

Local Sales Tax Autonomy and Implementation in US States

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12/2/2005

VERY PRELIMINARY DRAFT!

Abstract:

The local option sales tax (LOST), a tax on retail sales activity occurring within a jurisdiction, is prominent among locally-imposed taxes in the United States. Both state-level and local-level policy decisions influence the extent to which LOSTs are utilized across and within states. Being creatures of the state, local governments must receive state authorization in order to implement LOSTs. The extent to which local jurisdictions exercise the option when granted varies greatly across states. This paper investigates factors associated with differences in local implementation of LOSTs across states. In so doing, it analyzes the implications of LOST policy for state-local fiscal decentralization. Accordingly, the analysis contributes to the spurt of recent literature investigating the empirical relationship between fiscal decentralization and growth.

Prepared for the North American Meetings of the Regional Sciences Association International,
Las Vegas, NV, November 10-13,