

Local Income and Sales Taxes

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Issue

In which states do local governments impose income or sales taxes?

Local Income Taxes

According to [2016 U.S. Census Bureau data](#), local governments (i.e., municipalities, counties, and school districts) in 12 states imposed income taxes. Table 1 lists the states and indicates the percentage of local tax revenue attributable to local income taxes. The states listed exclude those in which local governments impose payroll taxes or privilege taxes on employers (e.g., New Jersey, California, and Colorado); the U.S. Census Bureau does not classify such taxes as income taxes.

Of these 12 states, local income taxes comprise a substantial percentage of total local tax revenue in Indiana, Kentucky, Maryland, Ohio, and Pennsylvania. The reliance on local income tax revenue in these states ranges from 33.7% in Maryland to 16.3% in Indiana. In the other states, the reliance on local income tax revenue is lower, reflecting the fact that relatively fewer jurisdictions impose an income tax in those states. In New York, for example, the tax applies only in New York City and Yonkers (Sjoquist, David, [Diversifying Municipal Revenue in Connecticut: A Report Prepared for the Connecticut Tax Study Panel](#), November 17, 2015, pp. 221-299).

Table 1: Local Income Tax Revenue as a Percentage of Total Local Tax Revenue, 2016

State	Percent	State	Percent
Alabama	2.11%	Maryland	33.69%
Delaware	5.70%	Michigan	3.77%
Indiana	16.31%	Missouri	3.83%
Iowa	1.80%	New York	12.04%
Kansas	0.03%	Ohio	22.12%
Kentucky	26.22%	Pennsylvania	18.26%

Source: U.S. Census Bureau, [2016 State and Local Government Finance](#)

Local Sales Taxes

According to the U.S. Census Bureau, local governments in 36 states imposed local sales taxes in 2016. Table 2 lists these states and indicates the percentage of local tax revenue composed of general sales tax revenue. As the table shows, the reliance on local sales tax revenue varies widely across states, from 0.2% in Idaho to 48.1% in Louisiana.

For additional information, a January 2019 Tax Foundation [study](#) provides the average local tax rates across states.

Table 2: Local Sales Tax Revenue as a Percentage of Total Local Tax Revenue, 2016

State	Percent	State	Percent
Alabama	38.6%	New Mexico	37.0%
Alaska	13.1%	New York	16.8%
Arizona	29.1%	North Carolina	20.4%
Arkansas	47.1%	North Dakota	20.4%
California	15.8%	Ohio	10.3%
Colorado	30.8%	Oklahoma	40.2%
Florida	6.5%	Pennsylvania	3.3%
Georgia	22.1%	South Carolina	6.7%
Hawaii	10.1%	South Dakota	22.7%
Idaho	0.2%	Tennessee	24.9%
Illinois	7.9%	Texas	12.7%
Iowa	5.5%	Utah	17.2%
Kansas	19.1%	Vermont	2.2%
Louisiana	48.1%	Virginia	7.9%
Minnesota	1.9%	Washington	24.2%
Missouri	25.4%	West Virginia	1.7%
Nebraska	8.5%	Wisconsin	4.0%
Nevada	15.0%	Wyoming	13.2%

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