TAX CHANGES

Avalara

2022

MANUFACTURING EDITION

It probably comes as no surprise that tax compliance is unpredictable and difficult to navigate, much like almost everything we've experienced in recent years.

Keeping up with shifting rules, rates, boundaries, and deadlines is challenging even without a pandemic, volatile economy, and disrupted supply chain. And yet, many manufacturers across the U.S. are doing what they do best: thriving in spite of uncertainty.

Avalara developed a comprehensive report to make tax compliance in 2022 a little easier.

Here's a look at what might impact the **manufacturing industry** in 2022.

High demand, low supply

Labor shortages and kinks in the supply chain have a surprising impact on tax compliance, as manufacturers seek out new partners and distributors.

Manufacturers shift to retail

Manufacturers who sell direct to consumers must account for sourcing rules, nexus thresholds, and a whole set of new obligations.

More inventory, more tax obligations

Even small changes to a business – like keeping inventory in new facilities – can trigger new tax obligations.

Exemption certificates. Need we say more?

As commerce shifts more and more to digital, tracking and managing exempt sales documentation can get very complicated.

SELLING INTERNATIONALLY

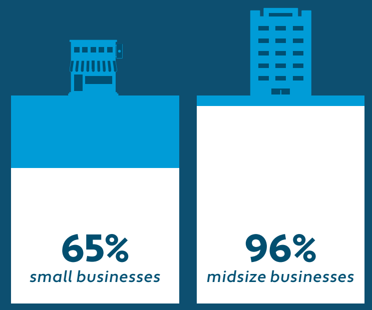
Global ecommerce is on track to surpass $7 trillion by 2025. But those who sell into other countries will be met with a number of factors impacting international trade in 2022:

- Ongoing supply chain disruptions resulting from COVID-19
- A new edition of the World Customs Organization Harmonized Commodity Description and Coding System (or HS)
- The digitalization of tax compliance
- Lingering effects of Brexit
- Ecommerce tax reform
- The new global minimum tax deal
- The United States-Mexico-Canada Agreement (USMCA) and Section 301 in North America

WHAT THE NUMBERS TELL US:

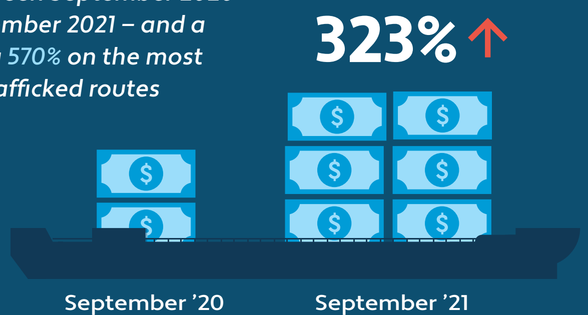
The top three risks to growth in 2022 are 1) the pandemic, 2) supply chain disruptions, and 3) inflation

- **THE PANDEMIC**
- **SUPPLY-CHAIN DISRUPTIONS**
- **INFLATION**



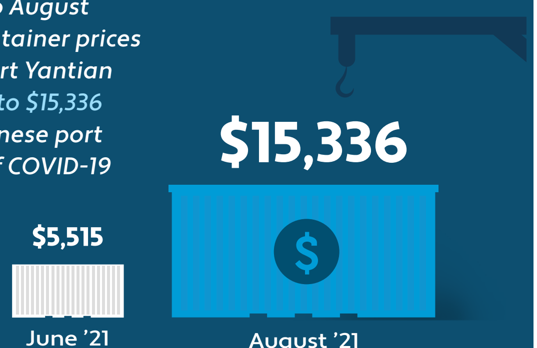
96% of midsize businesses and 65% of small businesses have changed in response to COVID-19 (e.g., new location, new products, staffing modifications, supply chain adjustments)

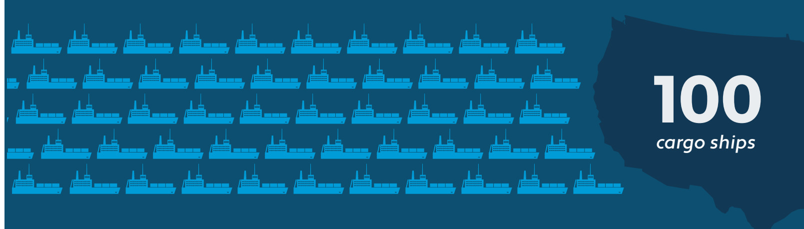
Shipping freight costs surged 323% between September 2020 and September 2021 – and a whopping 570% on the most heavily trafficked routes



The average cost of a 40-foot freight container rose from less than $2,000 in October 2019 to more than $10,300 in September 2021

From June 2021 to August 2021, average container prices at the Chinese port Yantian leapt from $5,515 to $15,336 after another Chinese port closed because of COVID-19





More than 100 cargo ships were waiting to dock at Los Angeles and Long Beach ports in mid-October 2021

AND THIS IS ONLY THE BEGINNING

Ready for a deeper dive?
Read the full report here.

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