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Lawmakers

Transaction tax changes are on pace to reach the second highest total in the past 11 years. 150 city sales tax rate adjustments have occurred to date this year—with all but 10 being rate hikes—and those numbers aren't likely to slow down.

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By Michael J. Bernard, J.D.

The coronavirus pandemic decimated budgets across the country in the first half of 2020. So far, 25 states passed emergency budget legislation to address COVID-19, totaling more than $1 billion. Some of that money was earmarked for other programs and some was pulled from reserve funds, but much of it will need to be recovered to

be accomplished. That begs the question of how tax managers can prepare in a world of uncertainty, especially at a time when companies are trying to address unprecedented challenges.

Industries that did well during the pandemic–such as grocery stores, delivery services and e-retailers–are likely to face more significant tax impacts as states will not want to burden businesses hit hardest by the crisis. Service industries like hotels, sports and other entertainment saw spending decrease by 90% compared to pre-COVID estimates, according to the Center on Budget and Policy Priorities. Those businesses might not be able to withstand a tax hike.

Especially in times of crisis, states are more inclined to pass legislation that provides a temporary fix. Such regulations, however, could end up becoming detrimental to businesses if left in place long enough. Therefore, finance leaders and tax executives need to engage with state tax policymakers, which can help shape thoughtful new laws. As the cost of rushed and poorly crafted tax regulations can prevent a swifter recovery, it is necessary for the business community to have a seat at the table among policymakers and a stronger voice in the way tax policy is crafted.

By engaging at the state level, companies may be able to limit any additional taxes by type or jurisdiction. That will be important as businesses already face a multitude of varying tax rules that cannot be managed manually. Adding more would intensify the already considerable tax compliance burden.

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It would be deleterious for tax officers to not take into account unfinished business regarding marketplace facilitators. Many legislatures were poised to enact new post-

Wayfair marketplace facilitator laws or make already passed laws more uniform.

unchartered waters. Corporate tax leaders need to work with lawmakers to help them better understand potential short- and long-term implications of regulatory shifts.

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Sales Tax