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Vertex Report: U.S. Sees Record-Level Growth in Sales Tax Rates and Rules Changes in 2025 Amid Fiscal Uncertainty

2025 data reveals a 10-year high in new taxes enacted, and the first increase in average state sales tax rates in three years, as jurisdictions pivot to address budget shortfalls

KING OF PRUSSIA, PA, February 3, 2026 — [Vertex, Inc.](#) (NASDAQ:VERX) (“Vertex” or the “Company”), a leading global provider of indirect tax solutions, today released its 2025 End-of-Year U.S. Sales Tax Rates and Rules Report. Tracking 12,414 U.S. tax jurisdictions in 2025 where sales and use tax rate and rule changes occurred, the findings reveal one of the most active and complex years in more than a decade.

According to the report, 681 total sales tax rate changes and new rates were implemented in 2025, representing one of the highest annual totals in recent years. Notably, the year saw 335 new city, county, and district taxing jurisdictions enacted—a 10-plus-year high driven by local governments working to stabilize and identify new revenue opportunities.

“The pace and scale of sales and use tax changes in 2025 are unlike anything we’ve seen in recent years,” said Chris Hall, Senior Tax Officer at Vertex. “The surge in new taxing jurisdictions, combined with increasingly sophisticated digital commerce models, is creating a rapidly shifting compliance environment. Businesses need greater visibility, automation, and agility to stay ahead of this momentum, and we expect these pressures to continue into 2026.”

Key Findings from the 2025 End-of-Year Report

The 2025 data shows continued growth in sales and use tax activity nationwide as jurisdictions adjusted to evolving economic conditions. Reinforced by mid-year data that [showed significant activity compared to 2024](#), additional key findings include:

- **New Taxing Cities Doubled:** 108 new taxing cities were established in 2025, more than double the 51 cities added in 2024.
- **Surge in District Taxes:** 219 new district taxes were enacted (the highest since 2017) often to help fund local infrastructure.
- **Rising State Rates:** After three years of declines, the average state sales tax rate increased to 5.5592%. Additionally, sales tax rate increases outnumber rate decreases at the city level by a 4.7:1 ratio.

Trends Shaping the 2026 Indirect Tax Landscape

With many states facing severe revenue challenges in 2026, including major commerce hubs like California and New York, Vertex identified emerging trends that will influence tax and compliance:

- **Shift in Federal Funding:** A decline in federal revenue sharing and a rise in unfunded federal mandates are forcing states to become more self-reliant. This “fiscal federalism” is accelerating the search for stable local revenue, leading many jurisdictions to lean more heavily on indirect taxes to close budget gaps.

- **AI's Impact:** Rapid digitization, including AI-enabled purchasing through agentic agents, is reshaping how taxable transactions occur by allowing consumers to purchase goods without leaving an AI chat window. Organizations are using AI to enhance efficiency and accuracy, creating an even greater need for trusted tax technology that keeps systems aligned and compliant. In addition, states are increasingly looking to AI to enhance audit enforcement and overall compliance and revenue collections.
- **Creative Revenue Strategies:** To address severe revenue shortfalls, policymakers are moving beyond sales, property, and income tax hikes to broaden the tax net. This shift includes pioneering new taxes on digital advertising (e.g., [Maryland](#)) and re-evaluating previously exempt business and personal services to include them in the sales tax base (e.g., [Washington](#)).

Global Implications for Multinationals

While the report focuses on the U.S., areas such as Value Added Tax (VAT) and e-invoicing remain critical for cross-border businesses. As tax authorities around the world continue modernizing their compliance frameworks, companies operating internationally face an increasingly complex environment that demands greater visibility and agility.

- **E-Invoicing Compliance:** Multinational companies face a make-or-break year for e-invoicing, as more countries implement real-time reporting requirements to close tax gaps. These evolving mandates reflect a broader global shift toward digital compliance systems that require faster, more structured data exchange from businesses.
- **Global Trade Tensions:** Potential retaliatory tariffs and shifting digital services tax (DST) policies abroad could impact U.S.-based companies operating in Europe and other regions. These evolving dynamics add further uncertainty for organizations navigating cross-border transactions and compliance obligations.

Together, these global developments underscore the growing pressure on multinational organizations to adapt to rapidly changing tax requirements and regulatory expectations worldwide.

Across these global shifts, Vertex equips businesses with the technology and automation required to manage indirect tax at scale, supporting consistent compliance as multinational organizations adapt to new and emerging regulatory demands. To download the full 2025 End-of-Year Report, [click here](#), and to learn more about Vertex, visit [vertexinc.com](#).

About Vertex

Vertex, Inc. is a leading global provider of indirect tax 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 solutions that can be tailored to specific industries for major lines 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 empowers the world's leading brands to simplify the complexity of continuous compliance.

For more information, visit <https://www.vertexinc.com> or follow us on [X](#) and [LinkedIn](#).

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