

Vertex Press Release

February 9, 2004

National Sales Taxes Reach Record Levels in 2003

A comprehensive report from tax software company Vertex Inc. shows that jurisdictions across the nation continue to add sales and use taxes and raise rates to meet budget shortfalls.

BERWYN, PA – February 9, 2004 – The average sales tax rate levied by states, counties, cities and districts each reached all time highs in 2003, resulting in the largest overall increase in more than a decade, according to a [new report](#) released today by tax technology company Vertex Inc. In addition, the report shows that municipalities raised 412 rates and created 476 new sales and use taxes, while lowering only 66 rates.

The combined average tax rate, which adds the average rates imposed by states, counties and cities/districts, rose to 8.534 percent in 2003, the biggest single year increase since 1992. During the past two years, the combined average tax rate has risen by 26 percent, which is nearly as much as it went up during the previous nine years. The average combined tax rate increased 29 percent between 1992 and 2001.

“State and local jurisdictions that are grappling with budget deficits and a struggling economy are adding sales taxes or increasing their rates to recoup lost revenue,” said Diana DiBello, director of tax at Vertex responsible for overseeing the 2003 sales tax rate report.

The number of sales tax changes increased from 735 in 2002 to 954 in 2003, the highest number of changes in a single year since Vertex began tracking the data in 1981. However, 270 of the 476 new sales and use taxes came from a single state, Kansas. The taxable point of a sale in Kansas changed from where goods are sold (origin) to where they are delivered (destination). These changes were prompted by the state’s enactment of conforming legislation under the Streamlined Sales and Use Tax Agreement. This Agreement was developed by a group of member states and industry in order to simplify sales and use tax administration and reduce the burden of tax compliance.

“Businesses in Kansas will now be challenged to maintain rate information for the locations of their customers,” said DiBello. For example, if a furniture store located in Kansas City where the combined state and local rate is 7.3 percent makes a delivery to an address in neighboring Overland Park where the combined state and local rate is 7.525 percent, the store will now be required to charge the tax rate in Overland Park. Prior to this change, the furniture store would only need to track the tax rates at the origin of the sale or for where their business is located, in this example Kansas City.

The record number of changes in 2003 is likely to be an aberration. Prior to enactment of the conforming legislation, local jurisdictions in Kansas did not impose a compensating use tax. Changing from origin to destination-based taxation necessitated a compensating use tax at the local level, according to DiBello. Currently, Kansas is the only member state that has imposed a compensating local use tax because of sourcing changes made to conform to the Agreement.

| Vertex's National Sales Tax Figures for 2002-2003 | | | | | |
|---|------------------------|------------------------|--------------------------------------|--------------------------|------------------------------------|
| | State* Average Rate | County Average Rate | City and District Average Rate | Combined Average Rate | Total Sales Tax Rate Changes |
| 2002 | 5.217% | 1.607% | 1.572% | 8.396% | 735 |
| 2003 | 5.326% | 1.632% | 1.757% | 8.534% | 954 |

*Includes states and U.S. territories

More 2003 sales tax data from Vertex:

- Approximately 8,019 state, county and city jurisdictions in the U.S. charge a sales tax

- Four states increased their sales tax – Idaho, New York, Ohio and Vermont
- Highest city-level sales tax: Wrangell, Alaska (seven percent)
- Highest combined sales tax rate: the city of Arab in Cullman County, Alabama (11 percent)
- Highest state-level sales taxes: Mississippi, Rhode Island and Tennessee (seven percent)
- States with no state-level sales tax: Alaska, Delaware, Montana, New Hampshire and Oregon
- Combined average sales tax rate in 1981: 6.515 percent
- The combined average sales tax has risen every year except 1999

The [full report](#) is available on the Vertex Inc. web site at www.vertexinc.com. To speak with a representative of Vertex about the 2003 sales tax rate report, please contact Kristy Lash, Gregory FCA Communications, at 610-642-8253 or kristy@gregoryfca.com.

About Vertex Inc.

Vertex Inc., the leading provider of tax technology solutions, serves more than 10,000 customers worldwide. Vertex solutions automate processes and enhance decision information across every major line of business tax including income, sales, consumer use, value added, communications, payroll and property. To serve its customers, Vertex works in partnership with leading software and service providers, including SAP, Oracle, Microsoft, IBM and PeopleSoft.

Founded in 1978, Vertex is a privately held company that employs 600 professionals at its headquarters in Berwyn, PA and offices in Atlanta, Chicago, Dallas, Sarasota and Washington, DC.

For more information about Vertex, visit our web site www.vertexinc.com

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