

Exhibits to Accompany Briefing on Retail Sales Tax Structure for
Nebraska Tax Modernization Committee

By

John L. Mikesell
Chancellor's Professor
School of Public and Environmental Affairs
Indiana University
Bloomington, Indiana
mikesell@indiana.edu

Lincoln, Nebraska

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Exhibit 1. Retail Sales Tax Pyramiding: Typical v. Ideal (Static Analysis)

Sales to:	Sales by:			Sales Tax (5.5% statutory rate)	
	Computer Manufacturer	Appliance Manufacturer	Appliance Retailer	Typical*	Ideal**
Appliance manufacturer					
Computers used in production line	50,000			—	—
Computers used in administration	150,000			8,250	—
Appliance retailer					
Computers used in administration	10,000			550	—
Appliances		800,000		—	—
Household consumers			1,000,000	55,000	55,000
Total sales tax paid				63,800	55,000
Effective tax rate paid				6.38%	5.5%

*Typical: Exemption of business purchases of inventory and equipment used in direct production process

Exhibit 2. Illustration of Sales Tax Pyramiding: Dynamic Analysis of Sales Taxation in Supply Chain

(5.5% statutory rate) (NT: not taxed; T: taxed)

Appliance Manufacturer purchases inputs and builds product:

- a. Component parts (NT): \$100,000
- b. Production line equipment (NT): \$50,000
- c. Fixtures, fuels and electricity not used in production, etc. (T) : $\$30,000 + .055(\$30,000) = 30,000 + 1,650 = \$31,650$
- d. Labor, rent, interest (NT): \$50,000
- e. Profit (NT): \$5,000
- f. Sales by Manufacturer: \$236,650 (a+b+c+d+e)
- g. Sales tax paid by manufacturer: \$1,650

Distributor buys finished goods and sells to retailer:

- a. Inventory purchased from Manufacturer (NT): \$236,650
- b. Fixtures, fuels, electricity, computers (T) : $\$80,000 + .055 (80,000) = 80,000 + 4,400 = \$84,400$
- c. Labor, rent, interest(NT): \$125,000
- d. Profit (NT): \$26,000
- e. Sales by Distributor: \$472,050 (a+b+c+d)
- f. Sales tax paid by distributor: \$4,400

Retailer buys from distributor and sells to households:

- a. Inventory purchased from distributor (NT): \$472,050
- b. Fixtures, furnishings, fuels, electricity, cash registers, etc.: $\$325,000 + 0.055 (325,000) = 325,000 + 17,875 = \$342,875$
- c. Labor, rent, interest (NT): \$75,000
- d. Profit (NT): \$35,000
- e. Sales by Retailer to Household: $924,925 + 0.055(924,925) = 924,925 + 50,871 = \$ 975,796$
- f. Sales tax collected by retailer: \$50,871
- g. Sales tax paid by retailer: \$17,875

TOTAL SALES TAX RECEIVED BY STATE: $1,650 + 4,400 + 17,875 + 50,871 = \$74,796$

Rate on List Price: $74,796 / 924,925 = 8.09\%$

Rate on Product Value: $74,796 / 900,000 = 8.31\%$

Exhibit 3. Business Purchases Percentage of Total Sales Tax Revenue, 2003 – 2010

	2003	2004	2005	2006	2007	2008	2009	2010
ALABAMA	36.00%	31.14%	31.13%	31.22%	34.79%	31.34%	32.86%	33.48%
ARIZONA	47.00%	42.34%	41.27%	45.56%	40.57%	38.42%	47.83%	49.88%
ARKANSAS	32.50%	31.78%	30.05%	30.57%	34.31%	32.29%	32.14%	28.31%
CALIFORNIA	45.10%	42.74%	41.97%	50.81%	45.58%	47.94%	48.98%	44.92%
COLORADO	49.40%	50.41%	50.10%	49.99%	51.31%	49.43%	46.10%	48.05%
CONNECTICUT	49.50%	47.97%	48.96%	49.33%	49.50%	45.12%	45.59%	47.69%
FLORIDA	33.90%	33.90%	34.36%	35.04%	32.65%	33.26%	32.02%	34.41%
GEORGIA	43.50%	49.29%	49.58%	43.19%	43.50%	42.98%	44.86%	44.39%
HAWAII	32.20%	31.57%	32.76%	33.97%	31.28%	34.36%	32.50%	34.54%
IDAHO	28.10%	28.93%	26.58%	27.82%	31.31%	29.69%	24.87%	26.63%
ILLINOIS	41.80%	41.63%	41.86%	41.92%	42.56%	41.89%	41.65%	49.21%
INDIANA	32.50%	31.52%	31.99%	31.87%	31.35%	31.37%	32.23%	31.98%
IOWA	39.10%	39.31%	32.41%	30.81%	38.78%	32.91%	35.37%	36.51%
KANSAS	43.80%	44.31%	47.07%	42.42%	43.10%	42.49%	43.60%	48.25%
KENTUCKY	45.80%	44.40%	46.06%	47.13%	46.14%	45.20%	45.49%	46.53%
LOUISIANA	66.80%	60.04%	61.64%	63.66%	70.96%	59.09%	63.20%	68.43%
MAINE	37.10%	32.71%	32.09%	38.42%	37.92%	37.72%	39.51%	40.42%
MARYLAND	41.00%	44.33%	41.52%	41.40%	40.61%	40.01%	41.54%	39.96%
MASSACHUSETTS	40.10%	40.07%	38.55%	39.91%	39.26%	39.04%	38.66%	38.91%
MICHIGAN	32.10%	31.67%	29.72%	32.17%	32.57%	31.61%	35.56%	32.40%
MINNESOTA	43.80%	43.58%	42.16%	42.17%	44.00%	42.84%	42.34%	44.10%
MISSISSIPPI	37.50%	36.24%	38.63%	36.08%	38.03%	38.27%	36.35%	38.61%
MISSOURI	44.90%	43.03%	43.21%	44.60%	52.13%	47.47%	42.55%	45.77%
NEBRASKA	51.40%	51.13%	50.90%	54.61%	51.17%	47.99%	50.05%	56.25%
NEVADA	41.10%	40.52%	39.19%	42.16%	39.63%	38.54%	40.05%	42.26%
NEW JERSEY	39.20%	38.33%	38.16%	39.40%	38.33%	38.14%	39.08%	39.25%
NEW MEXICO	55.30%	51.14%	51.04%	44.54%	55.78%	43.38%	54.92%	55.05%
NEW YORK	50.30%	52.66%	51.18%	51.83%	54.57%	50.80%	51.31%	50.04%
NORTH CAROLINA	40.10%	37.42%	36.85%	36.85%	40.75%	38.75%	35.15%	37.72%
NORTH DAKOTA	43.20%	46.42%	41.76%	39.19%	35.05%	48.22%	42.51%	41.95%
OHIO	43.00%	39.97%	41.45%	43.47%	42.53%	39.90%	42.08%	43.73%
OKLAHOMA	51.80%	50.32%	51.20%	53.35%	58.74%	55.37%	51.44%	49.99%
PENNSYLVANIA	39.00%	38.94%	38.75%	39.51%	39.04%	39.17%	38.20%	38.31%
RHODE ISLAND	49.20%	49.71%	47.39%	46.82%	45.68%	47.23%	49.11%	50.10%
SOUTH CAROLINA	32.80%	31.66%	32.99%	33.51%	32.80%	31.50%	28.01%	31.74%
SOUTH DAKOTA	51.70%	50.81%	47.62%	54.71%	51.59%	49.84%	48.07%	48.80%
TENNESSEE	34.80%	34.85%	34.35%	34.12%	34.18%	35.25%	33.83%	34.87%
TEXAS	47.70%	52.26%	52.84%	52.82%	53.72%	50.97%	52.54%	51.01%
UTAH	34.40%	35.10%	36.67%	33.05%	35.15%	30.62%	34.18%	31.70%
VERMONT	39.50%	38.58%	31.72%	30.30%	29.42%	29.04%	30.34%	31.19%
VIRGINIA	34.90%	36.10%	34.59%	35.02%	36.20%	35.89%	36.41%	35.05%
WASHINGTON	57.50%	56.19%	55.42%	55.87%	55.80%	54.61%	57.55%	57.30%
WEST VIRGINIA	28.40%	29.37%	27.39%	26.65%	26.56%	27.03%	27.03%	25.94%
WISCONSIN	39.70%	38.66%	34.88%	40.96%	40.49%	35.03%	36.33%	40.12%
WYOMING	53.60%	49.54%	58.63%	49.80%	54.40%	41.11%	41.04%	51.74%
Mean	42.27%	41.61%	41.08%	41.52%	42.31%	40.51%	41.00%	42.17%
Median	41.10%	40.52%	41.27%	41.40%	40.57%	39.17%	41.04%	41.95%

SOURCE: Calculated from Phillips *et al.* (2011 and earlier); U. S. Bureau of Census, Governments Division (various years).

Exhibit 4. National Sales Tax Base Is Narrowing: C-Efficiency and Median Breadth, 1970 - 2011

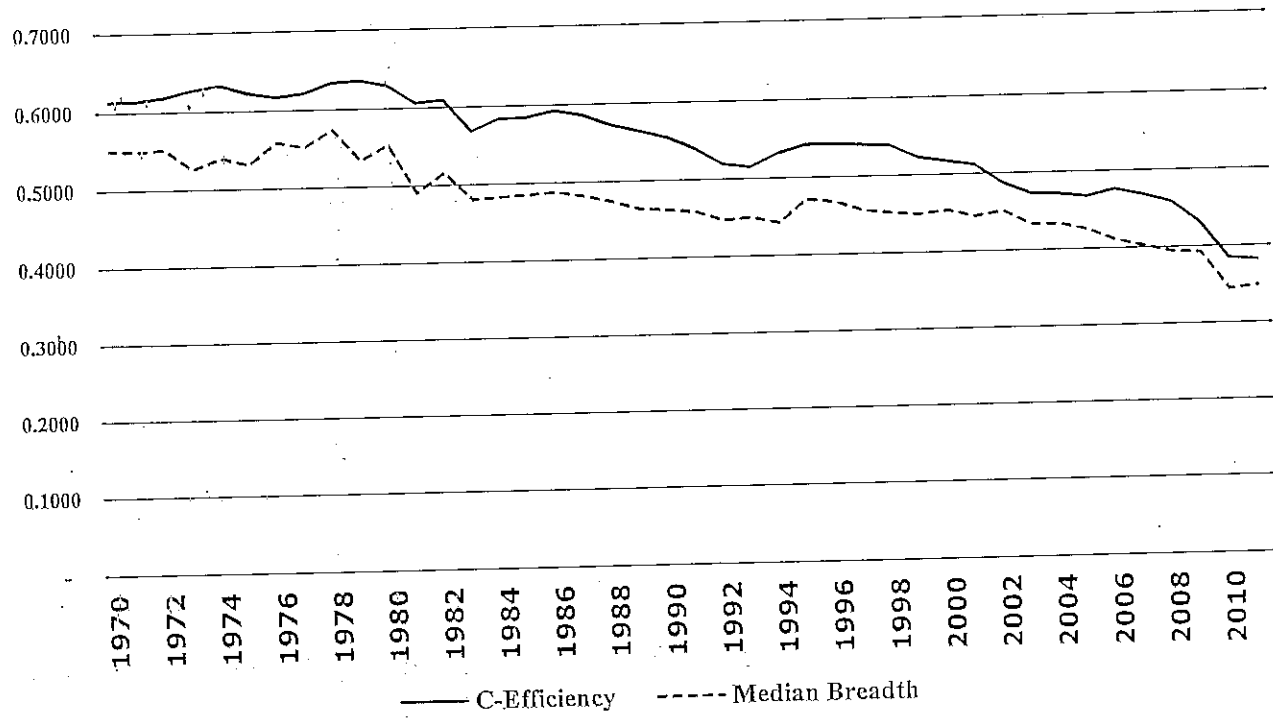
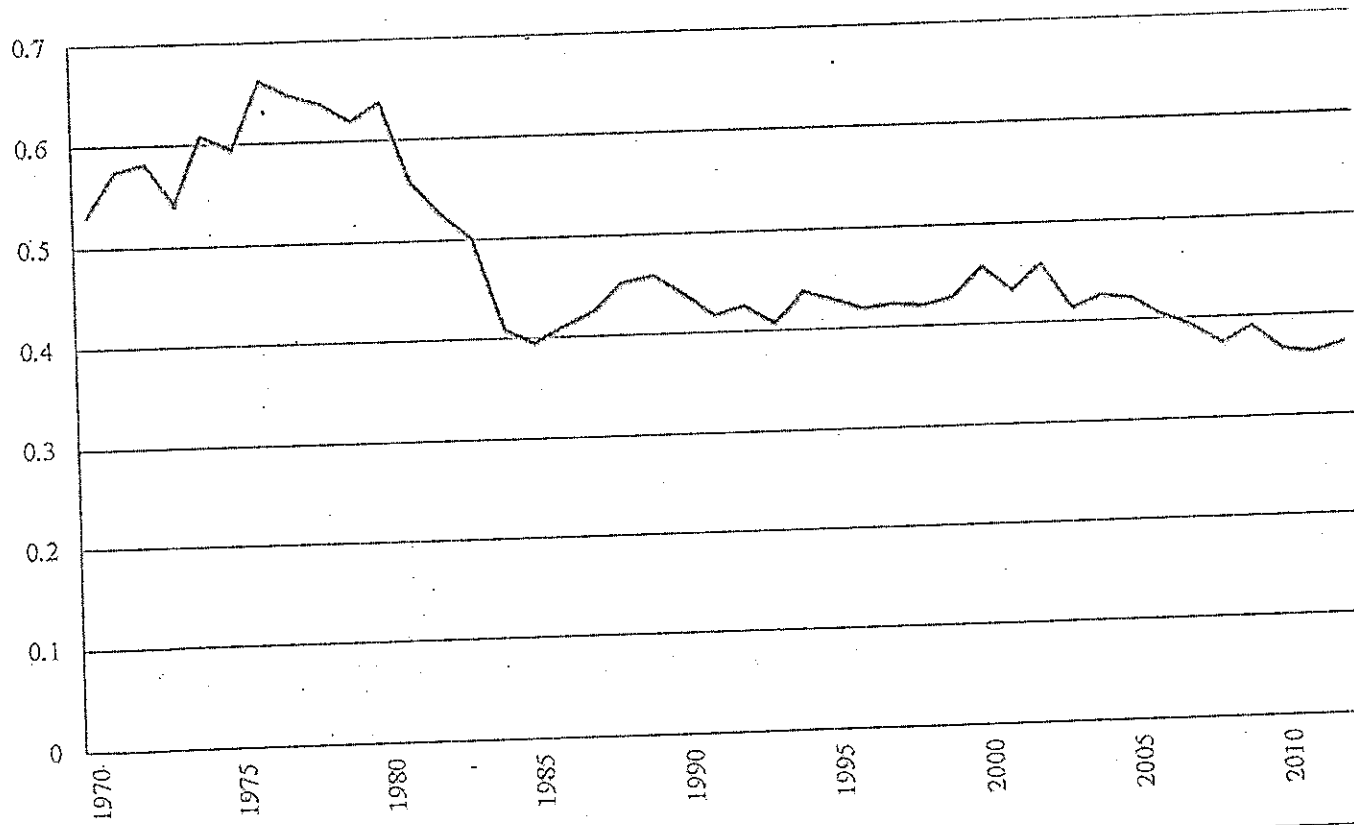
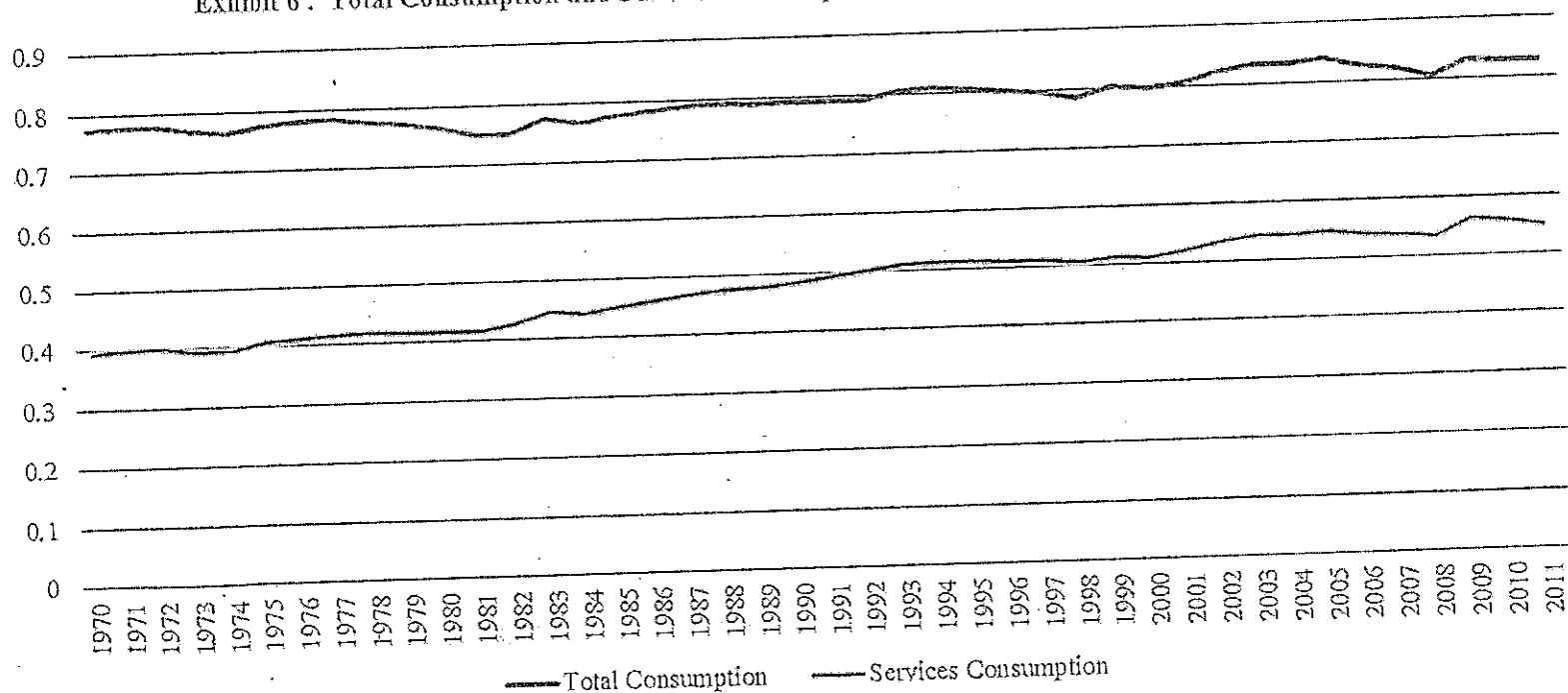


Exhibit 5. Nebraska's Disappearing Sales Tax Base (Base/Personal Income)



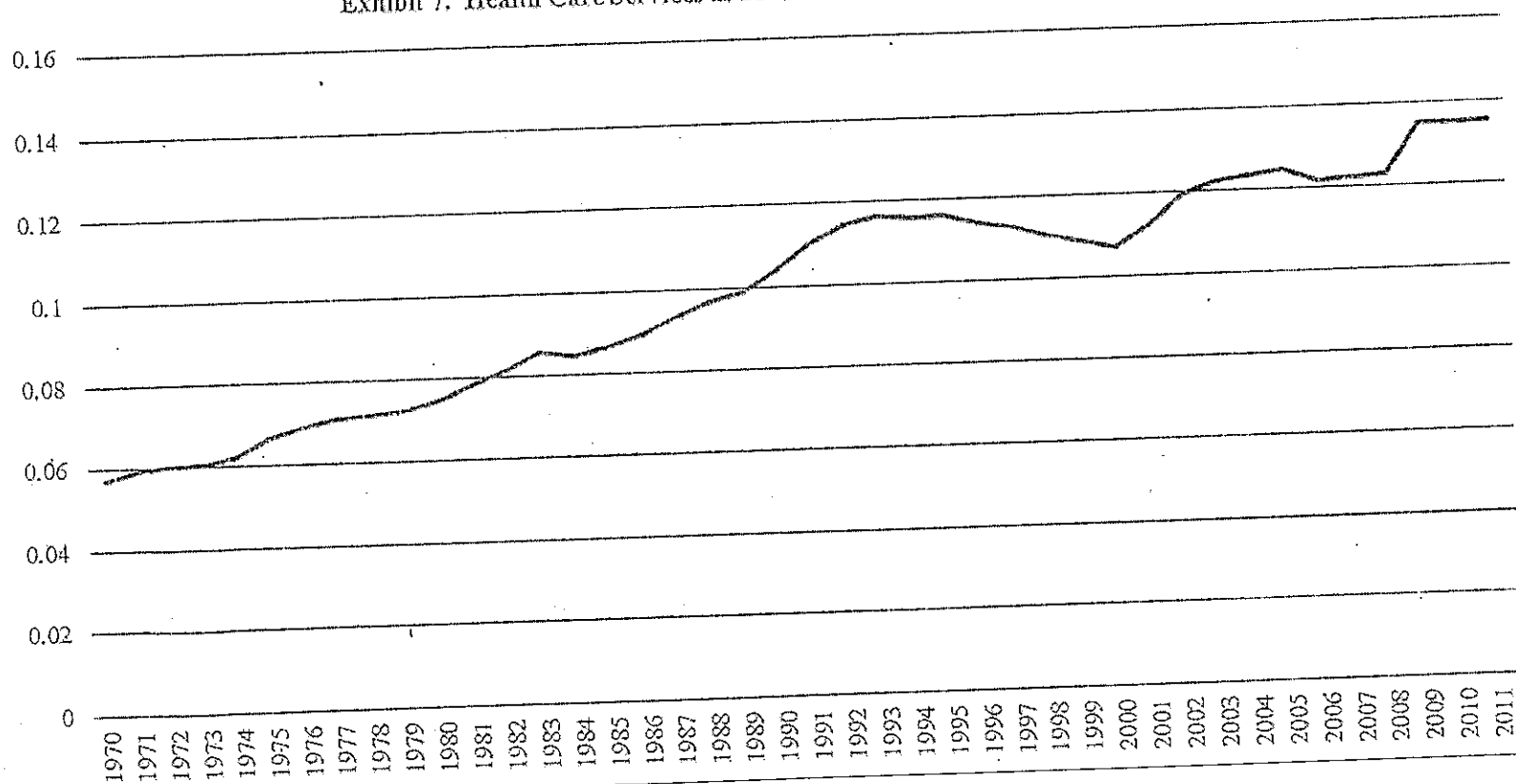
Consumption Share of Personal Income Relatively Stable, Services Share Has Increased Considerably

Exhibit 6. Total Consumption and Services Consumption as Share of Personal Income, 1970 - 2011



Health Care is significant factor in increase in services share

Exhibit 7. Health Care Services as Share of Personal Income, 1970 - 2011



But Share from Other Services Has Increased As Well

Exhibit 8. Adjusted Services Share of Personal Income, 1970 - 2011

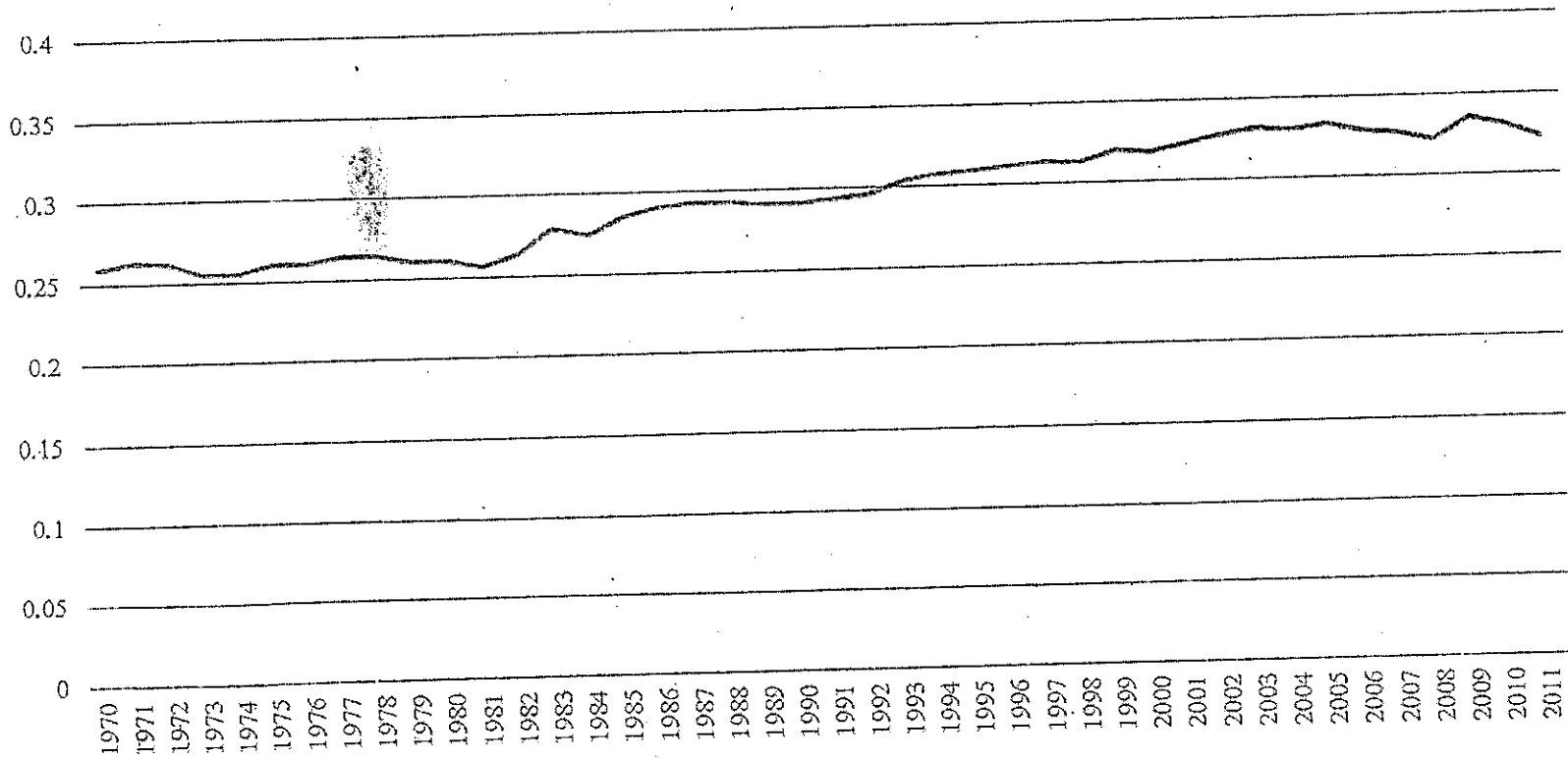


Exhibit 9 Statutory State Sales Tax Rates (January 1)

Year	Number of States Levying Rate (With Fractions)						3%	2% Mean	Nebraska
	8%	7%	6%	5%	4%				
1970			1	5	15	19	5	3.528	2
1975			2	5	20	16	2	3.806	2.5
1980		1	2	6	18	17	1	3.925	2
1985		1	6	14	15	9		4.558	3.5
1990	1		10	15	15	4		4.865	4
1995		2	15	13	13	2		5.156	5
2000		2	14	14	13	2		5.156	5
2005		3	18	11	12		1	5.351	5.5
2010		6	18	9	11		1	5.538	5.5
2013		5	21	6	12		1	5.548	5.5

Note: This table does not include local option sales taxes in any state.

State	Total Tax Revenue (\$K)	Adjusted Retail Sales Tax Revenue (\$K)	Adjusted Retail Sales Tax per Capita	Adjusted Retail Sales Tax per Capita per 1% Tax Rate	Rank	Adjusted Retail Sales Tax Revenue to State Personal Income	Rank	Adjusted Retail Sales Tax Revenue Share of Tax Revenue	Rank	Breadth (Base / Personal Income)	Rank	Statutory Rate	Reliance
Alabama	9,052,880	2,425,079	502.92	125.73	36	0.0141	40	0.2679	33	0.3529	26	0.04	0.2679
Arizona	12,973,265	5,886,586	898.27	136.10	25	0.0250	12	0.4537	7	0.3783	19	0.066	0.4537
Arkansas	8,287,744	2,809,416	952.63	158.77	14	0.0274	8	0.3390	18	0.4573	7	0.06	0.3390
California	112,372,263	28,536,238	750.14	120.02	40	0.0167	31	0.2539	36	0.2668	38	0.0625	0.2539
Colorado	10,250,628	2,302,333	443.82	153.04	16	0.0098	45	0.2246	40	0.3391	27	0.029	0.2246
Connecticut	15,419,556	3,758,881	1046.94	164.87	10	0.0178	27	0.2438	38	0.2799	35	0.0635	0.2438
Florida	32,997,012	19,403,788	1004.46	167.41	8	0.0249	13	0.5880	1	0.4150	11	0.06	0.5880
Georgia	16,576,903	5,303,524	534.63	133.66	27	0.0145	38	0.3199	20	0.3625	24	0.04	0.3199
Hawaii	5,516,146	2,576,325	1850.39	462.60	1	0.0420	1	0.4671	6	1.0508	1	0.04	0.4671
Idaho	3,374,304	1,224,656	767.46	127.91	34	0.0227	18	0.3629	17	0.3790	18	0.06	0.3629
Illinois	36,437,803	8,034,466	624.02	99.84	45	0.0139	41	0.2205	43	0.2228	45	0.0625	0.2205
Indiana	15,704,680	6,621,954	1012.94	144.71	20	0.0274	7	0.4217	10	0.3921	14	0.07	0.4217
Iowa	7,832,388	2,423,160	788.23	131.37	31	0.0187	24	0.3094	24	0.3119	33	0.06	0.3094
Kansas	7,418,341	2,825,880	979.20	155.43	15	0.0234	15	0.3809	14	0.3715	21	0.063	0.3809
Kentucky	10,472,861	3,469,088	791.95	131.99	29	0.0226	19	0.3312	19	0.3767	20	0.06	0.3312
Louisiana	8,994,053	2,815,919	611.90	152.98	17	0.0155	35	0.3131	23	0.3881	15	0.04	0.3131
Maine	3,777,130	1,064,342	800.74	160.15	13	0.0203	22	0.2818	28	0.4056	12	0.05	0.2818
Maryland	17,064,468	4,708,934	800.22	133.37	28	0.0154	37	0.2759	30	0.2566	41	0.06	0.2759
Massachusetts	22,805,644	5,262,812	791.86	126.70	35	0.0145	39	0.2308	39	0.2317	44	0.0625	0.2308
Michigan	23,968,760	9,565,702	967.86	161.31	11	0.0258	11	0.3991	12	0.4302	9	0.06	0.3991
Minnesota	20,560,540	5,500,693	1022.60	148.74	18	0.0221	20	0.2675	34	0.3218	31	0.06875	0.2675
Mississippi	6,953,362	3,072,243	1029.25	147.04	19	0.0311	5	0.4418	8	0.4446	8	0.07	0.4418
Missouri	10,800,741	3,103,410	515.35	121.98	38	0.0132	42	0.2873	27	0.3124	32	0.04225	0.2873
Nebraska	4,358,328	1,634,755	881.02	160.19	12	0.0204	21	0.3751	15	0.3713	22	0.055	0.3751
Nevada	6,775,112	3,433,958	1244.67	181.70	6	0.0333	4	0.5068	5	0.4863	6	0.0685	0.5068
New Jersey	27,456,175	8,099,549	913.70	130.53	32	0.0170	29	0.2950	26	0.2434	43	0.07	0.2950
New Mexico	5,083,335	2,105,235	1009.44	196.96	5	0.0288	6	0.4137	11	0.5615	5	0.05125	0.4137
New York	71,545,745	11,156,779	570.09	142.52	22	0.0109	43	0.1559	44	0.2736	37	0.04	0.1559
North Carolina	22,713,357	5,573,658	571.54	120.32	39	0.0154	36	0.2454	37	0.3248	30	0.0475	0.2454
North Dakota	5,620,036	1,255,580	1794.64	358.93	3	0.0346	3	0.2234	41	0.6917	3	0.05	0.2234
Ohio	25,924,024	8,272,728	716.61	130.29	33	0.0182	25	0.3191	22	0.3316	29	0.055	0.3191
Oklahoma	8,826,132	2,415,964	633.31	140.74	23	0.0162	33	0.2737	31	0.3608	25	0.045	0.2737
Pennsylvania	32,949,917	9,166,842	718.21	119.70	41	0.0165	32	0.2782	29	0.2744	36	0.06	0.2782
Rhode Island	2,805,287	839,414	799.22	114.17	42	0.0178	28	0.2992	25	0.2538	42	0.07	0.2992
South Carolina	8,036,482	2,945,056	623.46	103.91	44	0.0182	26	0.3665	16	0.3032	34	0.06	0.3665
South Dakota	1,521,477	838,240	1005.86	251.47	4	0.0230	16	0.5509	3	0.5760	4	0.04	0.5509
Tennessee	11,982,345	6,512,362	1008.69	144.10	21	0.0268	9	0.5435	4	0.3825	16	0.07	0.5435
Texas	48,596,548	28,060,140	1076.78	172.29	7	0.0260	10	0.5774	2	0.4154	10	0.0625	0.5774
Utah	5,809,953	1,857,035	650.38	138.38	24	0.0188	23	0.3196	21	0.3999	13	0.047	0.3196
Vermont	2,757,370	423,985	677.28	112.88	43	0.0158	34	0.1538	45	0.2625	39	0.06	0.1538
Virginia	18,137,586	4,042,944	493.89	123.47	37	0.0105	44	0.2229	42	0.2623	40	0.04	0.2229
Washington	17,624,715	7,483,384	1085.02	166.93	9	0.0239	14	0.4246	9	0.3676	23	0.065	0.4246
West Virginia	5,355,809	1,463,621	788.84	131.47	30	0.0229	17	0.2733	32	0.3813	17	0.06	0.2733
Wisconsin	14,747,971	3,871,581	676.09	135.22	26	0.0167	30	0.2625	35	0.3336	28	0.05	0.2625
Wyoming	2,550,991	994,167	1724.75	431.19	2	0.0354	2	0.3897	13	0.8859	2	0.04	0.3897
Mean			870.03	161.62		0.0210		0.3367		0.3387			0.3367
Median			799.22	140.74		0.0188		0.3131		0.3676			0.3131

SOURCE: U. S. Bureau of Census, Governments Division, *State Tax Collections in 2012* [www.census.gov] with adjustments and corrections; U. S. Bureau of Economic Analysis; and U. S. Bureau of Census.

