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## News & Commentary

According to the annual sales tax rate study issued today by Vertex, Inc., the leading provider of corporate enterprise tax solutions, 554 U.S. cities changed their sales tax rates in 2008. Of those, 200 were newly imposed city tax rates and 307 were straight increases to existing city tax rates. Other changes in sales, transit, and use taxes, combined with new and pending changes for 2009 indicate that state and local governments are scrutinizing tax rates in light of the current economic turmoil.

While the overall total of state, county, and city sales and transit tax changes reflected in the latest report jumped significantly, much of this increase is due to changes made in Iowa, which imposed a rate change and allowed their School Infrastructure Local Option ([SILO](#)) taxes to expire. The combination of the new tax and expired SILO rates impacted most of the taxing counties in Iowa, which are represented in this year's numbers.

Four states - Indiana, Iowa, Maryland, and North Carolina - increased their state sales tax rates in 2008. Indiana's increase, from 6 percent to 7 percent, placed it among the highest state sales taxes nationwide, along with Mississippi, New Jersey, Rhode Island, and Tennessee. The average state sales tax rate in the U.S. is currently 5.377 percent, which is the highest average rate recorded since Vertex began tracking the data in 1982.

"Each year, local and state government officials take a closer look at their tax rates and make adjustments," said John Minassian, VP Tax Content Development, Vertex. "We are already seeing discussions taking place for state changes to come this year and expect the average state sales tax rate to continue to trend modestly upward for a fourth consecutive year."

As the first quarter of 2009 closes, two states - California and Utah - have already increased their state tax rates. Utah was the only state to decrease its sales tax rate in early 2008. Several additional states are discussing the possibility of future rate increases - Georgia is examining a state increase and Pennsylvania has several county/city sales tax increases up for discussion. Oregon, currently a non-taxing state, is considering imposing a new state sales tax.

The average county sales tax rate in the U.S. for 2008 declined to its lowest level (1.629 percent) since 2002, and the average city rate held steady at 1.568 percent. The highest city sales tax rate is found in Wrangell, Alaska (7 percent). The average combined sales tax rate edged slightly higher to 8.574 percent. The highest combined rate (12 percent) belongs to Arab, Cullman County, Alabama.

Since 1998, there have been 2,859 new sales and use taxes levied - an average of 260 per year. In the same time period, 5,341 changes were made to sales and use tax rates, averaging 486 per year. The combined total of new and changed sales and use tax rates for the period is 8,200, or an average of 746 per year.

According to Vertex President and CEO Jeff Westphal, the dynamic, fluid nature of tax rates - and the pace at which they are now changing - present constant challenges to corporate tax departments, and underscore the need to automatically track and implement changes.

"The sheer number of new and modified sales tax rates reported over the past decade - averaging nearly 750 per year - is staggering," commented Westphal. "The total changes reported in state, county and city sales tax rates in 2008 reflect a growing urgency for companies to take a good look at their tax process practices. The constant fluctuations in these numbers put increased pressure on companies and their tax departments as it becomes increasingly difficult to manually keep pace

with changes that could have a direct impact on their compliance."

The Vertex Sales Tax Rate Report is compiled annually by Vertex Research and provides a detailed summary of sales tax rate changes at the state, county, city, and district levels nationwide.

Vertex's complete 2008 Sales Tax Rate Report is available on the Vertex, Inc. Web site at [vertexinc.com](http://vertexinc.com).

#### ABOUT VERTEX, INC.

With more than 30 years of experience, Vertex, Inc. is the leading provider of enterprise corporate tax solutions and process management services worldwide.

Vertex solutions help companies streamline and integrate tax provision and compliance processes, and leverage information to discover new strategic tax savings across every major line of business tax, including income, sales, consumer use, value added, communications, and payroll. To serve its customers, Vertex works in partnership with the world's leading providers of ERP software and related services.

Founded in 1978, Vertex is a privately held company that employs more than 600 professionals at its headquarters in the U.S. (Berwyn, PA) and its offices in Europe (London), Atlanta, Chicago, Dallas, Phoenix, San Francisco, Sarasota, and Washington, DC.

For more information about Vertex, visit [www.vertexinc.com](http://www.vertexinc.com).

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