

Survey: Residents of Arab pay highest sales-tax rate in the nation

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The small town of Arab has received the dubious distinction of having the highest combined sales-tax rate nationwide at 12 percent, according to the recently released 2005 Sales Tax Rate Report.

The combined sales-tax rate takes into account state, county, city and district rates, according to a spokeswoman for Berwyn, Penn.-based tax software provider [Vertex Inc.](#), which released the report.

Arab is located about an hour north of Birmingham in Marshall County, and had a population of slightly more than 7,300 in 2003, according to the U.S. Census.

Vertex's annual report showed that nationwide, average sales tax fell slightly in 2005 to 8.549 percent, compared with 8.556 percent in 2004.

In all taxing jurisdictions (county, city and state), there were 759 sales-tax rate changes in 2005, with 244 new rates established, according to the report. In 2004, 237 new rates were established.

Conversely, there were only 74 tax rate decreases in 2005, significantly fewer than the 160 observed in 2004, which had the highest number of tax-rate decreases since 1996.

"Tax revenue collection in 2005 met or exceeded many states' projections, with some states even experiencing double-digit growth in their sales-tax revenue," said Vertex tax consultant Pat Pelino in a news release. "While the impact of 2005 sales-tax decreases in Idaho, New York and Ohio has yet to be seen for 2006, on the whole, states generated much of their revenue from other sources, a trend that could be a significant contributing factor for the slight decrease in the national average sales-tax rate."

Other highlights of the report:

Mississippi, Tennessee and Rhode Island have the highest state sales-tax rates, all at 7 percent, compared with the national average of 5.282 percent.

Wrangell, Alaska has the highest city sales tax at 7 percent. The average city sales-tax rate nationwide is 1.589 percent.

Three states had sales-tax decreases in 2005: Idaho's decreased from 6 to 5 percent, New York's from 4.25 to 4 percent, and Ohio's from 6 to 5.5 percent.

Privately held Vertex was founded in 1978 and has office in Atlanta, Chicago, Dallas, Phoenix, Sarasota, and Washington, D.C. It has more than 10,000 customers worldwide.