

The logo features the word "Avalara" in a white, sans-serif font. The letter "A" is stylized with a white checkmark integrated into its left side. The background is a solid orange color with a pattern of overlapping, semi-transparent triangles in various shades of orange.

Avalara

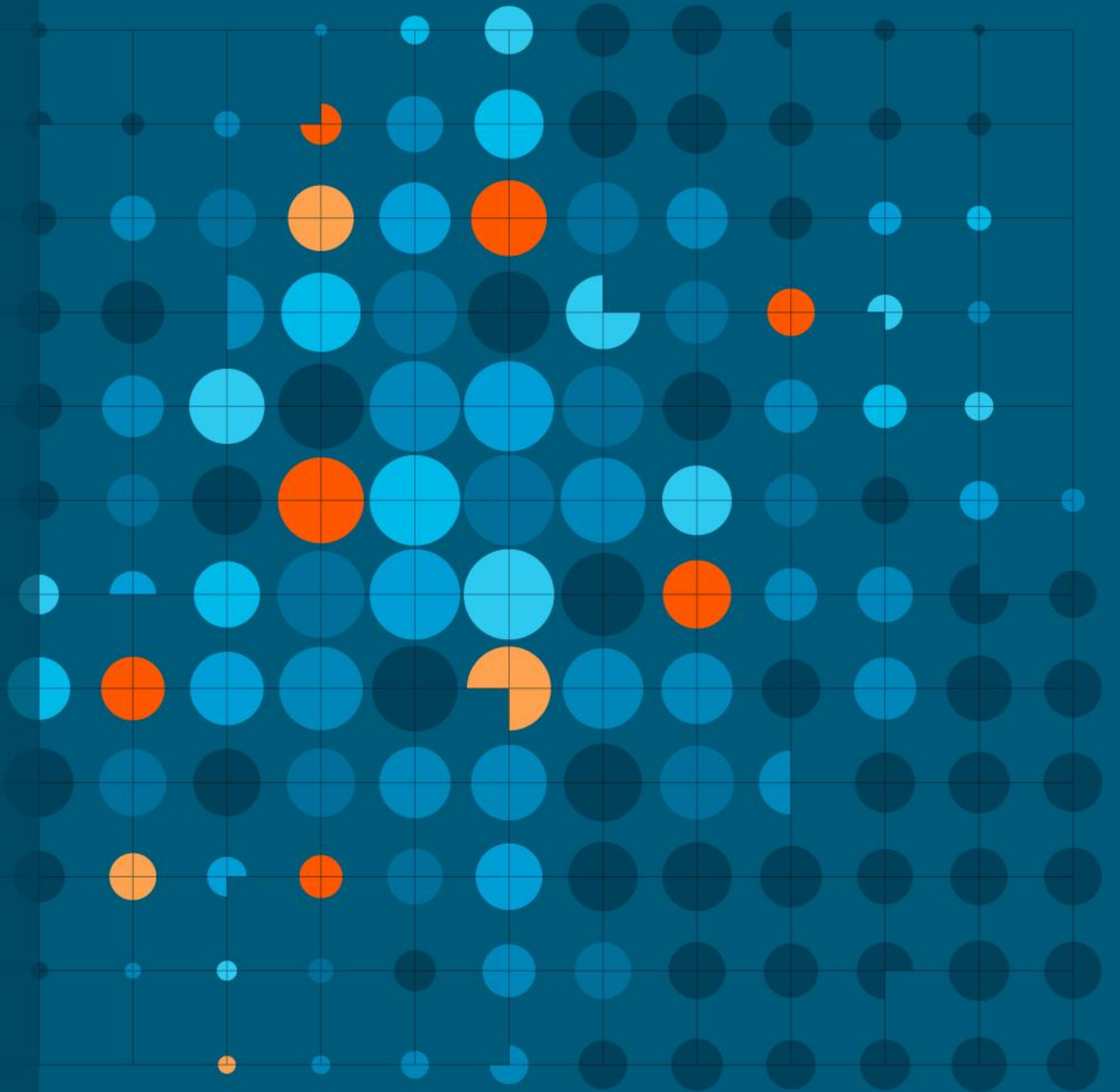
Tax compliance done right

2025

Midyear
updates

TAX CHANGES

Avalara



DISCLAIMER

While we hope you'll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.



Continuing Professional Education (CPE)



Qualifying for credit

- Respond to **3 of 4** poll questions
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➤ **Meet your presenters**

Meet your presenters



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Agenda

- 01** The state of the states: Highlights to know
- 02** Economic nexus and marketplace facilitator updates
- 03** Momentum with retail delivery fees
- 04** Tariff whiplash
- 05** E-invoicing mandates spread
- 06** Q&A

CPE POLL QUESTION #1

What has been the most challenging aspect of managing tax compliance for your business in 2025?

- A Determining nexus
- B Calculating tax rates
- C Tracking exempt sales and exemption certificates
- D Managing returns
- E Keeping up with changing tax laws
- F Monitoring international tax requirements and tariffs

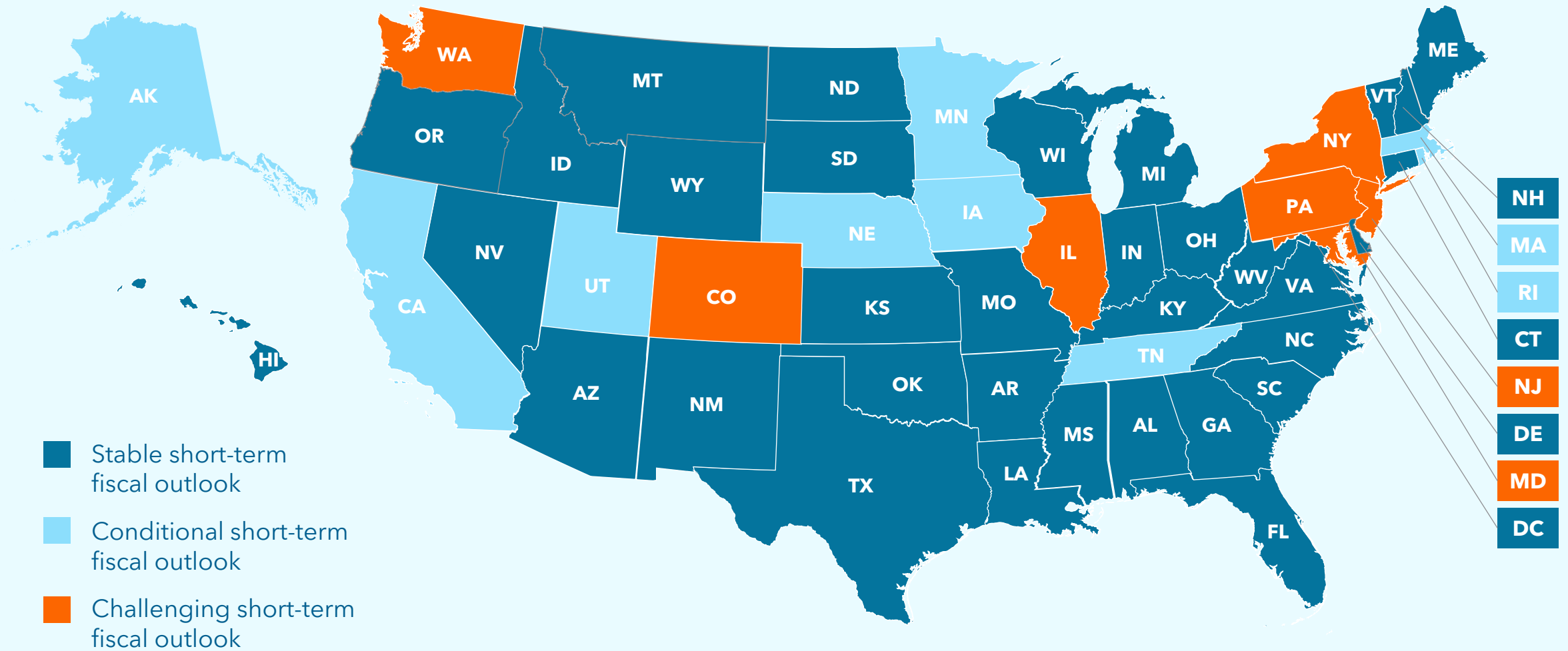
**CPE POLL
QUESTION #1**

> Results



› **The state of the states**

How will state revenues fare in the upcoming years?



Source: [Multistate](#) collection of state revenue estimates. Data as of January 15, 2025

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Broadening the sales tax base to software and services



Maryland to tax data and services

- Starting July 1, Maryland will tax the following services at a rate of 3% of the taxable price:
 - Data or information technology services
 - System software or application software publishing

Washington will tax digital advertising and high-tech services

- Starting October 1, 2025, Washington will tax services including:
 - Custom website development
 - Data entry and data processing
 - Lead generation optimization
 - Search engine marketing

Other states considering taxing services

- Minnesota
- Nebraska
- New Jersey

Software and services taxation, con't



Louisiana

- Effective January 1, 2025, Louisiana began taxing digital goods, information services, and software as a service, regardless of the method of delivery or access.
- Exemptions apply based on specific use, such as commercial use, and type of purchaser, such as licensed healthcare facilities.



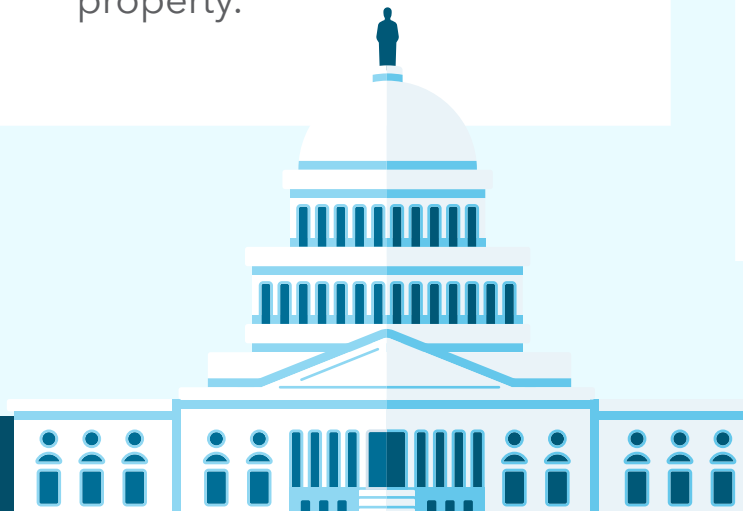
Vermont

- Effective July 1, 2024, Vermont enacted a new bill to include pre-written computer software, regardless of where it's accessed, in its definition of taxable tangible personal property.



Clarifying existing laws

- Georgia clarified terms related to the taxation of digital products, goods, and codes.
- Texas is seeking to exclude services provided by marketplace facilitators from the definition of taxable data processing services.



2025 state-specific highlights



Taxes on food

- **Alabama** will drop its state food tax from 3% to 2% on September 1, 2025
- **Arkansas** will eliminate the state sales tax on groceries effective January 1, 2025 (local sales tax will still apply)
- **Idaho** increased the grocery tax credit to \$155 per person retroactive to January 1, 2025
- **Mississippi** will lower the sales tax rate for groceries from 7% to 5% effective July 1, 2025

Amnesty

- **Illinois** must create a general tax amnesty program which runs from October 1, 2025 to November 15, 2025, for tax periods ending after June 30, 2018, and before July 1, 2024
 - A franchise tax amnesty program will run for the same period for tax periods ending after June 30, 2019, and on or before June 30, 2025.

Illinois aims to “simplify” sales tax for remote sellers



Out-of-state sellers shipping goods from outside Illinois

- Beginning January 1, 2025, **destination sourcing rules** applies (use the rate in effect at the point of delivery).
- Prior to this, out-of-state sellers collected a single statewide use tax rate of 6.25%.



Out-of-state sellers shipping goods from within Illinois

- Should continue to use **origin sourcing** (use the rate in effect at the origin of the sale)
- This could be the location of the inventory or an office where the order was taken.



In-state retailers

- Should continue to follow **origin sourcing** (use the rate in effect at the origin of the sale)
- This could be the ship-from address or an office where an order was taken.
- This make tax compliance less complex for in-state retailers.

Several businesses have challenged Illinois’ requirements for remote sellers, claiming they place an undue burden on out-of-state retailers.

CPE POLL QUESTION #2

Has your business had to make changes to your finance team processes to account for tax changes that went into affect in 2025?

A Yes

B No

C I don't know

**CPE POLL
QUESTION #2**

> Results

> **Economic nexus updates**

The evolution of economic nexus & marketplace laws

States are updating their threshold limits



Alaska

The [Alaska Remote Seller Sales Tax Commission](#) dropped Alaska's 200-transaction threshold beginning **January 1, 2025**.



Utah

[SB 47](#) will remove Utah's 200-transaction threshold, effective **July 1, 2025**.



Illinois

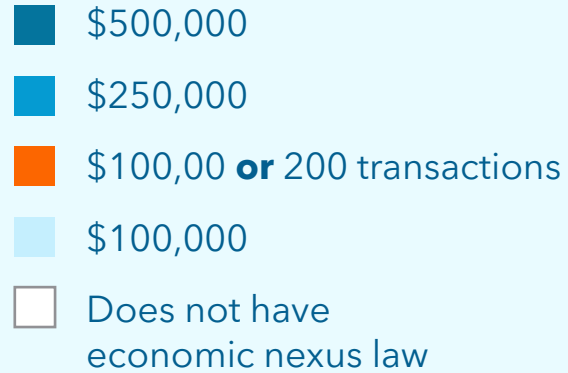
[HB 2755](#) will eliminate Illinois' 200-transaction threshold effective **January 1, 2026**.



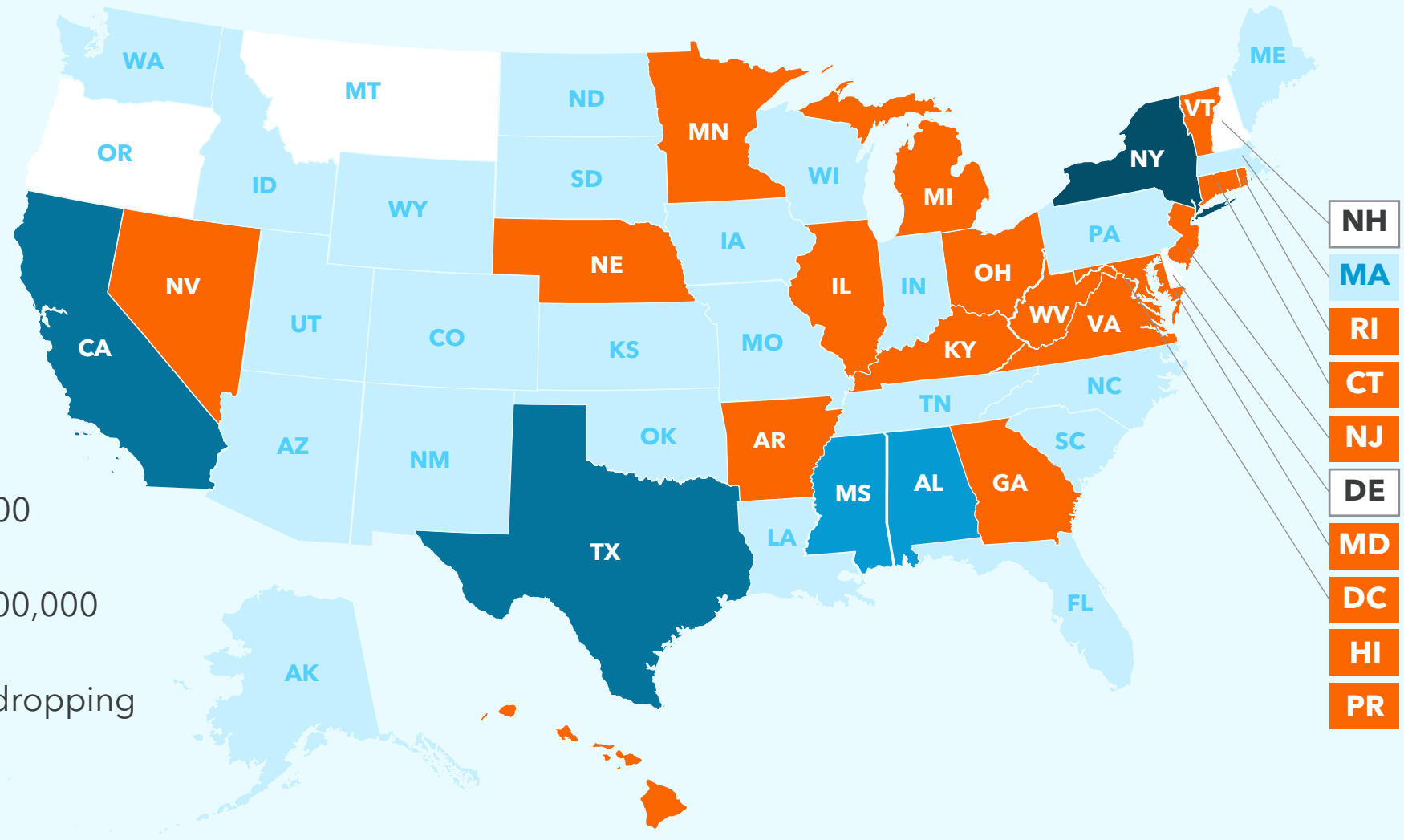
Louisiana

[Act 82](#) adds accommodations intermediaries to the scope of marketplace facilitators as of **June 4, 2025**.

Economic nexus thresholds by state*



- Connecticut's threshold is gross receipts of \$100,000 **and** 200 retail transactions
- New York's threshold is \$500,000 **and** 100 transactions
- Recent activity with states dropping their transaction threshold



* As of July 1, 2025

The background of the slide is a solid orange color with a pattern of semi-transparent, overlapping triangles in various shades of orange, creating a geometric, low-poly aesthetic.

> Momentum with retail delivery fees

Momentum with retail delivery fees



Colorado HB 1144 attempted to eliminate the retail delivery fee but failed.



Washington Legislature Joint Transportation Committee published [a report](#) on the effect of a 30-cent RDF, but no bills have been introduced in 2025.



Three **Minnesota** bills seek to eliminate the retail delivery fee while two others would keep the RDF but remove it from clothing.



Oregon Road User Fee Task Force studied RDFs in a Report to the Oregon Legislative Assembly.



Connecticut, Hawaii, Indiana (struck), **Maryland, New York**, and **Vermont** have all proposed RDF legislation in 2025.

Opposing retailers join forces

Amazon, DoorDash, Google, Grubhub, Instacart, and nearly 30 other businesses are [actively opposing](#) online delivery taxes.

➤ **The latest news in trade and tariffs**

What was announced on “Liberation Day”

Information from President Trump’s April 2 Rose Garden press conference

On pause for 90-days
(pause ends July 9th, 2025)
except for China & baseline 10%

| U.S. Tariffs charged to the U.S. (including currency manipulation and trade barriers) | | | Effective date | U.S. imposed tariffs | | Effective date |
|--|-----|-----|---------------------------------|---|--|----------------------------------|
| China | 67% | 34% | April 9, 2025, at 12:01 a.m. ET | Canada | 25% on non-USMCA compliant goods 10% on non-USMCA compliant energy and potash | March 4, 2025, at 12:01 a.m. ET |
| European Union | 39% | 20% | | Steel and aluminum articles from most countries | 25%* | March 12, 2025, at 12:01 a.m. ET |
| Vietnam | 90% | 46% | | Mexico | 25% on non-USMCA compliant goods (including energy products) | March 31, 2025, at 12:01 a.m. ET |
| Taiwan | 64% | 32% | | Good imported from countries that buy oil or gas from Venezuela | 25% | April 2, 2025, at 12:01 a.m. ET |
| Japan | 46% | 24% | | Automobiles made outside of the U.S. | 25% | April 3, 2025, at 12:01 a.m. ET |
| India | 52% | 26% | | Semiconductors, pharmaceuticals, and timber | 25% | April 3, 2025, at 12:01 a.m. ET |
| South Korea | 50% | 25% | | Minimum baseline tariff on all imports | 10% | April 5, 2025, at 12:01 a.m. ET |
| Thailand | 72% | 36% | | | | |
| Cambodia | 97% | 49% | | | | |
| United Kingdom | 10% | 10% | | | | |

See the full chart image and list [here](#)

* Increased to 50% effective June 4th (announced May 30th)
See [The White House Fact Sheet](#) and [Executive Order](#) for more details

Court rulings on Trump's tariffs

"Liberation day" brought sweeping tariffs, retaliatory actions from major trade partners, and changes to de minimis exemptions and the big question – will these hold up in court?

U.S.-China Trade Tensions

- **May 14:** The U.S. and China agreed to a 90-day suspension of high retaliatory tariffs.
- **May 30:** President Trump accused China of violating the tariff truce by delaying rare earth mineral exports, leading to escalated tensions and a drop in U.S. stock markets.

May 28

The U.S. Court of International Trade ruled that many of President Trump's tariffs exceeded his authority under the International Emergency Economic Powers Act of 1977, ordering a rollback of duties within **ten days**.

May 29

A federal appeals court temporarily stayed the lower court's decision, allowing the tariffs to remain in effect pending further legal proceedings.

May 30

The Trump administration announced plans to appeal to the Supreme Court, arguing that the court's decision oversteps judicial bounds and undermines executive authority.



Where are we now?

As of June 16th, 5pm PST

China

- **30%** on majority of Chinese imports - **May 14**
- Section 301 tariffs remain fully in effect, impacting many electronic and industrial products.
- Ended duty-free de minimis treatment for China and Hong Kong on **May 2**
- Section 301 tariff exclusions extended for 164 products and 14 solar manufacturing equipment items **June 1 - August 31**
- The total tariff rate for Chinese imports is confirmed to be **55%** on **June 11** (10% baseline + 20% fentanyl-linked exports + 25% Section 301)



Canada & Mexico (USMCA)

- USMCA compliant goods will continue to see a **0%** tariff
- Non-USMCA compliant goods will see continue to see a **25%** tariff
- **Canada:** Non-USMCA compliant energy and potash will continue to see a **10%** tariff



General tariffs, EU, EMEA, APAC

- **50%** on steel and aluminum effective **June 4**
- **25%** on automobiles effective **April 3**
- **25%** on countries that buy oil or gas from Venezuela effective **April 2**
- **10%** on all countries effective **April 5**
- Individualized reciprocal tariffs from Liberation Day **paused until July 9**
- **UK: 10%** on British exports still in place, **steel and aluminum tariffs will be removed**, automobile tariffs on UK cars reduced to **10%** for the first 100,000 vehicles annually
- **EU:** U.S. proposed **50%** on all EU goods **paused until July 9**
- **EU** prepared to accept **10%** on all EU exports into the U.S. to avert higher duties on cars, drugs and electronics



Reciprocal Tariffs

CHINA

- **10%** on majority of U.S. imports - **May 14** + reconfirmed on **June 11**

CANADA

- **25% tariffs** on \$30 billion worth of U.S. goods effective **March 4**
- **25% tariffs** on \$29.8 billion worth of U.S. goods effective **March 13**



Access our new
Overview and table of U.S. tariffs by country
to stay up to date

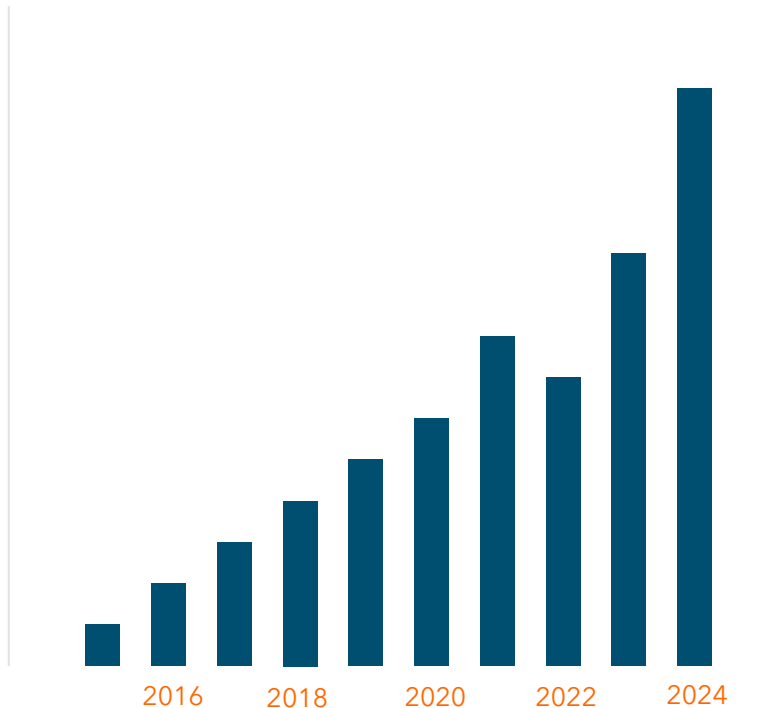
*Pre-February 2025 tariffs for China were averaging around 20.8%

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End of de minimis exemptions

Effective May 2, 2025, for Peoples Republic of China and Hong Kong

VOLUME OF 'DE MINIMIS' SHIPMENTS TO THE US



Duty-free de minimis treatment ends

for goods from China and Hong Kong under \$800

Non-postal shipments

under \$800 now subject to all applicable duties

Postal shipments

under \$800 face a flat duty: 54% of value or \$100/package

Carrier requirements

include reporting shipments, proper tariff code, content information, maintain international bonds, and remit duties to CBP

CBP requirements

may change to formal entry for any package

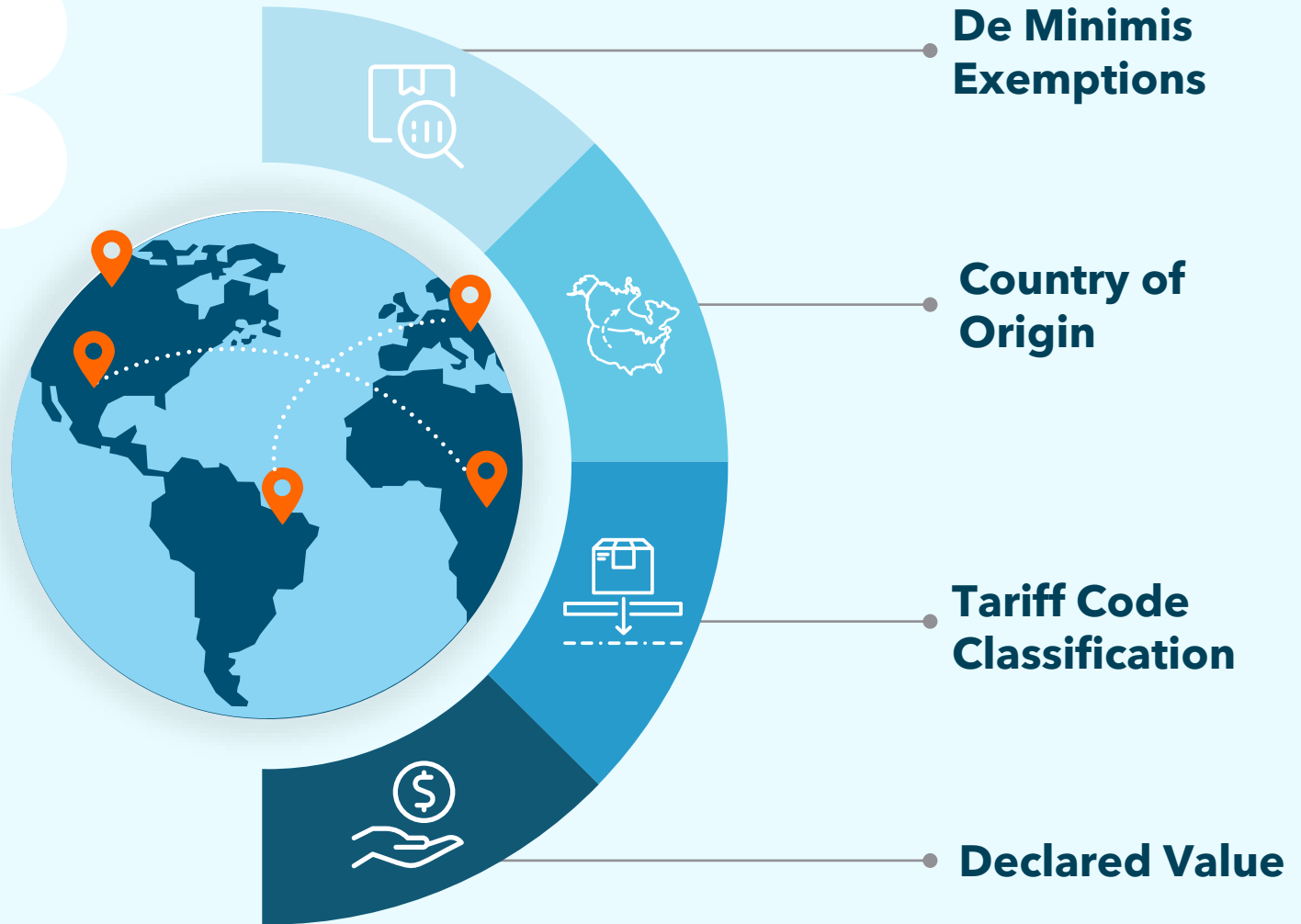
President Trump has indicated an intent to eliminate de minimis entirely as of July 1, 2027

Source: US Customs and Border Protection; National Bureau of Economic Research, [c/o BBC](#)

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4

puzzle pieces of
global trade



Can your business keep up with these changes?

Out-of-date trade compliance information and tariff rates could result in:

01

Penalties, fines, and delays for non-compliance

02

Under- or over-charging customs duties and import taxes

03

Added costs for customers and supply chains

You're not alone.
55%

of respondents find cross-border eCommerce business environment challenging



CPE POLL QUESTION #3

How have trade and tariff updates impacted your business in 2025?

- A** No impact
- B** Minor impact
- C** Moderate impact
- D** Major impact
- E** Severe impact

**CPE POLL
QUESTION #3**

> Results



> E-invoicing spreads worldwide

80+ countries have e-invoicing mandates

More are coming,
some are delayed...



U.K.

HMRC launched a [consultation](#) on e-invoicing in Britain; could announce a proposal by November



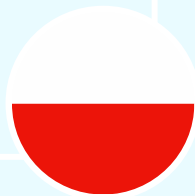
Germany

As of January 1, 2025, businesses must be able to receive e-invoices.



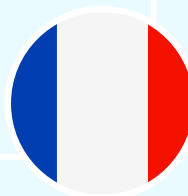
Poland

B2B e-invoicing postponed from July 2024 to February 1, 2026.



France

Postponed its e-invoicing mandate from July 2024 to September 2026.



Spain

Postposed launch to no sooner than 2027 due to doubt on technical specifications



Estonia

Businesses will be required to file B2B invoices electronically in 2027 (delayed from 2025).



CPE POLL QUESTION #4

Would you like to talk with an expert about your global trade compliance?

A Yes

B No

Q&A



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Avalara Tax Changes 2025 midyear update

For more details on tax changes,
download your copy of the Avalara Tax
changes 2025 report today!

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