

Vertex 2024 Mid-Year Sales Tax Rates and Rules Report Reveals Local Governments are Increasingly Dependent on Sales Tax Revenues

The 2024 Mid-Year Sales Tax Rates and Rules Report alerts indirect tax teams on the substantial number of tax rate changes through June 30.

KING OF PRUSSIA, PA – July 25, 2024 – [Vertex, Inc.](#) (NASDAQ:VERX) (“Vertex” or the “Company”), a global provider of tax technology solutions, today released its latest findings from their Mid-Year Rates and Rules Report. The findings reveal increases in both local and new tax rates as cities across the country respond to economic pressures, highlighting an urgent need for revenue at the municipal level.

The 2024 Mid-Year Sales Tax Rates and Rules report outlines the evolving landscape of local tax implementation, proliferation of fees, and increasing complexity of tax compliance for businesses across the U.S. This is reflected by a 67% year-over-year increase in city-level sales tax rate changes.

"The landscape of sales tax and indirect taxation continues to change rapidly, both domestically and globally," said Michael Bernard, Vertex Chief Tax Officer. "The ongoing trend of cities and districts leveraging sales taxes and fees remains consistent, following a decade-long trend. This coupled with the proliferation of specialized fees and the global focus on digital VAT initiatives, underscores the increasing intricacies of tax compliance for businesses. It's crucial for organizations to stay informed and agile, leveraging advanced tax technologies to manage these multifaceted challenges confidently and effectively."

Key findings from the Vertex 2024 Mid-Year Sales Tax Rates and Rules report include:

- **City-level spikes:** The first half of 2024 witnessed an unprecedented spike in city-level sales tax rate adjustments. While city jurisdictions enacted 95 rate changes in the first six months of 2023, the same period in 2024 saw a dramatic increase to 159 authorized sales tax rate changes – a striking 67% year-over-year increase. This significant acceleration in local tax rate modifications reflects cities' proactive approach to revenue management in response to evolving economic conditions and budgetary pressures.
- **Net-new taxation:** The adoption of new taxing cities (30) and district taxes (77) in the first half of 2024 remains high, as establishing new taxing cities and districts is a simpler and faster process than altering state sales tax rates. This decade-long trend of net-new taxation (taxing cities and district taxes) is in stark contrast to state-level tax changes, which typically require a lengthy legislative process.
- **Looking local:** Local governments raised sales tax rates with three times more county-level increases than decreases, and 12 times more city increases than decreases. The move towards local-level taxation is driven by several key factors: persistent inflation, the ongoing need to maintain and improve public services, and the rising costs of issuing bonds due to higher interest rates.
- **New and unique fees:** States are increasingly implementing various fees, including airport, environmental, special district and retail delivery fees. Two years ago, Vertex solutions supported roughly 400 fee impositions; today, that number is approximately 1,400.

Global Trends

On the global front, while most nations are refraining from increasing VAT rates to avoid anti-competitive effects and inflationary pressures, VAT remains a crucial funding source for governments. Additionally, the EU is expected to see a rise in environmental taxes, particularly carbon-related fees. These trends underscore the evolving nature of indirect taxation globally, with a focus on real and near-time reporting.

Implications for Indirect Tax Teams

Increasing complexity in business structures and the proliferation of new fees demand a more agile and technologically advanced approach to tax management. Moreover, the global shift towards digital VAT initiatives and environmental taxes further complicates international operations.

To effectively navigate these complexities, indirect tax teams must:

- Update software systems;
- Streamline invoicing processes;
- Navigate a complex compliance landscape across multiple jurisdictions.

This necessitates enhanced cross-functional collaboration, especially with IT and finance departments. They must also prioritize continuous education, advocate for advanced tax management solutions, and remain proactive in monitoring and adapting to regulatory developments worldwide.

For more information, download the full report [here](#) or visit our [2024 tax trends page](#).

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About Vertex

Vertex 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 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 employs over 1,400 professionals and serves companies across the globe.

For more information, visit www.vertexinc.com or follow us on [Twitter](#) and [LinkedIn](#).

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