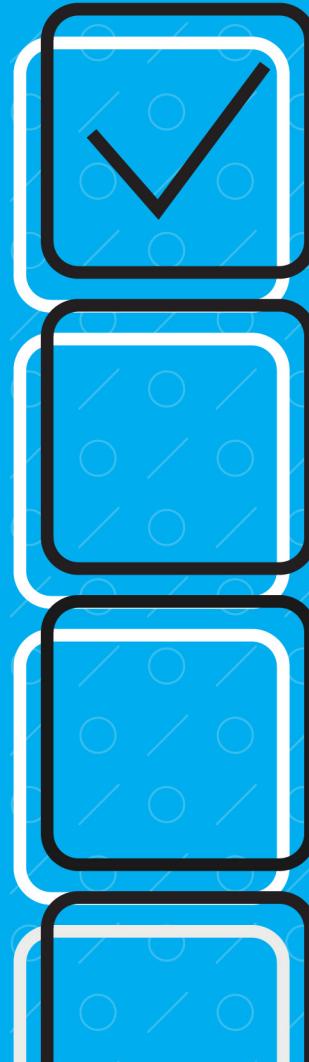


# 2026 sales tax trends and changes



Six essential steps to set your business up for sales tax compliance now, along with emerging trends to help you prepare for the future.

**TaxJar**

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# Introduction

Navigating sales tax responsibilities is a challenging undertaking, given the more than 46 distinct state sales tax laws, 11,000 taxing jurisdictions, and frequently changing regulations. However, maintaining compliance is essential to avoid costly penalties.

To help with this, we've outlined new state sales tax laws and trends for 2026. This guide will also detail the six steps to compliance: covering nexus, product taxability, and the processes for filing and remitting sales tax. Whether you're new to sales tax or have recently crossed a nexus threshold in a new state, this guide will help your business remain compliant as it grows.

## What is sales tax?

States and local governments use sales tax to pay for items like schools, roads and public safety. **Sales tax** is a “consumption tax” because it’s only charged when a buyer buys goods or services. It’s often referred to as a “pass-through tax,” because even though a business charges sales tax to customers, they don’t keep it. It “passes through,” because a business takes the money they collected from the customer and remits it to the state taxing authority.

Sales tax is governed at the state level, which means each state makes its own laws when it comes to administering sales tax. This is one reason sales tax compliance is so complex. For a business selling in multiple states, they must be aware of all the different sales tax laws and due dates for each state.

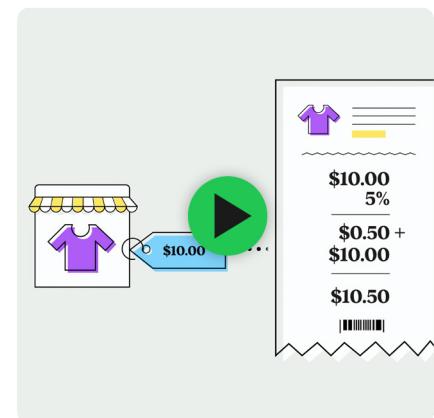


## Some aspects of sales tax that can vary from state to state include:

- Which products and services are taxable
- How much sales tax is charged
- When and how often businesses are required to file sales tax returns
- Sales tax returns due dates
- If the state allows local areas to collect sales tax

There are five states with no state sales tax: Alaska\*, Delaware, Montana, New Hampshire, and Oregon.

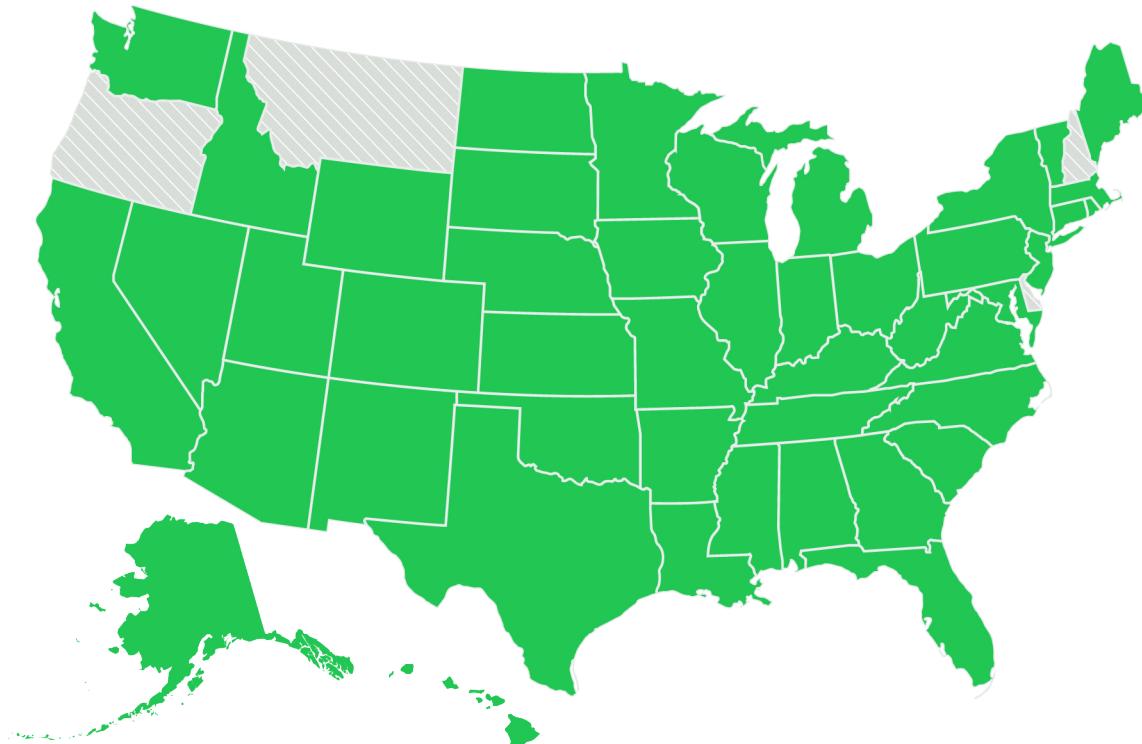
\*Though there is no state sales tax, Alaska passed legislation allowing local jurisdictions to elect to require that e-commerce businesses with economic nexus to collect sales tax. Currently, 107 municipalities in Alaska have a local sales tax in place.



[Video: The Basics of Sales Tax in the U.S.](#)

**Forty-six U.S. states and Washington D.C. all have a sales tax.**

Click the map for detailed sales tax information about every U.S. state.



# Sales tax trends and changes for 2026

Sales tax laws and regulations change often. This is one of the many reasons why maintaining tax compliance can be so challenging for sellers. While you are busy preparing your online store for the new year, don't forget to check in on these important sales tax changes and trends that are coming in 2026.

## Taxability policy changes

In 2025, several states updated how they tax essential items to ease the economic burden on consumers, often in states where inflation is high. For example, Kansas, and Mississippi eliminated or decreased the sales tax on grocery items. There are only three states that don't offer a reduced sales tax rate or exception on grocery items, and we expect those states to make taxability changes in the future.

Louisiana made some changes in 2025 as well, updating their shipping taxability rule. As of January 2025, the state generally taxes shipping as part of the sales price of a transaction, even when separately stated.

Maryland is making product taxability changes as well. As of July 1, 2025, the state will begin taxing a number of IT services at a reduced rate of 3%:

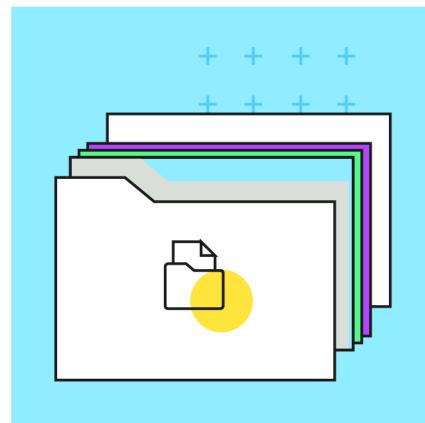
- Data processing
- Web hosting
- Web search portals, libraries, archives, and other information services
- Computer systems design and related services
- System software or application software publishing services

Similarly, Washington's Senate Bill 5814 expands their list of taxable services to digital services. The new law went into effect in October 2025, but legal challenges are anticipated due to the controversial way the legislature singles out certain advertising services that are digitally or electronically delivered.

While states are still determining how to manage the taxability of AI tools, we expect states will define AI offerings as a digital good or service, and tax (or exempt) it in accordance with the specific state tax law.

Taxability changes happen often throughout the year, with little to no warning for businesses. Staying tax compliant requires being aware of these changes as soon as they go into effect, and ensuring the changes are implemented in check out flows.

TaxJar stays on top of these changes and automatically updates the rates to ensure the right amount of sales tax is collected.



## Sales tax policy changes

There are a number of legislation changes we're seeing states make across different aspects of sales tax compliance. For example, many states continue to remove their transaction thresholds. States like Utah and Illinois are removing transaction counts for economic nexus, focusing solely on sales revenue. This is a welcome change for small sellers, who might have a high transaction count, but a lower revenue amount. Currently, there are 18 states that still utilize a transaction threshold, and we expect to see more states remove these thresholds in the future.

Historically, many states have provided discounts to businesses for filing timely sales tax returns. However, a growing number of states are beginning to reduce or eliminate these discounts:

- Louisiana capped the maximum monthly discount to \$750, from \$1,500, effective January 1, 2025.
- Illinois capped the maximum monthly sales tax discount that businesses can claim at \$1,000, effective January 1, 2025.
- South Dakota suspended their discount from July 1, 2025 to June 30, 2028.
- Nebraska reduced their monthly discount from 3% of the first \$5,000 to 2.5% of the first \$3,000, effective January 2026.
- Colorado eliminated their discount, effective January 2026.

Additionally, the US Treasury Department shared plans to discontinue penny production due to rising costs and declining use. This means state tax administrators will see changes, as transactions will have to be rounded to the nearest nickel. Additionally, when a total transaction price, including sales tax, ends in an amount less than five cents, the total amount of sales tax collected might be slightly different than the calculated sales tax amount. States might also see a slight increase in sales tax revenue as a result. Businesses that are manually calculating and collecting sales tax must implement a rounding system for transactions to the nearest nickel.

This also raises potential legal questions about discriminatory tax collection between cashless and cash-paying customers.



## Increase of special district taxes

Indirect taxes in the US are becoming increasingly localized and specialized. A growing trend shows cities and other local jurisdictions implementing new, unique taxes that transcend traditional boundaries. Often, these are created to generate revenue for a specific project or initiative. This includes:

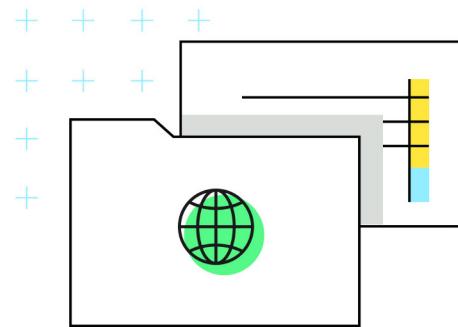
- Cities adopting their first-ever local sales taxes. For example: Milwaukee, Wisconsin, and Casper, Wyoming.
- The establishment of "sub-city" special tax districts with distinct rates and rules. For example, Nebraska's **Good Life Districts**.

This trend emphasizes the need for businesses to stop relying solely on ZIP codes for tax calculations. A single ZIP code can now contain multiple, overlapping tax rates, creating an enormous compliance headache and making manual sales tax management nearly impossible.

TaxJar manages this complexity seamlessly: Our **API and calculation engine** apply rooftop-accurate rates based on your customer's state, county, city, and even district.

## New VDA enforcement program

Washington state has launched a pilot Voluntary Disclosure Agreement (VDA) program specifically targeting foreign sellers who may have historical sales tax liabilities. This is the first program of its kind in the US. The pilot could have implications for other states that have struggled to get delinquent online retailers to settle their outstanding liabilities and come into compliance with state laws enacted in response to the 2018 Wayfair ruling.



This signals a new, more attractive approach by states to enforce nexus requirements on international businesses. If successful, other states will likely follow suit, addressing an urgent compliance gap related to non-US businesses selling into the US.



# 6 steps to sales tax compliance

**Becoming sales tax compliant is a process – here are the six steps to follow:**

- 1. Determine where you have sales tax nexus and are required to collect sales tax.**
- 2. Verify if your products are subject to sales tax.**
- 3. Register for sales tax permits.**
- 4. Set up sales tax collection on all your sales channels.**
- 5. Report how much sales tax your business collected.**
- 6. File sales tax returns.**

**Step 1**

# Find out where you are required to collect sales tax

## Determine where you have sales tax nexus

In the US, retailers are required to collect sales tax from buyers in states where they have "sales tax nexus." "Nexus" originates from a Latin word meaning "to bind" or "to tie." If you have sales tax nexus, think of your business as having a "tie" to the state. There are two different types of sales tax nexus, or in other words, two different ways you can meet the requirements to collect and remit sales tax to a state.

Physical nexus is just that, a physical connection to a state. Examples of physical nexus (also sometimes referred to as "physical presence") include employees, offices, stores, warehouses, conference attendance, servers, etc. Then there is **economic nexus**. These are either revenue or transaction (or both) thresholds that require businesses who exceed these thresholds to collect sales tax from buyers in that state. For example, in the state of Georgia, businesses only need to collect sales tax from customers if they have exceeded \$100,000 in revenue or 200 transactions from customers in Georgia. These thresholds vary from state to state.



## Video: What is economic nexus?

**Sales tax is complicated and each state is different. In fact, there are:**



## To determine if you have nexus, ask yourself these questions:

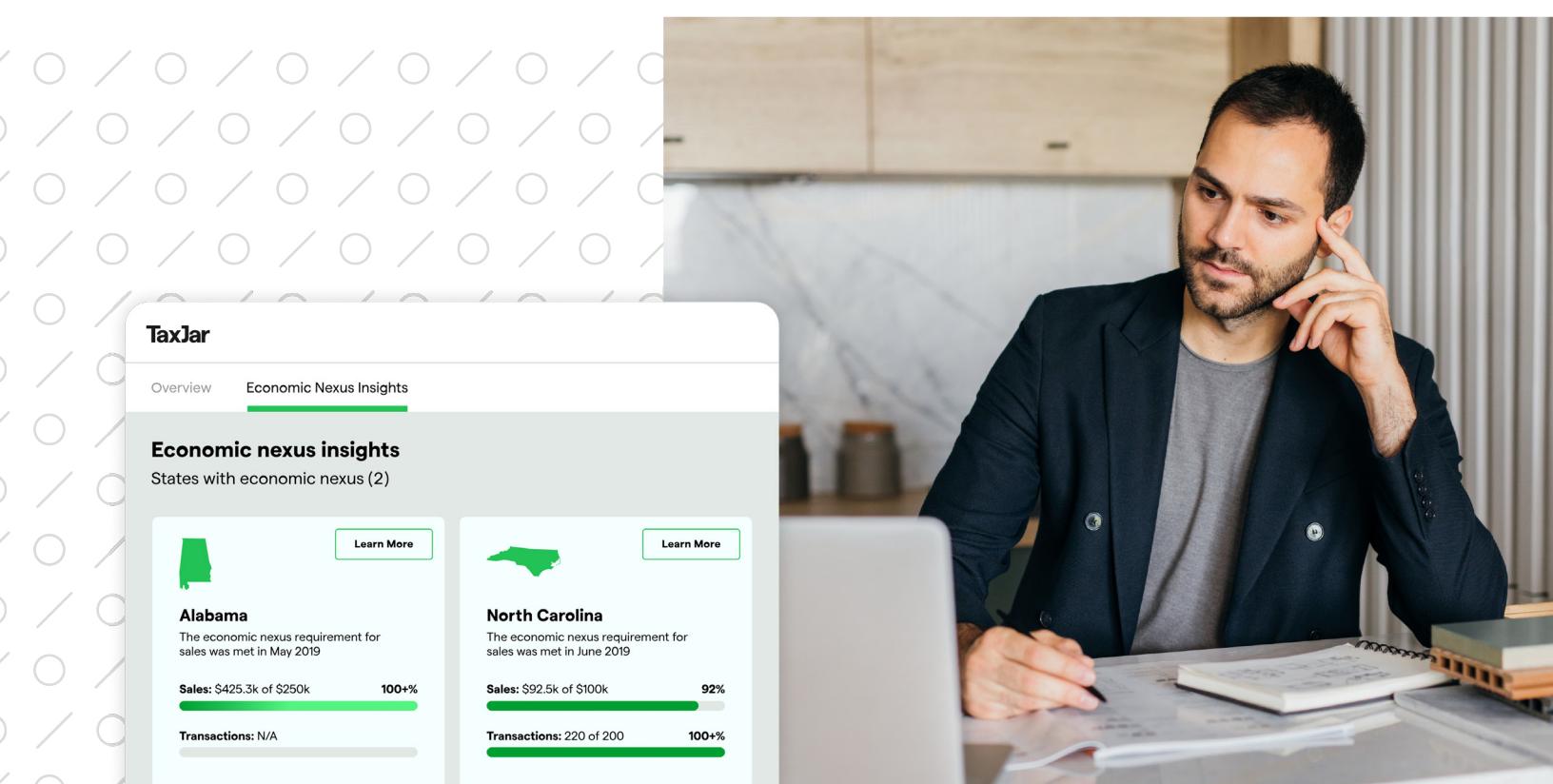
1. Do I have a location, warehouse or other physical presence in a state?
2. Do I have an employee, contractor, sales person, installer or other person working for me in a state?
3. Do I have products stored in a state?
4. Do I have an affiliate program with affiliates in various states?
5. Do I cross state lines to sell my products at a tradeshow, craft fair or other event?
6. Do I have qualifying sales or transactions that exceed the state's economic nexus threshold?

If you answered yes to any of these questions, explore where you have sales tax responsibilities by learning about each [each state's sales tax nexus laws](#).

**Remember:** Collect sales tax from ALL buyers in states where you have sales tax nexus. (Unless a [marketplace](#) collects on your behalf.) Nexus is slightly different in every state, so check with the state or a sales tax expert if you are not sure whether you have nexus, or [sign up for a free TaxJar trial](#) and take advantage of our nexus insights tool. [TaxJar's nexus insight tool](#) simplifies the process with an easy-to-use dashboard and notification system that helps you monitor your nexus exposure as you transact more sales online and across more states. Our dashboard warns you when you may need to register in a new state.

## Marketplace Facilitator Laws

After you've determined you have sales tax nexus in a state, you'll also want to check the state's marketplace facilitator law. Each of the 46 states with economic nexus laws have active marketplace facilitator laws in place. These laws require the marketplace facilitator, such as Amazon or Walmart, to collect sales tax on your behalf. The caveat, however, is that you're still liable for collecting tax on sales when selling via other channels, such as a brick and mortar store or through your business website.



## Step 2

# Verify if your products are taxable

## What products are taxable?

In the US, most “tangible personal property” is taxable. In other words, most items like furniture, jewelry, toothbrushes, coffee mugs, etc. will be subject to sales tax.

However, some items considered to be “necessities” may not be taxable in all states.

**Here's a list of common item types that may not be taxable in some states:**

- Grocery food
- Clothing
- Certain books (textbooks, religious books, etc.)
- Prescription and nonprescription medicine
- Supplements
- Magazines and subscriptions
- Digital products (books, music, movies, etc.)

This is not a complete list, so keep in mind that some states may exempt other types of items. For example, SaaS and digital goods taxability varies significantly across states, with certain states even taxing these offerings differently if it's used for personal or business use.

It's important to check with your state or a tax professional to determine if you should collect sales tax on your products. If the items you are selling are not taxable, then you are not required to collect sales tax on those items.

**Product taxability is not always “all or nothing.”**

For instance, in New York, only clothing priced under \$110 is exempt from state sales tax. However, clothing may not be exempt from local sales tax. In Illinois, grocery items are taxable, but they are only taxable at a reduced rate of 1%. You can read more about product taxability here.

Understanding where your items are taxable is challenging, but TaxJar can help. Once you assign a product tax code to all your products in TaxJar, we'll automatically apply sales tax to purchases only where that item is considered taxable. Learn more about our product tax code library here.

**Step 3**

# Register for a sales tax permit

## How to register for a sales tax permit

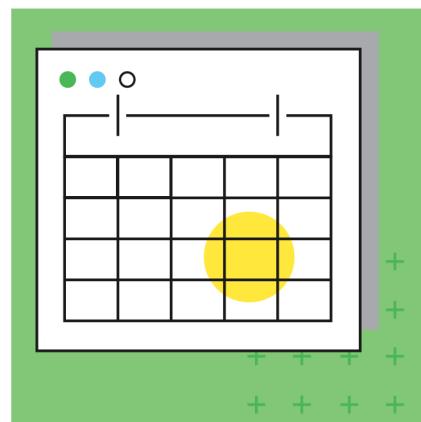
Now that you have determined you have sales tax nexus in a state and that the products you sell are taxable in that state, your next step is to register for a state sales tax permit. Each state's taxing authority handles sales tax registration. You can [register for a sales tax permit yourself](#) or let [TaxJar register for a sales tax permit](#) on your behalf.

When registering online, you will sometimes receive your sales tax permit number instantly, though with some states it will take up to 10 business days. If you register on paper, it may take two to four weeks to receive your sales tax permit. This is a crucial step – it's unlawful to collect sales tax from buyers without a valid sales tax permit. While collecting sales tax without a valid permit may be an honest mistake on a business's part, states generally view this as tax fraud and take it very seriously.

### Have this information handy when registering for a sales tax permit:

- Your personal contact information
- Your business contact information
- Social security number (SSN) or Federal Employer Identification Number (FEIN) also known as Employer Identification Number (EIN)
- Business entity (sole-proprietor, LLC, S-Corp, etc.)
- Your NAICS Code (Hint: The NAICS code for online stores is 454110)

Individual states may ask for additional information. If you don't want to manage these details for all the states where you have sales tax obligations, TaxJar can register on your behalf. Learn more [here](#).



## When are sales tax due dates?

When they send your sales tax permit, the state will also assign you a sales tax filing frequency and due date.

These filing frequencies are generally monthly, quarterly or annually. Be aware that some states have other filing frequencies like semi-annually or twice-monthly for very large retailers. States reserve the right to change this, so always file and pay based on the due date the state assigns you. Due dates will fall on a different day of the month depending on the state. In most states, sales tax is due by the 20th day of the month following the taxable period.

## Here's an example sales tax filing scenario for an e-commerce business:

Danny's Mattresses has sales tax nexus in three states:

Georgia, California and Maine.

- His Georgia sales tax returns are due every month by the 20th.
- His California sales tax returns are due every quarter on the final day of the month.
- His Maine sales tax returns are due annually on the 15th day of the month.

As you can see, it's tough to get into a rhythm when filing sales tax when the due dates and filing frequencies vary. [TaxJar AutoFile](#) will automatically file for you on time, every time.

## Resale certificates

In most states, your sales tax permit also serves as a resale certificate. If you hold a valid sales tax permit with the state, you can buy from wholesalers, and also often buy items tax-free at retail as long as you intend to resell the items. Each state is a little different when it comes to how you can use and accept a resale certificate as a retailer.

Here are some resources to get you started:

- Read our [Resale Certificate FAQ](#)
- See [resale certificate rules for each state](#).
- Has one of your buyers presented you with a resale certificate? You can verify the authenticity of their resale certificate [here](#).
- Looking for information on how to get a resale certificate? [Here's](#) how to do that in each state.

## Step 4

# Set up sales tax collection on your online shopping carts and marketplaces

Ready to register for a state sales tax permit? Get [instructions](#) on how to register yourself or [let TaxJar register for a sales tax permit on your behalf](#).

## Origin-based and destination-based sales tax collection

Once you have your valid sales tax permit, your next step is to begin collecting sales tax from your customers.

Each online shopping cart and marketplace allows you to set up sales tax collection. Here's where you can [find guides on how to set up sales tax collection on the major shopping carts and marketplaces](#).

States generally require online sellers to collect sales tax in one of two ways:

1. Origin-based sales tax collection
2. Destination-based sales tax collection

This concept is also commonly referred to as "sales tax sourcing."

[Find out if your nexus state is an origin-based or destination based state here.](#)

## Origin-based sales tax collection

Online sellers who are based in states with origin-based sales tax sourcing are required to collect sales tax at the seller's business location.

If your business is based in an origin-based state like Texas, you would determine the sales tax rate at your home, warehouse, store or other headquarters. Then, charge all your buyers in Texas that single sales tax rate.

This type of sales tax collection is straightforward. You're only required to know and charge a single sales tax rate to all buyers in the state.

### Origin: Sale in Texas

The Irving sales tax rate should be applied to this transaction: **8.25%**

State:	Irving County:	Dallas MTA:	Total Rate Collected
<b>6.25%</b>	<b>+ 1%</b>	<b>+ 1%</b>	<b>= 8.25%</b>

## Destination-based sales tax collection

Online sellers who are based in states with destination-based sales tax sourcing are required to charge the sales tax rate at the buyer's "ship to" address.

As a seller, you are required to calculate and charge the state, county, city and other local sales tax rates where your buyer is located. Most states have destination-based sales tax collection.

### Destination: Sale in New York

The Buffalo sales tax rate should be applied to this transaction: **8.75%**

State:	Erie County:	Total Rate Collected
<b>4%</b>	<b>+ 4.75%</b>	<b>= 8.75%</b>

## When do I charge sales tax on shipping?

In some states, shipping is considered a necessary part of an e-commerce transaction, and the state requires that you charge sales tax on the amount you charged for shipping. In other states, shipping is considered a separate charge and is not considered taxable. Every state's rules on shipping tax are slightly different. See if shipping is taxable in your state [here](#).

**Note:** In e-commerce, the point of sale is generally your buyer's "ship to" address. Always follow sales tax rules and laws in the state where your buyer is located. Never charge a customer another state's sales tax.

Example: A seller has nexus in Florida and Texas. That seller would never charge a Texas sales tax rate to a Florida customer.

### Shipping taxability example:

Clara's Cups sells a mug for \$10 and charges \$5 for shipping. The total of the product price and shipping is \$15. Since shipping is taxable in the state where Clara is shipping the product, she charges 5% sales tax on that \$15 total. This equals .75 sales tax. So, the total price the customer pays would be \$15.75.

But now Clara is selling the same items for the same price, but because of the state sales tax laws, she is not required to collect sales tax on the shipping charges. She only charges the 5% sales tax on the \$10 price of the mug. So, the total price of the mug is \$10.50 ( $\$10 + 5\%$  sales tax.) She then adds the \$5 shipping charge. The total amount the customer pays is \$15.50.

Fortunately, when setting up sales tax collection on your sales channels, most channels allow you to indicate whether you want to charge sales tax on shipping charges. See where shipping is considered taxable [here](#). A sales tax solution like TaxJar can ensure shipping is only taxed when required by a state. See how TaxJar manages shipping and handling [here](#).

## Collecting sales tax when drop shipping

Drop shipping, where you have your vendor ship an item directly to your customer, can be a lucrative business model. However, it can create complications when it comes to collecting sales tax.

Here's an example: You sell phone cases on your website, but use a third-party printing company to print your design on the cases and ship them to your customer.

### In this example, three things are happening:

1. Your customer buys the item from you.
2. You buy the item from your vendor.
3. Your vendor ships the item to your customer.

In this case, if your vendor has nexus in your state, they'll be required to charge you sales tax on that purchase. Unless you present them with a resale certificate stating that the item you bought from them is for resale. And if your customer is in a state where you have nexus, then you'll be required to charge sales tax to your customer.

Drop shipping can get complicated. It depends on where the three parties — you, your vendor and your customer — are located and have sales tax nexus. You may be required to charge sales tax to your customer, and your vendor may charge sales tax to you. [This post](#) walks you through several scenarios to help you determine who charges sales tax. It will also explain how to use a resale certificate to buy items for resale without paying sales tax to your vendor.

**01**

You design and sell phone cases



**02**

A third-party printing company prints your designs onto the phone cases



**03**

After printing, they ship the item to your customer

## Step 5

# Report how much sales tax you collected

Soon enough, a sales tax filing due date will roll around. When preparing to file a state sales tax return, you need to determine how much sales tax you collected from buyers in not only the entire state, but in each county, city and other special taxing district.

### Why is reporting sales tax important?

States rely on sales tax dollars to pay for infrastructure, public safety and other big budget items. Unless sales tax is reported, they won't know which city or local area to allocate those funds to unless you break down your transactions for them.

In a small number of states, like origin-based states or states that only have a single statewide sales tax rate, filing sales tax isn't as challenging. But, in most cases, breaking all your transactions down manually is a time consuming chore, especially if you are a high-volume seller or you sell on multiple channels.

TaxJar can help make this process easier. Our platform automatically compiles orders from your e-commerce channels into one dashboard, giving you and your team access to all your transactions, as well as state-by-state reports with city, county, and special district breakdowns. We even provide reduced and exempt item taxability reporting for easy review. Learn more about our sales tax reports [here](#).

**Step 6**

## File your sales tax returns

Your next step is to file your sales tax returns with the state(s). Most states allow you to file sales tax online, and some require it. If you wish to file manually, login at your state's taxing authority website to file. [Here](#) are instructions for manually filing sales tax returns in each state or you let TaxJar file for you via [AutoFile](#).

At TaxJar, we recommend filing at least a few days early to avoid any problems with your filing and to deal with any state idiosyncrasies. Keep in mind that each state has their own unique filing requirements and forms, so when filing manually, ensure you allot enough time to properly complete each form.

**Sales tax returns are time consuming and can be very, very long. For example:**



**100+**

Number of pages in an average Colorado sales tax return.

For example, while the sales tax due date in Florida is technically the 20th of the month after the taxable period, Florida requires that a seller pays via electronic funds transfer (EFT) and that his payment hits their bank account by that date. So, to file “on time” in Florida, the seller needs to know how much he owes, and transmit his funds to the Florida Department of Revenue several days before the stated due date. Failing to file on time in Florida will result in a \$50 fine, plus interest on the outstanding amount of sales tax owed. Other states have similar fines, and require sellers to pay interest when filing late.

### **Here are two key things to remember when filing a sales tax return:**

File “zero returns.” It’s important to file a sales tax return every time you have a filing due, even if you didn’t collect any sales tax over the taxable period. States consider your sales tax filings to be a “check in.” If a seller fails to file, the state could charge a penalty or even revoke the seller’s sales tax license. Be prepared to file sales tax returns by the due date, every time, even if you don’t owe a penny in sales tax.

Don’t forget sales tax discounts. About half the states with a sales tax allow on-time sales tax filers to keep a very small amount (usually 1-2%) of the sales tax collected.

[Here is a list of states with sales tax discounts.](#)

## **Sales tax compliance made easier**

### **Automate your sales tax with TaxJar**

As you can see, managing sales tax compliance can take time and resources away from other revenue-generating activities. Automating your sales tax through a trusted solution increases efficiency and accuracy, but also allows you to focus on what’s most important: running your business.

**TaxJar’s AutoFile** is our automatic electronic filing service for state sales tax, built on best-in-class technology. Once enrolled in a particular state, we’ll use the data that we receive from your e-commerce platforms or ERP systems to prepare and submit an accurate return along with your remittance. TaxJar manages all your filing details and deadlines, scaling up as you grow, so you can focus on the big picture.

**See how TaxJar can manage your sales tax compliance in our product demo video.**

**TaxJar**  
a stripe company

# Product Demo

How TaxJar automates your sales tax compliance

**TaxJar**

Get ahead of compliance  
Start a free, 30-day TaxJar trial today.

Have questions about TaxJar and how we can help streamline your compliance?  
Contact our sales team to learn more.