

Vertex Details Trends Around Sales Tax and Recent Spike in Local Tax Rates

King of Prussia, PA – September 15, 2020 – According to [Vertex Inc.](#), (NASDAQ:VERX) (“Vertex” or the “Company”), a leading provider of tax technology and services, trends are emerging that may create unique challenges for businesses with respect to city-level taxes, specifically as locales look to make up lost revenue caused by COVID-19.

After reviewing standard sales tax rate changes during the first half of 2020, Vertex Vice President of Tax Research Bernadette Pinamont noted the following:

- There were no changes to any state tax rates, which has only happened twice in the past decade; and
- Sixty-nine percent of new rates were created at the district level, and 75% of rate changes were enacted at the city tax level, both of which are on track to register their highest number of changes in more than 10 years.

COVID-19’s Impact to Tax

The flurry of activity at the city and district levels indicates that taxes will continue to play a major role in the post-COVID economy. Future adjustments could take the form of a tax decrease to stimulate economic activity. Jurisdictions could also increase sales tax as a “pay for” to generate revenue given the historic decline in state and local tax revenues and to offset debt and cover the high costs of COVID response activities. The growing number of reports concerning budget deficits related to COVID could be early indicators of future sales tax rate changes to come, such as the previously debated taxing of professional and digital services, once legislative sessions resume. According to the Center on Budget and Policy Priorities, projected state budget shortfalls expected from COVID-19’s economic fallout will total a cumulative \$555 billion over state fiscal years 2020-2022.

“If the current pace of local rate changes sustains during the second half of the year, the number of sales tax rate changes in 2020 would reflect the second highest (to 2017’s 725 rate changes after

the Tax Cuts and Jobs Act passed) total in more than 10 years, increasing compliance burdens for businesses,” said Pinamont.

Countries across the globe are making tax rate changes in response to COVID-19’s economic damage as well. Many nations temporarily decreased indirect tax rates for essential goods and have considered a temporary decrease of the standard or reduced indirect tax rates in response to the pandemic and to help stimulate the local economy.

“Countries in the European Union are accelerating traditional processes for enacting value added tax (VAT) rate and policy changes in response to COVID-19, and U.S. jurisdictions could follow suit,” said Pinamont. “The potential unprecedented activity and change only add to the complicated sales tax landscape tax leaders have been navigating since the 2018 U.S. Supreme Court *South Dakota v. Wayfair* decision.”

***South Dakota v. Wayfair* Complexity and Uncertainty Remain**

The effects of *Wayfair* continued in 2020 with several states updating previously set economic nexus thresholds. In addition, in the first six months of 2020, nine more states enacted marketplace facilitator laws that require tax collection and remittance on behalf of third-party sellers.

“It is clear that companies selling across state lines need to carefully keep track of where they do business and each state’s economic threshold. Before they cross any threshold, they need to be prepared to register, collect, and remit the appropriate amount of sales tax,” said Pinamont. “Even though online sales have increased during the pandemic, revenue from those sales is not enough to cover the lost sales tax revenue from brick and mortar stores. This coupled with the fact that sales tax is the second largest source of revenue for almost all states means that companies must keep their eye on compliance and *Wayfair* rules for remote sellers and marketplace facilitators, as well as the potential for increased audit activity.”

Vertex consistently tracks sales tax rates and rules and produces a mid-year and end-of-year report with detailed data over a 10-year period. [Click here](#) to download a copy of the full mid-year report outlining all 327 standard sales tax rate changes for the first half of 2020.

About Vertex

[Vertex, Inc.](#) is a leading global provider of indirect tax software and solutions. The company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply and grow with confidence. Vertex provides cloud-based and on-premise solutions that can be tailored to specific industries for every major line of indirect tax, including sales and consumer use, value added and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,100 professionals and serves companies across the globe.

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