

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

change research. This year-end preview covers all sales tax data from Jan. 1 through mid-November, so there's a small chance the figures could edge up or down by Dec. 31.

Dec. 11, 2020



If a state, county, city or district sales tax rate changed this year, there is an 80% chance that the change was an increase.

That's one of several takeaways from an analysis of the Vertex year-end sales tax rate change research. This year-end preview covers all sales tax data from Jan. 1 through mid-November, so there's a small chance the figures could edge up or down by Dec. 31. Here are some of the most notable figures:

- **Sales tax rate increases significantly outnumber decreases:** Of the 193 sales tax

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

increases that are in many cases larger than the decreases enacted in the global financial crisis or the 2001 recession.

- **City tax rate changes levelled off in the second half of the year:** In June, we reported that city sales tax rates changes were on pace to reach their highest annual total in more than a decade. That activity slowed a bit in the third and fourth quarters but still resulted in 289 changes, compared to 261 in 2019. In addition, the number of new taxing cities that emerged in 2020 (69) is the third highest in the past decade.
- **New district taxes near a 10-year high:** Through mid-November, 177 new district taxes came online, which marks the second highest number of new district taxes added in the past decade.
- **Average rates continue to rise:** The average sales tax rates at the county (1.76%), city (1.76%) and district (1.0%) levels continued their upward climb; with each category reaching its 10-year high in 2020. The combined average sales tax rate across all jurisdictional levels achieved a 10-year high at (10.1%) this year.

It's important to keep in mind that this year's rate change activity does not reflect tax authorities' complete response—not by a long shot—to COVID-19's widespread economic damage and several other related factors.

It's becoming clear that the magnitude of upcoming state budget challenges will be historically unprecedented. State sales tax revenue in all major sectors except for retail trade plummeted this year. Unemployment funds have lost billions of dollars, and states' rainy day funds were, or will soon be, depleted. Combine those state, city and local sales tax revenue impacts with Medicaid expenditures during the pandemic and the total fiscal impact to all states soars into an estimated \$500 billion range.

It's also important to recognize that state-level economic recovery activities tend to lag federal economic recovery—by as much as a decade, according to fresh research on states' fiscal health following the global financial crisis. The highest number of

state sales tax rate changes in the past decade actually occurred in 2013, five years

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

broadening of the tax base, we know that revenue from potential new taxes are inherently unpredictable and difficult to administer for both taxpayers and tax collectors. As such, they may not be the first or preferred choice due to a lower probability that the intended result will be achieved.

=====

Bernadette Pinamont is Vice President of Tax Research, [Vertex](#), Inc.

Sales Tax

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved