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## **Tuba City has highest sales tax in US**

By Brandon Brown Cronkite News Service Sep 2, 2013

WASHINGTON – Tuba City residents continue to pay the highest combined sales taxes in the nation, even after the Arizona state sales tax dropped this year, according to a new report.

The Tax Foundation's report said Tuba City's nation-leading tax of 12.725 percent is comprised of a 5.6 percent state tax, 1.125 percent from Coconino County and a 6 percent tax levied by the To'Nanees'Dizi chapter of the Navajo Nation.

It's at least the third year on top for the northern Arizona town but Leo Lee, a manager at the Tuba City Trading Post, said Thursday that he doesn't hear complaints from his customers. It helps, he said, that they know that much of the money goes back to help the tribal government.

Tribal officials did not return calls seeking comment on the tax rate Thursday.

A handful of other rural Arizona towns come close, according to numbers compiled by the Arizona Tax Research Association. It said that the combined sales tax in Coconino County's Fredonia was 10.725 in July, while Yavapai County's Chino Valley levied 10.35 percent in sales taxes that month and Guadalupe in Maricopa County collected 10.30 percent.

Kevin McCarthy, president of the tax research association, said that small, rural towns sometimes raise sales tax as a way to bring in revenue, and most residents do not have the option to travel somewhere else to shop.

Tuba City held on to the top spot even though Arizona slipped from second-highest combined sales tax last year to ninth place in the Tax Foundation report released Wednesday, as the state's sales tax rate dropped by a penny.

The state temporarily raised the sales tax rate from 5.6 percent to 6.6 percent in 2010 to help cope with recession-driven budget cuts.

While many states took similar actions during the recession, many of them also ended up turning the temporary increase into a permanent one.

"Arizona is the exception," said Scott Drenkard, an economist at the Tax Foundation. Making sure the tax rate went back down is a sign that Arizonans are aware of their taxes, he said.

The foundation report pegged Arizona's combined sales tax rate this year at 8.16 percent – the 5.6 percent state rate plus average combined county and city rates of 2.56 percent.

Drenkard said sales taxes are a better way to encourage economic growth than income taxes. Sales taxes are the same for everyone in a certain area, he noted, while income taxes can be confusing and vary on many conditions.

Drenkard acknowledged that taxpayers might disagree with him on sales tax. McCarthy said sales taxes may be unpopular with taxpayers because it is difficult to understand how much is being paid to the store and where that money goes.

While many people think “five cents is not a lot,” that money can add up fast, said McCarthy, who welcomed Arizona's drop in the national rankings.

“You don't want to rank at the top of any high tax lists,” he said.

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Taxing combinations

States with the highest combined state and local sales tax rates in 2013, according to the Tax Foundation:

1. Tennessee: 9.44 percent
2. Arkansas: 9.18 percent
3. Louisiana: 8.89 percent
4. Washington: 8.87 percent
5. Oklahoma: 8.72 percent
6. Alabama (tie): 8.48 percent
6. New York (tie): 8.48 percent
8. California: 8.41 percent
9. Arizona: 8.16 percent
10. Texas: 8.15 percent

