



Mitigation and destination-based sales tax

How do tax components impact mitigation?

Every taxing jurisdiction's local tax rate is made up of multiple tax components. Each component is authorized under a separate law and is distributed in its own way. We must combine the results of several locations in order for the department to accurately determine revenue gained or lost due to destination-based sales tax.

Local tax rate components

City A has a total local tax rate of 1.2%, which is made up of four tax components: basic, optional, criminal justice, and juvenile facilities.

Basic 0.5%	Optional 0.5%	Criminal Justice 0.1%	Juvenile Facilities 0.1%
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1.2%

Additionally, City A also has a .123% state-shared tax rate that is made up of two components: rural counties and regional centers.

Rural Counties 0.09%	Regional Centers 0.033%
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.123%

Each of the components of the tax reported for City A is distributed individually, therefore many jurisdictions receive tax from the deliveries reported in City A.

How does this impact mitigation?

Deliveries are calculated by looking at the movement of *sales*, not the movement of revenues, in between jurisdictions. However, for mitigation, we look at revenue. To determine the *revenues* gained or lost by each jurisdiction, we have to factor how the components of the local sales tax are distributed.

Example:

City A has an *inflow* (gain) of \$100 in deliveries. In order to determine which jurisdictions gained which part of the 1.2% in local sales tax (\$1.20), we must simulate the distribution process based on each location. If City A had an *outflow* (loss in deliveries), the same simulation would be used but the losses would be negative.

Jurisdiction	Basic and Optional	Criminal Justice	Juvenile Facilities	Total
County	\$ 0.1485	\$ 0.0641	\$ 0.099	\$0.3116
City B	\$ -	\$ 0.0185	\$ -	\$0.0185
City C	\$ -	\$ 0.0084	\$ -	\$0.0084
City D	\$ -	\$ 0.0014	\$ -	\$0.0014
City E	\$ 0.8415	\$ 0.0008	\$ -	\$0.8423
City F	\$ -	\$ 0.0018	\$ -	\$0.0018
City G	\$ -	\$ 0.0008	\$ -	\$0.0008
City H	\$ -	\$ 0.0008	\$ -	\$0.0008
City I	\$ -	\$ 0.0007	\$ -	\$0.0007
City J	\$ -	\$ 0.0016	\$ -	\$0.0016
Total*	\$ 0.99	\$ 0.099	\$ 0.099	\$ 1.20

*A 1% administrative fee is compensated for in the total

A portion of the 6.5% state sales tax is given to the local jurisdictions as well. Since the total state-shared rate is 0.123%, the \$100 yields an additional \$0.123 in tax for City A. This is run through the same simulation:

Jurisdiction	Rural	Regional Centers	Total
County	\$ 0.0900	\$ -	\$ 0.0900
City B	\$ -	\$ -	\$ -
City C	\$ -	\$ -	\$ -
City D	\$ -	\$ -	\$ -
City E	\$ -	\$ -	\$ -
City F	\$ -	\$ -	\$ -
City G	\$ -	\$ -	\$ -
City H	\$ -	\$ -	\$ -
City I	\$ -	\$ -	\$ -
City J	\$ -	\$ -	\$ -
County PFD	\$ -	\$ 0.0330	\$ 0.0330
Total	\$ 0.09	\$ 0.033	\$ 0.123