The Social Science Journal xxx (2017) xxx–xxx

Contents lists available at ScienceDirect

The Social Science Journal

journal homepage: www.elsevier.com/locate/soscij

Analysis of state general sales tax policy: A complementary approach to the effects of causes and the causes of effects

Koomin Kim[a], Seunghoo Lim[b,*]

[a] *Askew School of Public Administration and Policy, Florida State University, Tallahassee, FL 32306, USA*
[b] *Public Management and Policy Analysis Program, Graduate School of International Relations, International University of Japan, 777 Kokusai-cho, Minami Uonuma-shi, Niigata 949-7277, Japan*

ARTICLE INFO

Article history:
Received 29 March 2017
Received in revised form 21 October 2017
Accepted 23 October 2017
Available online xxx

Keywords:
General sales tax
Causes of effects
(fs) QCA analysis
Revenue reliance
Tax burden

ABSTRACT

Previous research and theory on state general sales tax policy provide the major factors and components of the sales tax base that affect revenue reliance and tax burden. However, previous research on general sales tax policy has concentrated on individual factors and components of the sales tax base without considering the interdependent and interrelated causes of revenue reliance and tax burden. In addition, regression-based analyses are limited in analyzing the causal conjunctures that affect revenue reliance and tax burden. Thus, this research focused on a complementary approach to the effects of causes and the causes of effects, thereby empirically examining the combined causes of revenue reliance and tax burden through a (fs) QCA analysis of U.S. state data spanning from 2007 to 2010. This study reveals that the combined causes of revenue reliance and tax burden vary as ideal types compared with the effects of real types observed in the panel data analysis. This study contributes to the current literature by examining interrelated and interdependent causal relationships with regard to revenue reliance and tax burden in a complementary manner. State governments must consider the combined effects of causal conjunctures that affect revenue reliance and tax burden.

© 2017 Western Social Science Association. Published by Elsevier Inc. All rights reserved.

1. Introduction

The main purpose of this research was to examine general sales tax policy at the state level of government in the U.S. in terms of revenue reliance and burden. Tax policy is a type of fiscal policy, and the fundamental purpose of any type of taxation is to raise the revenue necessary to fund public services to enhance the public interest. This primary goal is accomplished by ensuring revenue adequacy and an adequate level of tax burden. Revenue adequacy reflects the productive tax system that can raise sufficient revenue to maintain adequate levels of public services, which are demanded by citizens and policy makers alike (ITEP, 2007). The tax burden reflects two main values, vertical equity and horizontal equity. Vertical equity reflects the effects of the tax system on different families ranging from the bottom of the income spectrum to the top, whereas horizontal equity is a measure of whether taxpayers with similar circumstances in terms of income, family structures, and age pay similar amounts of tax (ITEP, 2007). There are three main types of taxes, including income, property, and sales taxes. Among them, general sales tax, which is typically known as retail sales tax in the U.S., has served as a strong basis for the fiscal autonomy of both state and local governments for more than half of the twentieth century in the U.S. (Mikesell, 2004b).

* Corresponding author.
E-mail addresses: kk14f@my.fsu.edu (K. Kim), seunghoo.lim@gmail.com (S. Lim).

https://doi.org/10.1016/j.soscij.2017.10.007
0362-3319/© 2017 Western Social Science Association. Published by Elsevier Inc. All rights reserved.

The general sales tax emerged as a means to finance state governments during the Great Depression of the 1930s (Mikesell, 2004a). In 1932, the State of Mississippi first adopted a general sales tax to supplement the revenue lost from property taxes. Since then, general sales tax has been adopted in other states, including 10 in 1933 and 29 by 1938. General sales tax schemes became the single largest source of state tax revenue by 1947 and had expanded to 45 states by 1969 (Mikesell, 2004a). General sales tax is currently implemented in 45 states, which includes all the states in the U.S. but for Alaska, Montana, New Hampshire, Delaware, and Oregon. General sales tax contributes approximately one-third of tax revenue to state budgets, and provides a strong basis for enhanced state governments in the post-WWII era. In addition, it continues to be the second most significant form of taxes in aggregate state finances, following personal income taxes (Mikesell, 2004b). Retail sales taxes are typically general taxes on the purchase or sale of tangible personal property and selective taxes on certain purchases or sales of services (Mikesell, 1997). This type of tax applies to all transactions at the level of economic activity, except for specifically listed exceptions (Mikesell, 2014). There are two main types of retail sales tax schemes. First, retail sales tax applies to all consumption expenditures, and thus to all sales for consumption purposes at a uniform rate. Second, retail sales tax applies only to consumption expenditures and is thereby not collected on savings or purchasing associated with production (Due & Mikesell, 1994). However, these two main principles have begun to fray, as states have begun to tax business inputs and purchases of services while exempting certain commodities, which results in significant differences in the tax base across states (Jacobs, Ligthart, & Vrijburg, 2010). This difference in the sales tax base contributes to differences in revenue reliance. In addition, it creates controversy in terms of tax incidence.

Despite research that has addressed revenue reliance and tax burden in sales tax policy, no research has been conducted to analyze the causal conjunctures and factors that can have a significant effect on both revenue reliance and tax burden. Previous research has typically focused on individual factors that affect revenue reliance, as well as the tax burden without considering the interdependent interrelated causes of revenue reliance and tax burden.

This study contributes to the literature by examining interrelated and interdependent causal relationships with regard to revenue reliance and tax burden, which have not been considered in previous studies. In addition, this study integrates both approaches in complementary and contrasting manners in that it goes beyond triangulation and comparing the results (Fiss, Sharapov, & Cronqvist, 2013; Ruiqi, Wang, Xu, & Yuan, 2017). This research identifies the combined causes of revenue reliance and tax burden and can provide practical information for state governments. In this respect, this research focuses on the following primary research question:

What are the individual determinants and the combined causes of higher revenue reliance and tax burden?

This study begins by providing a theoretical background. It then provides a literature review, explains its methods, and presents and discusses its findings. This research explores this phenomenon by conducting (fs) qualitative comparative analysis using state data from 2007 and 2010. Taxation theory and the relevant literature ground this research.

2. Causal conditions

2.1. Relationship between sales tax base and revenue reliance

2.1.1. Theory of taxation

In general, taxation theory suggests that tax revenue (R) equals the tax rate (t) times the tax base (B). In other words, sales tax revenue is calculated as the sales tax base multiplied by the sales tax rate (Mikesell, 2014). The tax base is defined as the aggregate value of the financial streams or assets on which tax can be imposed (i.e., the object of taxation). Accordingly, the sales tax base consists of various components, including food, clothing, prescription drugs, and business inputs, etc. From an accounting perspective, there is a linear relationship between the tax rate and yield from the tax base. On the other hand, the economic relationship between the tax rate and tax revenue is not derived linearly from the economic reaction of individuals and businesses corresponding with different tax rates (Inman, 1992). This situation would cause citizens to work less and would lead higher income people to leave the jurisdiction, resulting in a decrease in tax revenue from an accounting perspective (Mikesell, 2014). Regarding the relationship between tax revenue and diversity (i.e., the size of the breadth) of the tax base, Brennan and Buchanan (1980) indicate that governments will favor broad-based tax systems consisting of inelastic goods to maximize tax revenue. The increase in the number of taxed services and goods contributes to lower the tax base elasticity of demand (Breeden & Hunter, 1985). In other words, the broadest sales tax base (i.e., size or breadth) will increase sales tax revenue at any given tax rate. However, any reliance on a certain type of tax (including sales tax) will undermine efficiency and tax fairness, in addition to generating collection problems (Mikesell, 2014).

2.1.2. Empirical research

The broadest sales tax base – diversity in sourcing sales tax revenue – leads to significant revenue growth in sales tax revenue (2.42) compared to maintaining a core base (2.16) (Fox, 1992). Among the individual components, including food, drugs, fuels, utilities, telephone, consumer services, business services and recreation services, business services have exhibited the highest growth rate (2.55) in comparison with other components. Utilities, fuels, recreation service, telephone, drugs, and food showed growth rates of 2.44, 2.24, 2.19, 2.19, 2.09, and 1.93, respectively. The actual sales tax base in every state is a combination of various components. The combination of utilities, telephone, consumer services, business services, and recreation services with a core base enjoys the highest growth rate (2.66), followed by a combination of a core base of fuels, utilities, and telephone (2.50); a core base of utilities and telephone (2.46); a core base of utilities, telephone, consumer services, and recreation services (2.38);

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات