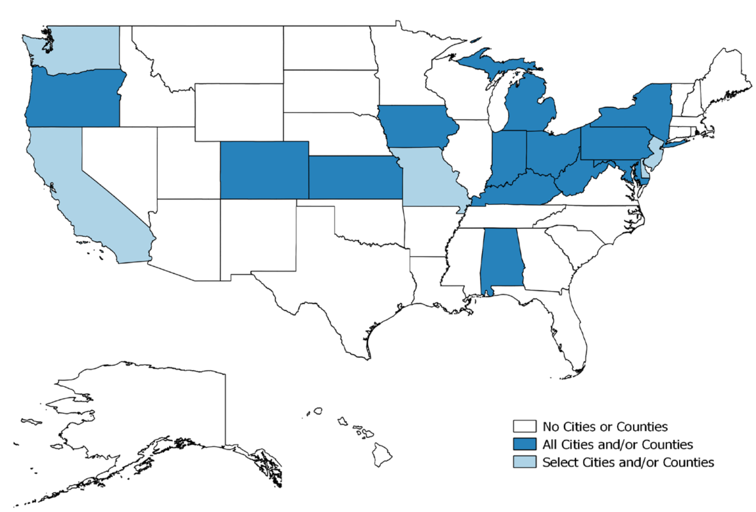
Philadelphia was the first city to adopt a local income tax in 1938. Today, 18 states and the District of Columbia (D.C.) authorize some sort of local-option income taxes, though a lot of variation exists among the states in what types of units are allowed to levy the tax, what type of income is taxed, and tax rates, among other things (see **Appendix A**). In the states that allowed local governments to levy local-option income taxes in 2013, these taxes comprised an average of 10 percent of local own-source revenue, ranging from one percent of local own-source revenue in Alabama to 25 percent in Maryland.[20]

Seven states allow counties to levy some form of a local income tax (see **Map 1)**. In only two states, Indiana and Maryland, do all of the counties levy the tax. These two states are also the only two states that limit the local income tax to counties (with the exception of one city in Maryland, Baltimore). In Maryland, which allows counties to piggy back on the state income tax up to 50 percent of the state rate, income tax revenues accounted for 18.6 percent of county revenue in 2012. In Indiana, local income tax revenue accounted for 13.2 percent of county revenue in 2012.[21] Indiana has three different local income tax programs available to counties with varying rates (0.35 to 3.38 percent) and parameters for their use: county adjusted gross income tax (CAGIT), county option income tax (COIT), and county economic development income tax. Supplemental rates are authorized for property tax relief and public safety in counties that levy either the CAGIT or COIT taxes. These supplemental rates include up to one percent to provide property tax relief, up to one percent in counties that have adopted a property tax freeze, and up to 0.25 percent to fund police protection and various emergency response services.[22]

Fourteen states, including Michigan, allow one or more of their cities to levy a local-option income tax. An additional state, Washington, does not explicitly allow cities to levy an income tax, but the Seattle City Council passed a local income tax; its

Map 1

States that Allow Local Units to Levy Income Taxes



validity is currently being challenged in court. Of those 14 states, two allow for city fees and six have only one or two cities levying a local income tax. Five cities in Colorado levy an occupational privilege tax, which is a monthly fee on employees and employers in each city.[d] Six cities in West Virginia levy weekly city service fees on residents and nonresidents (depending on the city) to pay for specific city services.[e] This leaves six states with multiple cities levying local-option income taxes. The majority of local-option income taxes are administered by local or regional units, but in five states they are administered by a state department.

Local-option income taxes are difficult to compare: income tax rates, bases (what income is included), and whether nonresidents are taxed varies across the states, not to mention how many and which local units levy the taxes. Further complicating the issue is that some states and local units tax individual income while others have payroll taxes or corporate income taxes (either on their own or in addition to taxing individual income). When comparing state individual income tax rates, Michigan's rates are fairly low at 4.25 percent (for states levying the tax, rates range from 2.9 percent in North Dakota to 13.3 percent in California).[23] Michigan also ranks fairly low when comparing it with other states on the extent to which it relies on corporate income tax for revenue. Michigan corporate income tax collections in FY2014 were 2.4 percent of total state and local tax collections. Only 12 states relied less on corporate income tax revenue; the lowest was Ohio (0.6 percent) and four states had no corporate income taxes. In New Hampshire, corporate income tax collections were 9.4 percent of total state and local tax collections.[24]

When looking specifically at Michigan's neighbors, the Great Lakes states, Michigan has the lowest rate of corporate income taxes as a percent of total state and local tax collections among all of the states except Ohio, and one of the lowest individual income tax rates (see **Table 3**). Of those Great Lakes states, Indiana, Michigan, New York, Ohio, and Pennsylvania all have some type of local-option income tax. These figures illustrate that expanding local-option income taxes would not make Michigan uncompetitive with its neighbors. When factoring in state and local individual income and corporate income taxes, Michigan rates are on the low end when compared with all other states, as well as when compared with its closest neighboring states.

Local Retail Sales Tax

State and local sales taxes are authorized and levied in many states. A discussion of sales taxes can be confusing as sales taxes are levied and applied in different ways by many states and local units to a variety of goods and services. They can even be called by different names: Michigan courts have held that while the state legislature may deploy terms such as excise taxes or gross receipts tax to denominate what are essentially sales taxes, "a court must determine the true nature of a tax and not be misled by legislative legerdemain."[25] This section is limited to a discussion of general retail sales taxes; selective sales taxes and other excise taxes will be discussed in other sections of the paper.

State Sales Tax in Michigan.

The Michigan state sales tax was established at a rate of three percent in 1933.[26] The 1963 Michigan Constitution increased the tax rate limitation to four percent. In 1974, a constitutional amendment exempted food for home consumption and prescription drugs from the sales tax base. And

Table 3

State and Local Income Taxes in the Great Lakes States

	Top State Marginal Individual Income Tax Rate	Top Local Individual Income Tax Rate	Corporate Income Taxes as Percent of Total Tax Collections
Illinois	4.95%	--	6.3%
Indiana	3.23%	3.38%	3.5%
Michigan	4.25%	2.40%	2.4%
New York	8.82%	3.88%	6.9%
Ohio	5.00%	3.00%	0.6%
Pennsylvania	3.07%	3.93%	4.6%
Wisconsin	7.65%	--	3.7%

Sources: Scarboro, Morgan. The Tax Foundation. "Fiscal Fact No. 544: State Individual Income Tax Rates and Brackets for 2017," Mar. 2017.

Scarboro, Morgan. The Tax Foundation. "To What Extent Does Your State Rely on Corporate Income Taxes?," April 19, 2017.

[d] Aurora, Denver, Glendale, Greenwood Village, and Sheridon.

[e] Charleston, Huntington, Parkerburg, Fairmount, Weirton, and Morgantown.

in 1994, the sales tax rate was effectively increased to six percent after voters approved a constitutional amendment and a state law was amended to authorize an additional two percent tax rate. The state sales tax is actually two taxes: one at a rate of four percent and another at a rate of two percent. The two percent tax rate must be imposed; the four percent rate is authorized, but not required, to be levied.[27]

Local Sales Tax in Michigan. Local retail sales taxes are not currently available to local governments in Michigan. Michigan's Constitution fails to explicitly address the question of whether local units could be permitted to levy a local sales tax. The wording of the Constitution related to the sales tax rate limit does not make it clear if the rate limit applies only to the state or if it was also intended to limit local government officials' ability to levy local-option sales taxes:

> Article IX, Sec. 8 "Except as provided in this section, the Legislature shall not impose a sales tax on retailers at a rate of more than 4% of their gross taxable sales of tangible personal property. Beginning May 1, 1994, the sales tax shall be imposed on retailers at an additional rate of 2% of their gross taxable sales of tangible personal property not exempt by law and the use tax at an additional rate of 2%. ..."

In comparison, in reference to a graduated income tax, the Constitution states:

> Article IX, Sec. 7 "No income tax graduated as to rate or base shall be imposed by the state or any of its subdivisions."

These two passages suggest that when the constitutional convention sought to limit the taxing authority of both the legislature and that of local governments, it explicitly stated that as it did with a graduated income tax. The constitutional convention may not have intended to limit the authority of local governments to levy sales taxes when limiting the state's sales tax rate to four percent (later amended to six percent). However, while it may suggest that, it is by no means clear on the point.

The question of whether authority for a local-option sales tax could be statutorily granted also is complicated by earmarking provisions related to the sales tax. The disposition of sales tax revenues is determined by the state Constitution and by statutory law. The

Michigan State Use Tax

The state use tax is designed to complement the state sales and other sales-related taxes. It is levied at the same rate as the sales tax and is meant to capture retail transactions that do not neatly fit into the category of tangible goods because of how or where they are sold (e.g., remote or online purchases made by Michigan residents). It is collected and administered in the same manner as the state sales tax, and, until recently, it was distributed to varying state funds in largely the same manner as the sales tax.

The disposition of the state use tax changed with the passage of Public Act (PA) 80 of 2014, which reorganized the use tax into two new taxes: 1) the state share tax and 2) the local community stabilization share tax. Legislative changes made in 2012 and 2014, which began the phase out of the personal property tax on eligible industrial and commercial personal property, will lead to significant reductions in local property tax revenues. In order to reimburse local governments for these lost revenues, the state legislature has set aside a portion of use tax revenues for payments to eligible local units.

The local community stabilization share tax is levied by a newly created Local Community Stabilization Authority; the state share tax is levied by the state. The rate of the local community stabilization share tax is calculated annually by the Michigan Department of Treasury to equal the rate necessary to generate specific revenue targets. Rates are statutorily determined at the outset and after FY2028 the revenue target will be adjusted by an annual one percent growth factor. The state share rate will then be the current six percent use tax rate minus the calculated local community stabilization share rate. All of the funds attributed to the local community stabilization share rate will come out of the four percent use tax that was allocated to the state's general fund. The general fund will receive the remaining revenue from the rate at four percent. The full revenue generated from the two percent rate will continue to be allocated to the School Aid Fund (SAF).

state Constitution dedicates 60 percent of all sales tax revenue at a rate of four percent and 100 percent of all revenue at the two percent rate to the School Aid Fund (SAF). In FY2017, this equaled approximately 72.7 percent of total sales tax revenue. These sections state in relevant part:

> Article IX, Sec. 8 "… The proceeds of the sales and use taxes imposed at the additional rate of 2% shall be deposited in the state school aid fund established in section 11 of this article. …"

> Article IX, Sec. 11 "… Sixty percent of all taxes imposed at a rate of 4% on retailers on taxable sales at retail of tangible personal property, 100% of the proceeds of the sales and use taxes imposed at the additional rate of 2% provided for in section 8 of this article, and other tax revenues provided by law, shall be dedicated to this [school aid] fund. …"

Furthermore, the constitution specifies that 15 percent of all sales tax revenue at a rate of four percent must be used to provide revenue sharing to cities, villages, and townships on a population basis.

> Article IX, Sec. 10 "… Fifteen percent of all taxes imposed on retailers on taxable sales at retail of tangible personal property at a rate of not more than 4% shall be used exclusively for assistance to townships, cities and villages, on a population basis as provided by law. …"

An additional allocation from the sales tax is appropriated by the state legislature for statutory revenue sharing to local units of government; the total revenue sharing earmark for FY2015 was approximately 16.7 percent of sales tax revenue. After these and some other small earmarks,[f] about 9.2 percent of sales tax revenue went into the state's General Fund in FY2015.[28]

A 1970 Attorney General opinion concluded that local units are without the authority to levy a sales tax because of these constitutional restrictions. In fact the opinion goes so far as to state that "it is my opinion that the legislature is prohibited by the Michigan Constitution of 1963 from granting local units of government the authority to levy a sales tax."[29] The reasoning behind this opinion was that the constitutional restrictions on all sales tax revenue would require local units to levy taxes for the benefit of other local governmental units, which would not be allowed under reasonable tax policy.

Regardless of the intentions of the constitutional convention, constitutional and statutory impediments exist to the authorization of local-option sales taxes in Michigan.[30] The extent of these limitations – whether the rate limitation applies to local units of government and how the constitutional earmark of sales tax revenue would affect local government's ability to levy sales taxes – may need to be resolved by the courts if a general sales tax is authorized to local governments.

Imposition of a Local Sales Tax. With the confusion over the constitutional rate limitation, it is not entirely clear what would be required to impose a local-option sales tax in Michigan. At a minimum, it would require the state to pass a law authorizing local units of government to levy a local retail sales tax. Depending on the interpretation of the constitutional language, the state may be able to authorize local units to levy a local sales tax as long as the state does not levy a sales tax at a cumulative rate above six percent or the Constitution may invalidate any attempt by the state to authorize local-option sales taxes. If that is the case, then authorizing a local sales tax in Michigan would require a constitutional amendment. Once a constitutional amendment or state law authorizing a local-option sales tax in Michigan is enacted, it would still need to be voted on by each and every local jurisdiction wishing to levy the tax.

[f] Almost seven percent of sales tax revenue generated from the four percent tax on the sales of motor fuel, motor vehicles, and motor vehicle parts and accessories is statutorily earmarked for the state's Comprehensive Transportation Fund to support public transportation programs; this equaled about 1.3 percent of total sales tax revenue in FY2015. An amount equal to the sales tax revenue generated from the four percent rate on the sale at retail of computer software is statutorily earmarked for the Health Initiative Fund, which supports policy planning and public information regarding AIDS and Hepatitis C; FY2015 funds equaled 0.1 percent of sales tax revenue. And a new allocation will earmark an amount equal to the sales tax revenue generated from the two percent rate on the sale at retail of aviation fuel to be deposited into funds for aeronautics programs; this new allocation was not applicable in FY2015.

Additionally, tax experts generally recommend that sales taxes apply to the final retail sales of goods and services, but not to intermediate business-to-business transactions in the production chain. Taxing business inputs disproportionately harms industries with long production chains, can encourage vertical business integration even if it does not make business sense, and lessens the transparency of the sales tax.[31] A broad-based sales tax system that does not tax business-to-business transactions would lead to a "right-sized" system with low rates because it would have a broad base but would not double tax certain goods and services by taxing them at the business level and then again at the retail level. The application of most state sales taxes is far from this ideal. It has been estimated that, nationwide, sales taxes extend to approximately 39 percent of all final consumer transactions.[32]

Administration of a Local Sales Tax. Administration of a local sales tax places a burden on retailers to collect and remit the tax monthly. Because retailers are already performing these actions for the collection of state taxes, the additional burden of local-option taxes would be negligible. It also requires governments to be able to collect and track sales tax payments monthly. The state government is already administering a state retail sales tax, so it is possible that local units could piggyback on the state's administration of a sales tax. To do this, the structure and base of a local-option sales tax would have to be the same as the state's sale tax.

In reality, tax bases can vary greatly depending on the structure of the sales tax and what is and is not exempt from sales taxation. Some common exemptions include groceries, prescription drugs, gasoline, household water and/or electricity usage, clothing, textbooks, and services. Most states have a default of taxing all goods unless they have an enumerated exemption or a default of taxing no services unless they are enumerated as taxable.[33] Some states also have "sales tax holidays," which are periods in which specific purchases (e.g., clothes and school supplies) are sold tax-free. Exempting any goods or services narrows the tax base, increases the burden on those items still subject to the tax, and introduces distortions into the market, which all contribute to the complexity of the sales tax system.[34]

Positives and Negatives of a Local Sales Tax. One benefit of sales taxes, at the state or local level, is that they are fairly transparent – it is obvious to the taxpayer what they owe and why. Also, sales taxes tend to be more popular than property and income taxes. They tend to be more palatable with individuals because people have more control over whether they pay the sales tax than whether they pay an income or property tax (i.e., individuals decide whether to make a purchase and pay the requisite tax; if an individual owns property or has a job, they have to pay income and property taxes regardless of their consumption decisions). Sales taxes tend to be more popular with government officials because they can generate large sums of revenue with fairly low rates, especially if they are levied on a broad base. And they tend to be preferred by government officials and individuals because local sales taxes allow communities to export their tax burden to tourists and other nonresidents purchasing items within their local government.

Related to exporting tax burdens is the reality that sales tax rate differentials can induce consumers to shop across borders or buy products online. Avoidance of sales taxes is most likely to occur in areas where there is a significant difference between two neighboring jurisdictions' sales tax rates. Researchers have found that consumers can and do leave high-tax areas to make major purchases in low-tax areas (e.g., cities to suburbs). One example is the Chicago-area, which has a high tax rate of 10.25 percent due to overlapping state and local sales tax rates; evidence suggests that Chicago-area consumers make major purchases (e.g., appliances) in the surrounding suburbs or online.[35] However, the fact cannot be ignored that Chicago is able to export part of its tax burden to tourists visiting and shopping in the big city.

High local sales tax rates can also affect business location decisions. All things being equal, a business will locate in the area with a lower tax burden; that being said, high local tax rates can lead to improved city services that can attract businesses to locate within their boundaries. State and local governments should be cautious about raising rates too high relative to their neighbors. Interstate-91 in New England runs up the Vermont side of the Connecticut River; however, more retail establishments have chosen to locate on the sales tax free New Hampshire side to avoid sales taxes. One study found that per capita sales in border counties in New Hampshire have tripled since the 1950s, while per capita sales in border counties in Vermont have remained stagnant.[36] In New Jersey, Salem County, which sits on the border of Delaware – a state with no state or local sales taxes, is exempt from collecting the state sales tax rate of 6.875 percent and instead collects a 3.4375 percent half-rate tax.[37]

Another complex issue surrounding the local sales tax debate is the treatment of online and remote sales. Under current state and federal law, purchases made by Michigan citizens from firms without a physical presence in the state (technically called a "nexus" requirement) do not carry with them the requirement that the business collect sales and use taxes and remit them to the state. In 1992, the U.S. Supreme Court ruled that under the commerce clause of the U.S. Constitution, states cannot require remote sellers to collect sales tax unless the retailer has a physical presence in the purchaser's state of residence.[38] States, including Michigan, collect use taxes to make up for these remote sales; most states with sales and individual income taxes give taxpayers a chance to declare liability and pay use tax on their income tax returns for goods purchased outside of their state for consumption in their home state. Compliance with use taxes is difficult to enforce and many consumers are not even aware that they owe a tax (e.g., in FY2010, Michigan collected $6 million through use tax remittance on state income tax forms – 1.4 percent of the estimated $395 million liability).[39]

The U.S. Supreme Court ruling did specify that the U.S. Congress could enact new rules related to state and local sales taxes and remote sales because Congress has the constitutional authority to regulate interstate commerce. The Marketplace Fairness Act, first introduced in 2011, would allow states to require remote sellers to collect sales taxes on online purchases by their residents. It would also require states to simplify their sales taxes to make it easier for out-of-state sellers to collect the taxes and would exempt sellers with less than $1 million of sales from the obligation. Congress has not yet passed the legislation.[40]

Additionally, states have been undertaking an effort to streamline their sales tax laws to make collection on remote sales easier through the Streamlined Sales and Use Tax Agreement. Before states may join the agreement, they must change their state and local sales tax laws to conform to a simplified system by doing the following things:

1) Local taxes must be administered by the state, using combined registration, filing, and remittance of funds and localities may not conduct independent audits of vendors.

2) Local jurisdictions must have a common tax base that is identical to the state base; exceptions exist for motor vehicles, modular homes, and the like, but local and state taxability must coincide for the bulk of transactions.

3) Local units may change their tax rate only on a prescribed schedule, and states must maintain a database of all local tax rates linked to the ZIP codes in which the rates are applicable.

4) For sales that are shipped or delivered within a state, tax collection will be at the destination of the transaction, not the origin, with some exceptions.

These four elements of the streamlined sales tax agreement are highlighted because they have the most impact on local sales taxes.[41]

Other States' Experiences with Local Sales Taxes. In 1934, New York City was the first city to adopt a local sales tax.[42] Today, 37 states allow at least some of their local governments to levy a local-option retail sales tax (see **Appendix B**). How local sales taxes are structured differ across the states: variation exists in which local units are allowed to levy taxes, how many local units actually do levy taxes, and how broad a local tax's base is. Some states allow different types of local units to levy local-option sales tax, which can lead to overlapping local sales tax rates in some areas. Almost all of the local-option sales taxes across the states are administered at the state level. This would be easy to do if a local tax piggybacked on the state tax with the same structure and exemptions.

At the county level, local sales taxes accounted for 6.1 percent of county revenue nationwide.[43] In three states, local sales taxes raise more county revenue than local property taxes.[g] In 13 states, sales tax accounts for 10

[g] Arkansas, Missouri, and New York.

percent or more of county revenue.[h] In two states, they account for more than 30 percent of county revenue.[i] In the Great Lakes Region, county sales taxes are widely used in Illinois, New York, Ohio, and Wisconsin.

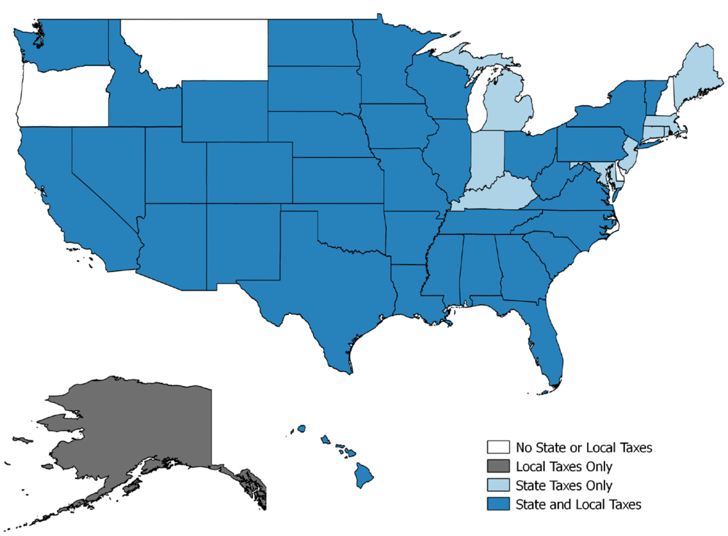
Map 2 shows which states levy a state sales tax and which levy a local sales tax. Four states do not levy a state or local sales tax; Alaska does not levy a state sales tax, but does allow local units to levy sales taxes; and an additional nine states do not allow local-option sales taxes, but do have a state sales tax (including Michigan). See **Appendix C** for details and the rates.

Maximum local sales tax rates range from 0.5 percent to 8.3 percent, but the average rates levied range from 0.03 percent to 5.01 percent.[j] When including state sales tax rates, combined state and local sales tax rates (using the average local rate) range from 1.76 percent to 9.98 percent (not including the four states that do not levy state or local sales taxes).

When comparing state and local tax rates, Michigan ranks 38th (tied with Kentucky and Maryland) with a rate of six percent. When looking specifically at the Great Lakes states, Michigan's sales tax rate is lower than all states except Wisconsin which has an average combined state and local tax rate of 5.42 percent. It is important to note that Wisconsin's maximum authorized local sales tax rate is higher than its average local tax rate, so in some areas of Wisconsin, the state and local combined rate could be as high as 6.75 percent (5.0 percent state rate plus 1.75 percent maximum local rate). Michigan and Indiana are the only Great Lakes states without a local-option sales tax. This illustrates that authorizing local-option sales taxes in Michigan would not make the state uncompetitive with other states or its Great Lakes neighbors. However, the bigger issue with local sales tax rates and competitiveness will play out at the local level across local units within the state. (See **Appendix D** for the sales tax rates in cities with a population over 200,000.)

Map 2

States that Levy State and Local Sales Taxes



Motor Fuel and Vehicle Related Taxes

Motor fuel and vehicle related taxes can include specialized sales or excise taxes on motor fuel and vehicle related taxes and fees, such as vehicle registration fees (some states and local governments apply their general retail sales taxes to motor fuel and vehicle purchases in addition to excise taxes; some states exempt motor fuel and vehicle purchases from general retail sales taxes).

Excise taxes on motor fuel and vehicles are generally earmarked for transportation purposes, both at the state and local level. Tax revenues generated by excise taxes on motor fuel have not kept pace with inflation because the tax is based on the number of gallons of motor fuel consumed and increased fuel efficiency and alternative methods of transportation have led to stagnant revenue growth. This has led to funding gaps between transportation needs and revenue and many states are considering alternative options for taxing transportation-type goods and services, including tying the gas tax rate to inflation and taxing miles traveled instead of gas consumption to address growing funding gaps. Some states and localities are branching out even further to tax other methods of transportation with bike taxes (bike taxes are currently levied only in Oregon and Colorado Springs in Colorado). Illinois levies a tire user fee of $2.50 per tire sold or delivered at retail.

h Alabama, Arkansas, Georgia, Kansas, Louisiana, Missouri, New Mexico, Ohio, Oklahoma, Tennessee, Utah, Washington, and Wyoming.

i Arkansas and Missouri .

j Average local rates are calculated by looking at the different rates levied by counties, cities, and other municipalities within a state; weighting each of those rates by the population of the local unit levying them; and averaging the weighted totals.

Motor Fuel Taxes. Motor fuel taxes are mostly per gallon taxes: consumers pay a tax based on how much they purchase, not as a percentage of the final retail price of gasoline. The gasoline tax rate ranges from 8.95 cents per gallon in Alaska to 58.2 cents per gallon in Pennsylvania; 20 states and Washington, D.C., tie at least a portion of their gasoline tax rate to the retail price (see **Appendix E** for state gas tax rates).[46] The motor fuel tax in Michigan is 26.3 cents per gallon for gasoline, diesel fuel, and alternative fuel, as of January 1, 2017. Beginning in 2022, the rate will be adjusted annually based on the U.S. Consumer Price Index inflation rate, with a maximum annual growth rate of five percent.

Michigan does not allow for local-option motor fuel taxes, but the state shares a majority of the motor fuel tax revenue with local units of government. The revenue from state motor fuel taxes are deposited into the Michigan Transportation Fund, which allocates a portion of the revenue to specific funds or activities, but distributes most of the revenue through a formula which allocates 39.1 percent to the state trunkline fund, 39.1 percent to county road commissions, and 21.8 percent to cities and villages.[k]

The taxes are currently collected at the wholesale level, which makes it difficult to know how many gallons are purchased within any jurisdiction, and lends itself to taxing motor fuels at the state level and sharing it with local governments and road agencies. Additionally, the tax would not be very productive at the local level and would require a local rate of at least 10 to 15 cents per gallon to raise significant funds. At the state level, each one cent increase in the gas tax generates about $50 million in revenue. Historically, no serious efforts have been made to institute a local-option motor fuel tax in Michigan; adoption would require authorization by the state and local voter approval and funds would likely have to be directed to transportation related purposes.

Some type of motor fuel tax is authorized to be levied by local governments in 11 states (see **Appendix F**). Most local taxes are excise gas taxes, but also can include percentage taxes and supplier taxes; taxes can apply differently to different types of motor fuel (e.g., gasoline, diesel, biodiesel). Though local-option motor fuel taxes are authorized in 11 states, only 9 states have local units currently levying such a tax (the tax is authorized to counties in Montana and Tennessee, but no counties in either state currently levy the tax). Furthermore, Virginia allowed local units to levy local-option motor fuel taxes until 2013.

Motor fuel taxes are authorized to counties in nine states and to municipalities in five states (some states allow both counties and municipalities to levy the tax); some states allow all or multiple units to levy the tax and others restrict which local units can levy the tax. At the county level, revenue from local-option motor fuel taxes accounts for only 0.3 percent of county revenue nationwide; Florida is the only state that raises significant county revenue from the tax (2.4 percent of county revenue).[47] In Ohio, a portion of the state tax on motor fuels is shared with counties, townships, and municipalities.

Vehicle License Taxes. Motor vehicle registration fees in Michigan are levied by the state and are based on the weight of the vehicle or the type or sales price of the vehicle. They can range from $36 to over $178 per vehicle per year. The revenue from state vehicle fees is deposited into the Michigan Transportation Fund, which distributes most of its revenue through a formula that allocates monies to the state trunkline system, county road commissions, and cities and villages.

Local-option motor vehicle registration fees were authorized in Michigan from 1987 to 1992; the tax was a flat rate fee of $25 per vehicle regardless of weight that could be levied by counties. The flat rate fee was politically unpopular because owners of small, inexpensive cars and owners of large, expensive cars paid the same rate. Local votes to pass the tax were held in Alpena, Eaton, Monroe, Montcalm, Oakland, and Tuscola counties and they all failed.

Local motor vehicle license taxes are authorized in some form in 38 states (see **Appendix G**). Twenty-

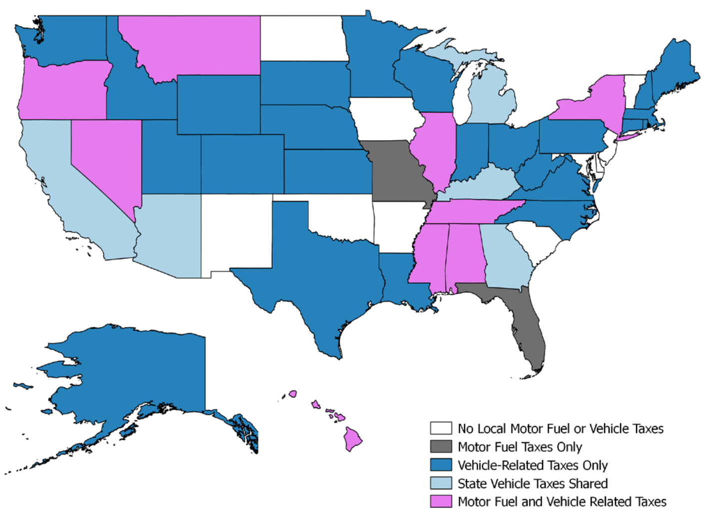
[k] Gasoline and diesel taxes distribution into the Michigan Transportation Fund: two percent to Recreation Improvement Fund; sums sufficient for administrative and collection costs; $3 million to Rail Grade Crossing Account; $3 million to Grade Crossing Surface Account; $3 million to Local Bridge Fund; revenue from three cents of tax to State Trunkline Fund and local road agencies; revenue from one cent of tax to state and local bridges; $50 million for state debt service payments; 10 percent earmarked to Comprehensive Transportation Fund; $5 million to Local Bridge Fund; $40.3 million to Transportation Economic Development Fund; $33 million to Local Program Fund; remainder allocated according to formula.

six states allow counties to levy motor vehicle and/or license related taxes or fees; 13 states allow municipalities to levy these types of taxes (some states allow both counties and municipalities to levy these taxes). In six states, including Michigan, the state levies a vehicle-related tax and then either distributes the revenue to or shares the revenue with local units of government. In two states (Colorado and Washington), regional transportation authorities (RTAs) are authorized to levy some form of vehicle-related tax.

Map 3 shows that most states allow local units to levy some type of motor fuel or vehicle-related taxes (or share state vehicle-related taxes with local units).

Map 3

States that Allow Local Motor Fuel and Vehicle Related Taxes



Utilities Users' Excise Tax

Public utilities users' taxes include taxes levied on public telephone, electric, steam, or gas services. Michigan does not levy an excise tax on utility users, but, instead, levies a tax on the value of all real and tangible personal property of telephone companies, the unit value allocated to Michigan railroad companies, and the taxable value of freight cars of private owners allocated to Michigan in connection with doing business in Michigan. These taxes are levied in lieu of other general property taxes.

Only one city in Michigan, Detroit, is authorized to levy a five percent utility users' excise tax on its residents for the privilege of consuming telephone, electric, gas, or steam services. The original state law required revenues raised from Detroit's tax to be used to hire or retain police officers. The law was amended in 2012 to provide that up to $12.5 million of the revenues raised may be used annually to retire debt issued by a public lighting authority.[48] Revenue from this tax source has been declining for the city; revenue fell from approximately $60 million in FY2006 to $38 million in FY2015. These types of revenues are affected by energy efficiency measures as well as changes in the number and types of households and businesses in the city. The tax is administered by the city and utility companies include the tax in routine bills and remit the amount collected to the city. Expanding this local tax to other cities (or other types of local units) in Michigan would require legislative authorization and local voter approval.

Across the states, state and local utility taxes vary by what is allowed to be taxed (e.g., what types of utilities), who levies the tax (e.g., state, local, both, or neither), and what type of tax (e.g., excise taxes, gross receipts taxes, or property taxes on utilities). **Map 4** (page 21) gives an overview of state and local utility-type taxes. This list is not exhaustive, but illustrates the prevalence of these types of taxes across the states. (Also see **Appendix H**.)

A close look at the Great Lakes states shows that Michigan, Indiana, Pennsylvania, and Wisconsin all do not allow local units of government to levy a general local-option utility users' type tax (Pennsylvania, like Michigan, levies a property tax on utility companies at the state level).

In Illinois, municipalities can levy a simplified municipal telecommunications tax of up to six percent on telecommunications services. The tax is administered by the Illinois Department of Revenue, and remitted to the local unit of government less an administrative fee.[49] Additionally, municipalities can levy a tax on the privilege of using or consuming electricity of up to 0.61 cents per kilowatt hour; a tax on persons engaged in the business of distributing, supplying, furnishing, or selling gas of up to five percent of gross receipts in municipalities with a population of 500,000 or less and up to eight percent of gross receipts in municipalities with a population over 500,000; and a tax on persons engaged in the business of distributing, supplying, furnishing, or selling water of up to five percent of gross receipts.[50] State excise taxes are levied on telecommunications and electricity consumption.

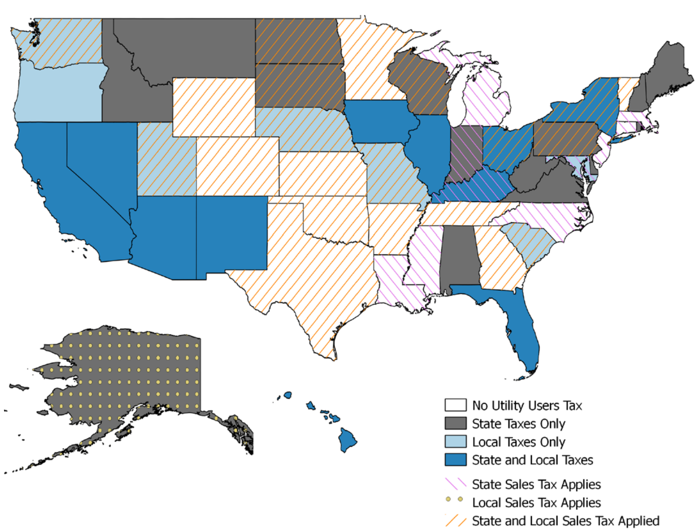
In New York, cities and villages can levy a tax on the gross receipts of the sale of utility services. Rates allowed are three percent for the cities of Buffalo, Rochester, and Yonkers; 2.35 percent for New York City; and up to one percent for all other cities and villages in the state. Additionally, school districts that are partly or wholly within cities with populations under 125,000 may impose a sales tax on utility services at a rate of up to three percent. The state levies an excise tax on telecommunications services and a gross receipts tax on the furnishing of utility services.[51]

In Ohio, municipalities can levy a tax on electric light companies and telephone companies at rates that vary by municipality.[52] The state department of taxation administers the tax and remits revenue to municipalities less an administrative fee. A state utility tax is levied on all utility companies.

Washington, while not a Great Lakes state, is useful to review because it authorizes cities and towns to levy excise taxes on businesses operating within their boundaries. These taxes, labeled utility taxes, can be levied on cable television, electricity, gas, sewer and storm water, solid waste, steam, telephone (including cellular service), and water. A utility tax may not be levied upon broadcast satellite television services and

Map 4

State and Local Utility Taxes



Internet services. Cities and towns are limited to a rate of six percent on electricity, gas, steam, and telephone services, unless they get voter approval for a higher rate. No limit exists in state law for local utility taxes on sewer and storm water, solid waste, water, and cable television. Cities and towns can use the revenue from these utility taxes for any purposes and many use them for general fund purposes.[53] As there is no limit on some of these taxes and they do not require voter approval, they have been fairly easy for cities and towns to raise when additional revenue is needed and some rates on utility services in some cities are up to 36 percent.[54]

"Sin" Taxes

"Sin" taxes can include taxes on any goods or behaviors considered to be vices or "sins," including alcohol, tobacco, marijuana, casino gambling, and sugar taxes. These types of taxes are termed "selective sales taxes" and usually are politically popular because they target behavior that many people support suppressing. As the taxes increase, people usually indulge in the behavior less, so they can lead to declining revenue streams.

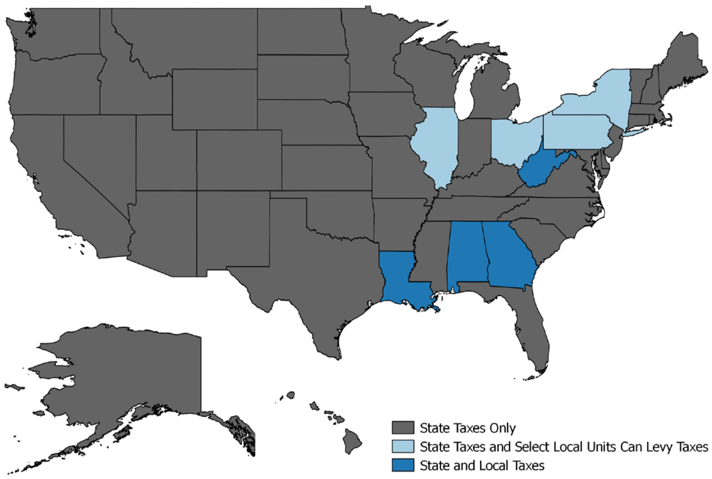
Alcohol Taxes. Alcoholic beverage taxes are generally paid at the wholesale level, so the cost is incorporated into the retail sale price. Excise taxes throughout the states are levied per gallon on beer, wine, and distilled spirits, and all can have different rates. In addition to these excise taxes, many states, including Michigan, also levy general sales taxes on the final price of alcohol (see **Appendix I** for more detail on state and local alcohol taxes).[55] Michigan levies multiple excise or selective sales taxes on alcoholic beverages, including a liquor markup tax on the wholesale price of liquor, a liquor tax of 10.8 percent of retail price, a beer tax of $6.30 per barrel, a wine tax of 13.5 to 20 cents per liter, and a mixed spirits tax of 48 cents per liter.

All states levy excise taxes on alcoholic beverages (most in addition to retail sales taxes), but only eight states authorize local units of government to levy taxes on alcoholic beverages (see **Map 5**, page 22**)**:

- In Alabama, local units of government can levy taxes on beer and wine.
- In Georgia, local units can levy taxes on beer, wine, and liquor.

Map 5

Alcohol Taxes Across the States



- In Louisiana, local units can levy taxes on beer.
- In West Virginia, local units can levy taxes on wine.
- In Illinois, local-option taxes on beer, wine, and liquor are levied in Cook County and Chicago.
- In Ohio, local-option taxes on beer, wine, and liquor are levied in Cuyahoga County.
- In New York, local-option taxes on beer and liquor are levied in New York City.
- In Pennsylvania, Allegheny County (home of Pittsburgh) levies a seven percent alcoholic beverage tax and Philadelphia levies a 10 percent liquor tax but distributes the revenue to the School District of Philadelphia.

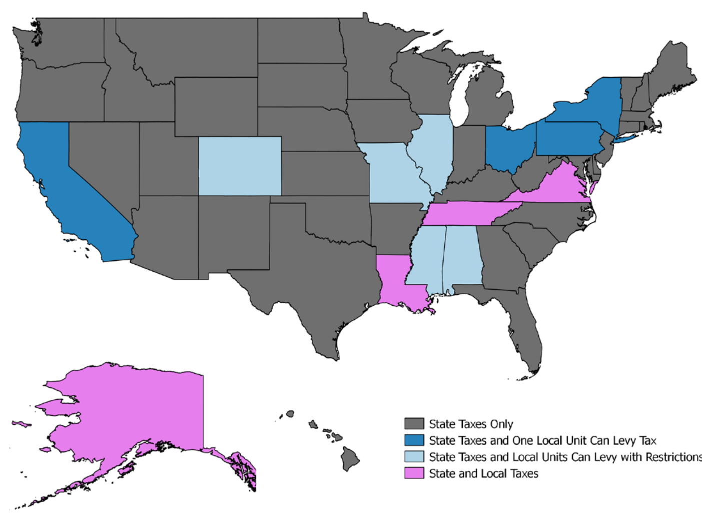
In Michigan, some state revenues are shared with local units to support liquor-related administrative and distribution costs, but most state alcohol tax revenues go into the state's General Fund. If local-option alcohol taxes were pursued in Michigan, it would require authorization by the state and voter approval in any community that would want to levy the tax. This type of tax would capitalize on Michigan as a vacation destination and allow lake-side and urban communities with large tourist populations to export a portion of the tax burden. It would be fairly easy to administer as the point of sale of liquor is already reported to the Liquor Control Commission.

Tobacco Taxes. Tobacco sales taxes can include taxes on cigarettes and other kinds of tobacco (e.g., cigars and loose tobacco). Cigarette taxes are typically levied per pack; the federal excise tax rate is $1.01 per pack, and state rates range from 17 cents per pack in Missouri to $4.35 per pack in New York (see **Appendix J**). Michigan taxes cigarettes at a rate of $2 per pack and other tobacco products at a rate of 32 percent of wholesale price (with the tax on individual cigars capped at 50 cents). Locally, there has been no effort to tax tobacco in Michigan; it would be fairly easy to administer because point of sales would be easy to track. A local-option tobacco tax would require authorization by the state and voter approval in any community that would want to levy the tax.

Thirteen states authorize at least one of their local units of government to levy some sort of cigarette or tobacco tax (see **Map 6**). Alabama, Alaska, Colorado, Louisiana, Missouri, Tennessee, and Virginia allow local units in their states to levy cigarette taxes with some restrictions and exceptions (e.g., no new cigarette taxes could be imposed after 2004 in Alabama and after 1993 in Missouri). The remaining states limit which local units can impose a cigarette tax: Cook County and three cities in Illinois; New York City; Cuyahoga County in Ohio; and Philadelphia. San Francisco levies a "litter tax" of $0.60

Map 6

Cigarette Taxes Across the States



per pack of cigarettes. Finally, local units of government in Mississippi cannot levy cigarette taxes, but can impose a privilege tax on businesses that sell tobacco products. Local rates range from 1 cent per pack in Tennessee to $4.18 per pack in Chicago (includes a Cook County tax of $3 per pack and a city tax of $1.18 per pack). As of 2014, taxes accounted for almost half of the retail cost of a pack of cigarettes.[56]

Tobacco consumption has been declining for many years so even as these tax rates have increased, the amount of revenue collected has decreased. In Michigan, tobacco tax revenues were $1,132.6 million in FY2007 and only $957.8 million in FY2016. Furthermore, as the tax rate increases, the incidence of tax avoidance increases (through either shopping across state or local lines for lower rates or through the black market). An emerging issue is discussion of the taxation of other nicotine delivery services that are on the rise, including e-cigarettes.

Marijuana Taxes. Medical marijuana became legal in Michigan in 2008 when voters approved a statutory ballot proposal allowing for the use of medical marijuana for patients with certain "debilitating medical conditions."[57] Marijuana use for non-medical purposes remains illegal under state law and the medicinal and recreational uses remain illegal under federal law. The state law gave responsibility for its implementation and administration to the Michigan Department of Community Health. Today, the Department of Community Health is the Department of Health and Human Services and regulation of medical marijuana is the purview of the Michigan Department of Licensing and Regulatory Affairs (LARA).

When the law passed, it legalized medical marijuana, but did not set up a system of legal suppliers of marijuana or a system for taxing medical marijuana. While hundreds of dispensaries are operating in Michigan today, the Michigan Medical Marijuana Licensing Board began giving out licenses for growers, processors, testers, dispensaries, and transporters in the first quarter of 2018. These licenses will help the state regulate medical marijuana for purposes of taxation. In 2016, a state law was enacted to begin taxing medical marijuana at three percent of a distributor's gross retail receipts. The money collected will be deposited in the Medical Marihuana Excise Fund, which is directed by the state treasurer for distribution as follows:

- 25.0 percent to municipalities in proportion to the number of facilities in each municipality,
- 30.0 percent to counties in proportion to the number of facilities in each county,
- 5.0 percent to counties in proportion to the number of facilities in each county and earmarked for county sheriff departments,
- 30.0 percent to the state first responder presumed coverage fund,
- 5.0 percent to the Michigan commission on law enforcement standards for training local law enforcement officers, and
- 5.0 percent to the department of state police.[58]

With approximately 204,000 registered medical marijuana users in FY2016, the House Fiscal Agency estimated that tax revenues could be in the vicinity of $24 million per year.[59]

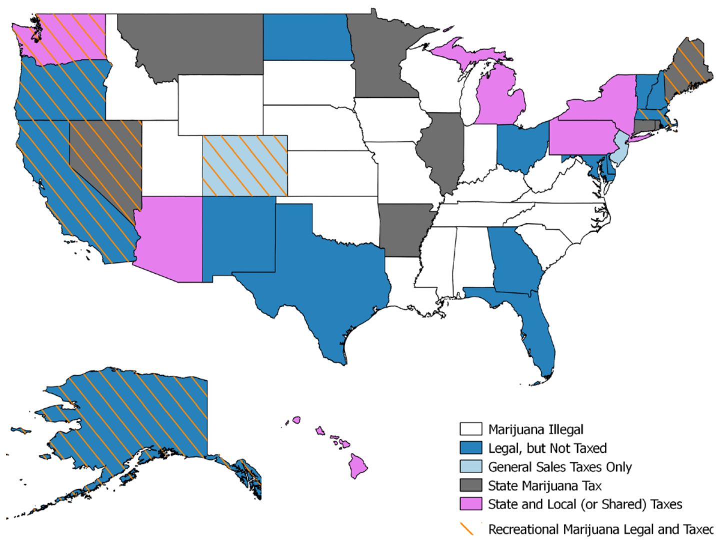
Marijuana – its use and its taxation – is a contentious issue across the country. In some states, all forms and uses of marijuana remain illegal and untaxed; in other states, marijuana use for both medical and non-medical purposes are legal and taxed. Eight states and Washington, D.C., have legalized the recreational use of marijuana. With the exception of Washington, D.C., where federal law prohibits a marijuana tax, all states that have legalized marijuana tax it at rates above and beyond their state sales tax rates.

A proposal to legalize and tax recreational marijuana in Michigan is being circulated in hopes that it will get enough signatures to be put on the November 2018 ballot. This proposal, if passed, would include a 10 percent state sales or excise tax on recreational marijuana with the tax proceeds being shared with local units of government (recreational marijuana, like medicinal marijuana, would remain illegal under federal law). State taxes can be on wholesale or retail prices; some state taxes are shared with local units of government that distribute marijuana within their boundaries, other states allow local units to levy their own marijuana taxes (see **Appendix K**).

Thirty states and Washington, D.C., have legalized the use of marijuana for medicinal purposes in their states (this includes the eight states that also allow for recreational marijuana use). States tax medical marijuana at all different rates. Some states do not levy any taxes, even general retail sales taxes, on medical marijuana; some states levy general retail state and local sales taxes on medical marijuana but no selective sales or excise taxes; some states levy selective state and local marijuana sales or excise taxes in addition to general retail sales taxes (see **Map 7**). Tax revenues from medical marijuana can flow into the same general fund as other state and local taxes or be allocated to specific purposes, such as regulation of medical marijuana systems, public health, research, and law enforcement, among others.

Map 7

Medical Marijuana Taxes Across the States



Creating legal and tax structures for marijuana, a previously illegal substance, has been challenging across the states and involves reviewing health inspection, agriculture, business regulation, zoning, and criminal enforcement structures for the industry. Even if some forms and uses of marijuana have become legal, it still needs to be heavily regulated because some uses of marijuana remain illegal (e.g., recreational use involves age, driving, and transporting restrictions; medicinal use involves restrictions over what constitutes medical need for the substance).

When creating tax structures, tax rates on the final retail sale of marijuana have proven the most workable; excise taxes, which are historically imposed at a specific amount per ounce regardless of retail price, do not work well for marijuana because it can be sold as a cigarette, an edible, a liquid, or a vapor. Some states initially taxed marijuana at prohibitively high rates and found that if the tax rate is too high, it will prevent elimination of the black market.[60] One state, Texas, actually had a law on the books until 2015 that levied a $3.50 per gram tax on marijuana, even though the substance is illegal in the state. The idea was that drug dealers could be prosecuted for both buying and selling an illegal substance and tax evasion for not purchasing marijuana tax stamps before selling their illegal drugs.[61] This law has been removed from the books, but illustrates the complexity of state laws around marijuana regulation and taxation.

If local-option marijuana taxes were pursued in Michigan, it would require authorization by the state and voter approval in any community that would want to levy the tax.

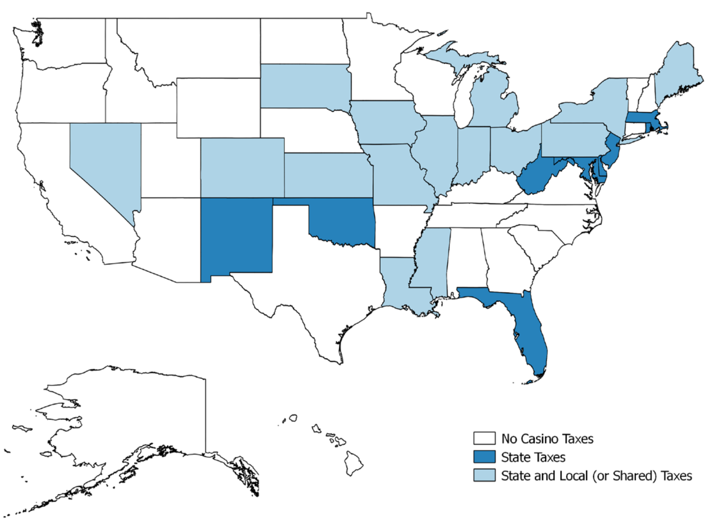
Casino Gambling Taxes. Michigan Initiated Law 1 of 1996 authorized three licenses in Detroit for the privilege of operating a non-Indian casino. These three casinos are taxed by the state at a rate of 8.1 percent of adjusted gross receipts received by the casino gaming licensee; 100 percent of the state tax proceeds are deposited into the School Aid Fund (SAF). Detroit is also authorized to levy a local casino wagering tax on the privilege of operating a casino and the base of the tax is the adjusted gross receipts of the casino licensee.[62] State law specifies specific uses for the city tax revenue, but they are quite broad (e.g., public safety, economic development, tax relief, and other programs designed to contribute to the quality of life in the city). The city taxes the casinos at a rate of 10.9 percent; the tax is administered by the city and paid daily by the three casinos directly to the city. Under an amended development agreement reached between the Detroit and the three casinos, the city receives an additional one percent from each casino and another one percent from each casino that reaches $400 million in gross receipts within a calendar year (two of the three casinos met this criterion in 2014). These fees are collected to compensate for public safety services provided to the casino, among other services.[63]

In 20 years, the state has collected almost $2 billion from the state casino gaming tax and Detroit has collected $2.6 billion.[64] These state and local taxes are borne by both residents and nonresidents (of the state and city) who gamble in the casinos. Expanding these taxes beyond Detroit would require expansion of privately-owned non-Indian casinos into other cities, which is not currently allowed under state law. With the current casinos operating in Michigan, the only local government that would be eligible to levy an expanded local casino gaming tax is Wayne County; no local units other than Detroit and Wayne County have commercial casinos operating within them. If local-option casino gambling taxes were pursued in Wayne County, it would require authorization by the state and voter approval in the county.

Twenty-four states allow for the operation of commercial casinos (see **Map 8)**. In 2016, gaming taxes paid to state and local governments totaled approximately $8.95 billion (see **Appendix L**).[65]

Map 8

Casino Gambling Taxes Across the States



Twenty-eight states, including Michigan, host over 500 Indian casinos. Tribal casinos are not regulated and taxed the same as private casinos, but they share revenue with state and local governments in lieu of taxes based on tribal agreements. These revenues help to fund infrastructure, public safety, and other needs created or increased by the presence of the casino, as well as education and other community-wide needs.

Soda or Sugar Taxes. Selective sales taxes on soda or other sugary foods or beverages are not authorized to state or local governments in Michigan. To preempt local governments from attempting to levy a local sugar tax in Michigan, a law was enacted in 2017 explicitly prohibiting any local unit of government from imposing an excise tax, sales tax, or fee on the manufacture, distribution, wholesale sale, or retail sale of food for immediate consumption or non-immediate consumption, which includes soda and other sugary beverages.[66]

Local soda or sugar taxes are controversial issues across the states. Advocates for sugar taxes argue that they can fight obesity while enhancing local budgets. Opponents argue that they are highly regressive and unstable sources of revenue. Sugar taxes do not meet some basic tenants of good tax policy: 1) they impose a high rate on a very small base and 2) they lead to economic distortions by changing behaviors and leading to tax avoidance. Since they are usually levied at the city or county level, consumer mobility allows most consumers to cross local borders to make their purchases thereby avoiding the tax. While advocates for the taxes want to change behavior and discourage the purchase of sugary drinks, there is no guarantee that the tax will lead to healthier choices; Philadelphia, Pennsylvania levies a soda tax that is 24 times the state excise tax rate on beer, which, some argue, has led to increased purchases of alcoholic beverages.[67]

Only one state levies a statewide excise tax on bottled soft drinks; West Virginia has been levying this tax since 1951 at a rate of one cent per half liter and earmarks the funds to help finance the school of medicine, dentistry, and nursing at West Virginia University.[68]

In recent years, soda-type taxes have been passed by city councils or county commissions or local voters in a number of municipalities. In 2015, Berkeley, California became the first city to levy a local-option tax of one cent per ounce on sugary beverages. In June 2016, the Philadelphia City Council implemented a city-wide excise tax on non-alcoholic sugar-sweetened and diet beverages of 1.5 cents per ounce, which went into effect in January 2017 and is levied on distributors. Soda taxes were passed by voters in 2016 in Boulder, Colorado (two cents per ounce) and in Oakland, San Francisco, and Albany, California (one cent per ounce). In 2017, the Seattle City Council in Washington adopted a tax rate of 1.75 cents per ounce on soda pop and other sugary drinks (diet soft drinks are exempted from the tax).[69] A group is working to gather signatures to get a soda tax of 1.5 cents per ounce on sugary drinks on the May 2018 ballot in Multnomah County in Oregon (home of Portland).[70]

In May 2017, a soda tax of two cents per ounce on sugary drinks in Sante Fe, New Mexico did not receive voter approval. A one cent per ounce tax on soda and sweetened drinks was enacted in 2017 by the Cook County Commission in Illinois and took effect in August. Cook County, home of Chicago, represents the largest local jurisdiction in the country where such a tax was enacted. After opposition from soda companies and store owners, the tax was repealed by the county commission in October 2017 (the repeal was effective December 1, 2017).[71]

Other Taxes

Other taxes can include selective sales taxes and severance taxes. Selective sales taxes are sometimes called excise taxes and are levied on particular goods and services at rates different than the general sales tax rate or at rates on top of the general sales tax rate. These types of taxes are generally levied on restaurant meals, hotel/motel accommodations, rental cars, parking, and entertainment goods and services. They are sometimes called tourism or luxury taxes and are designed to collect a significant share of their revenue from nonresidents.

Severance Taxes. Severance taxes are taxes on the extraction of natural resources, such as oil and natural gas. Thirty-five states collect them, and 11 states allow local units to collect them. Revenue from severance taxes is extremely volatile because it rises and falls with the price and production of natural resources. Nationally, severance taxes account for only one percent of state and local general revenue, but they provide substantial revenue in a few resource-rich states[l].[72] Michigan collected $20.2 million in oil and gas severance taxes in FY2016.[73] Severance taxes are not reviewed in detail here as they do not represent a viable tax source for local governments in Michigan.

Tourism Taxes. In Michigan, certain eligible municipalities are authorized to impose an excise tax on the gross receipts of restaurants, hotels, and automobile rental companies. The Stadia or Convention Facility Development Act allows the counties of Wayne, Oakland, Ingham, Kent, Muskegon, and Washtenaw, as well as the cities of Lansing, Grand Rapids, Muskegon, Ann Arbor, and Pontiac to levy an excise tax at a rate not to exceed one percent of the gross receipts of restaurants and hotels and not to exceed two percent of the gross receipts of automobile rental companies to fund purposes related to a stadium or convention facility (these goods and services are all also subject to the state sales or use taxes).[74] The state law specifies which counties and cities can levy the tax based on the population of the counties and cities, their organization, and/or whether or not they levy a city income tax. Any eligible municipality wishing to levy the tax must seek voter approval. The tax can be administered by the Michigan Department of Treasury upon agreement with the local unit of government. Wayne County voters approved the tax, on hotels and automobile leasing companies only, in 1996.

The legality of a local-option sales-type tax on restaurant meals has been questioned in the past and the issue has never been fully resolved by the courts or state law. The question: Is a gross receipts tax on restaurant meals considered a sales tax and therefore subject to the state constitutional limitation of six percent? It has been argued in the past that excise taxes on hotel/motel accommodations and automobile rental services are legal because they do not involve a retail sale that includes a transfer of ownership and these taxes are currently being levied by Wayne County. That being said, all three goods and services that are subject to a local excise tax are also subject to the state sales or use tax and all three involve a transfer of goods or services, so it is not clear why a tax on restaurant meals would be treated differently than the other taxes. Ultimately, the question, which still may need to be answered by the court system, is whether the intent of the voters who ratified the constitutional limitation on the sales tax rate meant to limit the rate of just the sales tax or to limit the aggregate rate of taxation that could be imposed upon any retail sale by any combination of taxes (e.g., sales, excise, and gross receipts taxes).[75]

Additional excise taxes on hotel and motel accommodations are authorized to be levied by counties in Michigan. The Excise Tax on Business of Providing Accommodations Act permits counties to impose and collect a tax at a rate of not more than five percent of the total charge for accommodations.[76] The tax is

[l]Alaska, North Dakota, and Wyoming.

authorized to counties with a population under 600,000 with a city of at least 40,000 population within their boundaries. As of 2016, Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, and Washtenaw counties levy a hotel/motel excise tax under this act.

The State Convention Facility Development Act authorizes a local unit of government or regional convention facility authority to levy a tax on accommodations to support a convention facility that is located within a county having a population of at least 700,000 residents.[77] The tax applies to the Detroit Regional Convention Facility Authority (the authority that operates and runs the Cobo Center in Detroit) and is authorized until December 31, 2039, or 30 days after the debt issued by the authority is retired, whichever is sooner. It is levied by Wayne, Oakland, and Macomb counties to fund the Cobo Center in Detroit and provides no direct benefit to the counties. The act allows the counties to levy a tax on accommodations in Detroit at a rate of either three or six percent depending on the size of the hotel; the counties can levy a tax of 1.5 or five percent depending on the size of the hotel on all other accommodations in the three county region.

Finally, convention and visitors' bureaus across the state (any nonprofit corporation existing to promote convention business or tourism within the state or a portion of the state) can levy an accommodations assessment of up to five percent depending on the size of the county (e.g., the Detroit Convention and Visitors Bureau levies the tax at a rate of two percent).[78] To be levied, the assessment needs to pass a written referendum among all owners of transient facilities within the proposed assessment district; each owner has one vote for each room in his/her facility. Whether these assessments are technically taxes that must be paid or voluntary agreements among hotel/motel owners and visitors' bureaus is not clear.

When these sales and excise taxes are considered together, total accommodations excise tax rates can be

- up to 15 percent on certain hotels and motels in Detroit (six percent use tax, up to six percent accommodations tax depending on size of hotel, two percent assessment paid to Detroit Convention and Visitors Bureau, and one percent hotel excise tax in Wayne County);
- up to 14 percent in areas of Wayne County outside of Detroit;
- up to 13 percent in Oakland and Macomb counties;
- up to 11 percent in counties outside of the tri-county region of metro-Detroit that are levying an excise tax on hotel accommodations; and,
- the remainder of the state levies just the six percent use tax on hotel accommodations and possibly up to a five percent convention or visitors' bureau assessment.

Variance in these and other tax rates across the states can lead to confusion and lessen a tax's transparency.

Selective sales taxes on restaurant meals, accommodations, and automobile rentals can be justified as "luxury taxes" intended to target higher-income individuals with more disposable income or "tourism taxes" designed to shift tax burdens to visitors. Some states and local units tax just some of these things, others tax all of them. Many states allow at least some local units (or special authorities like convention centers and tourism bureaus) to levy local accommodations taxes. Additionally, some states authorize local units to levy special excise or sales taxes on restaurant meals. At least 40 states levy a charge on rental cars, either by imposing an additional tax, daily fee, or both. At least 15 states authorize local governments to impose their own taxes or fees on rental vehicles; state and local tax rates range from less than two percent to over 19 percent. These state and local taxes and fees are in addition to rental car company charges for off-site rentals, airport fees, and insurance coverage, which can lead to very high rental car fees in some areas.[79]

Appendix M shows which states allow local units to levy these tourism or luxury taxes. Some states, like Michigan, restrict which local units can levy these taxes; others give all local units the option to levy them. Some states levy a general retail sales tax on these services in addition to a selective sales tax; others just levy one or the other. Local-option tourism taxes are often earmarked for tourism promotion, convention centers, and related purposes, as they are in Michigan. How these taxes are administered varies; in some states, they are administered by the state and in others, they are administered by local units.[80] **Appendix M** is not meant to be exhaustive, but to provide examples of what is done in other states. (**Appendix N** highlights which big cities levy selective taxes on restaurant meals.)

Additionally, some states allow certain local units to levy "resort" taxes. Ohio, for example, allows municipalities and townships that meet the following criteria to declare themselves a resort district and levy a gross receipts tax between 0.5 and 1.5 percent: 1) at least 62 percent of total housing units are for seasonal use, 2) entertainment and recreation facilities are provided in the community and are intended to provide seasonal leisure activity to nonresidents, and 3) the local unit experiences seasonal peaks of employment and service demand because of a seasonal population increase. Three local units[m] levy the resort tax at a rate of 1.5 percent on rentals of tangible personal property (e.g., watercraft and bicycles); wholesale and retail sales; hotel and motel rooms; repair or installation of tangible personal property; warranties, maintenance, and service contracts; and sales of certain services that are also subject to the retail sales tax.[81]

These types of taxes often lead to administrative complexity (e.g., business owners have to determine if they are subject to the tax and government officials have to regulate the services to ensure that items are properly taxed) and they can lead to confusion for taxpayers and collectors in determining what tax rate is owed. Expanding any of these taxes in Michigan would require state authorization and local voter approval in any community wishing to levy a local tourism-related tax.

Entertainment, Amusement, and Admissions Taxes.

These taxes include all types of excise taxes on entertainment, amusement, and recreation goods or services (e.g., tickets to concerts, sports events, cultural events, and merchandise sold at events). These types of taxes are not authorized to local units of government in Michigan, nor are they levied by the state. A 1993 Research Council report recommended that the state authorize local units of government (in this case, county governments or a local authority) to levy a five to six percent entertainment tax on currently untaxed entertainment services in Wayne, Oakland, and Macomb counties as a regional funding source for cultural institutions in the three-county region.[82] A county or regional entertainment tax was not authorized and some cultural institutions in the three-county region (i.e., Detroit Institute of Arts and the Detroit Zoo) are currently funded by a three-county property tax.

A number of other states have experience with state or local amusement or admissions-type taxes. Michigan's neighbor to the south, Ohio, authorizes cities to impose a city admissions tax. Under Ohio state law, the tax can apply to places of amusement or entertainment, though what exactly is taxed varies by municipality. Tax rates range from 1.5 percent to eight percent (with one city levying a tax of 25 cents per ticket). Sixty-three out of 251 cities in Ohio have an admissions tax on the books (18 cities reported no revenue from the tax in 2014). Of those that levy a tax, two-thirds do so at a rate of three percent. Cleveland imposes an admissions tax of eight percent to the cost of sporting and entertainment events in the city. Columbus does not impose this tax.[83]

In Illinois, at least some local units of government have the authority to levy amusement and admissions taxes. Cook County (home of Chicago) levies a three percent amusement tax on the admission fee or other charges paid for the privilege to enter, to witness, or to view amusement activities in the county. In addition to this, Chicago levies a nine percent tax to any live cultural or sport performance in any for-profit venue with a capacity of 1,500 seats or greater (nonprofit institutions, such as the Chicago Symphony Orchestra, are exempt).[84] Furthermore, Chicago levies an amusement services tax of nine percent on streaming and cloud services (e.g., Netflix, Spotify, and Xbox Live services) and online subscription databases; this tax took effect in July 2015.[85] Beyond these amusement taxes in the Chicago region, municipalities and counties in Illinois may impose a tax on coin-operated amusement devices (e.g., jukeboxes, pinball machines, kiddie rides, and coin-operated video games); these taxes are administered locally. The state also levies an annual fee of $30 per coin-operated device.[86] In addition to local entertainment-type taxes, the state levies a live adult entertainment facility surcharge that can range from $5,000 to $25,000.[87]

In Indiana, cities may levy a local-option entertainment facilities admissions tax of $0.50 per paid admission for

[m] Village of Kelley's Island, Village of Put-In-Bay, and Township of Put-In-Bay.

a private event at an outdoor facility with a minimum capacity of 10,000 persons. Revenue is deposited into the city ticket tax fund and may be used for highway improvements and sewer to and from the facility and payment on bonds and leases entered into for such improvements. Marion County in Indiana may levy an admissions tax of six percent of the price of admission to any event held in the Lucas Oil Stadium, the Convention Center, Victory Field, or Conseco Fieldhouse. The tax is administered by the state and remitted to the county treasurer.[88]

Pennsylvania levies a state admissions tax of five percent and a state wagering tax on the horse racing and wagering industry.[89] State law gives municipal governments the authority to levy amusement taxes based on admission prices to places of amusement, entertainment, or recreation, and mechanical devices taxes on coin-operated machines.[90] The taxes are authorized by the state and local units throughout the state may or may not levy them at varying rates. For example, Middletown Township and the Neshaminy School District in Bucks County Pennsylvania levy a local-option amusement tax at a combined rate of 10 percent; the cities of Harrisburg, Pittsburgh, and Philadelphia all levy an amusement tax at a rate of five percent.

Other Great Lakes states do not have local-option entertainment-type taxes for the most part. Some event admissions and amusement devices are included in Wisconsin's sales tax base, but Wisconsin does not have a selective sales tax for those goods and services. New York State applies general sales tax rates to admissions and the state levies a pari-mutuel and racing admissions tax.[91] New York State also levies a tax upon any admission charge in excess of 10 cents for the use of any place of amusement in the state; the rate can vary.[92] (See **Appendix O** for information on entertainment-type taxes outside of the Great Lakes states.)

These types of entertainment services are not currently taxed in Michigan (with the exception of a state horse race wagering tax). If an excise or use tax on entertainment services was authorized, it would not be subject to the six percent constitutional rate limit that applies to general retail sales and use taxes in Michigan. An entertainment-type tax could be applied to entertainment, amusement, and recreation services and businesses, including cable television companies, Netflix and other streaming services, movies, online cloud services and subscription databases, theaters, concerts and other live entertainment, sporting events, ski hills, bowling centers, golf courses, health clubs, and amusement parks, among others. Expenditures for entertainment and recreation services are discretionary, which suggests two things: 1) those with higher incomes (i.e., more discretionary income) are more likely to use these services at higher rates and 2) it may be a volatile source of revenue because discretionary expenditures tend to decline during bad economic times.

Parking Taxes. Assorted local governments across the United States are authorized to levy parking taxes. For example, Chicago has a 20 to 22 percent parking tax that applies to businesses that own parking lots or garages and Philadelphia has a 22.5 percent tax on both parking and valet parking. No local units in Michigan have authority to levy parking taxes. The state does levy an airport parking tax on public parking vendors at the Detroit Metropolitan Wayne County Airport; some of the revenue goes into the State Aeronautics Fund, but the majority is shared with Wayne County (with a small amount going to Romulus).[93]

9-1-1 Fees and Phone-Related Taxes. Counties in Michigan may levy a 9-1-1 charge of up to \$0.42 per line per month by resolution of the county board of commissioners and up to a maximum of \$3.00 per line per month with approval of county voters. The tax is levied on all communication services capable of accessing a 9-1-1 system, including local telephones, contractual cellular telephones, wireless communications, and interconnected voice over Internet devices. Service suppliers may retain two percent of the tax to cover billing and collection costs; the remainder must be distributed to primary 9-1-1 centers. The act authorizing this local tax will sunset on December 31, 2021.[94]

Thirty-eight states, including Michigan, may levy a state tax or fee on telephone services (wireless, landline, or both) to support 9-1-1 services. Twenty-three states, including Michigan, allow at least some of their local units of government (counties in Michigan) to levy fees or taxes to support 9-1-1 emergency services systems. Additionally, 39 states levy at least one other type of fee or tax on telecommunications or phone-related services (including some utility-type taxes); 15 states allow local units to levy additional telecommunications taxes or fees (see **Appendix P** for a detailed table of 9-1-1 and phone-related fees and taxes in the 50 states).

As these taxes are already levied locally at the county-level in Michigan, they do not represent a tax area ripe for expansion in Michigan. A local tax on utility-type services, including telecommunications services could be a potential local tax option in Michigan (see utility users tax discussion above), but that would not be a tax to specifically support 9-1-1 emergency services, but more of a general utility tax.

Sharing Economy Taxes. The sharing economy (also referred to as the on-demand, access, disruptive, or gig economy or collaborative consumption) encompasses the new economy that has expanded in recent years around the idea of sharing goods and services. It includes mobility (ride-sharing, car-sharing, and bike-sharing), cottage food industries, lending libraries, meal sharing, sharing of goods and services, and short-term rentals. The basic model is that strangers connect through a website or online application that is facilitated by a third-party business to share goods or services. The economic recession played a part in the inception of the sharing economy; however, technology and the Internet are responsible for its present-day success. It has led to convenience and savings for consumers, but also has brought significant disruption for traditional tax-paying businesses (e.g., lodging and taxi/limo providers) as well as concerns about public safety.[95] This represents a major economic shift and an issue for governments as recent data suggests that the sharing economy is already worth $100 billion and growing.[96]

For state and local governments, the biggest tax and regulation issues revolve around ride-sharing through companies like Uber and Lyft and home-sharing or short-term rentals through companies like Airbnb and HomeAway. These services are not taxed the same as more traditional services like taxi services and hotels, which means that states and local governments are missing out on a potential revenue stream. They are also not regulated like the more traditional businesses, which raises questions of equity (e.g., homeowners, even those that rent their homes extensively, are not subject to the same safety and taxation requirements as hotels). One impediment to taxing these sharing economy goods and services is that states and local units can be faced with collecting small amounts of tax revenue from a large number of taxpayers, leading to administrative difficulties. Furthermore, these taxes can be administratively difficult for those people and businesses charged with collecting and remitting the taxes. That being said, states and local governments are starting to respond to these emerging markets.

Ride-sharing services are being increasingly taxed and regulated. Companies providing these services are often called transportation network companies (TNCs); Rhode Island defines a TNC as an entity that uses a digital network to connect transportation network company riders to transportation network operators who provide prearranged rides. If a person provides a ride-sharing service, that person is considered a sole proprietor and has to pay income taxes as a self-employed individual. So far barely more than a handful of states have subjected ride-hailing services to existing sales taxes or imposed extra taxes and fees on them.

In Pennsylvania, Philadelphia can levy a 1.4 percent fee on ride-sharing services and Delaware County can assess the fee on all rides originating at the Philadelphia International Airport. Chicago levies a 55 to 80 cent fee per ride on ride-sharing; in addition to the per-ride fee, drivers must pay the city $5.55 for every pick-up and drop-off at McCormick Place, Navy Pier, and the O'Hare and Midway airports.[97] South Carolina imposes a one percent tax on all ride-sharing revenue. Maryland enacted a law permitting local governments to impose taxes and fees on ride-sharing services (not to exceed 25 cents per ride).[98] New York's recent budget includes a four percent tax on TNCs as part of an overall regulatory scheme. Massachusetts imposes a 20 cent per ride fee with 10 cents going to local governments. Rhode Island levies a seven percent sales and use tax fee on TNCs. Nevada levies a three percent excise tax on TNCs (taxi companies are not subject to this tax). Most states do not apply sales taxes to taxi rides, but do require taxis to pay medallion or license fees; the regulatory framework for ride-sharing and TNCs does not necessarily follow the same model as taxi companies and other similar services.[99]

Establishing a new regulatory and tax framework is not easy – a recent effort failed in Georgia. Furthermore, some states do not want to tax TNCs. Arizona's governor signed legislation that imposes restrictions on when cities and counties can regulate sharing economy businesses. New Jersey state lawmakers proposed legislation that prohibits the state and local units from imposing taxes or fees that would apply only to TNCs. Iowa's Department of Revenue determined that TNCs are not providing a taxable service.[100] Florida is in the process of crafting legislation to address the issues of regulating and taxing ride-sharing services. The bill being considered in Florida regulates the industry, but specifically prohibits local governments from imposing taxes on ride-sharing services.[101]

As far as short-term rentals, homeowners that are sharing their homes and making money from doing that only have to pay federal income tax on that income if they rent their house more than 14 days per year. States that tie their income tax to federal definitions, like Michigan, would capture this economic activity in their state (and local) income taxes. The biggest issue is compliance: it is difficult to monitor this income and tax evasion can be a problem.

In an effort to streamline its services and promote uniformity across its short-term rentals, Airbnb has started collecting many state and local taxes related to sales, accommodations, and short-term rentals (see **Appendix Q** for a list of state and local taxes collected by Airbnb as of 2017). This is a complex issue for Airbnb and other short-term home rental companies as there are many different state and local taxes across the country (not to mention international taxes for other countries). Most of these taxes are not exclusive to short-term rentals, but are general accommodations-type taxes that can be applied to short-term rentals. A few localities have levied taxes that are exclusive to short-term rentals, including a 7.5 percent short-term rental accommodations tax in Boulder, Colorado, a four percent shared-housing surcharge in Chicago, Illinois, and a 3.5 percent short-term room occupancy tax in Memphis, Tennessee.

Great Lakes States

After analyzing the menu of local-option taxes that could, potentially, be available to local governments in Michigan with state authorization, it helps to take a closer look at the local-option taxes authorized by Michigan's neighbors. **Table 4** (see page 32) highlights the Great Lakes states and which local taxes each state provides authorization to levy. Of 17 local-option taxes discussed, all local governments in Michigan have access to only one of them (local property taxes); all Michigan cities have access to one additional local tax (local income taxes); some cities and counties have access to four more local-option taxes (restaurant, hotel/motel, vehicle rental, and 9-1-1 taxes); Michigan's largest city, Detroit, has access to two more local taxes (utility users and casino gambling taxes); and the state shares three more taxes with local units of government (motor fuel, vehicle registration, and medical marijuana taxes).

Table 5 (page 32) compares Michigan to its Great Lakes neighbors in terms of population, median household income, and general revenue and tax revenue from own-sources. Michigan has a larger population than two of its neighboring states, but is smaller than four of the states. As far as household income, Michigan's median household income is slightly higher than two states and significantly lower than some of its other neighboring states. When looking more closely at state and local general own-source revenue and then even more specifically at state and local tax revenue, it is clear that local governments in Michigan do not bring in as much tax revenue as the local governments in most Great Lakes states.

State own-source revenue per capita, which includes tax revenue but also fees and charges and other miscellaneous revenue, shows Michigan to be about average – in line with the national average and in the middle of the pack of the Great Lakes states. However, when comparing just state tax revenue per capita, Michigan is slightly below the national average and only Indiana and Ohio collect less state tax revenue per capita. When looking at local own-source revenue per capita, Michigan is significantly below the national average ($2.29 compared with $3.18) and is lower than all other Great Lakes states. On local tax revenue per capita, Michigan remains below the national average ($1.29 compared with $2.06) and only Indiana collects less local tax revenue per capita than Michigan.

These numbers illustrate that Michigan does not levy as high of state taxes as its neighbors and its local tax collections are significantly lower than most Great Lakes states, which suggests that there may be room to expand local-option taxes in Michigan.

Table 4

Local-Option Taxes in the Great Lakes States

State	Property Taxes	Income Taxes	Retail Sales Taxes	Motor Fuel Taxes	Vehicle Registration/ License Taxes	Utility Users' Taxes	Alcohol Taxes	Tobacco Taxes	Marijuana Taxes	Casino Gambling Taxes	Soda/ Sugar Taxes	Restaurant Meals Taxes	Hotel/ Motel Taxes	Vehicle Rental Taxes	Entertainment/ Admis-sions Taxes	9-1-1 Phone Taxes	Sharing Economy Taxes	Total
Illinois	X		X	X	X	X	X	X		+	X	X	X	X	X	X	X	14
Indiana	X	X			X					X		X	X	X	X			8
Michigan	X	X		+	+	*			+	*		X	X	X		X		6
New York	X	X	X	X	X	X	X	*	+				X			X		9
Ohio	X	X	X	+	X	X	*	*		+			X	X	X	X		9
Pennsylvania	X	X	X		X		X	*	+	X	X		X	X	X		X	11
Wisconsin	X		X		X							X	X	X		X		7

* Only authorized to one local unit

+ State taxes shared with local units of government

Note: This table highlights which states allow at least some local units to levy a tax -- does not mean that all types of local units within state can levy the tax.

Table 5

State and Local Tax Burdens in Great Lake States, FY2015

			General Revenue from Own Sources				Tax Revenue			
	2016 Population Estimate	2015 Median Household Income	State	Per Capita	Local	Per Capita	State	Per Capita	Local	Per Capita
U.S. Average	318,558,162	$56,516	$1,248,082,251	$3.92	$1,014,365,746	$3.18	$911,042,787	$2.86	$655,977,117	$2.06
Illinois	12,851,684	$60,413	$50,258,307	$3.91	$44,401,855	$3.45	$40,821,385	$3.18	$33,016,855	$2.57
Indiana	6,589,578	$51,983	$23,140,438	$3.51	$16,655,366	$2.53	$17,399,650	$2.64	$7,989,098	$1.21
Michigan	9,909,600	$54,203	$39,240,287	$3.96	$22,665,446	$2.29	$26,957,337	$2.72	$12,808,538	$1.29
New York	19,697,457	$58,005	$104,110,477	$5.29	$123,814,720	$6.29	$78,205,405	$3.97	$94,443,860	$4.79
Ohio	11,586,941	$53,301	$41,372,405	$3.57	$34,018,752	$2.94	$28,297,156	$2.44	$22,959,660	$1.98
Pennsylvania	12,783,977	$60,389	$51,665,634	$4.04	$37,266,958	$2.92	$36,110,311	$2.82	$27,255,904	$2.13
Wisconsin	5,754,798	$55,425	$24,035,311	$4.18	$14,436,799	$2.51	$17,019,139	$2.96	$9,882,836	$1.72

Sources: U.S. Census Bureau, population estimates and historical income tables, Table H-8: Median Household Income by State (https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html, accessed 1/31/18).

U.S. Census Bureau, State and Local Government Finance, 2015 State and Local Summary Table by Level of Government and by State (https://www.census.gov/govs/local/, accessed 1/30/18).

Considerations

The revenue raising capacities of local units of government are impacted by many factors, not the least of which are state laws that grant or restrict local revenue raising capabilities, but also the influence of socioeconomic forces at the local level, the political culture across the state related to the appropriate role of government as a service provider, economic fluctuations, the uncertainty of federal aid and state revenue sharing, and globalization and the increased mobility of businesses and capital.[102] Due to the inability of local officials to control these factors and to allow local governments to diversify their revenue sources, the state should consider allowing local units of government in Michigan to levy more local-option taxes. Expanding local-source revenue options will give more control over revenue levels and spending to local officials and allow local units to benefit from economic expansion within their jurisdictions (or to better adjust to economic contraction within their jurisdictions).

The need for more local-source revenue options is not an issue unique to Michigan. The National League of Cities in their 2017 Fiscal Conditions Survey found that the divergence between city fiscal conditions and national economic indicators calls into question the alignment between city fiscal structures and the drivers of the economy as well as the sustainability of cities' revenue sources.[103] In Michigan, the Center for Local, State, and Urban Policy (CLOSUP) at the University of Michigan found in their Michigan Public Policy Survey that over 60 percent of local officials in governments with populations over 10,000 residents (mostly cities) supported raising revenues through increased local-option taxes.[n] The survey did not find consensus on which revenue options (e.g., local income, sales, other taxes) local officials would prefer.[104] Clearly this is an issue that goes beyond Michigan, but Michigan is a state that severely restricts its local units in their revenue raising capacity.

Principles of Good Tax Policy

If more local-option taxes are authorized by the state legislature, what will that mean for the Michigan economy? Would local-option taxes cause economic distortions and further the disconnect between local governments in Michigan and the economy, or would they provide local officials with more revenue options and the ability to benefit from economic expansion? It is not possible to foresee the future and tell what will happen if local-option taxes are expanded in Michigan, but it is possible to discuss the economic implications of different kinds of taxes.

Economists generally agree that people and businesses respond to taxes and that large tax changes can move the economy, however, economists have not been able to determine exactly how the economy works and how responsive people and businesses are (or will be) to tax policy changes. Economists often disagree about what models and parameters to use to analyze tax policies and these scientific disagreements can be amplified by value judgments about appropriate policies. Most economists agree that in the long run, tax systems with low rates and broad bases are more likely to promote growth than ones with high rates and narrow bases (i.e., one with a lot of exemptions and special rules).[105a] At the micro-economic level, much of the effects felt on individuals and businesses reflect the tax incidence (i.e., who actually pays the tax, producer or consumer) and changes in marginal tax rates. While average tax rates measure tax burden, marginal tax rates measure the impact of taxes on incentives to earn, save, invest, or spend.[105b]

Adequacy Determining whether any certain tax or any combination of taxes is adequate to meet the funding needs of local government is somewhat subjective. What a person considers the funding needs of local government depends on value judgments related to what local governments can and should be doing. Some may argue that addressing local government funding needs may require the elimination of some local government services in order to lower local government funding needs. Others may argue that addressing local government funding needs requires expanding local-option taxes in order to give local governments the tools to fund the services desired by their residents. The focus of this analysis is not on value judgments related to what services local governments should be providing, but rather to look at the local taxes currently authorized to local governments, expanding local tax options, and the economic implications of different local taxes.

[n] The Michigan Public Policy Survey is sent to all counties, cities, townships, and villages in the state twice a year.

Adequacy here is defined as taxes that generate enough revenue to provide the level of services desired by local residents. This will vary across local units of government. It can be argued that local units are facing budget pressures because the local property tax, which is the tax available to all local units of government in Michigan, has not been adequate to meet local funding needs. An expansion of local-option taxes would allow local units to evaluate and craft a tax system that meets their individual local needs. Any new local tax that is authorized by the state will still require a vote by the local electorate before a local unit of government can levy it. Tax adequacy will be improved by giving local officials, and local voters, more flexibility and options to meet their revenue and expenditure needs. Both the income and sales taxes contribute to tax adequacy because local officials can usually raise large sums of revenue with fairly low tax rates. Other selective sales and excise taxes can contribute to tax adequacy by allowing local units to select taxes that work well with their local economy.

Transparency. A tax is transparent when the time, manner, and quantity of payment are clear to the taxpayer. Property taxes tend to be relatively transparent, however the assessment process and laws, such as the Headlee Amendment and Proposal A, can obscure taxpayers' understanding of their property tax liabilities. The transparency of income taxes depend upon the amount of credits, deductions, and exemptions, which can all compromise its level of transparency. Sales taxes are fairly transparent, as it is usually obvious to the taxpayer what they owe when making a purchase. Selective sales and excise taxes can be less transparent as they are often levied on top of general sales tax rates leading to consumer confusion over what the final tax rate is for certain goods and services.

Reliability. It is important for governments to have reliable revenue sources to ensure they can provide uninterrupted services. Property taxes tend to generate stable and reliable revenue, even during economic downturns; however, the recent Great Recession led to the second greatest statewide property tax revenue decline in history (after the 1934 and 1935 declines of the Great Depression). Property tax values in many local units of government across the state are still recovering from the decline. Previous recessions have not affected housing prices as directly or significantly, therefore property taxes are still considered to be less responsive to economic changes than other tax sources because it typically takes longer for economic shifts to affect housing and property tax values. Income and sales taxes are not as reliable year-to-year because they tend to be more elastic and fluctuate with the cyclical economy.

Local income taxes are driven by income and wages for the most part (rather than by capital gains) and respond quickly to local economic circumstances. Gradual employment gains and slow wage growth, widening income inequality, and a lack of the expansion of middle-income jobs can all contribute to the decline and volatility of local income tax revenue. Local income tax revenue also responds quickly to economic expansion experienced through job and wage growth.

Sales tax revenues vary because consumer sales respond quickly to economic shifts so that when consumer confidence is high, people spend more on goods and services and when it is low, they do not. It is also important to note that recent growth in the retail sector is driven largely by online sales, which are not always captured by state and local sales taxes.[106] Expanding the sales tax bases to include services and goods that are currently largely exempt (e.g., essential items like food and medication) limits the volatility of collections; if sales tax collections rely largely on non-essential items, those collections will decline during times of economic weakness.[107]

An examination of local taxes in 28 states from 1986 to 2006 found that the local retail sales tax was the least stable tax and the property tax was the most stable. However, overall revenue from the property tax had the slowest growth over the time period and overall revenue from the sales tax was the fastest growing. The income tax was between those two extremes in stability and revenue growth. Local units can obtain a higher rate of growth with a local sales tax than with a local property tax, but at the cost of year-to-year revenue instability.[108]

Many of the selective sales or excise taxes discussed (e.g., motor fuel taxes, "sin" taxes, tourism taxes, etc.) are very responsive to the economy and/or consumer behavior and therefore not very reliable.

Equity. Equity can be measured in two ways: 1) horizontal equity is determined when taxpayers in equal financial positions are taxed in equal amounts and 2) vertical equity, a more controversial concept, involves the treatment of taxpayers in unequal financial positions. A tax is said to be regressive if taxpayers of higher income pay lower percentages than those of lower income, proportional if each class of taxpayers pays the same percentage, and progressive if taxpayers of higher income pay higher percentages.

In theory, property taxes should provide a fair level of horizontal equity, but that equity is affected by life decisions – whether to maximize investment in a house or to forgo such investment and travel more – and by the cap in growth in taxable value created by Proposal A of 1994 that results in properties of equal market value being subject to different tax burdens based on the length of ownership. Property taxes provide poor vertical equity. While the value of a property may relate to the wealth of an owner, communities with greater property wealth can levy property taxes at lower rates to yield the same revenue as other communities that have to levy higher tax rates on lesser valued properties. Furthermore, the less wealthy tend to consume more governmental services, thus necessitating the levy of higher taxes to fund those services.

Income taxes are based on a person's financial position and thus provide a high level of horizontal equity, however, that equity is eroded by the tax credits, deductions, and exemptions that are built into the system. Furthermore, lifestyle differences, such as decisions to have children, home ownership, and philanthropic spirit can affect horizontal equity as well. Michigan's constitutional prohibition on a graduated income tax would purport to create a proportional system rather than a progressive system; however, Michigan's state income tax is made mildly progressive by its personal exemptions.

Sales taxes are generally viewed to be regressive (selective sales and excise taxes can be even more regressive when they fall more heavily on low-income individuals). Theoretically, they should have a fair level of horizontal equity, but that equity is affected by purchase decisions. Vertical equity of the sales tax would be improved if sales taxes were levied with a broad base and included most services; as it is, in most states, many services, which make up a larger portion of the expenditures of wealthier people, are exempted from the sales tax while many goods, which make up a larger portion of the expenditures of the less wealthy, are included. Regardless of the tax base, the less wealthy generally spend larger portions of their budgets paying the sales tax.

The current response to making the sales tax less regressive is to exempt essential purchases (e.g., groceries). However, some argue that a better route would be to include all goods and services, even those that are essential, and lower the rate. The argument is that blanket exemptions benefit high-income households more than low-income households as the high-income households are likely to spend more money on groceries, including buying more expensive cuts of meats or fresh fruit out of season that low-income families cannot afford, so exempting these goods provides a greater benefit to these high-income families. Another option to lessen the regressive nature of a sales tax is to provide tax credits, such as the Earned Income Tax Credit or a grocery tax credit, to low-income households.[109]

A study on the fiscal impact of local-option taxes in Massachusetts found that large cities would benefit more from local sales, meals, and payroll taxes than smaller towns; furthermore, high-income, property-rich municipalities (those that are most able to meet their revenue needs through the local property tax) would gain more local-option tax capacity than low-income, property-poor municipalities.[110] Local-option taxes are unlikely to compensate municipalities in proportion to their loss of state aid dollars because those low-income local governments that receive the highest levels of state aid (and therefore are most impacted by cuts in state aid) are the least likely to be able to raise large sums of money from local-option taxes. The study found that local-option taxes can exacerbate fiscal disparities because the municipalities with low existing revenue-raising capacity often lack the tax bases for new local-option taxes.

The take away from this research is that expanding local-option taxes in and of itself will not necessarily improve the equity of the local tax system and may simply intensify local fiscal disparities. Local fiscal disparities should be a concern for state policymakers for two reasons: 1) it is inequitable when two otherwise identical households or firms pay different amounts of taxes for the same level of local public services or receive different levels of local services for the same taxes simply because they are located in two different communities and 2) when households and firms face such disparities, they may move from communities that are in a worse fiscal condition to those that are in better shape furthering economic distortions and inefficiencies.[111]

Local sales and income taxes can provide local governments with additional fiscal resources to draw on as they seek to finance their service responsibilities and can allow them to reduce pressure on the property tax; however, the distribution of these tax bases across local jurisdictions shows considerable disparity, often even greater than that found with the property tax base. Local units of government with high endowments of one tax base (e.g., property tax) tend to also have reasonably high endowments of the other bases so adding them together does little to reduce horizontal fiscal imbalance.[112] That being said, it is important to note that diversifying the local government tax structure will allow local officials and voters to select the tax mix that is best suited to them and that best meets their revenue needs.

Neutrality. Neutrality is defined as the criterion that taxes should be structured so as to minimize interference with economic decisions in otherwise efficient markets. A tax should not alter, or should minimally alter, business decisions on where to locate, what to produce, or whom to employ. Likewise, a tax should not alter a person's consumption, location, or employment decisions.

Property taxes can introduce economic distortions into the marketplace because high property tax rates, especially if they are levied in communities that have less taxable value and therefore have to levy higher taxes to meet revenue needs, can affect people's decisions on where to live, work, or locate a business. City or other local income taxes can introduce economic distortions by affecting people's decisions on where to live, work, or locate a business. However, the subtractions, deductions, exclusions, and credits built into the federal and state income tax systems are more likely to alter consumption or employment decisions than a local income tax.

Sales taxes can introduce economic distortions to the extent that consumers can alter where they purchase goods or services. High sales tax rates relative to a neighboring jurisdiction may induce consumers to make purchases in the lower tax jurisdiction and businesses to locate in the lower tax jurisdiction. This can be addressed somewhat by levying local sales taxes regionally rather than at the most local level. Studies on the mobility of sales taxes have generally found that a sales tax rate one percentage point higher is associated with per capita sales along a state's border that are between one and seven percent lower. It is expected that differential sales tax rates across jurisdictions within a state could have even greater effects on the location of purchases. One study found that a 10 percent increase in reliance on local sales taxes in a state led to a 2.4 percent increase in retail sales in non-central metropolitan areas. Furthermore, sales tax exemptions can affect consumers' decisions on what goods and services to purchase.[113] For example, in New York State, clothing and footwear costing less than $110 is exempt from the sales tax, which creates an incentive for consumers to purchase an item that costs slightly less than $110 rather than one that costs slightly more than $110.[114]

Expanding sales tax bases improves neutrality; a narrow tax base favors certain products or industries over others. Ideally, the sales tax would apply to all consumer transactions, so it does not bias consumer behavior.[115] Many sales tax bases favor services, which are largely untaxed, over goods, which are more likely to be taxed.

Selective sales and excise taxes are generally not neutral either, and can have a large impact on consumer and business behavior. Tourism taxes limit people's ability to stay at hotels or go to restaurants because they tax hotel rooms and meals at higher rates than other goods and services. Some selective and excise taxes are levied with the intended purpose of altering consumer behavior, including "sin" taxes, which have a stated purpose of reducing consumer's likeliness to indulge in certain behaviors or to ingest certain goods.

Administrative Efficiency. Administrative efficiency has two sides: 1) the burden imposed on the taxpayer – the time and effort that are needed to calculate and pay a tax and 2) the burden imposed on government – the bureaucratic effort that is needed to collect the tax, keep records, or audit filings.

Property taxes carry little administrative burden for taxpayers – they can be paid by the bank through escrow accounts or taxpayers can send their payments in twice a year for summer and winter taxes (either by delivering them or mailing them). They do create an administrative burden for local units of government who have to track property sales and values, as well as have staff to administer property tax bills and payments. These burdens are already being undertaken across the state as the property tax is levied at all levels across the state and compliance with the tax is high. A recent Research Council report highlighted the fact that money could be saved and administrative efficiency increased if more services, including property assessment and equalization and property tax administration, were handled at the county level rather than the most local level.[116]

The subtractions, deductions, exclusions, and credits built into the income tax system creates an administrative burden for taxpayers in the form of record keeping and tax calculation. Because those actions are already required for federal and state income tax filings, a local income tax only marginally increases the burden. It can create an administrative burden for local units of government by requiring them to develop new administrative capacities (e.g., collection and audit functions) to administer income taxes; this can be avoided or at least minimized if a local income tax is piggy-backed on the state income tax and administered by the state rather than the local unit of government. Of the 14 states that authorize some form of local-option income taxes, they are administered at the state level in five states.

Sales taxes do not create an administrative burden for purchasers because they are simply added to the transaction cost. Sales taxes do create an administrative burden for retailers who must collect and remit the tax, as well as for local units of government who are required to develop the administrative capacity to collect and track sales and taxes due. Purchases of goods and services where the sales taxes due are not collected by the seller (e.g., remote sales) can increase administrative burdens for local taxpayers who must figure out and remit their sales or use taxes due; however, for the most part, taxpayers are not aware of or held accountable for these taxes so they often go unpaid. These burdens can be eased on retailers and government officials if a local tax conforms to the state tax (e.g., has same structure and exemptions), which would contribute to the ease with which retailers can collect the tax and allow the tax to be administered by the state rather than the local governments. Of the 37 states that authorize local-option sales taxes, they are administered by the state for at least some local units in 36 states (Alaska does not administer any local sales taxes, but it also does not levy a state sales tax).

Sales tax exemptions contribute to the complexity of the sales tax; time and effort must be spent to differentiate between taxable and non-taxable items.[117] Administration is further complicated if a local government exempts different items than the state tax. Selective sales and excise taxes can increase the administrative burdens on retailers subject to them (have to differentiate which goods and services are subjected to the selective tax) and to the local units of government administering them.

Implementation Potential of Local Taxes

Implementation potential refers to the ability of a tax to be adopted and implemented by local units of government in Michigan. The property tax is already implemented across the state at the local level. The biggest implementation hurdle to the income and sales taxes is first legislative authorization (with the exception of city income taxes, which are already authorized in Michigan) and then local voter approval. Local officials would have to incur the cost of campaigns to win approval of the tax at the ballot and must also expend "political capital" in support of a local tax that may or may not be authorized. Constitutional restrictions on the state (and potentially a local) sales tax in Michigan may further complicate local-option sales tax implementation potential in Michigan.

It is important to understand the steps that need to be taken in order to authorize and levy new local-option taxes in Michigan. Before any new local tax can by levied by any local government, the following things must happen:

1) The state needs to pass a law authorizing local units in Michigan to levy any new local tax. The Michigan Constitution gives local governments the power to levy taxes subject to the limitations and prohibitions provided by the Constitution and state law. Multiple state laws limit

local units' ability to levy local taxes.[118] Local units that can levy local-option taxes, e.g. city income taxes, are authorized to do so explicitly in state law.[119]

2) In order for local units to levy a local-option sales tax, it may be necessary to pass a constitutional amendment, which would require a statewide vote of the people, to either explicitly allow for a local sales tax or at least a rate increase and some flexibility in the disposition of any additional sales tax revenue. The language in the current Constitution leads to confusion over whether the state can even authorize local units to levy a local-option sales tax and whether the local revenue from a local sales tax could be used to benefit the local government or if it would be earmarked for other purposes as the state sales tax revenue are.[120]

3) Once the state Constitution and state law allow for a local tax, then the legislative body of the local unit (e.g., city council or county commission) needs to pass a resolution or ordinance to levy the tax at whatever rate is desired by the local unit and allowed for in state law.

4) Finally, the local voters need to pass any new local-option tax before it can be levied by the local government. Article IX, Section 31 of the 1963 Michigan Constitution states: "Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. …"

Regional Taxes and Services

Once the necessary steps have been taken to authorize a new local-option tax, it is important to understand what level of local government is best suited to levy local-option taxes. While cities and townships are the primary provider of local government services in Michigan, they may be the level of government that is least well suited to impose various local-option taxes. With cities and townships levying local-option taxes, there would be 1,700-plus potential taxing jurisdictions, which could reduce the administrative efficiency of the taxes, as well as decrease their equity and neutrality and increase competition among local units within the state. If the state authorizes the most local level of government, cities/villages and townships, to levy more local-option taxes, it would introduce economic distortions by allowing individuals and businesses to adjust their tax burden fairly easily by changing the jurisdictions in which they live and do business.

Authorizing local-option taxes at the most local level could also intensify socioeconomic disparities across the local governments. The local units of government most affected by high property tax rates and reduced state revenue sharing are the low-income, property-poor governments that have the least ability to raise additional local revenue through new tax options. High-income, property-rich local units have the least need for additional sources of local revenue, but also the most untapped revenue-raising capacity.

Some of these concerns over economic distortions, socioeconomic disparities, and local competition can be addressed by authorizing the levy of local-option taxes at the regional level. Counties in Michigan are already governing at the regional level. Michigan's prosperity regions are voluntary associations of leaders from both inside and outside of government that work together to promote a region much larger than the county. Regions would still compete with each other for tax revenues, but it is more difficult for individuals and businesses to alter their behavior by leaving a region than it is if they simply have to move to the next closest unit of local government. Socioeconomic and income inequalities are also decreased at the regional level. Counties (or other regions) are made up of both high- and low-income local units and levying local-option taxes at the regional level promotes a form a tax-base sharing that benefits the state as a whole.

The biggest hindrance to authorizing increased local-option taxes at the regional level is that many services are still being provided at the city or township level. This would create a mismatch between those raising the revenue and those delivering most services. This mismatch could be addressed in a two ways:

1) A recent Research Council report recommends a reorganization of the local government service delivery model to allow counties to provide many more services as regional service delivery is best suited to today's economy and allows government to take advantage of modern methods of communication and transportation.[121] In conjunction with this, county, or regional, government is best suited to levy many of the local-source revenue options.

2) Another option would be to raise revenues at the county or regional level, but then create a system of distributing or sharing those revenues with all local units of government within the region.

It is also important to understand what kinds of taxes are best suited to what types of government (e.g., county/region or city/local) and what types of area (e.g., urban versus rural or big cities versus small cities) or part of the state (e.g., lakeshore, metro-Detroit, etc.). Local-option income taxes are best suited to cities and regions that are employment centers. Local-option sales taxes are best suited to big cities and regions that can draw people in to shop in them (and that are unlikely to lose purchases due to people choosing to shop elsewhere). Tourism and entertainment taxes are best suited to cities and regions that invite a lot of tourism either due to their urban nature (e.g., downtown Detroit or Grand Rapids) or large shopping centers or tourist destinations (e.g., Frankenmuth area) or proximity to nature beauty and activities (e.g., the lakeshore). However, the key linking all these taxes here is that for the most part, they are best suited to regional areas where multiple units of local government can benefit from the new local tax without facing direct competition from a neighbor that may choose not to levy the same tax

Moving forward, the discussion needs to continue on regional tax base sharing, regional services, and regional governance. The Great Recession, which followed Michigan's single state recession, brought home for Michigan the need to do local government differently.[o] Local governments cannot rely on state revenue sharing during fiscal downturns and need access to more local-option taxes; however, local governments also need to re-evaluate how services are provided and how things can be done more effectively and efficiently. Providing services and raising taxes at the regional level can address a lot of the concerns around local government service delivery and local-option taxes.

o While the rest of the nation suffered from a relatively minor recession from March to November 2001, this period served as the beginning of what was to become Michigan's Single State Recession which lasted for most of the next decade.

Conclusion

It is not clear how Michigan residents would embrace local-option taxes. The benefits of the state revenue sharing program and the property tax limitations are not immediately understood by the average taxpayer and the impact of its potential loss on individual cities and townships can be indistinct. Additionally, Michigan has little history with local-option taxes. Currently, local-option income taxes are available to Michigan cities, and only 23 cities levy this tax. Detroit and some counties levy a few additional local-option taxes, but the ability to levy these taxes is very limited in Michigan. Expanding local-source revenue options in Michigan would have to fit and work within the confines of tax limitations that have been passed over the last century, including requirements for the state to authorize any new local tax options in state law, limitations on the sales tax rate and use of revenues, and local voter approval requirements, among others. Some of these limitations and restrictions can be altered by the state government, but some require changing the state constitution, which would require a statewide vote of the people.

While expanding local-source revenue options requires the state to authorize local units to levy more taxes, it does not require local units to actually levy them. The expansion would simply provide more options for local officials and local voters to consider when choosing their menu of taxes and services. No new local tax could be implemented without local voter approval. Furthermore, restructuring the local government revenue system can be revenue neutral; the desire for additional local-option taxes does not require a tax increase, but simply the ability for local units to structure a tax system that can expand with the economy and allow for growth that can keep pace with inflation.

For many years, the response to revenue shortfalls at the city and local government level has been to reduce services, increase fees, and increase property taxes in Michigan and across the United States.[p] Moving forward after years of attempting to balance budgets these ways, the Citizens Research Council believes it is time for state and local officials to explore new local-option revenue sources in conjunction with evaluating how local government services are currently provided and how they can be provided more efficiently. Many local units of government have surpassed their ability to cut services or raise taxes or fees to address revenue shortfalls. It is time to give local units of government more tools to meet their revenue needs while requiring them to work together to provide services more regionally when possible.

[p] The National League of Cities 2017 City Fiscal Conditions survey found that, once again, the most common action to boost city revenues, regardless of broader economic trends, was to increase the fees charged for services either through increasing fee levels or increasing the number of fees applied to city services. In addition, it found that 27 percent of cities increased local property tax rates. Increases in sales, income, or other types of local tax rates were less common (McFarland, Christiana and Pagano, Michael A. National League of Cities. "City Fiscal Conditions," 2017).

Appendix A
Local-Option Income Taxes Across the States

State	Type of Tax	Type of Local Units Authorized to Levy	Which Local Units Levy	Tax Administered By	Tax Rates: Counties	Cities	Townships	Special Districts	School Districts	Notes
Alabama	Occupational License Tax	All counties and all cities	27 cities (16%), Macon County (1.5%)	Local units	1%	0.5-3%	--	--	--	
California	Payroll Tax on businesses	1 city	San Francisco	Local units	--	0.7%	--	--	--	Only applies to businesses with payroll above $300,000; tax to be phased out by 2019 and replaced with a gross receipts tax
Colorado	Occupational Privilege Tax	All cities	5 cities (6.8%)	Local units	--	Employee: $2-5.75 per month; Employers: $2-5 per month per employee	--	--	--	Only applies above certain compensation threshold (from $250-750 per month)
Delaware	Flat Earned Income and Net Business Profits taxes	1 city	Wilmington	Local unit	--	1.3%	--	--	--	
D.C.	Individual Income and Business taxes	D.C.	D.C.	Local unit	--	Flat monetary charges, plus 4-8.95% on any excess income above bracket minimum; corporate franchise tax is 9.2%	--	--	--	
Indiana	Withholding Tax	All counties	92 counties (100%)	State	0.35-3.38%	--	--	--	--	Nonresidents taxed at lower rates; may not be taxed in some units.
Iowa	Income Tax Surcharge on State Income Tax Owed	All school districts and all counties	297 school districts (82%); Appanoose County (1%)	State	Up to 1%	--	--	--	Up to 20%	County tax may only be used to fund emergency medical services; applies to residents only.
Kansas	Income Tax on Interests, Dividends, and Securities Transactions	All counties, all cities, and all townships	29 counties (28%); 101 cities (16%); and 382 townships (27%)	Local units	Up to 0.75%	Up to 2.25%	Up to 2.25%	--	--	
Kentucky	Occupational License Tax	All Counties, all cities, and all school districts	75 counties (63%); 143 cities (34%); and various school districts	Local units	Some level flat rate schedule; others 0.05-2.5%	Some level flat rate schedule; others 0.05-2.5%	--	--	Some level flat rate schedule; 0.05-2.5%	Some units tax nonresidents, others do not.
Maryland	Income Tax	All counties and 1 city	23 counties (100%); Baltimore	State	1.75-3.2%	3.2%	--	--	--	Nonresidents may be taxed at lower rates.
Michigan	Uniform City Income and Corporate Net Profits taxes	All cities	23 cities (8%)	Local units; Detroit - State	--	0.5-2.4%	--	--	--	Nonresidents taxed at half the rate of residents

Appendix A (continued)

					Tax Rates					
State	Type of Tax	Type of Local Units Authorized to Levy	Which Local Units Levy	Tax Administered By	Counties	Cities	Townships	Special Districts	School Districts	Notes
Missouri	Individual Earned Income and Net Profits of Businesses taxes	2 cities	Kansas City and St. Louis	Local units	--	1%	--	--	--	As of 2010, Missouri law prohibits local-option income taxes; two cities grandfathered in; cities must vote every five years to reinstate tax; if tax not reinstated, cannot be brought back later.
New Jersey	Payroll Tax imposed on employers	1 city and one special commission	Newark and The Waterfront Commission of New York Harbor	Local unit	--	1%	--	2% per employee	--	Businesses who have at least 50% of their employees reside in Newark are eligible for a tax cut if approved by the Dept. of Community Affairs
New York	Income Tax; Income Tax Surcharge; and Payroll Tax on employers	All cities and one special commission	New York City and Yonkers (3.2%); The Waterfront Commission of New York Harbor	State	--	NYC: 2.907-3.876%; Yonkers: 0.5-15% of net state tax liability	--	2% per employee	--	NYC: applies to residents only; Yonkers: nonresidents taxed at lower rates.
Ohio	Flat Earned Income Tax	All cities and all school districts	592 cities (64%); 184 school districts (30%)	Cities - local units; school districts - state	--	0.5-3%	--	--	0.25-2%	
Oregon	Business Income Tax for county; Payroll Tax for transit districts	All counties and all transit districts	Multnomah County (2.8%); 2 transit districts (18%)	State	1.45% of net business income	--	--	0.72-0.7437%	--	
Pennsylvania	Earned Income Tax	All cities and all school districts	2,492 cities (97%); 469 school districts (94%)	Regional districts	--	Up to 1%; home rule cities have no limit - max rate is 3.93%	--	--	Up to 1%	Administered by 69 regional tax collection districts; if city and school district both levy, max rate for both is 1%
Washington	Income Tax	None	Seattle	Local unit	--	2.25% on incomes over $250,000	--	--	--	Currently being challenged in court since it is not authorized by the state and may not be allowed by the state constitution.
West Virginia	Flat City Service Fee	All cities	6 cities (7.5%)	Local units	--	Fees range from $2-5 per week for residents; $2 per week for nonresidents	--	--	--	

Sources: Pinho, Rute. Office of Legislative Research, Connecticut General Assembly. "OLR Research Report 2013-R-0345: Local Option Taxes," October 23, 2013.

Various state websites and legal codes.

Appendix B
Local-Option Sales Taxes Across the States

State	Type of Local Units Authorized to Levy	Which Local Units Levy	Tax Administered By	Special Exemptions/Notes
Alabama	Municipalities and counties	67 counties (100%) and various municipalities	State; local units; or private vendors	
Alaska	Cities and boroughs	9 boroughs (47%); 98 cities (66%)	Local units	
Arizona	Municipalities, counties (except Maricopa), and special districts	13 counties (93%) and various cities	Counties - state; municipalities - state or local units	
Arkansas	Cities and counties	73 counties (97%); 318 cities (64%)	State	
California	Municipalities, counties, and special districts	138 municipalities (29%); 31 counties (53%)	State	Groceries
Colorado	Municipalities, counties, and certain special districts	50 counties (78%); 222 municipalities (82%)	Home-rule cities - local units; all others - state	
Florida	Counties	61 counties (91%)	State	Groceries
Georgia	1 city and special districts	Atlanta; 159 counties/ special districts (100%)	State	Special districts are mandated to be bound by county lines.
Hawaii	Counties	1 county (20%)	State	
Idaho	Resort cities (have population under 10,000 and derive major portion of economic well-being from tourism-related things)	13 resort cities (6.5%)	State or local units	Resort cities can tax everything in the state sales tax base, but they don't have to; some choose to limit local sales tax to lodging, alcohol, and restaurant food (those taxes would be selective sales taxes rather than general sales taxes).
Illinois	Municipalities, counties, and special districts	77 counties (75%); 327 municipalities (25%)	Home-rule cities - local units; all others - state	Home-rule cities are those with a population above 25,000; qualifying food, drugs, and medical appliances are exempt from most, but not all, local sales taxes.
Iowa	Counties	99 counties (100%)	State	Groceries; Enacted by referendum, which is countywide, but the tax is only levied in areas where it passes with at least 50% of the vote; results in every single county having at least one city or unincorporated area with the extra 1 percent sales tax, but also many counties with some areas that do and some areas that don't levy tax.
Kansas	Cities, counties, and special districts	92 counties (88%); 288 cities (46%); 130 special districts (90%)	State	
Louisiana	Cities, parishes, school districts, and certain special districts	56 parishes (88%) and various cities	State	Vary from county to county, as each county has the option to use state sales tax exemptions or not.
Minnesota	Municipalities and counties	31 municipalities (3.6%) and 35 counties (40%)	State	Groceries
Mississippi	Municipalities	2 municipalities (0.7%)	State	Restaurant sales, retail food sales, cable services, lodging, and any exemptions from the state sales tax (prescription drugs, gasoline, agricultural items).
Missouri	Cities, counties, and special districts	94 counties (82%); 669 cities (71%); 593 special districts (70%)	State	
Montana	--	--	--	Some resort communities levy selective sales taxes ("resort taxes") on goods and services sold by lodging and camping facilities, restaurant food, alcohol, recreational facilities, and establishments that sell luxury items.
Nebraska	Cities and counties	1 county (Dakota) (1.1%) and 227 cities (51%)	State	Groceries
Nevada	Counties and 1 city	Carson City and 11 counties (69%)	State	Groceries

Appendix B (continued)

State	Type of Local Units Authorized to Levy	Which Local Units Levy	Tax Administered By	Special Exemptions/Notes
New Mexico	Municipalities and counties	33 counties (100%) and 105 municipalities (100%)	State	Groceries
New York	Cities, counties, and the Metropolitan Commuter Transportation District	57 counties (92%) and 20 cities (32%)	State	Groceries
North Carolina	Counties	100 counties (100%)	State	
North Dakota	Cities and counties	7 counties (13%) and 135 cities (46%)	State	Groceries
Ohio	Counties and Regional Transit Authorities	88 counties (100%)	State	Groceries
Oklahoma	Municipalities, counties, and special districts	76 counties (99%) and 553 municipalities (99%)	State	
Pennsylvania	First-class cities (over 1 million residents) and second-class counties (800,000-1.5 million residents)	Allegheny County (1.5%) and Philadelphia	State	Groceries
South Carolina	Municipalities and counties	Myrtle Beach (0.4%) and 31 counties (67%)	State	
South Dakota	Municipalities	246 municipalities (79%)	State	Transportation of passengers is subject to a municipal tax only if the trip begins and ends in the same city; farm machinery and irrigation equipment used exclusively for agriculture and "amusement devices" exempted.
Tennessee	Municipalities and counties	95 counties (100%) and 28 municipalities (8%)	State	
Texas	Municipalities, counties, and special districts	125 counties and 1,150 cities (95%)	State	Groceries; cities and counties may levy sales tax up to 2% (transit counties up to 1%), but total tax rate may not exceed 8.25% (6.25% state plus 2% local).
Utah	Municipalities and counties	29 counties (100%) and 246 municipalities (100%)	State	
Vermont	Municipalities	13 municipalities	State	Groceries; restrictsion exist on which municipalities can levy tax.
Virginia	Cities, counties, and planning districts	All cities levy; some levy additional sales tax to support transportation	State	Sales of eligible food items are subject to reduced rate of 2.5%.
Washington	Cities, counties, and special districts	39 counties (100%); 277 cities (99%); 51 special districts (13%)	State	Groceries and prescription drugs
West Virginia	Municipalities and special districts	28 municipalities (35%)	State	Gas and special fuels exempted from the special district tax; 3 counties and 1 city levy a selective sales tax (economic opportunity district tax).
Wisconsin	Counties and special districts	65 counties (92%)	State	Groceries
Wyoming	Municipalities, counties, and resort districts	22 counties (96%) and 43 municipalities (43%)	State	Groceries

Sources:

Pinho, Rute. Office of Legislative Research, Connecticut General Assembly. "OLR Research Report 2013-R-0345: Local Option Taxes," October 23, 2013.

Afonso, Whitney. University of North Carolina, School of Government. "Local sales tax laws: State by state details (http://afonso.web.unc.edu/files/2017/05/local-sales-tax-laws-1.pdf, accessed 10/24/17).

Institute on Taxation and Economic Policy. State Policy: Sales, Gas, and Excise Taxes (https://itep.org/category/sales-taxes/, accessed 10/24/17).

Various state websites and legal codes.

Appendix C
State and Local Sales Tax Rates, 2017

State	State Tax Rate	Average Local Tax Rate	Combined Rate	Maximum Local Tax Rate
Alabama	4.00%	5.01%	9.01%	7.00%
Alaska	--	1.76%	1.76%	7.50%
Arizona	5.60%	2.65%	8.25%	5.30%
Arkansas	6.50%	2.80%	9.30%	5.125%
California	7.25%	1.00%	8.25%	2.50%
Colorado	2.90%	4.60%	7.50%	8.30%
Connecticut	6.35%	--	6.35%	--
D.C.	5.75%	--	5.75%	--
Delaware	--	--	--	--
Florida	6.00%	0.80%	6.80%	2.00%
Georgia	4.00%	3.00%	7.00%	4.00%
Hawaii	4.00%	0.35%	4.35%	0.50%
Idaho	6.00%	0.03%	6.03%	3.00%
Illinois	6.25%	2.39%	8.64%	4.75%
Indiana	7.00%	--	7.00%	--
Iowa	6.00%	0.80%	6.80%	1.00%
Kansas	6.50%	2.12%	8.62%	4.00%
Kentucky	6.00%	--	6.00%	--
Louisiana	5.00%	4.98%	9.98%	7.00%
Maine	5.50%	--	5.50%	--
Maryland	6.00%	--	6.00%	--
Massachusetts	6.25%	--	6.25%	--
Michigan	6.00%	--	6.00%	--
Minnesota	6.88%	0.42%	7.30%	1.50%
Mississippi	7.00%	0.07%	7.07%	1.00%
Missouri	4.225%	3.66%	7.89%	5.00%

State	State Tax Rate	Average Local Tax Rate	Combined Rate	Maximum Local Tax Rate
Montana	--	--	--	--
Nebraska	5.50%	1.39%	6.89%	2.00%
Nevada	6.85%	1.13%	7.98%	1.30%
New Hampshire	--	--	--	--
New Jersey	6.875%	-0.03%	6.85%	--
New Mexico	5.125%	2.43%	7.55%	3.5625%
New York	4.00%	4.49%	8.49%	4.875%
North Carolina	4.75%	2.15%	6.90%	2.75%
North Dakota	5.00%	1.78%	6.78%	3.50%
Ohio	5.75%	1.39%	7.14%	2.25%
Oklahoma	4.50%	4.36%	8.86%	6.50%
Oregon	--	--	--	--
Pennsylvania	6.00%	0.34%	6.34%	2.00%
Rhode Island	7.00%	--	7.00%	--
South Carolina	6.00%	1.22%	7.22%	2.50%
South Dakota	4.50%	1.89%	6.39%	4.50%
Tennessee	7.00%	2.46%	9.46%	2.75%
Texas	6.25%	1.94%	8.19%	2.00%
Utah	5.95%	0.81%	6.76%	2.15%
Vermont	6.00%	0.18%	6.18%	1.00%
Virginia	5.30%	0.33%	5.63%	0.70%
Washington	6.50%	2.42%	8.92%	3.40%
West Virginia	6.00%	0.29%	6.29%	1.00%
Wisconsin	5.00%	0.42%	5.42%	1.75%
Wyoming	4.00%	1.40%	5.40%	2.00%

Notes:

Average local tax rates are calculated by weighting city, county, and municipal rates in each state by population and averaging them.

Three states levy mandatory, statewide, local add-on sales taxes at the state level and those rates are included in the state rate: California (1.25%), Utah (1.25%), and Virginia (1.00%).

The sales taxes in Hawaii, New Mexico, and South Dakota have broad bases that include many services.

Montana does allow some local resort areas to levy sales taxes and they are not included due to data limitations.

Salem County in New Jersey is not subject to the statewide sales tax rate and collects a local rate of 3.4375% (this is why New Jersey's average local score is represented as a negative).

Source: Walczak, Jared and Drenkard, Scott. The Tax Foundation. "Fiscal Fact No. 539: State and Local Sales Tax Rates in 2017," Jan. 2017.

Appendix D
State and Local Sales Tax Rates in Cities with Populations above 200,000
(as of July 1, 2017)

City	State	State Tax Rate	Local Tax Rate	Total Tax Rate
Long Beach	California	7.250%	3.000%	10.250%
Chicago	Illinois	6.250%	4.000%	10.250%
Birmingham	Alabama	4.000%	6.000%	10.000%
Montgomery	Alabama	4.000%	6.000%	10.000%
Baton Rouge	Louisiana	5.000%	5.000%	10.000%
New Orleans	Louisiana	5.000%	5.000%	10.000%
Seattle	Washington	6.500%	3.100%	9.600%
Tacoma	Washington	6.500%	3.100%	9.600%
Fremont	California	7.250%	2.000%	9.250%
Los Angeles	California	7.250%	2.000%	9.250%
Oakland	California	7.250%	2.000%	9.250%
Memphis	Tennessee	7.000%	2.250%	9.250%
Nashville-Davison	Tennessee	7.000%	2.250%	9.250%
Glendale	Arizona	5.600%	3.600%	9.200%
Atlanta	Georgia	4.000%	4.900%	8.900%
New York	New York	4.000%	4.875%	8.875%
Yonkers	New York	4.000%	4.875%	8.875%
Glendale	California	7.250%	1.500%	8.750%
San Jose	California	7.250%	1.500%	8.750%
Stockton	California	7.250%	1.500%	8.750%
Buffalo	New York	4.000%	4.750%	8.750%
Spokane	Washington	6.500%	2.200%	8.700%
St. Louis	Missouri	4.225%	4.454%	8.679%
Phoenix	Arizona	5.600%	3.000%	8.600%
Tulsa	Oklahoma	4.500%	4.017%	8.517%
San Francisco	California	7.250%	1.250%	8.500%
Oklahoma City	Oklahoma	4.500%	3.875%	8.375%
Kansas City	Missouri	4.225%	4.125%	8.350%
Sacramento	California	7.250%	1.000%	8.250%
Colorado Springs	Colorado	2.900%	5.350%	8.250%
Aurora	Illinois	6.250%	2.000%	8.250%
Austin	Texas	6.250%	2.000%	8.250%
Corpus Christi	Texas	6.250%	2.000%	8.250%
Dallas	Texas	6.250%	2.000%	8.250%
El Paso	Texas	6.250%	2.000%	8.250%
Fort Worth	Texas	6.250%	2.000%	8.250%
Garland	Texas	6.250%	2.000%	8.250%
Houston	Texas	6.250%	2.000%	8.250%
Irving	Texas	6.250%	2.000%	8.250%
Laredo	Texas	6.250%	2.000%	8.250%
Lubbock	Texas	6.250%	2.000%	8.250%
Plano	Texas	6.250%	2.000%	8.250%
San Antonio	Texas	6.250%	2.000%	8.250%
Henderson	Nevada	6.850%	1.300%	8.150%
Las Vegas	Nevada	6.850%	1.300%	8.150%
North Las Vegas	Nevada	6.850%	1.300%	8.150%
Tucson	Arizona	5.600%	2.500%	8.100%
Mesa	Arizona	5.600%	2.450%	8.050%
San Bernardino	California	7.250%	0.750%	8.000%
Rochester	New York	4.000%	4.000%	8.000%
Cleveland	Ohio	5.750%	2.250%	8.000%
Philadelphia	Pennsylvania	6.000%	2.000%	8.000%
Arlington	Texas	6.250%	1.750%	8.000%
Fresno	California	7.250%	0.725%	7.975%
Scottsdale	Arizona	5.600%	2.350%	7.950%
Chandler	Arizona	5.600%	2.200%	7.800%
Gilbert	Arizona	5.600%	2.200%	7.800%
Minneapolis	Minnesota	6.875%	0.900%	7.775%
Anaheim	California	7.250%	0.500%	7.750%
Chula Vista	California	7.250%	0.500%	7.750%
Fontana	California	7.250%	0.500%	7.750%
Huntington Beach	California	7.250%	0.500%	7.750%
Irvine	California	7.250%	0.500%	7.750%
Moreno Valley	California	7.250%	0.500%	7.750%
Oxnard	California	7.250%	0.500%	7.750%
Riverside	California	7.250%	0.500%	7.750%
San Diego	California	7.250%	0.500%	7.750%
Santa Ana	California	7.250%	0.500%	7.750%
Reno	Nevada	6.850%	0.875%	7.725%
Denver	Colorado	2.900%	4.750%	7.650%
St. Paul	Minnesota	6.875%	0.750%	7.625%
Columbus	Ohio	5.750%	1.750%	7.500%
Wichita	Kansas	6.500%	1.000%	7.500%
Durham	North Carolina	4.750%	2.750%	7.500%
Modesto	California	7.250%	0.125%	7.375%
Albuquerque	New Mexico	5.125%	2.188%	7.313%
Bakersfield	California	7.250%	--	7.250%
Lincoln	Nebraska	5.500%	1.750%	7.250%
Charlotte	North Carolina	4.750%	2.500%	7.250%
Toledo	Ohio	5.750%	1.500%	7.250%
Hialeah	Florida	6.000%	1.000%	7.000%
Jacksonville	Florida	6.000%	1.000%	7.000%
Miami	Florida	6.000%	1.000%	7.000%
St. Petersburg	Florida	6.000%	1.000%	7.000%
Tampa	Florida	6.000%	1.000%	7.000%
Fort Wayne	Indiana	7.000%	--	7.000%
Indianapolis	Indiana	7.000%	--	7.000%
Omaha	Nebraska	5.500%	1.500%	7.000%
Fayetteville	North Carolina	4.750%	2.250%	7.000%
Cincinnato	Ohio	5.750%	1.250%	7.000%
Pittsburgh	Pennsylvania	6.000%	1.000%	7.000%
Jersey City	New Jersey	6.875%	--	6.875%
Newark	New Jersey	6.875%	--	6.875%
Greensboro	North Carolina	4.750%	2.000%	6.750%
Raleigh	North Carolina	4.750%	2.000%	6.750%
Winston-Salem	North Carolina	4.750%	2.000%	6.750%
Orlando	Florida	6.000%	0.500%	6.500%
Boston	Massachusetts	6.250%	--	6.250%
Boise City	Idaho	6.000%	--	6.000%
Des Moines	Iowa	6.000%	--	6.000%
Lexington-Fayette	Kentucky	6.000%	--	6.000%
Louisville	Kentucky	6.000%	--	6.000%
Baltimore	Maryland	6.000%	--	6.000%
Detroit	Michigan	6.000%	--	6.000%
Arlington	Virginia	5.300%	0.700%	6.000%
Chesapeake	Virginia	5.300%	0.700%	6.000%
Norfolk	Virginia	5.300%	0.700%	6.000%
Virginia Beach	Virginia	5.300%	0.700%	6.000%
Washington	D.C.	5.750%	--	5.750%
Milwaukee	Wisconsin	5.000%	0.600%	5.600%
Madison	Wisconsin	5.000%	0.500%	5.500%
Richmond	Virginia	5.300%	--	5.300%
Honolulu	Hawaii	4.000%	0.500%	4.500%
Anchorage	Alaska	--	--	--
Portland	Oregon	--	--	--

* If a city is located in more than one county, it's tax rate was figured based on the county it is mostly in.

Source: Walczak, Jared; Drenkard, Scott; and Roessler, Ray. The Tax Foundation. "Fiscal Fact No. 562: Sales Tax Rates in Major Cities," *Midyear 2017*, Oct. 2017.

Table and calculations from the Tax Foundation.

Appendix E
State Motor Fuel Tax Rates
(in cents, as of January 1, 2017)

State	Gasoline	Diesel Fuel	Gasohol	Notes
Alabama	18.000	19.000	18.000	Tax rates do not include local-option taxes of 1-3 cents
Alaska	8.950	8.950	8.950	
Arizona	19.000	27.000	19.000	
Arkansas	21.800	22.800	21.800	
California	32.800	33.000	32.800	Includes prepaid sales tax (gasolin subject to 2.25% sales tax and diesel subject to 9.25% sales tax)
Colorado	22.000	20.500	20.000	
Connecticut	25.000	41.700	25.000	Plus 8.1% petroleum tax (gas)
Delaware	23.000	22.000	23.000	Plus 0.9% gross receipts tax
Florida	30.925	31.800	30.925	Sales tax additional; tax rates do not include local-option taxes of 1-6 cents (gasoline and gasohol only)
Georgia	26.300	29.400	26.300	Local sales tax additional
Hawaii	16.000	16.000	16.000	Sales tax additional; tax rates do not include local-option taxes of 8.8-18 cents
Idaho	33.000	33.000	33.000	
Illinois	20.100	22.600	20.100	Sales tax additional; tax rates do not include local-option taxes of 5 cents in Chicago and 6 cents in Cook County (gasoline only); carriers pay an additional surcharge of 11.7-11.9 cents
Indiana	18.000	16.000	18.000	Sales tax additional; carriers pay an additional surcharge of 11 cents
Iowa	30.700	32.500	29.000	
Kansas	25.030	27.030	25.030	
Kentucky	26.000	23.000	26.000	Carriers pay an additional surcharge of 2-4.7%
Louisiana	20.125	20.125	20.125	
Maine	30.000	31.200	30.000	
Maryland	33.500	34.250	33.500	
Massachusetts	24.000	24.000	24.000	
Michigan	26.300	26.300	26.300	Sales tax additional
Minnesota	28.600	28.600	28.600	
Mississippi	18.400	18.400	18.400	
Missouri	17.300	17.300	17.300	
Montana	27.000	27.750	27.000	
Nebraska	28.200	27.600	28.200	
Nevada	24.805	27.750	24.805	Tax rates do not include local-option taxes of 4-9 cents
New Hampshire	23.825	23.825	23.825	
New Jersey	37.100	33.400	37.100	
New Mexico	18.875	22.875	18.875	
New York	24.200	22.450	24.200	Sales tax additional
North Carolina	34.550	34.550	34.550	
North Dakota	23.000	23.000	23.000	
Ohio	28.000	28.000	28.000	
Oklahoma	17.000	14.000	17.000	
Oregon	30.000	30.000	30.000	Tax rates do not include local-option taxes of 1-5 cents
Pennsylvania	58.200	74.700	58.200	
Rhode Island	34.000	34.000	34.000	
South Carolina	16.750	16.750	16.750	
South Dakota	30.000	30.000	28.600	
Tennessee	21.400	18.400	21.400	Tax rates do not include local-option taxes of 1 cent
Texas	20.000	20.000	20.000	
Utah	29.400	29.400	29.400	
Vermont	30.460	32.000	30.460	
Virginia	16.200	20.200	16.200	Tax rates do not include local-option tax at 2.1% for regional transportation districts
Washington	49.400	49.400	49.400	0.5% privilege tax
West Virginia	32.200	32.200	32.200	Sales tax added to excise tax
Wisconsin	32.900	32.900	32.900	
Wyoming	24.000	24.000	24.000	
D.C.	23.500	23.500	23.500	
Federal	18.400	24.400	13.100	

Source: Federation of Tax Administrators. "State Motor Fuel Tax Rates," February 2017. (https://www.taxadmin.org/assets/docs/Research/Rates/mf.pdf, accessed 11/16/17).

Appendix F
Local-Option Motor Fuel Taxes Across the States

				Local Tax Rates			
	Type of Tax	Type of Local Units Authorized to Levy	Which Local Units Levy	Municipality Rate	County Rate	Special District Rate	Tax Administered By
Alabama	Consumer excise gas tax	Counties and cities	27 counties (40%); 316 cities (59%); 254 police jurisdictions in cities (47%)	1 to 6 cents per gallon	1 to 5 cents per gallon	Usually half the city rate; can be more	State and local units
Florida	Consumer excise gas tax	Counties	67 counties (100%)	--	5 to 13.4 cents per gallon on gasoline; 7 cents per gallon on diesel	--	State
Hawaii	Consumer excise gas tax	Counties	5 counties (100%)	--	1.7 to 23 cents depending on type of motor fuel and local unit	--	State
Illinois	Consumer excise gas tax; supplier tax on natural gas	Excise tax: cities with population over 100,000 and 4 counties; supplier tax: municipalities	Excise tax: 4 counties (3.9%) and Chicago	Excise tax: 5 cents; supplier tax: 5% or less in cities with population under 500,000 and 8% or less in cities above 500,000	Excise tax: 6 cents in Cook County and 4 cents in other 3 counties	--	Excise tax: State; Supplier tax: local units
Mississippi	"Seawall" consumer excise gas tax	3 counties	3 counties (4%)	--	3 cents per gallon	--	State
Missouri	Consumer excise tax	Municipalities	3 cities (.003%)	1 cent per gallon of gasoline; 1 to 2 cents per gallon of diesel	--	--	Local
Montana	Consumer excise gas tax	Counties	None	--	n/a	--	Local
Nevada	Consumer excise gas taxes	Counties and 1 city	16 counties (100%) and Carson City	9 cents per gallon	4 to 55.9 cents per gallon depending on type of motor fuel and local unit	--	State
New York	Consumer excise gas tax	Counties	57 counties (92%)	--	Seneca Co: 8 cents per gallon; other counties: 3-4.75%	--	State
Oregon	Consumer excise gas tax	Cities	29 cities tax gasoline and 23 cities tax diesel	Portland: 10 cents per gallon; other cities: 1 to 3 cents per gallon	--	--	State and local units
Tennessee	Consumer excise gas tax	Counties	None	--	Up to 1 cent per gallon	--	--

Sources: Michael, Joel. Research Department of the Minnesota House of Representatives. "House Research Short Subjects: Survey of State and Local Gasoline Taxes," Updated September 2017.

American Petroleum Institute. "State Motor Fuel Taxes," Rates Effective 11/1/2017 (http://www.api.org/~/media/Files/Statistics/State-Motor-Fuel-Taxes-Report-November-2017.pdf, accessed 11/8/17).

State websites (departments of taxation and revenue) for local motor fuel tax rates in each state

Appendix G
Local-Option Vehicle License and Registration Taxes

State	Type of Tax	Notes
Alabama	County motor vehicle registration and title fees	
Alaska	Motor vehicle registration tax and motor vehicle property tax	Alaska municipalities and boroughs may choose to levy a motor vehicle personal property tax, a local registration tax, or no local tax on motor vehicles
Arizona	State motor vehicle license tax	State tax distributed 22.72% to state highway fund, 14.38% to county road funds, 13.72% to city/town road funds, 24.59% to county general funds, and 24.59% to city/town general funds
California	State vehicle license fee	State redistributes most of this revenue to cities and towns
Colorado	Regional transportation authority (RTA) motor vehicle registration fee	State law allows municipalities and counties to form a RTA with voter approval; RTA may collect revenue by levying a motor vehicle registration fee of up to $10
Connecticut	Municipal motor vehicle property tax	Registered vehicles subject to a local property tax by the city or town in which the vehicle is primarily garaged or parked
Georgia	State vehicle title fee	In 2013, began phasing out its county motor vehicle property tax and state motor vehicle sales tax and replacing both with a one-time title fee; state and municipalities split the fee; motor vehicles titled before 2013 still subject to the local property tax
Hawaii	County motor vehicle registration fees	
Idaho	County administrative and county highway district registration fees	
Illinois	Municipal motor vehicle tax and wheel tax; home-rule units motor vehicle registration tax, tire tax, and use tax	State law allows municipalities to tax motor vehicles owned by residents at rates set by the local governing body; home-rule units (any county or municipality with a population over 25,000 can become a home-rule unit) can tax motor vehicles registered in their jurisdictions
Indiana	State annual vehicle license tax; county motor vehicle excise surtax and county wheel tax	State license tax revenue is distributed to local civil taxing units and school corporations
Kansas	County motor vehicle tax	State law requires counties to levy tax, unless specifically exempt; minimum tax is $24
Kentucky	Annual state fee on trucks, tractors, and buses to replace state and local ad valorem property taxes	State imposes and collects the fee and redistributes revenue to counties and municipalities
Louisiana	Parish motor vehicle registration tax	A parish fee not to exceed $3 levied in certain parishes
Maine	Municipal motor vehicle excise tax	State determines rate of tax
Massachusetts	Local excise tax on motor vehicles	State determines rate of tax
Michigan	State vehicle registration fees	State tax distributed to state trunkline system, county road commissions, and cities and villages.
Minnesota	County wheel tax	$10 fee per registered motor vehicle per year
Mississippi	County and municipal ad valorem motor vehicle property tax	Local units set tax rate, but State Tax Commission sets a uniform statewide assessment rate
Montana	County motor vehicle tax	Counties can tax motor vehicles based on their value or with a flat fee; counties keep 50% of the tax revenue and distribute the rest to their respective municipalities based on a statutory formula
Nebraska	County motor vehicle registration fee and city and village wheel tax	Statewide motor vehicle tax is based on a vehicle manufacturer's list price and a depreciation schedule
Nevada	County supplemental government services tax	After holding referendum, counties can add 1% to the state car tax to finance limited access highway projects
New Hampshire	City and town registration fee	
New York	County motor vehicle use tax (levied by New York City too)	
North Carolina	Municipal motor vehicle license tax	
Ohio	Local motor vehicle license tax	Vehicle registration permissive tax is an optional tax that can be levied by counties, municipalities, and townships; there are eight $5 levies that can be enacted, but only fou can be in effect in any one time in a taxing district
Oregon	County motor vehicle registration fee	
Pennsylvania	County vehicle registration fee	$5 fee per registered vehicle levied in some counties
Rhode Island	Municipal vehicle excise tax	Cities and towns are authorized to administer and collect an excise tax on registered vehicles in lieu of property taxes

Appendix G (continued)

State	Type of Tax	Notes
South Dakota	County wheel tax	
Tennessee	County privilege tax on motor vehicles (wheel tax)	Tax rates range from $10 to $110
Texas	County motor vehicle license tax, county motor vehicle registration tax (with different revenue use requirements), and county motor vehicle property tax	
Utah	County vehicle registration fee	Counties may impose a statewide uniform fee based on vehicle's weight and age in lieu of property taxes on motor vehicles
Virginia	County and city motor vehicle license tax	No taxes may be assessed by any county on vehicles owned by residents of a municipality that levies the tax
Washington	Regional transportation authority (RTA) tax	Residents of three counties who live within the Sound Transit District are required the RTA tax upon purchase or renewal of a new or used vehicle; tax rate is 1.1% and is calculated based on a vehicle's suggested retail price and a depreciation schedule
West Virginia	County personal property tax on motor vehicles	
Wisconsin	County and municipal vehicle registration fee (wheel tax)	Can be levied by a town, village, city, or county
Wyoming	County motor vehicle registration fee	

Sources:

Rappa, John. Office of Legislative Research, Connecticut General Assembly. OLR Research Report 2013-R-170: "Statewide Motor Vehicle Property Taxes," February 27, 2013 Sources: Rappa, John. Office of Legislative Research, Connecticut General Assembly. "OLR Research Report 2013-R-170: Statewide Motor Vehicle Property Taxes," February 27, 2013 (https://www.cga.ct.gov/2013-R-0170.htm, accessed 12/6/17).

Pinho, Rute. Office of Legislative Research, Connecticut General Assembly. "OLR Research Report 2013-R-0355: Local Option Motor Vehicle Property Taxes," (https://www.cga.ct.gov/2013/rpt/pdf/2013-R-0355.pdf, accessed 2/8/18).

National Conference of State Legislatures. Vehicle Registration Fees, 2017 (http://www.ncsl.org/Portals/Documents/transportation/Motor_Vehicle_Registration_Fees_18014.pdf, accessed 12/6/17).

AAA Digest of Motor Laws website (http://drivinglaws.aaa.com/tag/title-and-registration-fees/, accessed 12/6/17).

Various state websites and legal codes.

Appendix H
State and Local Utility and Wireless Taxes

State	State Taxes	Local Taxes
Alabama	Cell service tax	
Alaska	State Universal Servivce Fund (USF) tax	Local sales tax on wireless services
Arizona	State transaction privilege tax	County transaction privilege and city telecommunications taxes
Arkansas	State sales tax and state high cost fund	Local sales tax on wireless services
California	State high cost funds and other fund taxes	Local utility user taxes (electricity, gas, water, sewer, telephone, sanitation, and cable TV)
Colorado	State sales tax and USF	Local sales tax on wireless services
Connecticut	State sales tax	
Delaware	Tax on intrastate telephone and telegraph commodities, public utility gross receipts tax, and tax on cable TV communications	
Florida	State communication services tax (in lieu of sales tax)	Local communications services tax
Georgia	State sales tax	Local sales tax on wireless services
Hawaii	Public service company tax	County public service company tax
Idaho	Telephone service assistance program	
Illinois	State telecom excise tax (in lieu of sales tax) and electricity excise tax	Simplified municipal utility tax
Indiana	State utility receipts tax, USF, and state sales tax	
Iowa	State sales tax and dual party relay service fee	Local sales tax on wireless services and excise taxes on electricity and natural gas
Kansas	State sales tax and USF	Local sales tax on wireless services
Kentucky	State communications gross receipts tax, state sales tax, and USF and other funds	School utility gross receipts tax
Louisiana	State sales tax and USF	
Maine	State service provider tax (in lieu of sales tax) and USF and other funds	
Maryland	State sales tax and USF	Local telecom excise tax
Massachusetts	State sales tax	
Michigan	State sales tax	
Minnesota	State sales tax and telecom access MN fund	Local sales tax on wireless services
Mississippi	State sales tax	
Missouri	State sales tax	Local business license tax and local sales tax
Montana	Telecom excise tax and TDD tax	
Nebraska	State sales tax and USF and other funds	City business and occupation tax and local sales tax on wireless services
Nevada	State deaf relay charge and USF	Local franchise/gross receipts tax
New Hampshire	Communication services tax	
New Jersey	State sales tax	
New Mexico	State gross receipts tax and USF and other funds	City and county gross receipts tax
New York	State excise tax on telecommunications services, gross receipts tax on the furnishing of utility services, and state sales tax	Local utility gross receipts tax, local sales tax on wireless services, school district utility sales tax, and MCTD authority sales tax and excise surcharge
North Carolina	State sales tax	
North Dakota	State gross receipts tax and state sales tax	Local sales tax
Ohio	State utility tax, sales tax and regulatory fee	Municipal income tax for electric light and local exchange telephone companies and sales tax on wireless services
Oklahoma	State sales tax and USF	Local sales tax on wireless services
Oregon	RSPF surcharge	Local utility tax
Pennsylvania	State gross receipts tax and state sales tax	Local sales tax on wireless services

Appendix H (continued)

State	State Taxes	Local Taxes
Rhode Island	State gross receipts tax and state sales tax	
South Carolina	State sales tax, dual party relay charge, and USF	Municipal license tax and local sales tax on wireless service
South Dakota	State gross receipts tax, state sales tax, and fees	Local sales tax on wireess services
Tennessee	State sales tax	Local sales tax on wireless services
Texas	State sales tax and USF	Local sales tax on wireless services
Utah	State sales tax, USF, and radio network charge	Local utility wireless tax and local sales tax on wireless
Vermont	State sales tax and USF	Local sales tax on wireless services
Virginia	State communications sales tax and electric utility consumption tax	
Washington	State sales tax	Local utility taxes (electricity, gas, water, sewer/stormwater, telephone, sanitation, cable TV, and steam) and local sales tax on wireless services
West Virginia	Business and occupation tax on utility companies	
Wisconsin	State sales tax, police and fire protection fee, and USF	Local sales tax on wireless services
Wyoming	State sales tax and USF and other funds	Local sales tax on wireless services

Sources: Mackey, Scott; Bishop-Henchman, Joseph; and Drenkard, Scott. The Tax Foundation. "Fiscal Fact No. 567: Wireless Taxes and Fees in 2017," November 2017. (https://taxfoundation.org/cell-phone-taxes-2017/, accessed 1/23/18).

State and local government websites.

Appendix I
State and Local Excise Taxes on Alcohol

	Beer			Wine			Liquor		
State	State Tax Rate (per gallon)	Local Tax Rate (per gallon)	Sales Tax Applied?	State Tax Rate (per gallon)	Local Tax Rate (per gallon)	Sales Tax Applied?	State Tax Rate (per gallon)	Local Tax Rate (per gallon)	Sales Tax Applied?
Alabama	$0.53	$0.52	Yes	$1.70-9.16	$0.26	Yes	*	--	Yes
Alaska	$1.07	--	--	$2.50	--	--	$2.50-12.80	--	--
Arizona	$0.16	--	Yes	$0.84-4.00	--	Yes	$3.00	--	Yes
Arkansas	$0.23	--	Yes, plus 3% off-premise and 10% on-premise tax	$0.25-0.75	--	Yes, plus $0.05/case; 3% off-premise and 10% on-premise tax	$0.50-2.50	--	Yes, plus $0.20/ case and 3% off -14% on-premise retail taxes
California	$0.20	--	Yes	$0.20-0.30	--	Yes	$3.30-6.60	--	Yes
Colorado	$0.08	--	Yes	$0.28	--	Yes	$2.28	--	Yes
Connecticut	$0.24	--	Yes	$0.72-1.80	--	Yes	$2.46-5.40	--	Yes
Delaware	$0.16	--	--	$0.97	--	--	$2.50-3.75	--	--
D.C.	--	$0.09	Yes, plus 9% off-premise and on-premise sales tax	--	$0.30-0.45	No, 9% off-premise and on-premise sales tax	--	$1.50	No, 9% off-premise and on-premise sales tax
Florida	$0.48	--	Yes	$2.25-3.50	--	Yes	$2.25-9.53	--	Yes
Georgia	$0.32-0.48	$0.39-0.53	Yes	$1.51-2.54	$0.83	Yes	$3.79	$0.83	Yes
Hawaii	$0.54-0.93	--	Yes	$0.85-2.12	--	Yes	$5.98	--	Yes
Idaho	$0.15-0.45	--	Yes	$0.45	--	Yes	*	--	Yes
Illinois	$0.23	$0.09 in Cook Co; $0.29 in Chicago	Yes	$1.39-8.55	$0.20-0.45 in Cook Co; $0.36-0.89 in Chicago	Yes	$1.39-8.55	$2.50 in Cook Co; $2.68 in Chicago	Yes
Indiana	$0.12	--	Yes	$0.47-2.68	--	Yes	$0.47-2.68	--	Yes
Iowa	$0.19	--	Yes	$0.19-1.75	--	Yes	*	--	Yes
Kansas	$0.18	--	No, 8% off-premise and 10% on-premise tax	$0.30-0.75	--	No, 8% off-premise and 11% on-premise tax	$2.50	--	No, 8% off-premise and 10% on-premise retail tax
Kentucky	$0.08	--	Yes, plus 10.5% whole-sale tax	$0.50	--	Yes, plus 10.5% whole-sale tax	$0.25-1.92	--	Yes, plus $0.05/ case and 11% wholesale tax
Louisiana	$0.40	$0.05	Yes	$0.76-2.08	--	Yes	$3.03	--	Yes
Maine	$0.35	--	Yes, plus 7% on-premise sales tax	$0.60-1.25	--	Yes, plus 7% on-prem-ise sales tax	*	--	Yes
Maryland	$0.09	--	No, 9% sales tax	$0.40	--	No, 9% sales tax	$1.50	--	Yes, plus 9% sales tax
Massachusetts	$0.11	--	No, 0.57% on private club sales	$0.55-0.70	--	No	$1.10-4.05	--	No, 0.57% on private club sales
Michigan	$0.20	--	Yes	$0.51-0.76	--	Yes	*	--	Yes
Minnesota	$0.08-0.15	--	No, 9% sales tax	$0.30-3.52	--	No, $0.01/ bottle and 9% sales tax	$5.03	--	No, $0.01/ bottle and 9% sales tax
Mississippi	$0.43	--	Yes	$0.35-1.00	--	Yes	*	--	Yes
Missouri	$0.06	--	Yes	$0.42	--	Yes	$2.00	--	Yes
Montana	$0.04-0.14	--	--	$1.02	--	--	*	--	--

Appendix I (continued)

	Beer			Wine			Liquor		
State	State Tax Rate (per gallon)	Local Tax Rate (per gallon)	Sales Tax Applied?	State Tax Rate (per gallon)	Local Tax Rate (per gallon)	Sales Tax Applied?	State Tax Rate (per gallon)	Local Tax Rate (per gallon)	Sales Tax Applied?
Nebraska	$0.31	--	Yes	$0.95-1.35	--	Yes	$3.75	--	Yes
Nevada	$0.16	--	Yes	$0.70-3.60	--	Yes	$0.70-3.60	--	Yes
New Hampshire	$0.30	--	--	$0.30	--	--	*	--	--
New Jersey	$0.12	--	Yes	$0.88	--	Yes	$5.50	--	Yes
New Mexico	$0.08-0.41	--	Yes	$1.70	--	Yes	$6.06	--	Yes
New York	$0.14	$0.12 in New York City	Yes	$0.30	--	Yes	$2.54-6.44	$1.00 in New York City	Yes
North Carolina	$0.62	--	Yes	$1.00-1.11	--	Yes	*	--	Yes - to on-premise sales only
North Dakota	$0.08-0.16	--	No, 7% sales tax	$0.50-0.60	--	No, 7% sales tax	$2.50	--	No, 7% sales tax
Ohio	$0.18	$0.16-0.24 in Cuyahoga Co.	Yes	$0.32-1.50	$0.32 in Cuyahoga Co.	Yes	*	$3.00 in Cuyahoga Co.	Yes
Oklahoma	$0.36-0.40	--	Yes, plus 13.5% on-premise tax	$0.72-2.08	--	Yes, plus 13.5% on-premise tax	$5.56	--	Yes, plus 13.5% on-premise tax
Oregon	$0.08	--	--	$0.67-0.77	--	--	*	--	--
Pennsylvania	$0.08	--	Yes	*	--	Yes	*	--	Yes
Rhode Island	$0.11	--	Yes, plus $0.04/case wholesale tax	$0.75-1.40	--	Yes	$5.40	--	Yes
South Carolina	$0.77	--	Yes	$0.90	--	Yes, plus $0.18/gallon additional tax	$2.72	--	Yes, plus $5.36/case and 9% surtax; 2% wholesale tax
South Dakota	$0.27	--	Yes	$0.93-2.07	--	Yes, plus 2% wholesale tax	$0.93-3.93	--	Yes, plus 2% wholesale tax
Tennessee	$1.29	--	Yes, plus excise barrelage tax and wholesale tax	$1.21	--	Yes, plus 15% on-premise tax	$1.10-4.40	--	Yes, plus 15% on-premise tax
Texas	$0.19-0.20	--	Yes, plus 14.95% on-premise tax and $0.05 per drink on airline sales	$0.20-0.52	--	Yes, plus 6.7% on-premise tax and $0.05 per drink on airline sales	$2.40	--	Yes, plus 6.7% on-premise tax and $0.05 per drink on airline sales
Utah	$0.41	--	Yes	*	--	Yes	*	--	Yes
Vermont	$0.27-0.55	--	Yes, plus 10% on-premise tax	$0.55	--	Yes, plus 10% on-premise tax	*	--	No, 10% on-premise sales tax
Virginia	$0.26	--	Yes	$0.26-1.51	--	Yes	*	--	Yes
Washington	$0.26	--	Yes	$0.87-1.72	--	Yes	$14.27	--	No, $9.24/gallon on-premise; 20.5% retail sales tax; 13.7% sales tax to on-premise
West Virginia	$0.18	--	Yes	$1.00	5%	Yes	*	--	Yes
Wisconsin	$0.03-0.06	--	Yes	$0.25-0.45	--	Yes	$3.25	--	Yes, plus $0.03/ gallon administrative fee
Wyoming	$0.02	--	Yes	*	--	Yes	*	--	Yes

* In these states, the government directly controls the sales of distilled spirits. Revenue in these states is generated from various taxes, fees, price mark-ups, and net liquor profits.

Sources: Brewers Association. "State Excise Tax Rates," 2017 (https://www.brewersassociation.org/government-affairs/laws/state-excise-tax-rates/, accessed 12/13/17). Federation of Tax Administrators. "State Alcohol Excise Tax Rates," January 2017 (http://www.taxadmin.org/current-tax-rates, accessed 12/13/17).

Appendix J
State and Local Cigarette Tax Rates

State	State Tax Rate	Local Taxation Allowed
Alabama	$0.68	Yes, but state law prohibits local units from levying new tobacco taxes after 2004; 54 counties and 343 cities have cigarette taxes (ranges from $0.01 to $0.25 per pack)
Alaska	$2.00	Yes, 6 boroughs and 4 cities have cigarette taxes (ranging from $0.32 to $3.00 per pack)
Arizona	$2.00	No
Arkansas	$1.15	No
California	$2.87	No, except for San Francisco, which levies a $0.60 per pack "litter tax"
Colorado	$0.84	Yes, but state law prohibits local units from sharing in state income tax revenue if they impose a tax on cigarettes
Connecticut	$3.90	No
Delaware	$1.60	No
D.C.		$2.50
Florida	$1.34	No
Georgia	$0.37	No
Hawaii	$3.20	No
Idaho	$0.57	No
Illinois	$1.98	No, except for home-rule local units that were levying tax in 1993 or earlier; local taxes levied in Cook County ($3.00), Chicago ($1.18), Cicero ($0.16), and Evanston ($0.50); city and county taxes both applied together; total rate in Chicago is $6.16
Indiana	$1.00	No
Iowa	$1.36	No
Kansas	$1.29	No
Kentucky	$0.60	No
Louisiana	$1.08	Yes, but tobacco revenue use restricted
Maine	$2.00	No
Maryland	$2.00	No
Massachusetts	$3.51	No
Michigan	$2.00	No
Minnesota	$3.04	No
Mississippi	$0.68	No, but local units can impose a privilege tax on businesses that sell tobacco products
Missouri	$0.17	No, except for local units that levied taxes in 1993; 2 counties and 128 cities have cigarette taxes
Montana	$1.70	No
Nebraska	$0.64	No
Nevada	$1.80	No
New Hampshire	$1.78	No
New Jersey	$2.70	No
New Mexico	$1.66	No
New York	$4.35	Yes, only for New York City at $1.50 per pack (cities with population over 1 million)
North Carolina	$0.45	No
North Dakota	$0.44	No
Ohio	$1.60	Yes, only for Cuyahoga County ($0.345 per pack)
Oklahoma	$1.03	No
Oregon	$1.32	No
Pennsylvania	$2.60	Yes, only for Philadelphia at $2.00 per pack (cities with population over 1 million)
Rhode Island	$3.75	No
South Carolina	$0.57	No
South Dakota	$1.53	No
Tennessee	$0.62	Yes, $0.01 per pack
Texas	$1.41	No
Utah	$1.70	No
Vermont	$3.08	No
Virginia	$0.30	Yes, 2 counties and 96 cities levy local cigarette taxes ranging from $0.04 to $1.15 per pack (highest combined rate is $1.45 in the City of Alexandria)
Washington	$3.03	No
West Virginia	$1.20	No
Wisconsin	$2.52	No
Wyoming	$0.60	No

Sources:

Tobacco Control Legal Consortium. "U.S. Tobacco Tax Authority: A 50 State Review," January 1, 2016 (http://www.publichealthlawcenter.org/topics/tobacco-control/taxation-and-product-pricing/taxation, accessed 12/14/17).

Scarboro, Morgan. The Tax Foundation. "How High Are Cigarette Taxes in Your State?," May 10, 2017 (https://taxfoundation.org/state-cigarette-taxes/, accessed 12/14/17).

Boonn, Ann. Campaign for Tobacco-Free Kids. "Top Combined State-Local Cigarette Tax Rates (State plus County plus City)," August 9, 2017.

Federation of Tax Administrators. "State Excise Tax Rates on Cigarettes," January 1, 2017 (https://www.taxadmin.org/assets/docs/Research/Rates/cigarette.pdf, accessed 12/14/17).

Appendix K
Marijuana Legalization and Taxation Across the States

State	Marijuana Laws	State Tax Rates on Recreational Marijuana	Local Tax Rates on Recreational Marijuana	State Tax on Medical Marijuana	Local Tax on Medical Marijuana
Alaska	Legalization passed in 2014; medical marijuana passed in 1998; decriminalized in 1975	$50 per ounce on flower, $15 for leaves; license and card fees between $50-5,000	Cities and boroughs can levy additional taxes; 5% sales tax in Anchorage and 8% in Juneau	No tax	No tax
Arizona	Medical marijuana passed in 2010	--	--	6.6%	2-3%
Arkansas	Medical marijuana passed in 2016	--	--	4%	No tax
California	Legalization passed in 2016; medical marijuana passed in 1996; decriminalized in 1976	15%; $9.25 per ounce of flowers, $2.75 for leaves	Share state taxes with local governments	No tax	No tax
Colorado	Legalization passed in 2012; medical marijuana passed in 2000; decriminalized in 1975	Retail: 10%; wholesale: 15%	3.5%	Sales tax	Sales tax
Connecticut	Medical marijuana passed in 2012	--	--	$3.50 per gram; sales tax	No tax
D.C.	Legalization passed in 2014; medical marijuana passed in 2011	Federal law prohibits tax	--	Sales tax	No tax
Delaware	Medical marijuana passed in 2011; decriminalized in 2015	--	--	No tax	No tax
Florida	Medical marijuana passed in 2016	--	--	No tax	No tax
Georgia	Medical marijuana passed in 2015	--	--	No tax	No tax
Hawaii	Medical marijuana passed in 2000	--	--	Sales tax	4.5% on island of Oahu
Illinois	Medical marijuana passed in 2013	--	--	8%	No tax
Maine*	Legalization passed in 2016; medical marijuana passed in 1999; decriminalized in 1976	10%; $1.30 per pound of processed cannibas	State taxes shared with local units	5.5% for retail sales; 8% for edible sales	No tax
Maryland	Medical marijuana passed in 2014; decriminalized in 2014	--	--	No tax	No tax
Massachusetts	Legalization passed in 2016; medical marijuana passed in 2013; decriminalized in 2009	10.75%	3%	No tax	No tax
Michigan	Medical marijuana passed in 2008	--	--	3%	State taxes shared with counties, sheriffs, and muncipalities
Minnesota	Medical marijuana passed in 2014; decriminalized in 1976	--	--	$3.50 per gram	No tax
Mississippi	Decriminalized in 1978	--	--	--	--
Missouri	Decriminalized in 2017	--	--	--	--
Montana	Medical marijuana passed in 2004	--	--	4%; 2% after June 2018	No tax
Nebraska	Decriminalized in 1979	--	--	--	--
Nevada	Legalization passed in 2016; medical marijuana passed in 2000; decriminalized in 2002	Retail: 10%; wholesale: 15%	State taxes shared with local units	2%	No tax
New Hampshire	Medical marijuana passed in 2013	--	--	No tax	No tax
New Jersey	Medical marijuana passed in 2010	--	--	Sales tax	No tax
New Mexico	Medical marijuana passed in 2007	--	--	No tax	No tax
New York	Medical marijuana passed in 2014; decriminalized in 1977	--	--	7%	State tax shared with counties
North Carolina	Decriminalized in 1977	--	--	--	--
North Dakota	Medical marijuana passed in 2016	--	--	No tax	No tax
Ohio	Medical marijuana passed in 2016; decriminalized in 1976	--	--	No tax	No tax
Oregon	Legalization passed in 2014; medical marijuana passed in 1998; decriminalized in 1973	17%	3%	No tax	No tax

Appendix K (continued)

State	Marijuana Laws	State Tax Rates on Recreational Marijuana	Local Tax Rates on Recreational Marijuana	State Tax on Medical Marijuana	Local Tax on Medical Marijuana
Pennsylvania	Medical marijuana passed in 2016	--	--	5%	State tax shared with local police departments
Rhode Island	Medical marijuana passed in 2006	--	--	4% surcharge on compassion centers; $25 per plant tag; retail sales tax	No tax
Texas	Medical marijuana passed in 2015	--	--	No tax	No tax
Vermont	Medical marijuana passed in 2007	--	--	No tax	No tax
Washington	Legalization passed in 2012; medical marijuana passed in 1998	*	30% of tax proceeds to local governments	37%	30% of tax proceeds to local governments

* Bill has been proposed in Maine to levy a 10% state sales tax and a 10% state excise tax on recreational marijuana (5% of taxes will go to local units).

Sources: Henchman, Joseph and Scarboro, Morgan. The Tax Foundation. "Special Report No. 231: Marijuana Legalization and Taxes: Lessons for Other State from Colorado and Washington," May 2016.

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Appendix L
Commercial Casinos and Casino Tax Rates and Collections Across the States

State	No. of Casinos	Casino Format	Year Legalized	2016 Tax Revenue (in millions)	State Tax Rate	Local Tax Rate
Colorado	35	Land-based	1990	$117.48	Graduated rate; max tax of 20%	State taxes shared with local units that house casinos
Delaware	3	Race track	1994	$156.78	29.4% tax on table game licenses and 4.5% purse supplement	
Florida	8	Race track	2006	$191.08	35% tax on slot machines	
Illinois	10	Riverboat	1990	$477.99	Graduated rate from 15-50%; $2-3 per patron admission tax	State taxes shared with local units that house casinos
Indiana	13	Land-based; riverboat; race track	1993	$597.36	Land-based and riverboat: graduated rate from 5-40% and $3 per patron admission tax; race track: 25-35%	County slot machine wagering fee of 3% of adjusted gross receipts (up to $8 million annually); state taxes shared with local units that house casinos
Iowa	19	Land-based; riverboat; race track	1989	$332.34	Graduated rate from 5-22%; race tracks: up to 24% of revenue over $100 million	Cities or counties may impose admission fee of no more than $50 cents per person; state taxes shared with local units that house casinos
Kansas	3	Land-based	2007	$91.08	22% state tax; 2% tax for gambling problem programs	3% local tax
Louisiana	20	Land-based; riverboat; race track	1991	$604.83	Riverboat: 21.5% and $3 admission fee; land-based: $60 million annual tax or 21.5%, whichever greater; race track: 18.5%	Riverboat: 4-6%; Race track: 4%
Maine	2	Land-based; race track	2004	$53.39	Race track: 39% on slots, 16% on tables; land-based: 46% on slots, 16% on tables	Additional taxes of 1-3% levied for administrative expenses and county/ city costs
Maryland	6	Land-based; race track	2008	$477.43	Video lottery terminal: 50-61%; table tax 20%	
Massachusetts	1	Race track	2011	$75.97	40%	
Michigan	3	Land-based	1996	$338.34	8.1% state tax	10.9% local tax (Detroit)
Mississippi	28	Land-based; riverboat	1990	$253.91	8% state tax	3.2% local tax
Missouri	13	Riverboat	1993	$443.56	21% tax plus $2 per patron admission fee	State taxes shared with local public safety programs
Nevada	273	Land-based	1931	$900.57	Graduated rate; max tax of 6.75%; potential state and local fees of 1%	Potential local fees of 1%
New Jersey	7	Land-based	1976	$240.22	8% tax, plus either 1.25% community/ econ dev investment tax or 2.5% state tax; iGaming: 17.5%; $3 fee imposed on daily basis for each occupied casino hotel room	
New Mexico	5	Race track	1997	$61.00	26% state tax plus 20% tax for racing purposes and 0.25% tax for problem gambling programs	
New York	9	Land-based; race track	2001	$919.73	31-41%	Locally administered admissions taxes on horse race meetings
Ohio	11	Land-based; race track	2009	$564.66	33%	State taxes shared with local units that house casinos
Oklahoma	2	Race track	2004	$20.83	Graduated rate from 10-30%; 9% tax to state racing commission	
Pennsylvania	12	Land-based; race track	2004	$1,387.83	Slots: 55% total tax (34% state gaming fund, 12% horse racing industry, 5% econ dev, 4% local governments); tables: 16% (14% state, 2% local)	Slots: 4% tax; Tables: 2% tax
Rhode Island	2	Land-based	1992	$320.93	Table gaming: 17%; video lottery: revenues taken are 68.85 to 74%	
South Dakota	25	Land-based	1989	$15.75	9% tax; gaming device tax of $2,000 per machine per year	State taxes shared with local units that house casinos
West Virginia	5	Land-based; race track	1994	$304.66	35%	

Appendix M
State and Local Tourism Taxes

State	State Taxes	Local Taxes
Alabama	State lodging tax; car rental tax	County and municipal lodging taxes; municipal car rental tax
Alaska	State car rental tax	City lodging tax and local car rental tax
Arizona	State transaction privilege tax	County excise taxes and local transient occupancy taxes; county rental surcharge and personal property rental tax
Arkansas	State gross receipts and tourism taxes	County excise taxes and local transient occupancy taxes; airport authority customer facility surcharge; city auto rental tax; local meals taxes
California		County and city transient occupancy taxes; tourism business district improvement assessments; customer facility surcharge at Fresno-Yosemite airport
Colorado	State car rental tax	County and municipal lodging taxes, local marketing district taxes, and short-term rental accommodations tax in Boulder; local meals taxes; local car rental tax
Connecticut	State room occupancy tax	
Delaware	State lodging tax	
D.C.		Sales tax on transient accommodations; meals tax; rental vehicle tax
Florida	State transient rental tax	Local discretionary sales surtax; county tourist development, professional sports franchise facility, convention development, and resort taxes; local meals taxes; airport authorities facility surcharge
Georgia	State lodging tax	Municipal car rental tax
Hawaii	State lodging tax	
Idaho	State travel convention tax	Auditorium district tax
Illinois	State hotel operators occupation tax; state automobile rental tax	County hotel accommodations and municipal hotel/motel taxes; vacation rental and share housing surcharge in Chicago; local meals taxes; county, municipal, and authority automobile rental occupation and use tax
Indiana	State auto rental excise tax	Local food and beverage tax and local innkeeper's tax; Marion County auto rental excise tax
Iowa	State hotel and motel tax and auto rental tax	Local hotel and motel taxes
Kansas	State auto rental tax	Local transient guest taxes
Kentucky	State transient room tax	Local auto rental tax and select cities meals taxes
Louisiana		Local hotel/motel tax; occupancy privilege and neighborhood housing improvement fees; local meals taxes in two taxing districts
Maine	State lodging tax, meals, and auto rental taxes	
Maryland	State auto rental tax	Local room rental and transient tax; resort areas meals taxes
Massachusetts	State lodging tax and state auto rental tax levied in Boston only (Convention Center Financing Surcharge)	Local meals taxes
Michigan		Local hotel/motel, restaurant meals, and vehicle rental taxes (selected)
Minnesota	State auto rental tax	Local meals taxes and local lodging taxes; short-term car rental tax in Minneapolis
Mississippi	State auto rental tax	Local tourism and economic development taxes
Missouri	State auto rental tax	Local meals taxes; Kansas City levies auto rental tax
Montana	State lodging tax and auto rental tax	
Nebraska	State lodging tax	Local meals taxes; motor vehicle tax on rental vehicles

(Appendix M continued on next page)

Sources for Appendix L:

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Appendix M (continued)

State	State Taxes	Local Taxes
Nevada	State auto renta tax	County and municipal transient lodging taxes; county car rental fee
New Hampshire	State meals and room rental tax and auto rental tax	
New Jersey	State lodging tax and auto rental tax	Local hotel and motel use and occupancy tax; city tax on car rentals out of airports (two cities can levy); meals tax in one county
New Mexico	State auto rental tax	County and municipal lodgers taxes; local hospitality fee
New York	State supplemental tax on the rental of passenger vehicles within the Metropolitan Commuter Transportation District and general state auto rental tax	County and local hotel occupancy taxes; daily per room hotel fee in New York City
North Carolina	State auto rental tax	County and city occupancy taxes; local meals taxes; local auto rental taxes
North Dakota		City lodging, restaurant, and motor vehicle rental taxes
Ohio		County bed and local transient occupancy taxes; vehicle lessor tax in Columbus and Central Ohio Transit Authority
Oklahoma	State auto rental tax	Local lodging and hotel taxes; rental car excise fee
Oregon	State transient lodging tax	County transient room and municipal transient lodging taxes; car rental tax in Oregon; select local units have meals taxes
Pennsylvania	State hotel occupancy tax and auto rental tax	County and local hotel room rental taxes; car rental tax in Philadelphia and Allegheny County
Rhode Island	State hotel tax and auto rental tax	Local hotel and meals taxes
South Carolina	State accommodations tax and auto rental surcharge	Local capital project, transportation, local hospitality, and local accommodations taxes (county and municipal); local meals taxes
South Dakota	State tourism tax	Municipal gross receipts tax
Tennessee	State auto rental tax	Short-term room occupancy tax; tourism improvement district assessment
Texas	State hotel occupancy tax and auto rental tax	Dallas and airport authority car rental tax
Utah	State auto rental tax	County, municipal, and tourism transient room taxes; local auto rental tax; county meals taxes
Vermont	State meals and room tax and auto rental tax	Local option meals and rooms taxes and restaurant, hotel, amusements, and admissions taxes
Virginia	State lodging tax and auto rental tax	County transient occupancy taxes and cities of Lexington and Buena Vista may impose additional transient occupancy taxes not to exceed 2%; county food and beverage tax; municipal transient room rentals, meals, and travel campground taxes; county and municipal additional rental tax
Washington	State auto rental tax	Local hotel/motel, convention and trade center, regional transit authority, and tourism promotion taxes; local meals tax in one county; county and RTA car rental tax
West Virginia		County and municipality hotel occupancy taxes, city meals tax
Wisconsin	State auto rental fee	County and local room taxes, resort area taxes, and baseball stadium taxes; local meals taxes in exposition districts and resort areas; special district exposition rental car tax and rental car sales taxes
Wyoming	State auto rental surcharge	County and city lodging taxes and resort district taxes

Sources: Pinho, Rute; Office of Legislative Research, Connecticut General Assembly. OLR Research Report 2013-R-0345: Local Option Taxes, October 23, 2013.

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Walczak, Jared. The Tax Foundation. "Punching the Meal Ticket: Local Option Meals Taxes in the States," January 26, 2017 (https://taxfoundation.org/punching-meal-ticket-local-option-meals-taxes-states/, accessed 2/8/18).

Various state websites.

Appendix N
Restaurant Meals Taxes in 50 Largest U.S. Cities

City	State	Sales Tax	Meals Tax	Combined Tax
Virginia Beach	VA	5.000%	5.500%	10.500%
Washington	DC	6.000%	4.000%	10.000%
Denver	CO	4.100%	4.000%	8.100%
Minneapolis	MN	7.775%	3.000%	10.775%
Omaha	NE	7.000%	2.500%	9.500%
Jacksonville	FL	7.000%	2.000%	9.000%
Indianapolis	IN	7.000%	2.000%	9.000%
Miami	FL	7.000%	2.000%	9.000%
Chicago	IL	9.500%	1.250%	10.750%
Kansas City	MO	7.850%	1.225%	9.075%
Charlotte	NC	8.000%	1.000%	9.000%
Raleigh	NC	6.750%	1.000%	7.750%
Boston	MA	6.250%	0.750%	7.000%
Seattle	WA	9.500%	0.500%	10.000%
Milwaukee	WI	5.600%	0.050%	5.650%
Phoenix	AZ	9.300%	--	9.300%
Wichita	KS	9.300%	--	9.300%
Memphis	TN	9.250%	--	9.250%
Nashville	TN	9.250%	--	9.250%
Tucson	AZ	9.100%	--	9.100%
Mesa	AZ	9.050%	--	9.050%
New York City	NY	8.875%	--	8.875%
Los Angeles	CA	8.750%	--	8.750%
San Jose	CA	8.750%	--	8.750%
Long Beach	CA	8.750%	--	8.750%
Oakland	CA	8.750%	--	8.750%
San Francisco	CA	8.500%	--	8.500%
Oklahoma City	OK	8.375%	--	8.375%
Houston	TX	8.250%	--	8.250%
San Antonio	TX	8.250%	--	8.250%
Dallas	TX	8.250%	--	8.250%
Austin	TX	8.250%	--	8.250%
Fort Worth	TX	8.250%	--	8.250%
El Paso	TX	8.250%	--	8.250%
Las Vegas	NV	8.100%	--	8.100%
Philadelphia	PA	8.000%	--	8.000%
Atlanta	GA	8.000%	--	8.000%
Arlington	TX	8.000%	--	8.000%
Fresno	CA	7.975%	--	7.975%
San Diego	CA	7.750%	--	7.750%
Sacramento	CA	7.750%	--	7.750%
Cleveland	OH	7.750%	--	7.750%
Tulsa	OK	7.500%	--	7.500%
Colorado Springs	CO	7.400%	--	7.400%
Albuquerque	NM	7.000%	--	7.000%
Columbus	OH	6.750%	--	6.750%
Louisville	KY	6.000%	--	6.000%
Detroit	MI	6.000%	--	6.000%
Baltimore	MD	6.000%	--	6.000%
Portland	OR	--	--	--

Source: Henchman, Joseph; Raut, Alex; and Duncan, Kevin. The Tax Foundation. "Fiscal Fact No. 293: Meals Taxes in Major U.S. Cities," March 2012.

Appendix O
Entertainment and Amusement Taxes in Other States

Outside of the Great Lakes states, Portland, Oregon applies a sliding-scale user fee to tickets sold to all events in publicly-owned sports, arts, and convention facilities.[a]

In Washington State, cities, towns, counties, and public facilities districts can levy a local admissions tax. If a city and county both levy the tax, then the county tax does not apply within the incorporated area of the city. The admissions tax levied by public facilities districts is limited to the regional centers which they operate; cities and counties are pre-empted from imposing an admissions tax on events at a regional center if the public facilities district levies the tax. The tax applies to season tickets or subscriptions; cover charges; charges for food and refreshment when free entertainment, recreation, or amusement is provided; charges for the rental or use of recreational facilities; and charges for vehicle parking if the charge is based on the number of passengers. In Seattle, nonprofit arts, cultural, scientific, and historical groups; historic theaters; museums; the zoo; the aquarium; and certain events sponsored by human service organizations are exempted from the tax.

The maximum rate authorized is five percent, with the exception of King County, which may levy a 10 percent tax on the admission charge for events at its football stadium and adjacent exhibition center. Even though the professional football and baseball stadiums are located within the City of Seattle, and it levies a five percent admissions tax, the tax on events at these stadiums is levied by King County rather than the City of Seattle. The taxes are administered by the local units of government.[b]

A local admissions and amusement tax is authorized to counties and municipalities in Maryland. It is a tax on the gross receipts from admissions; the use or rental of recreational or sports equipment; and the sale of merchandise, refreshments, or service at a night club or similar place where entertainment is provided. In addition, a state entertainment tax is applied to electronic bingo and electronic tip jars. The local admissions tax is collected by the state and remitted to local units. The tax is levied at varying rates by local units with a limit of 10 percent; if a purchase or event is also subject to the general retail sales tax, then the limit for the admissions tax is five percent.[c]

A review of county and city admissions taxes throughout the state reveals the complexity of Maryland's local admissions taxes. Throughout the state, different local units tax different types of events and services at different rates; different types of events within the same local unit can be taxed at different rates; and certain types of events are exempted in some, but not other, areas. For example, in Alleghany County, all activities subject to the admissions and amusement tax are taxed at a rate of 7.5 percent; however, seven different cities within the county apply the tax at rates from 4.5 to 10 percent. In Baltimore County, agricultural tourism activities are exempt, but all other activities are taxed at 10 percent. In the City of Baltimore, movies are taxed at a five percent rate and all other activities are taxed at a 10 percent rate. The Maryland Stadium Authority taxes admissions at a rate of eight percent. These are just a few examples of the many different admission tax rates and types in Maryland.[d]

West Virginia state code allows municipalities to levy an amusement or admission tax of one or two percent.[e] In the State of Virginia, some counties may levy an admissions tax of up to 10 percent. Furthermore, Virginia state law specifies that any city or town having general taxing powers established by charter may impose excise taxes on admissions (e.g., the City of Richmond levies a seven percent admissions tax; the cities of Alexandria and Hampton levy a 10 percent tax; and the City of Roanoke levies a nine percent admissions tax on events at the Berglund Center and a 5.5 percent tax on admissions to other venues and events).[f]

South Carolina levies a five percent admissions tax on nightclubs, lounges, or bars with cover charges; college and professional sporting events; amusement parks; golf courses; tennis or racquetball courts; miniature golf courses; skating rinks; bowling alleys; water slides; movie theaters; musical concerts; promotional events, such as boat or home shows; arts and crafts exhibits; and baseball batting cages.[g] Some counties across the state also levy local admissions and recreation taxes or fees.

The Nevada live entertainment tax is levied on admissions to live entertainment throughout the state at a rate of nine percent. It is administered by the Gaming Control Board for live entertainment events held within licensed gaming establishments and by the Department of Taxation for live entertainment held in other venues and live entertainment provided by escorts and escort services. Some forms of live entertainment (e.g., college and professional athletic events and NASCAR races) are exempt from the tax.[h]

a Dodson, Martha I. (edited by Moore, Rachel S.). Americans for the Arts: Amusement Taxes for the Arts (https://www.americansforthearts.org/sites/default/files/Amusement%20Taxes%20for%20the%20Arts_0.pdf, accessed 11/21/17).

b Revised Code of Washington (RCW) 35.21.280, 35.57.100, 36.38.010, and 36.100.210.

c Comptroller of Maryland. Spotlight on Maryland Taxes: Tax Information for Admissions and Amusement Tax (http://taxes.marylandtaxes.com/Business_Taxes/Business_Tax_Types/Admissions_and_Amusement_Tax/Tax_Information/, accessed 11/29/17).

d Admissions and Amusement Tax Rate Schedule, Effective September 1, 2015 (http://taxes.marylandtaxes.gov/Business_Taxes/Business_Tax_Types/Admissions_and_Amusement_Tax/Tax_Information/Tax_Rates/AA_Rate_chart.pdf, accessed 11/29/17).

e 2005 West Virginia Code, 8-13-6 Amusement tax (https://law.justia.com/codes/west-virginia/2005/08/wvc8-13-6.html, accessed 11/30/17).

f Virginia Code, Admissions tax in certain counties, Sections 58.1-3840 (https://vacode.org/58.1-3818/, accessed 11/30/17).

g South Carolina Department of Revenue. Publication #5: South Carolina Admissions Tax Guide, October 1998 (http://www.zillionforms.com/2008/P96909628.PDF, accessed 11/29/17).

h Nevada Administrative Code (NAC) Chapter 386A.

Appendix P
State and Local 9-1-1 and Phone-Related Taxes Across the States

State	State Emergency Service Tax	Local Emergency Service Tax	State Cell Phone and Telecommunications Tax	Local Cell Phone and Telecommunications Tax	State Sales Tax Applied to Wireless Bills	Local Sales Taxes Applied to Wireless Bills
Alabama	9-1-1 charge of $1.75 per month	--	State cell service tax of 6%	--	No	No
Alaska	--	9-1-1 tax of up to $2 per month	Universal Service Fund (USF) - 8.93%	--	--	Yes
Arizona	9-1-1 charge of $0.20 per month	--	--	City telecommunications taxes average 5.85%	Yes	Yes
Arkansas	9-1-1 wireless charge of $0.65 per month	--	Telecommunications relay service (TRS) - $0.04 per line per month; High Cost Fund - 3.77%	--	Yes	Yes
California	9-1-1 tax of 0.47%	--	Multiple service, commission, and fund fees	Local utility user excise tax averages 8%	No	No
Colorado	--	9-1-1 charge of up to $1.75 per month	USF - 1.64%	--	Yes	Yes
Connecticut	9-1-1 charge of $0.58 per line per month	--	--	--	Yes	--
Delaware	--	9-1-1 charge of $0.60 per month	Public utility gross receipts tax of 5%	--	--	--
D.C.	--	9-1-1 charge of $0.76 per month	--	Telecommunications privilege tax of 10%	--	No
Florida	9-1-1 charge of $0.40 per month	--	State communications services tax of 7.44%	Local communications services tax averages 6.36%	No	No
Georgia	--	9-1-1 wireless charge of $1 per line; 9-1-1 landline charge of $1.50 per line	--	--	Yes	Yes
Hawaii	9-1-1 wireless charge of $0.66 per month; 9-1-1 landline charge of $0.27 per month	--	Public service company tax of 4%; public utilities commission fee of 0.25% of intrastate charges	County tax of 1.89%	No	No
Idaho	--	9-1-1 charge of up to $1.25	Telephone service assistance program rate currently set at 0%	--	No	No
Illinois	9-1-1 wireless charge of $1.50 per month (except Chicago); 9-1-1 landline charge of $1.50 per month	9-1-1 wireless charge of $5 per month in Chicago	Telecom excise tax of 7%	Simplified municipal tax averages 5.5%	No	No
Indiana	9-1-1 charge of $1 per month	--	Utility receipts tax of 1.4%; USF - 0.52%; public utilities commission fee of 0.13%	--	Yes	--
Iowa	9-1-1 charge of $1 per month	--	Dual party relay service fee of $0.03 per month	--	Yes	Yes
Kansas	9-1-1 wireless charge of $0.60 per line per month; 9-1-1 landline charge of $0.53 per line per month	--	USF - 4.56%	--	Yes	Yes
Kentucky	9-1-1 wireless charge $0.70 per month	9-1-1 landline charge of up to $4.50 per month	USF - $0.14 per month; TRS - $0.04 per month; communications gross receipts tax of 1.3%	Schools can levy utility gross receipts tax (averages 1.5%)	Yes	--

Appendix P (continued)

State	State Emergency Service Tax	Local Emergency Service Tax	State Cell Phone and Telecommunications Tax	Local Cell Phone and Telecommunications Tax	State Sales Tax Applied to Wireless Bills	Local Sales Taxes Applied to Wireless Bills
Louisiana	--	9-1-1 charge up to $1.25 per month (wireless and landline); 9-1-1 charge on commercial landlines of up to $6 per month	USF - 3.11%	--	Yes	No
Maine	9-1-1 charge of $0.45 per month	--	USF - 1.32%; MTEAF - 0.44%	--	No	--
Maryland	9-1-1 charge of up to $0.25 per month	County 9-1-1 charge of $0.75 per month	USF - $0.05 per month	Telecom excise tax averages 4.82%	Yes	--
Massachusetts	9-1-1 charge of $1 per month	--	--	--	Yes	--
Michigan	9-1-1 charge of $0.19 per month	County 9-1-1 charge of up to $3 per month	Instrastate toll assessment of 0.98% of intrastate charges	--	Yes	--
Minnesota	9-1-1 charge of $0.95 per month	--	Telecom access Minnesota fund - $0.05 per month	--	Yes	Yes
Mississippi	9-1-1 wireless charge of $1 per month; 9-1-1 residential landline charge of $1.05 per month; 9-1-1 commercial landline charge of $2.05 per month	--	--	--	Yes	No
Missouri	--	County 9-1-1 landline tax of 2-15% of base rate (45 counties), 0.125-1% of sales tax (51 counties), unfunded in 19 counties	--	Local business license tax averages 6.5%	Yes	Yes
Montana	9-1-1 charge of $1 per line per month	--	Telecom excise tax of 3.75%; TDD tax of $0.10 per line per month	--	--	--
Nebraska	E9-1-1 wireless surcharge of $0.50 per month	9-1-1 wireless charge of up to $0.70 per month; 9-1-1 landline charge of up to $1 per month	USF - 4.37%; TRS - $0.02 per month	City business and occupation tax averages 6.13%	Yes	Yes
Nevada	--	9-1-1 charge of up to $0.50 per month	--	--	No	No
New Hampshire	9-1-1 charge of $0.75 per month	--	Communication services tax of 7%	--	--	--
New Jersey	9-1-1 charge of $0.90 per month	--	--	--	Yes	--
New Mexico	9-1-1 charge of $0.51 per month	--	TRS surcharge - 0.21%; USF - 3.16%	--	Yes	Yes
New York	9-1-1 wireless charge of $1.20 per month	9-1-1 wireless charge of $0.30 per month in NYC and most counties; 9-1-1 landline charge of up to $1 per month	Excise tax of 2.9%	0.72% surcharge in MCTD transit district counties; utility gross receipts tax averages 1.49%; school district utility sales tax averages 1.5%	Yes	Yes
North Carolina	9-1-1 charge of $0.60 per month	--	TRS charge of $0.10 per month	--	Yes	No
North Dakota	--	9-1-1 charge of up to $1.50 per month	Gross receipts tax of 2.5%; TRS - $0.04 per month (may be up to $0.11)	--	Yes	Yes
Ohio	9-1-1 charge of $0.25 per month	9-1-1 landline charge of up to $0.50 per month	Regulatory fee of $0.25 per month	--	Yes	Yes

Appendix P (continued)

State	State Emergency Service Tax	Local Emergency Service Tax	State Cell Phone and Telecommunications Tax	Local Cell Phone and Telecommunications Tax	State Sales Tax Applied to Wireless Bills	Local Sales Taxes Applied to Wireless Bills
Oklahoma	--	County 9-1-1 wireless charge of up to $0.75 per month; 9-1-1 landline charge of 3-15% of base rate	USF - 1.36%	--	Yes	Yes
Oregon	9-1-1 charge of $0.75 per month	--	RSPF surcharge - $0.07 per month	Local utility tax allowed (0% in some localities)	--	--
Pennsylvania	9-1-1 charge of $1.65 per month	--	Gross receipts tax of 5%	--	Yes	Yes
Rhode Island	9-1-1 charge of $1 per month; additional 9-1-1 wireless fee of $0.26 per month	--	Gross receipts tax of 5%	--	Yes	--
South Carolina	9-1-1 wireless charge of $0.62 per month	9-1-1 landline charge of up to $1 per month	USF - 1.16% (1.85% of intrastate charges); dual party relay charge - $0.06 per line per month	Municipal license tax averages 1%	Yes	Yes
South Dakota	9-1-1 charge of $1.25 per month	--	Gross receipts tax of 4%; TRS fee - $0.15 per month; PUC fee - 0.09% (0.15% of intrastate receipts)	--	Yes	Yes
Tennessee	9-1-1 charge of $1.16 per month	--	--	--	Yes	Yes
Texas	9-1-1 charge of $0.50 per month; 9-1-1 equalization surcharge of 1% of intrastate long distance charges per month	--	USF - 2.08%	--	Yes	Yes
Utah	9-1-1 charge of $0.80 per month	--	State radio network charge - $0.52 per month; USF - 1.04%	Utility wireless taxes up to 3.5%	Yes	Yes
Vermont	--	--	USF - 2%	--	Yes	Yes
Virginia	9-1-1 charge of $0.75 per month	--	Communications sales tax of 5%	--	No	No
Washington	9-1-1 charge of $0.25 per month	County 9-1-1 charge of $0.70 per month	--	Utility franchise tax averages 7.5%	Yes	Yes
West Virginia	9-1-1 wireless charge of $3 per month	County 9-1-1 landline charge of up to $6.40 per month	--	--	Yes	No
Wisconsin	Police and fire protection fee of $0.75 per month	9-1-1 landline fee of up to $0.43 per month	USF - 1.85%	--	Yes	Yes
Wyoming	--	9-1-1 charge of $0.75 per month	USF - 0.88%; TRS - up to $0.25 per month	--	Yes	Yes

Sources:

Mackey, Scott; Bishop-Henchman, Joseph; and Drenkard, Scott. The Tax Foundation. "Fiscal Fact No. 567: Wireless Taxes and Fees in 2017," November 8, 2017 (https://taxfoundation.org/cell-phone-taxes-2017/, accessed 12/19/17).

NENA The 9-1-1 Association. "9-1-1 Surcharge - User Fees by State," February 2017 (https://www.nena.org/?page=911RateByState, accessed 12/19/17).

Various state finance and tax websites

Appendix Q
State and Local Taxes Collected by Airbnb

State	State Taxes	Local Taxes
Alabama	4-5% lodging tax	1-6% county lodging tax; 2-12% municipality lodging tax
Orange Beach		5% city lodging tax
Alaska		
Anchorage		12% room tax
Arizona	5.5% transaction privilege tax	0.28-6.5% county excise tax; 1.5-6% local transient occupancy taxes
Arkansas	6.5% gross receipts tax; 2% tourism tax	0.5-3.5% local sales and use taxes
Bentonville		2% advertising promotions tax
Eureka Springs		3% advertising and promotion tax
Hot Springs		3% advertising promotions tax
California*		
Calaveras County		6% transient occupancy tax
Humboldt County		10% transient occupancy tax
Madera County		9% transient occupancy tax; 2% tourism business improvement district assessment
Marin County		10% transient occupancy tax
Nevada County		10% transient occupancy tax
San Luis Obispo County		9% transient occupancy tax; 1% tourism marketing district assessment; 2% business improvement district assessment
Santa Cruz County		11% transient occupancy tax
Siskiyou County		8% transient occupancy tax; 2% tourism business improvement district assessment
Sonoma County		12% transient occupancy tax
Tuolumne County		10% transient occupancy tax
Berkeley		12% transient occupancy tax
Coachella		9% transient occupancy tax
Davis		12% transient occupancy tax
Desert Hot Springs		12% transient occupancy tax
Indio		13% transient occupancy tax
Los Angeles		14% transient occupancy tax
Malibu		12% transient occupancy tax
Oakland		14% transient occupancy tax
Orinda		8.5% transient occupancy tax
Palm Desert		11% transient occupancy tax
Palo Alto		14% transient occupancy tax
Pittsburg		10% transient occupancy tax
Rancho Mirage		10% transient occupancy tax

State	State Taxes	Local Taxes
Richmond		10% transient occupancy tax
Sacramento		12% transient occupancy tax
San Diego		10.5% transient occupancy tax
San Francisco		14% transient occupancy tax
San Jose		10% transient occupancy tax
Santa Clara		9.5% transient occupancy tax
Santa Monica		14% transient occupancy tax
Sebastopol		10% transient occupancy tax
Union City		12.87% transient occupancy tax
Colorado	2.9% sales tax	0.9-2% county lodging tax; 1.4-4% local marketing district tax; 1-5% local sales taxes
Basalt		4% lodging tax
Boulder		7.5% short-term rental accommodations tax
Carbondale		3.5% sales tax; 2% lodging tax
Colorado Springs		3.12% sales tax; 2% lodging tax
Durango		3% sales tax; 2% lodging tax
Golden		3% sales tax
Loveland		3% sales tax; 3% lodging tax
Pagosa Springs		4.9% lodging tax
Steamboat Springs		4.5% sales tax; 1% public accommodations tax
Snowmass Village		3.5% sales tax; 2.4% lodging tax
Connecticut	15% room occupancy tax	
District of Columbia	14.5% sales tax on transient accommodations	
Florida	6% transient rental tax	0.5-1.5 discretionary sales surtax; 2-5% county tourist development taxes (collected by state)
Brevard County		5% tourist development tax
Broward County		5% tourist development tax
Hernando County		5% tourist development tax
Hillsborough County		5% tourist development tax
Indian River County		4% tourist development tax
Lee County		5% tourist development tax
Leon County		5% tourist development tax
Miami-Dade County		2% tourist development tax; 1% professional sports franchise facility tax; 3% convention development tax
Orange County		6% tourist development tax

Appendix Q (continued)

State	State Taxes	Local Taxes
Pinellas County		6% tourist development tax
Polk County		5% tourist development tax
Putnam County		4% tourist development tax
Santa Rosa County		5% tourist development tax
Sarasota County		5% tourist development tax
Taylor County		3% tourist development tax
Surfside		4% resort tax
Idaho	6% sales tax; 2% travel convention tax	5% Greater Boise auditorium district tax
Illinois	5.98-6.17% hotel operators occupation tax	5.73% other Chicago taxes administered by state
Cook County		1% hotel accommodations tax
Chicago		4.5% hotel accommodations tax; 4% vacation rental and shared housing surcharge
Oak Park		4% hotel/motel and transient occupancy rental unit tax
Rockford		5% hotel/motel tourism tax
Schaumburg		8% village hotel and motel tax
Iowa	5% hotel and motel tax	2-7% local hotel and motel taxes
Kansas	6.5% retail sales tax	1-7% local sales taxes; 2-9% local transient guest taxes
Leavenworth		8% transient guest tax
Kentucky	6% sales tax; 1% transient room tax	
Louisiana	5% sales and use tax	
New Orleans		4% hotel/motel sales tax; $0.50 per night hotel occupancy privilege tax; $1 per night neighborhood housing improvement fund fee
Maine	9% sales tax	
Maryland		
Montgomery County		7% room rental and transient tax
Michigan	6% use tax	
Mississippi	7% sales tax	local tourism and economic development taxes
Nevada		
Washoe County		13-13.5% transient lodging tax
Reno		13-13.5% transient lodging tax
Sparks		13-13.5% transient lodging tax
New Hampshire	9% meals and rooms rental tax	
New Jersey		
Jersey City		6% hotel and motel use and occupancy tax
New Mexico		
Taos County		5% lodgers tax
Albuquerque		5% lodgers tax; 1% hospitality fee

State	State Taxes	Local Taxes
Sante Fe		7% lodgers tax
Taos		5% lodgers tax
New York		
Cattaraugus County		5% hotel and motel tax
Cortland County		3% room occupancy tax
Delaware County		2% hotel occupancy tax
Dutchess County		4% hotel room occupancy tax
Essex County		3% room occupancy tax
Franklin County		5% room occupancy tax
Livingston County		3% guest room occupancy tax
Onondaga County		5% hotel room occupancy tax
Otsego County		4% hotel/motel and similar room occupancy tax
Rensselear County		3% room occupancy tax
Seneca County		3% hotel or motel occupancy tax
Schoharie County		4% occupancy tax
Schuyler County		4% hotel or motel room occupancy tax
St. Lawrence County		3% hotel or motel room occupancy tax
Sullivan County		5% hotel and motel room occupancy tax
Tompkins County		3% hotel room occupancy tax
Wyoming County		3% guest room occupancy tax
North Carolina	4.75 sales tax	2-2.75 local sales taxes; 1-8% city or county occupancy taxes
Ohio		
Cuyahoga County		5.5% bed tax
Cleveland		3% transient occupancy tax
Oklahoma	4.5 sales tax	1-5.5% sales and use taxes; 5% local lodging tax (state administered)
Oklahoma City		5.5% hotel tax
Oregon	1.8% transient lodging tax	
Klamath County		8% transient room tax
Lane County		8% transient room tax
Multnomah County		11.5% transient lodging tax (max level includes 5.5% county tax and up to 6% municipal tax in Portland)
Tillamook County		10% transient lodging tax
Washington County		9% transient room tax
Bay City		9% transient room lodging tax

Appendix Q (continued)

State	State Taxes	Local Taxes
Beaverton		4% lodging tax
Bend		10.4% room tax
Coos Bay		7% transient occupancy tax
Cottage Grove		9% transient room tax
Eugene		9.5% transient room tax
Florence		9% transient room tax
Garibaldi		1% transient lodging tax
Hillsboro		3% transient lodging tax
Lincoln City		9.5% transient room tax
Manzanita		1% transient lodging tax
Nehalem		1% transient lodging tax
Newport		9.5% transient room tax
Portland		6% transient lodging tax
Redmond		9% transient lodging tax
Rockaway Beach		1% transient lodging tax
Seaside		10% transient room tax
Springfield		9.5% transient room tax
Tigard		2.5% transient room tax
Tillamook		1% transient lodging tax
Wheeler		1% transient lodging tax
Pennsylvania	6% hotel occupancy tax	1% local sales taxes for Allegheny County and Philadelphia County
Allegheny County		7% hotel room rental tax
Butler County		5% hotel room rental tax
Lackawanna County		7% hotel room rental tax
Lehigh County		4% hotel room rental tax
Luzerne County		5% hotel room rental tax
Philadelphia		8.5% hotel room rental tax
Rhode Island	7% sales tax; 5% hotel tax	1% local hotel tax
South Carolina	5% sales and use tax; 2% state accommodations tax	0.5-8% in local taxes collected by state (may include capital project tax, transportation tax, local option tax, or tourism development tax)
South Dakota	4.5% sales tax; 1.5% tourism tax	1-2% municipal sales taxes; 1% municipal gross receipts tax
Tennessee		
Memphis		3.5% short-term room occupancy tax; $2 per bedroom per night tourism improvement district assessment
Texas	6% hotel occupancy tax	
Utah	4.7% sales tax	1.25-3.65% local sales taxes; 3-6.25% county, municipal, and tourism transient room taxes
Vermont	9% meals and rooms tax	
Brandon		1% local option meals and rooms tax
Brattleboro		1% local option meals and rooms tax
Burlington		2% restaurant, hotel, amusements, and admissions tax
Colchester		1% local option meals and rooms tax
Dover		1% local option meals and rooms tax
Killington		1% local option meals and rooms tax
Manchester		1% local option meals and rooms tax
Middlebury		1% local option meals and rooms tax
Montpelier		1% local option meals and rooms tax
Rutland Town		1% local option meals and rooms tax
St. Albans Town		1% local option meals and rooms tax
South Burlington		1% local option meals and rooms tax
Stowe		1% local option meals and rooms tax
Stratton		1% local option meals and rooms tax
Williston		1% local option meals and rooms tax
Wilmington		1% local option meals and rooms tax
Winhall		1% local option meals and rooms tax
Woodstock		1% local option meals and rooms tax
Washington	6.5% sales tax	0.5-3.1% local sales taxes; 1-5% local hotel/ motel taxes; additionally have local convention and trade center taxes, regional transit authority taxes, and tourism promotion area charges
Wisconsin	5% sales tax	0.5% county tax
Milwaukee County		2.5% basic room tax
Bayfield		0.5% resort area tax
Eagle River		0.5% resort area tax
Green Bay		10% room tax
Lake Delton		1.25% resort area tax
Madison		9% room tax
Milwaukee		7% room tax; 0.1% baseball stadium tax
Ozaukee		0.1% baseball stadium tax
Racine		0.1% baseball stadium tax
Rhinelander		0.5% resort area tax
Stockholm		0.5% resort area tax
Wisconsin Dells		1.25% resort area tax
Washington		0.1% baseball stadium tax
Waukesha		0.1% baseball stadium tax
Wyoming	4% sales tax	1-2% county sales taxes; 1-4% city and county lodging taxes
Grand Targhee		2% resort district tax
Teton Village		2% resort district tax

Data in table may not include all state and local taxes, just those collected by Airbnb.

* County occupancy taxes in California do not apply in incorporated cities

Source: Airbnb.com. "In what areas is occupancy tax collection and remittance by Airbnb available?" (https://www.airbnb.com/help/article/653/in-what-areas-is-occupancy-tax-collection-and-remittance-by-airbnb-available#Alabama, accessed 11/14/17).

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