

U.S. Tax Changes: Q2 Update

Brian Smith
David Wells, CPA

May 14, 2025



The Association of
Accountants and
Financial Professionals
in Business



Featured Presenters



Brian Smith
Senior Government Relations Director
Avalara



David Wells, CPA
Sales Tax Senior Manager
RSM US LLP

Agenda

- 1 > Simplifying economic nexus
- 2 > Movers and shakers on 2024 ballots
- 3 > More states consider retail delivery fees
- 4 > Taxation on digital goods and streaming
- 5 > EV tax credits ending?
- 6 > E-invoicing spreads worldwide
- 7 > 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 sales tax
- C. Tracking exempt sales and exemption certificates
- D. Managing returns
- E. Keeping up with changing tax laws and guidelines
- F. International tax requirements (tariffs, VAT, e-invoicing, etc.)

Tariff whiplash

Why the whiplash?

Increased tariffs, removal of de minimis, retaliatory actions – but when?

In an attempt to stop the flow of fentanyl and illegal migrants into the U.S., U.S. President Donald Trump signaled sweeping changes that could impact cross-border trade with major partners like Mexico, Canada, China, and potentially others.

Increased tariffs, removal of de minimis, and retaliatory actions have all been implemented - and then paused.

Most products traded between Canada, Mexico, and the U.S. are free from tariffs under USMCA – until now.

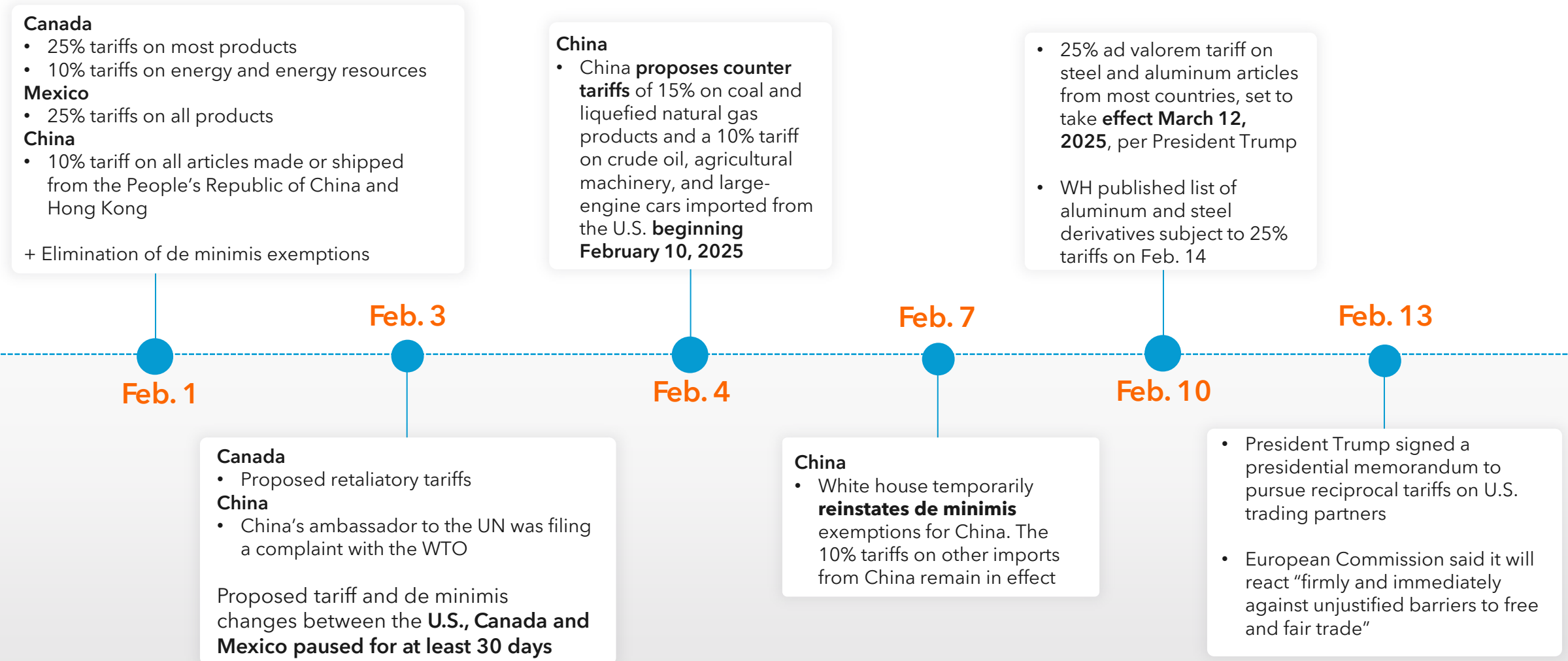
Keep up with these changes:

- [How to prepare for Trump tariffs – Avalara](#)
- [What you need to know about the US-Canada trade war - Avalara](#)
- [How to handle U.S.-China tariffs and the end of de minimis – Avalara](#)
- [De minimis exemption changes are coming: Is your business ready? - Avalara](#)
- [Trump steel and aluminum tariffs: What you need to know - Avalara](#)



Timeline of events - 2025

Tracking the changes as of March 14, 2025



Timeline of events - 2025

Tracking the changes as of March 14, 2025

- Proposed Tariffs on Automobiles, Semiconductors, Pharmaceuticals, and Timber of ~25%
- Reciprocal Tariff Framework: U.S. officials will assess trade partners' tariffs on American goods and propose matching levies **by April 1, 2025**

Feb. 18

Feb. 25

China

- CBP will reject imports of goods made in or shipped from China or Hong Kong if they're filed without the required additional 25% or 10% duties set forth on **February 1st**.

Canada and Mexico

- President Trump says "not all of them but a lot of them [tariffs]" would take effect **April 2nd**, about **25%**.
- Reciprocal tariffs also set to take effect **April 2nd**.

EU

- Per President Trump, "And it'll be **25%**, generally speaking, and that'll be on cars and all other things."

Feb. 26

China

- Via the president's Truth Social account: 'the proposed tariffs scheduled to go into effect on **March 4** will, indeed, go into effect as scheduled.' He added, "China will likewise be charged an **additional 10%** tariff on that date."

Canada and Mexico

- Per the president's February 27 announcement on Truth Social, the **25%** tariffs on Canada will take effect on **March 4, 2025**. There was no mention of the de minimis changes.

A final decision on tariff policies for all countries, including Canada and Mexico, after April 1, when a study on tariffs will be released.

Feb. 27

Timeline of events - 2025

Tracking the changes as of March 14, 2025

Canada and Mexico

- Duty-free de minimis treatment, that was set to expire March 4th, **will remain available for Canada and Mexico for now**

Mar. 2

Mar. 3

China

- New executive order increased the China tariffs from **10% to 20%**. It provided no other information, such as an effective date for the higher rate of duty.

Canada and Mexico

- **Effective March 7th**, 25% tariffs paused for anything under USMCA Agreement until **April 2nd**

Mar. 6

Mar. 7

Reciprocal tariffs

- Trump administration could impose reciprocal tariffs on Canada for dairy products and lumber
- The president has vowed to impose reciprocal tariffs on all other nations that place duties on U.S. goods, beginning **April 2**.
- Ontario will charge **25%** more for electricity to 1.5M Americans effective **March 10th**

Multiple countries

- **25%** steel and aluminum tariffs implemented on various countries

Canada

- U.S. and Canada paused additional escalating tariffs, including Ontario's electricity exports

EU

- European Commission announced it will automatically reinstate tariffs on a range of U.S. products, including boats, bourbon, and motorcycles, starting **April 1, 2025**.

Mar. 12

Where have we landed this week?

Information as of March 10, 2025

China

- All articles produced and shipped from the People's Republic of China and Hong Kong are subject to an additional 10% tariff effective on **February 4, 2025**.
- Retaliatory: **15%** on coal and liquefied natural gas products and a **10%** on crude oil, agricultural machinery, and large-engine cars took place on **February 10**
- China will be charged an additional **10%** starting **March 4**. Then, on **March 3**, a new executive order stated that would **increase to 20%** (with no effective date)

Canada

- **25% tariffs on pause** as of **March 7th** for goods covered under USMCA Agreement.
- Duty-free de minimis treatment will remain available for now
- Ontario **paused 25%** tariffs on electricity to 1.5M Americans effective.

Reciprocal tariff summary:

- **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**

Mexico

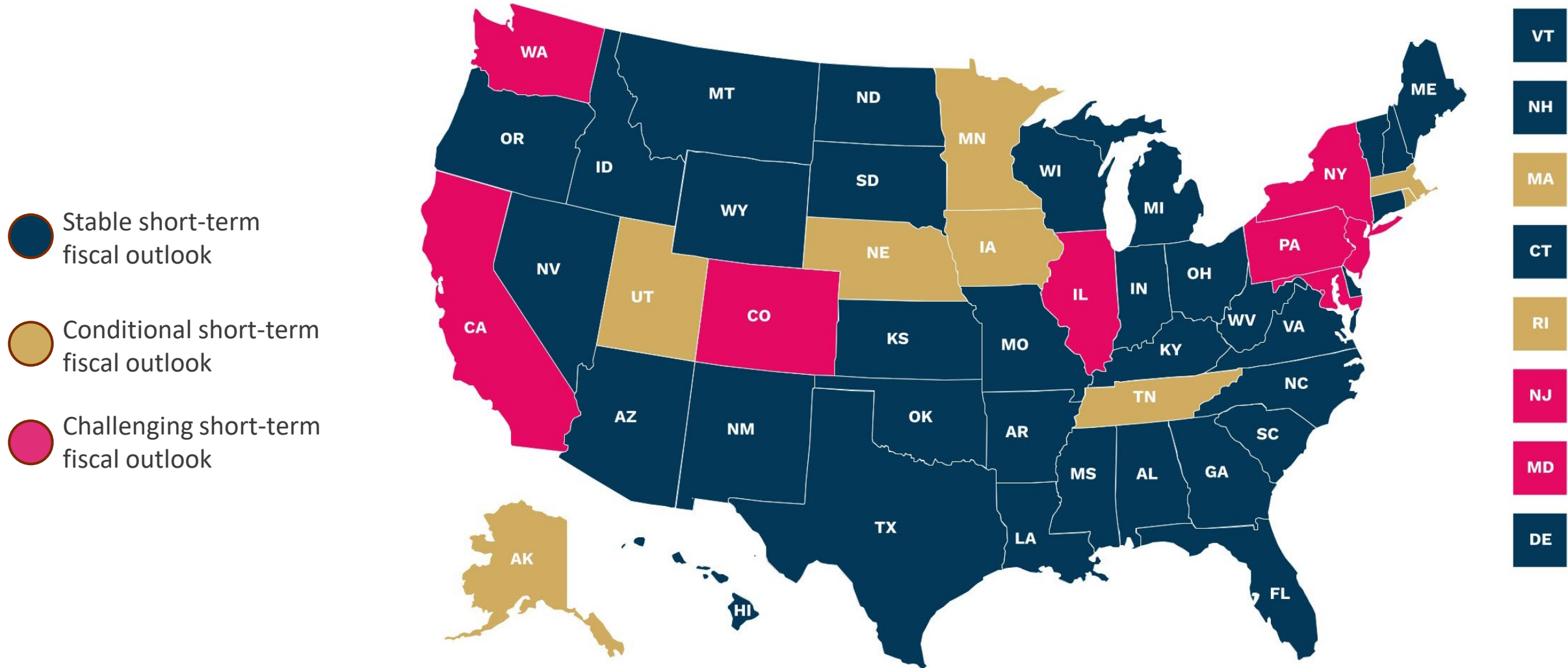
- **25% tariffs** on pause as of **March 7th** for goods covered under USMCA Agreement.
- Duty-free de minimis treatment will remain available for now

Others/ upcoming

- 25% on steel and aluminum articles from most countries, implemented **March 12**
- ~25% on automobiles, semiconductors, pharmaceuticals, and timber set to take effect **April 2**
- The president has vowed to impose reciprocal tariffs on all other nations that place duties on U.S. goods beginning **April 2**
- EU announced it will automatically reinstate tariffs on a range of U.S. products, including boats, bourbon, and motorcycles, starting **April 1**

The state of the states

How will state revenues fare in the upcoming years?



Source: MultiState collection of state revenue estimates. Data as of December 10 2024.

2025 state-specific highlights



Property tax reform

- **Florida** governor proposed eliminating property taxes while not raising sales taxes.

Taxes on food

- **Idaho** HB 231 would increase the grocery tax credit to \$155 per person starting in 2026.
- **260 eliminate grocery taxes completely**
- **Washington** HB 134 would exempt prepared food from sales tax

Swipe fees

- Some states (Connecticut, New York, Texas, Washington, D.C.) have introduced bills that would prohibit the application of fees to tax and gratuity amounts.

Taxes on lodging

- **Washington** **HB 1882** would impose an additional temporary state tax on lodging from April 1, 2026 – September 30, 2026.

Data and digital advertising



Marketplace facilitator fees = data processing

- Texas clarified that marketplace facilitator fees are taxable as “data processing.”

California’s News Transformation Fund

- Compromise against a proposed data extraction mitigation fee
- Creates a 5-year, \$250 million fund to support the California Journalism Preservation Act
- Forces dominant digital platforms to negotiate with news published

Tax reform passes in Louisiana



- Under House Bill 10, Louisiana raised its state sales and use tax rate from **4.45% to 5% beginning January 1, 2025.**
 - HB 10 repealed a planned sales tax drop in July 2025.
 - Instead, the sales tax rate will **decrease to 4.75% starting January 1, 2030.**
- House Bill 8 extended Louisiana sales and use tax to digital products.
 - Digital streaming has additional tax
- Must isolate sales for machinery and equipment and pharmaceuticals on state, remote seller and parish sales tax returns



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** apply (rate based on 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 the 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 made changes to your finance team processes to account for recent tax changes?

- A. Yes
- B. No
- C. I don't know

Economic nexus updates

The evolution of economic nexus and Wayfair

States are updating their threshold limits:



Alaska

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



New Jersey

[Bill S3604](#) seeks to remove New Jersey's 200-transaction threshold.



Utah

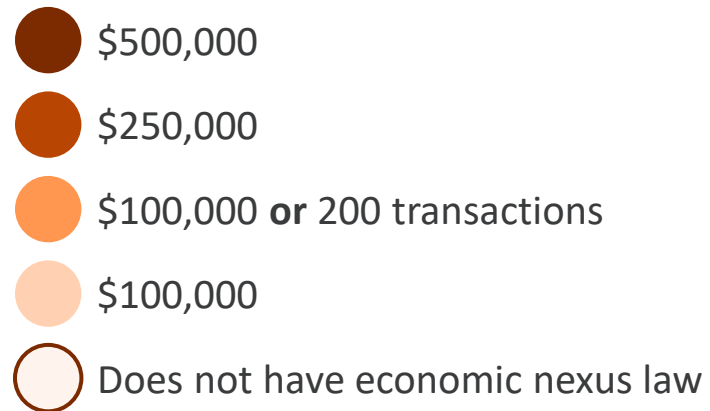
[SB 47](#) seeks to remove Utah's 200-transaction threshold.



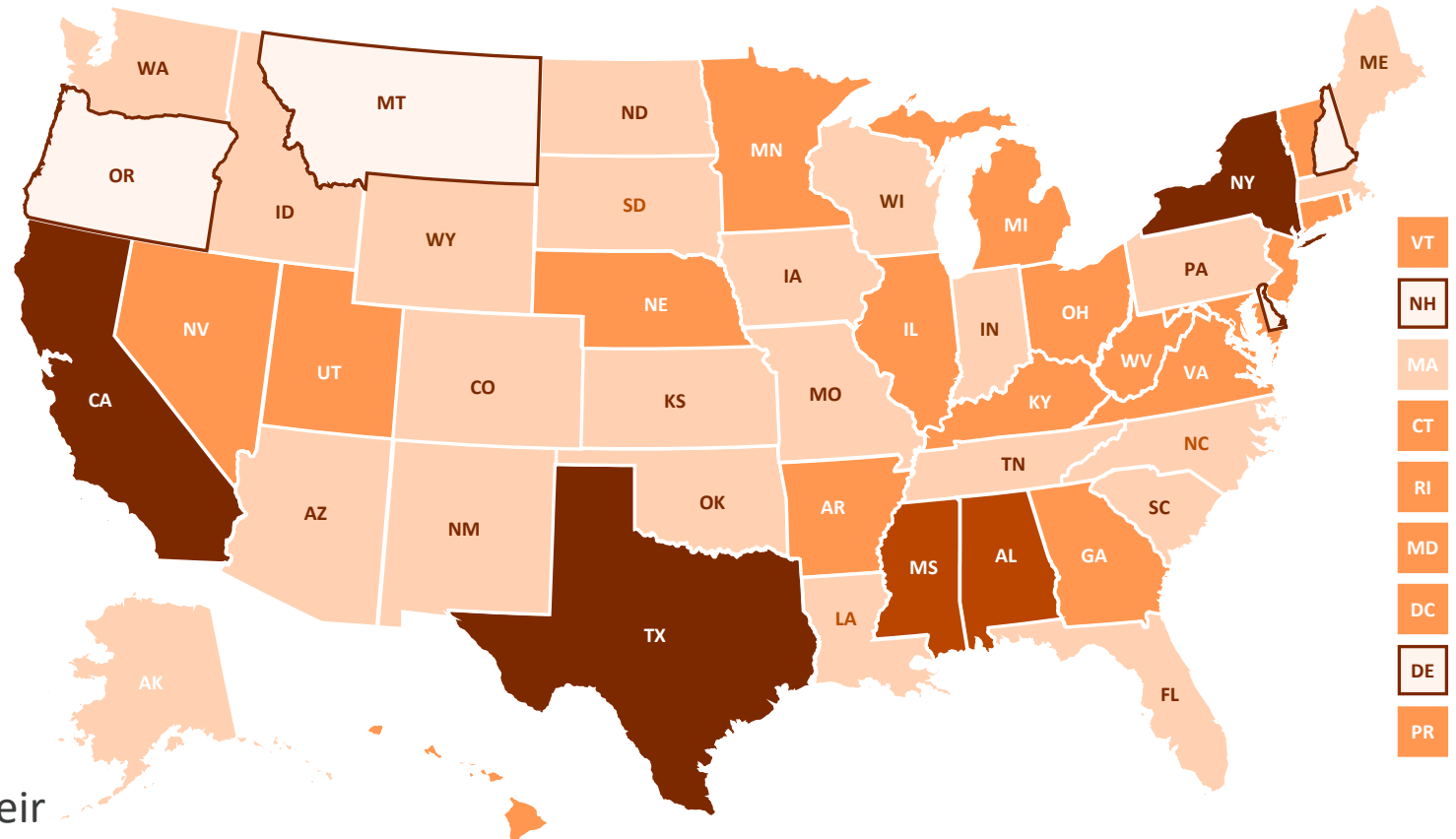
New Hampshire

[Bill S3604](#) HB 135 attempts to protect New Hampshire businesses from having to collect and remit sales tax in other states

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 January 1, 2025

More states consider retail
delivery fees

Momentum with retail delivery fees



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



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



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



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 participating are [actively opposing](#) online delivery taxes.

**CPE POLL
QUESTION #3**



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

- A. 1 - no impact
- B. 2 - some impact
- C. 3 - moderate impact
- D. 4 - significant impact
- E. 5 - severe impact

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



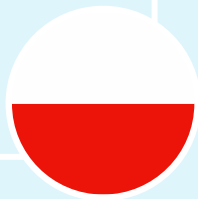
Germany

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



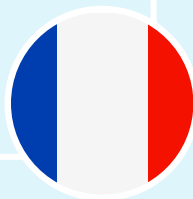
Poland

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



France

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



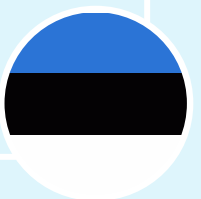
Spain

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



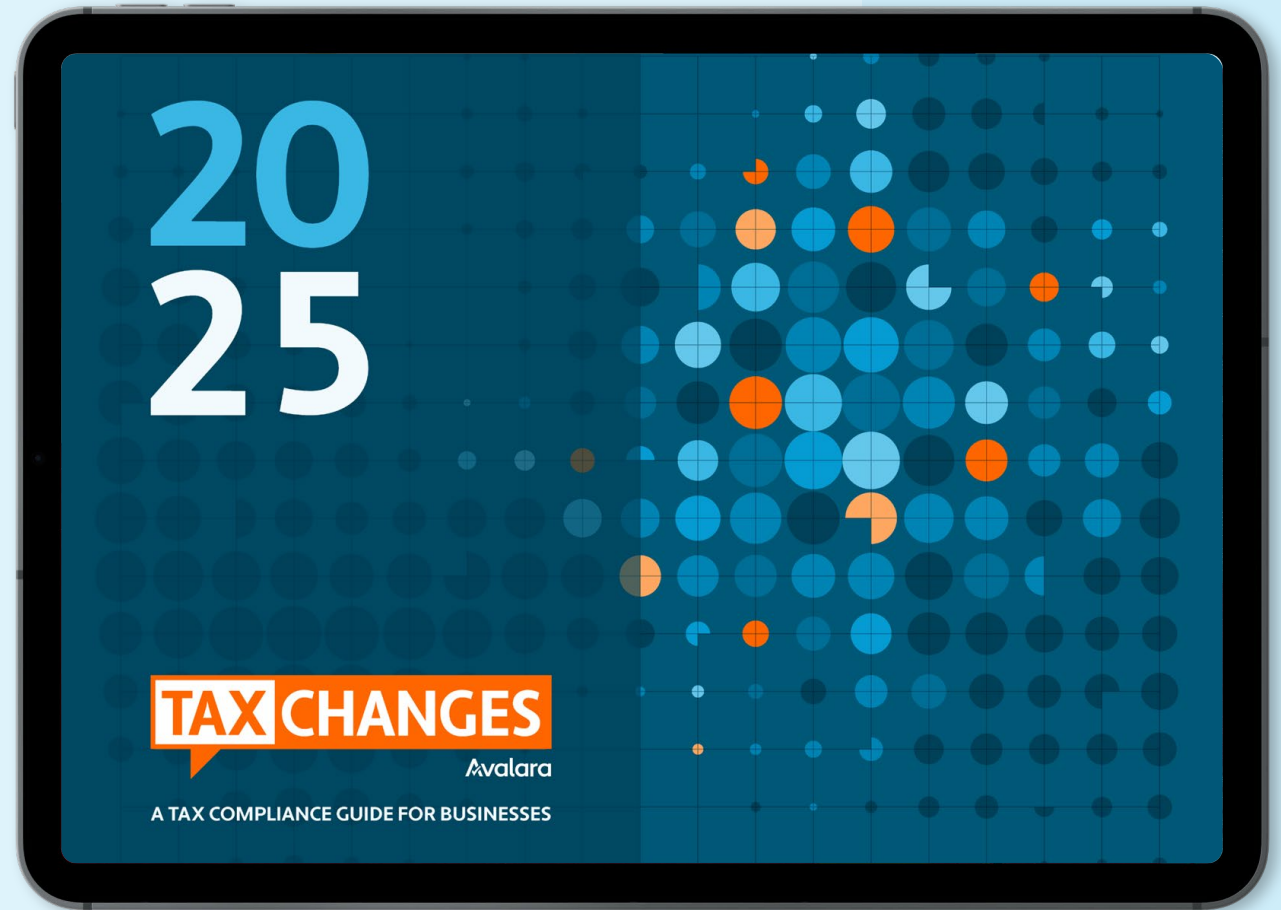
Would you like to talk with an
Avalara expert about your
sales tax compliance?

- A. Yes
- B. No

Avalara Tax Changes 2025

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

[Avalara.com/taxchanges](https://avalara.com/taxchanges)



Questions and Answers



Brian Smith
Senior Government Relations Director
Avalara



David Wells, CPA
Sales Tax Senior Manager
RSM US LLP

Thank you!

Avalara

<https://www.avalara.com/>



The Association of
Accountants and
Financial Professionals
in Business



Avalara

Tax compliance done right