

Memorandum

To: Senator Hertz
Revenue Interim Committee

From: Finn McMichael, Tax Policy and Research

Date: May 3, 2022

Subject: Wyoming and Hawaii Sales Tax Analysis

This memorandum summarizes the general sales tax in Wyoming and excise tax in Hawaii and lists some of the noteworthy inclusions and/or exclusions in the tax base for each state. The last page includes a table comparing the collections in these states, as well as South Dakota, to the estimated revenue from a broad-base general sales tax in Montana.

Wyoming

Wyoming has a 4 percent sales tax with local options for an additional 1 percent sales tax for general purposes and another 1 percent for special capital projects. Currently, the additional 1 percent for general purposes, referred to as the “5th penny”, is in effect in 21 of 23 counties. The special use additional 1 percent, the “6th penny”, was in effect in 9 counties for 2021.

Notable goods and services that are subject to the sales tax in Wyoming include:

- Retail sales of tangible personal property within the state
- Leases of personal property that would be taxable if sold
- Telephone and telegraph services
- Transportation within the state
- Public utilities for domestic, industrial, and commercial consumption
- Meals served to public and cover charges
- Lodging services
- Admissions to amusements and athletic events
- Repair or improvement of tangible personal property
- Natural resource extraction services
- Sales of automobiles, mobile homes, campers, and semi-trailers
- Sales of computer hardware and software

The Lodging services are also subject to a state and local lodging tax making the total tax on lodging 9-13 percent depending on the county.

Notable goods and services that are exempt from the sales tax in Wyoming:

- Wholesale sales
- Sales of tangible personal property to be used as a component of a manufactured good that will then be sold and subject to the sales tax, including containers, label, etc.
- Sales of livestock and feed, and agricultural supplies such as seeds, roots, bulbs, etc. and fertilizer, that is used to grow products that will be sold.
- Transportation by ambulance or hearse
- Transportation of employees paid for by the employer
- Transportation of raw farm products to processing plants
- Transportation of freight and passengers between states
- Sale of energy for use in manufacturing, processing, or agriculture
- Sales of prescription drugs and medical devices
- Sales of food for domestic home consumption
- Lodging provided by guides or outfitters
- Sales of goods or services to the State of Wyoming
- Sales made to religious or charitable organizations and non-profits providing meals to senior citizens
- Sales of newspapers and school annuals
- Other specific sales to or from select industries

Hawaii

Hawaii has a general excise and use tax that is paid by the businesses instead of the consumers. Wholesale goods and services in manufacturing are taxed at 0.5 percent, insurance commissions are taxed at 0.15 percent, and retail goods and services are taxed at 4 percent plus an additional 0.5 percent county surcharge in select counties (Honolulu, Kauai, Hawaii). Businesses are responsible for paying the tax but can pass it on to the customer if they choose to. If businesses do pass on the excise tax to their customers, they must disclose it and are only allowed to charge the customers the amount to cover the excise tax which is laid out in code.

The general excise tax is collected on most goods and services with some specific exemptions including:

- Some sales by non-profit organizations (fundraising activities are taxable)
- Payments made from a prime contractor to a subcontractor
- Sales in a foreign trade zone
- The collection of other taxes passed onto consumers such as fuel taxes, liquor and tobacco taxes, accommodations taxes, etc.
- Out-of-state sales
- Drugs and prosthetic devices
- Sales to the federal government
- Wholesale transactions of tangible personal property from one taxpayer to another for the purpose of resale

State Comparison with Montana

The following table shows a comparison of the sales or excise tax collections in Wyoming and Hawaii with the collections in South Dakota and the estimated collections for a broad base 4 percent general sales tax in Montana. Wyoming collections are just from the 4 percent base sales tax and do not include collections for the local option additional 1 or 2 percent. The Hawaii collections are all the excise tax collections including the 4 percent on retail goods and services, 0.5 percent on some wholesale goods, and 0.15 percent on insurance commissions. The South Dakota Sales tax is 4.5 percent and the estimate for Montana was generated using the department's sales tax model with a 4 percent tax. The population and GDP values are for calendar year 2021, while the general fund collections and sales or excise tax collections are for fiscal year (FY) 2021. All the dollar amounts in the table are in millions.

Table 1. Comparison of State Sales Tax Collections (\$ amounts in millions)

State	Population	2021 General Fund Revenue	GDP	Sales or excise tax collections	Sales tax as % of GDP
Wyoming	578,803	\$1,298	\$41,662	\$649	1.56%
Hawaii	1,441,553	\$7,250	\$94,937	\$3,080	3.24%
South Dakota	895,376	\$1,743	\$61,210	\$1,234	2.02%
Montana*	1,104,271	\$2,964	\$61,983	\$1,272	2.05%
*Sales tax collection estimate from DOR sales tax model with broad tax base					

Sources for more details

Wyoming

http://eadiv.state.wy.us/s&utax/Report_FY21.pdf

Hawaii

https://files.hawaii.gov/tax/stats/stats/act94_2015/act94_2015_taxyr2020.pdf