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particularly burdensome for companies selling qualifying products into multiple states. Key considerations for retailers include:

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Sixteen states are providing 17 sales tax holidays during August 2021. These temporary tax-free periods affect all registered businesses that sell items eligible for the exemption — both in-state and out-of-state sellers.

Because no two sales tax holidays are alike, the summer sales tax holiday season is particularly burdensome for companies selling qualifying products into multiple states. Key considerations for retailers include:

Absorbing sales tax

Some states don't allow vendors to absorb sales tax on non-qualifying sales (i.e., pay

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Dates and times

Point-of-sale systems need to exclude sales tax as soon as a sales tax holiday commences and reinstate tax collection the moment it concludes. There can be slight variations from state to state, even for holidays occurring on the same date. For example, Virginia's sales tax holiday ends August 8 at 11:59 p.m., while the Texas holiday runs "[through midnight Sunday](#)," August 8.

Layaway sales

Vendors offering layaway sales must understand how sales tax holiday rules apply to those transactions, and state policies differ. Layaway sales initiated prior to the [Massachusetts](#) sales tax holiday don't qualify for the exemption, even if the last payment is made during it. However, in [Missouri](#), eligible items placed on layaway prior to the holiday *do* qualify for the exemption if the final payment is made during the holiday period. Qualifying items placed on layaway during the holiday qualify for the temporary exemption in [Texas](#), even if final payment is made after the holiday.

Local sales tax

Sales tax holidays in many states apply to both state and local sales and use taxes, but some states allow local governments to opt into or out of the holiday. In non-participating jurisdictions, local sales tax must be charged on transactions that qualify for the state sales tax exemption. Many cities and counties in [Alabama](#) and [Missouri](#) opt to not participate, and this can [complicate compliance for companies](#) doing business in those states.

Price restrictions

It's common for states to set a price limit on eligible products, and items priced above

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Qualifying items

It's common for states to exempt only certain items during a sales tax holiday, rather than all transactions. Thus, although "clothing and footwear" qualify for Virginia's sales tax holiday, bowling shoes, goggles, and wetsuits do not.

Massachusetts has one of the broadest tax-free periods. Any single item of tangible personal property qualifies for the exemption in Massachusetts, provided it's priced \$2,500 or less.

Returns and exchanges

Policies regarding returns and exchanges often vary from state to state. For example, no tax is due on exchanges made after the sales tax holiday in Massachusetts. In West Virginia, no tax is due if a customer buys an eligible item and then exchanges it for credit on the purchase of a different eligible item, so long as both transactions occur during the tax-free period. Yet if a consumer returns an eligible item *after* the holiday period for credit on the purchase of a different item, West Virginia sales tax applies to the new transaction.

Shipping and delivery charges

Shipping, delivery, and handling charges may affect eligibility for the exemption, too.

These charges are considered part of the sales price in Texas, so if they push the cost above the price threshold, the transaction won't qualify for the temporary exemption. Maryland specifies that separately stated shipping and delivery charges are excluded from the sale price and therefore don't affect it; yet combined shipping and handling charges (i.e., included in the price) can push a transaction over the price threshold in the state.

Sales tax normally applies to charges to ship and handle taxable goods

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preparing for a sales tax holiday. For unregistered retailers, there's another.

Businesses must register with tax authorities in states where they've established [sales tax nexus](#), which is simply a connection to the state that's significant enough to merit a tax collection obligation. Having a physical presence creates nexus, and businesses with no physical connection to a state can create nexus solely through economic activity (e.g., sales or transaction volume). This is economic nexus.

All states with a sales tax have an economic nexus law on the books, though Missouri doesn't yet enforce it. All states also provide an exception for companies selling beneath a certain threshold. Economic nexus thresholds vary from state to state and range from \$100,000 in sales to \$500,000 and 100 transactions. This [state-by-state guide to economic nexus](#) laws provides state-specific details.

Sales tax holidays can easily become an economic nexus trigger event for retailers that sell numerous qualifying items. Heighted sales during a two-to-six-day event can vault a seller right over the threshold and into a tax collection obligation — and some states require businesses to register immediately and start collecting sales tax [on the very next sale](#).

August 2021 sales tax holidays

Below is a list of states with sales tax holidays this August, though some start at the end of July. Seasoned retailers will recognize that most dates have shifted by just a day from the 2020 dates. One exception is Massachusetts: Its 2021 sales tax holiday takes place in the middle of the month, while the 2020 holiday occurred at the end of the month.

- Arkansas [back-to-school](#) sales tax holiday, August 7–8
- Connecticut [clothing and footwear](#) sales tax holiday, August 15–21
- Florida [back-to-school](#) sales tax holiday, July 31–August 9

- Iowa [clothing and footwear](#) sales tax holiday, August 6–7

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[Pennsylvania sales tax holiday, July 30–August 1](#), [New York sales tax holiday, July 30–August 5](#)

- Texas [annual sales tax holiday](#), August 6–8
- Virginia [annual sales tax holiday](#), August 6–8
- West Virginia [annual sales tax holiday](#), July 30–August 2

Additional information about these and other sales tax holidays can be found in [2021 sales tax holidays](#).

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Sales Tax

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