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Sales tax will be tops, but it's not whole story

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New Jersey moves to the top of America's sales-tax heap with the addition of a penny on its sales tax.

It joins Mississippi, Rhode Island and Tennessee with a 7 percent rate, according to data compiled by the Sales Tax Institute.

That's certainly something people will grumble about in the state with the highest property tax per capita.

The Legislature yesterday agreed with Gov. Corzine to raise the tax, but details were still being hammered out.

Even with the extra penny, New Jersey's overall tax burden is not as imposing as many think. The state ranked 17th in terms of its state and local tax burden when income is factored, the Washington-based Tax Foundation found.

Comparing taxes among states is tricky at best and misleading at worst.

Other states might have lower sales taxes, for example, but their municipalities and local governments may have power to tack on additional taxes.

Consider that \$4,000 stainless-steel range you've had your eye on. You'll now pay \$280 to New Jersey on the purchase - \$40 more than under the 6 percent rate. But your county or municipality can't add to the burden.

Meanwhile, Alabama's sales tax rate is 4 percent, but that can climb as high as 12 percent in some parts of the state because of local sales taxes. So you could pay \$480 in sales taxes for the same range there.

And in Delaware, where there's no sales tax, you'd pay nothing.

Also, what gets taxed varies widely state to state.

Those fresh tomatoes and ears of corn on grocers' stands are tax-free in the Garden State. But 20 states tax the same produce, according to the nonpartisan New Jersey Policy Perspective.

So when the real sales-tax rates from other states are factored in, New Jerseyans do OK compared with some, and terrible compared with others.

"I think in terms of the sales-tax burden, we are definitely in the middle," said Mary Forsberg, director of research for New Jersey Policy Perspective. "We don't have a high one. We exempt all food, clothes, and a lot of things."

But she added, "We're at the very top in terms of property tax."

Indeed, sales tax is just one of several taxes residents face. There are property, excise and income taxes to consider.

The Census Bureau ranked New Jersey 10th in state taxes collected per capita in 2005.

But that excluded property taxes. And few states rely as heavily on property taxes as New Jersey. Residents paid \$1,872 in property tax per capita, more than any other state, according to the Public Policy Institute of New York State.

Some experts say factoring income into a state-by-state tax comparison gives the fairest view.

New Jersey residents ranked third last year in personal income, according to the federal Bureau of Economic Analysis. That means the tax burden might not be as crushing as suggested by the state's high rank in some comparisons.

Tax Picture in N.J.

Highest sales-tax rate

New Jersey, Mississippi, Rhode Island and Tennessee, all 7 percent.

Property tax per capita

1. New Jersey, \$1,872

2. Connecticut, \$1,733

3. New Hampshire, \$1,703

4. Maine, \$1,477

5. New York, \$1,402

State-local tax burden

1. Maine

2. New York

3. Ohio

4. Minnesota

5. Hawaii

17. New Jersey

SOURCE: Sales Tax Institute; Public Policy Institute; Tax Foundation; Census Bureau

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