

Sales and Excise Tax

William F. Fox and Matthew Murray, "Economic Aspects of Taxing Services," *National Tax Journal*, March 1988, pp. 19-36.

John F. Due and John L. Mikesell, "Local Government Sales Taxation," Chapter 11, pp. 277-318 in *Sales Taxation: State and Local Structure and Administration*, 1994, Urban Institute Press.

David Brunori, "Sales and Use Taxes", *State Tax Policy: A Political Perspective*, P67-88 (Ch5)

Chernick Howard and Olesya Tkacheva (2001) The Commuter Tax and the Fiscal Cost of Commuters in New York City. Rockefeller Institute.

The authors look at the fiscal cost of commuters to New York City and suggest that the city should reimpose a tax on commuters. The elimination of the commuter tax unfairly worsened the fiscal condition of the city and made regional tax systems more regressive, the authors write.

Penelope Lemov, "The Untaxables," *Governing*, July 2002, pp. 36-37.

This article examines the difficulty in collecting taxes from internet transactions, and the ramifications for municipalities and states that rely on sales tax as one of their major revenue streams.

Robert Tannewald, "Are State and Local Revenue Systems Becoming Obsolete?" *New England Economic Review*, 2001, Issue 4, 27-43.

In recent months, we public finance types have become used to nearly universal reports of sharply declining state revenues. Although cyclical factors are mostly responsible, many tax analysts believe that long-term economic and technological developments are also partially to blame and will continue to constrain state and local revenue growth well into the foreseeable future. As a result of these developments, state and local revenue systems are becoming increasingly "out of sync" with the economy's changing structure. The economic stocks and flows that they are designed to "meter" comprise a shrinking fraction of the nation's wealth and economic activity. According to some, these factors are so pervasive and persistent that they threaten to make current state and local tax systems obsolete.

This paper discusses the impact on state and local revenues of four such factors: 1) the shift in the nation's mix of production and consumption from goods to services, 2) the growing importance of intangible assets in generating output, 3) the proliferation of electronic commerce, and 4) the intensification of interjurisdictional competition. While I provide evidence that all four factors threaten the revenue productivity of state and local taxes, I have no good solutions to offer. Numerous plans to modernize state and local revenues systems have been suggested, but most would sacrifice important tax policy goals. No solution presents state and local policymakers with a clear win-win situation, in which they could halt or reverse the decline in the revenue productivity of their taxes without sacrificing autonomy, competitiveness, neutrality, or administrative simplicity.

Stan Chervin, Kelly Edmiston, Matthew Murray, "Urban Malls, Tax Base

Migration, and State Intergovernmental Aid”, *Public Finance Review*, July 2000, pp. 309-334.

Decentralized systems of government finance give rise to fiscal disparities due to interjurisdictional variations in tax bases and expenditure needs. Intergovernmental aid is used to address such disparities. This article explores changes in local tax capacity and intergovernmental aid resulting from urban shopping malls that extract retail sales and sales tax revenue away from surrounding areas, especially rural counties. A model is developed and estimated to determine the impact of urban malls on local government sales tax bases, controlling for sales tax rate differentials and other factors. The results reveal a 15.9% decline in the sales tax base for counties in close proximity to two new malls. The analysis is extended to examine impacts of changing local tax capacity on state education aid. Based on the program considered here, less than 20% of the loss in own-source revenue is recovered through increased aid.

Douglas Young and Agnieszka Bielinska-Kwapisz, 2002, “Alcohol Taxes and Beverage Prices”, *National Tax Journal* 55(1): 57-74.

Richard Hawkins and Matthew N. Murray, 2004, “Explaining Interjurisdictional Variations in Local Sales Tax Yields”, *Public Finance Review*, 31(1): 82-104.

As substate policy makers design economic development strategies and respond to structural changes in their economic base, it is important to understand effects on the local sales tax. Local sales taxes are modeled here as arising from three sources: resident demand, taxable business-to-business transactions, and visitor/commuter spending. Careful attention is paid to how sales tax payments are actually made and distributed to local governments. The results indicate clearly positive effects from tourism and incommuting, whereas out-commuting yields a revenue drain. Construction provides a significant boost to local sales tax revenue, but the effects of manufacturing and services are surprising. Manufacturers, through a combination of exempt inputs and exported final products, provide no clear sales tax impact. The service sector, however, produces notable revenue gains. The findings provide general guidance on the way in which shifts in economic structure can influence local sales tax revenue and call into question revenue effects from traditional smokestack-chasing economic development policies of local governments.

J. Stephen Ferris, “The Determinants of Cross Border Shopping: Implications for Tax Revenues and Institutional Change”, 53 *National Tax Journal* 801-24 (December 2000).

This paper analyzes the choice by Canadian consumers whether to cross the border into the U.S. to shop. To do so a model is built in which consumers value two consumption goods (goods that can and cannot be smuggled), leisure, and government services (provided through commodity taxes). The model's predictions are tested against same-day border crossing data for the period 1972:01 through 1997:12. The results are then used to estimate the tax revenues forgone from the introduction of the GST in Canada. The data also suggest an extension in our thinking about the traditional domain of policy responses - from the sue of alternative taxes to institutional and/or regulatory change.

Bruce and Fox, “E-Commerce in the Context of Declining State Sales Tax Bases,” *National Tax Journal*, Dec 2000, No 4, Part 3, pp1373-1388

This paper extends the quantitative estimates of sales tax revenue losses from electronic commerce in a variety of ways. First, we place the effects of e-commerce in the context of general sales tax base trends, arguing that e-commerce is only one of the factors reducing sales tax bases. Second, we take a forward looking view, estimating both the current losses and the expected losses several years hence. Third, we estimate the revenue-neutral increases in state sales tax rates that will become necessary to offset the base declines. Revenue loss estimates are prepared for every state with a sales tax. Our baseline estimates suggest that e-commerce will cause about \$10.8 billion in additional tax revenue losses nationwide in 2003.

Roy Bahl and Richard Hawkins, *The Sales Tax in Georgia: Issues and Options*, Fiscal Research Program, School of Policy Studies, Georgia State University, October 1997.

Richard Hawkins, *The New Local Revenue Roller Coaster: Growth and Stability Implications for Increasing Local Sales Tax Reliance in Georgia*, Fiscal Research Program report, March 1999.

Timothy Besley and Harvey Rosen, "Sales Taxes and Prices: An Empirical Analysis," *National Tax Journal*, June 1999, Vol 102, no 2, pp 157-178.

One of the most fundamental questions in public finance is who bears the burden of taxes -- the incidence of taxation.' Our understanding of incidence from an empirical standpoint is quite meager. Indeed, there seems to be little evidence even in the case that is theoretically the easiest -- partial equilibrium commodity taxes. Are taxes levied on commodities completely shifted into their prices, or does the incidence also fall on firms? How long does the shifting process take? In this paper we employ a unique data source to examine the incidence of sales taxes. The main idea is to take information on the prices of specific commodities in different U.S. cities and to examine the extent to which differences in tax rates and bases are reflected in prices, controlling for other factors (such as costs). We find a surprising variety of shifting patterns. For some commodities, the after-tax price increases by exactly the amount of the tax, a result consistent with the standard competitive model. However, taxes on other commodities are overshifted -- an increase in tax revenue of one dollar per unit increases the price by more than one dollar.