Forensic Tax Recovery Thought Leader On: 6 Sales Tax Trends For 2025

What can businesses operating in the U.S. expect to happen to sales tax rates, definitions of nexus, new taxable items and more in 2025.

PHILADELPHIA, PA, UNITED STATES, January 6, 2025 /EINPresswire.com/ -- With the election of 2024 behind us, politicians will no doubt turn to their second favorite endeavor, next to getting reelected . . . that of creating and raising taxes. Because inflation has recently slowed down some valuable tax-generating industries, such as real estate development and construction; in 2025, governments will be looking into alternative ways to replace those revenues and to raise more. Said Bill Flick, a Managing Partner at EisnerAmper Advisory Services and a thought leader in sales tax policy and process, "Because of the speed that sales taxes can be implemented and collected, they are often a quick-fix tax choice for governments to utilize." The proof of governments' elevated focus on sales taxes is that 2024 was the first year when the number of sales tax rate changes in America broke through the 500 mark for the year.

> "In 2025, as sales tax nexus is becoming more complex, companies are starting to understand the potential to significantly overpay and affect the bottom line, by as much as 6 and 7 figures."
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> *William Flick, Managing Partner, EisnerAmper Advisory Group, LLC*

Looking ahead to 2025, Flick advises companies to be mindful of the following sales tax trends:

1) Diminished reliance on "number of transactions" in defining sales tax nexus.
Following the Wayfair decision of 2018, sales tax jurisdictions grappled with their definitions of sales tax nexus in defining a company's eligibility to collect sales taxes. Since then, sales tax nexus has usually been defined as some combination of location, dollar volume and number of transactions. Because it has been demonstrated that the "number of transactions" criterion often hurts smaller companies, more and more taxing entities are just using location and dollar volume in their nexus definitions. In 2025, it will be important to take another look at how nexus affects their company, in each state and jurisdiction.

2) Broadening the sales tax frontier to including digital and professional services as taxable products.

Traditionally, digital and professional services have not been subject to sales tax. However, because of governments' zeal to increase revenue, many sales tax jurisdictions are broadening their taxability scope and starting to consider or include charging sales taxes on digital and professional services as a new revenue stream.


William Flick - Managing Partner EisnerAmper Advisory Group

3) Increasing numbers of sales tax audits will be conducted in 2025.
As governments strive to raise funds, they will plan for more state tax audits. Of course, the presumption in audits is that there is underpayment. However, with many sales tax audits of companies doing business in multiple states, audits can often demonstrate overpayment which results in reduction of taxes or even refunds. A best practice for companies may be proactivity in conducting an internal pre-audit audit to determine your company's potential sales tax exposure prior to the government knocking on your door.

4) Software struggling to keep pace with sales tax changes.
With over 500 changes to tax laws expected in 2025, it will be difficult for financial software to keep current with sales tax liability, nexus and compliance. Companies, especially those that do business in multiple states, will need to create new strategies to ensure compliance and prevent overpayment of sales taxes. Even artificial intelligence, which is machine learning based on past experiences, will have less of an impact in the area of adjusting to current and future changes.

5) Sales tax compliance will become a higher priority for CFO's.
When one considers that the EBITDA of most companies is 6-10%, and the profit margin is usually much less, the percentage sales taxes represent can make a difference to the bottom line. Because of its effect, more CFO's are prioritizing sale tax compliance in order to be more effective in controlling nexus issues and overpayments.

6) Tax competitiveness among states may become a balancing factor to spiraling sales taxes.
A counter-balance to governments' penchant for raising taxes, is the concept of tax competitiveness. Tax competitiveness measures a state's tax burden on businesses and compares it to other states, in order to attract businesses to lower tax environments. As the economy tightens, states will be more mindful of their relative position and strive to keep taxes

competitive, where they otherwise might have raised them.

Said Flick, “Sales taxes have been assumed to be an automatic add-on to invoices, unworthy of a second glance. In 2025, as sales tax nexus is becoming more complex, companies are starting to understand the potential to significantly overpay and affect the bottom line, by as much as 6 and 7 figures.”

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EisnerAmper, one of the largest business consulting groups in the world, is comprised of EisnerAmper LLP, a licensed independent CPA firm that provides client attest services; and EisnerAmper Advisory Group LLC, an alternative practice structure that provides business advisory and non-attest services in accordance with all applicable laws, regulations, standards and codes of conduct. Having recently joined the EisnerAmper family, FM Cost Containment is one of the leading forensic tax recovery firms in the United States, specializing in tax confirmation and recovery of overpayments of sales and use taxes, as well as tax audit defense, utilizing proprietary research and knowledge of little-known technicalities in the tax laws of each of the 50 states, including over 10,000 tax entities throughout the United States.

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