

## State Income Tax Credits for Sales Tax Paid

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### Issue

Identify states that provide a personal income tax credit to offset sales tax paid.

### Sales Tax Credits

We identified seven states that offer personal income tax credits for sales tax paid: Arizona, Hawaii, Idaho, Kansas, Maine, New Mexico, and Oklahoma. Table 1 lists the credit amounts and income limits and indicates whether they are refundable.

The credit amounts are generally calculated based on the number of people in a household (i.e., the number of personal exemptions claimed on the taxpayer's return), and they range from \$25 dollars per exemption to \$125 per exemption claimed. All of the states except Idaho restrict credits to lower-income taxpayers, but the income thresholds vary by state. And with the exception of Kansas, the credits are refundable, meaning that if the credit exceeds the taxpayer's state income tax liability, he or she receives the difference as a refund.

**Table 1: Personal Income Tax Credits for Sales Taxes Paid**

State	Amount	Income Limits	Refundable
Arizona Credit for Increased Excise Tax <a href="#">(Ariz. Rev. Stat. §43-1072.01)</a>	\$25 per exemption, up to \$100 per household	\$25,000 federal adjusted gross income (AGI) for joint filers or heads of household and \$12,500 for other filers	Yes
Hawaii Food/Excise Tax Credit <a href="#">(Haw. Rev. Stat. § 235-55.85)</a>	Credit ranges from \$35 to \$110 per exemption, depending on filing status and income	\$30,000 AGI for single filers and \$50,000 for other filers	Yes
Idaho Grocery Credit <a href="#">(Idaho Code Ann. §63-3024a)</a>	\$100 for each exemption; residents age 65 or older can claim an additional \$20	None	Yes
Kansas Food Sales Tax Credit <a href="#">(Kan. Stat. Ann. § 79-32.271)</a>	\$125 per exemption claimed	\$30,615 in federal AGI (additional eligibility criteria apply)	No
Maine Sales Tax Fairness Credit <a href="#">(Me. Rev. Stat. tit. 36, §5213-A)</a>	\$125 for single filers, \$175 to \$225 for joint filers and heads of household, depending on number of dependents	Credit begins to phase out at (1) \$20,000 AGI for single filers, (2) \$30,000 for heads of household, and (3) \$40,000 for joint filers	Yes
New Mexico Low-Income Comprehensive Tax Rebate <a href="#">(N.M. Stat. Ann. §7-2-14)</a>	\$10 to \$450, depending on income and the number of exemptions	\$22,000 in modified gross income	Yes
Oklahoma Sales Tax Relief Credit <a href="#">(Okla. Stat. Tit. 68 § 5011)</a>	\$40 per exemption	\$20,000 AGI for childless households; \$50,000 for households with children, a person age 65 or older, or a person with physical disabilities	Yes

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