

NAVIGATING 2026

Jurisdiction: U.S.
Tax Type: SALT
Issue: Tax legislation changes
Date: February 10, 2026

SYNOPSIS:

The start of a new year often brings shifts in the State and Local Tax (SALT) landscape, and 2026 is no exception. As affordability and inflation remain top economic concerns, many states have responded by adjusting their tax policies to provide targeted relief to taxpayers. Several states including Georgia, Indiana, Iowa, Kentucky, Mississippi, Montana, North Carolina, Ohio, Oklahoma, and South Carolina have enacted reductions or changes to individual income tax rates effective January 1, 2026. In addition, Arkansas and Illinois eliminated their state-level sales tax on groceries, a move aimed at easing the cost of everyday necessities.

At the same time, not all SALT developments in 2026 are providing relief. States continue to broaden their tax bases, particularly in the area of digital products and services, with Maine expanding taxation in this space. Local governments are also introducing new taxes and increasing existing rates. Notably, the City of Chicago implemented a Social Media Amusement Tax targeting social media businesses that collect data from more than 100,000 Chicago consumers annually and increased the rate of its Personal Property Lease Transaction Tax. Together, these changes highlight the increasingly complex and uneven SALT environment businesses and taxpayers must navigate in 2026.

Key Changes and Considerations for 2026

1. Sales Tax Exemption Changes:

- Missouri has expanded its sales tax exemption to include equipment and machinery used in broadband communications, while Ohio has taken a different approach by repealing its sales tax exemption on several items, including newspapers, advertising materials, and refrigerated food vending machines.

2. Implementation of Fees:

- California has adopted a carryout bag fee, and Hawaii has implemented a green fee applicable to transient accommodations.

INSIGHT:

State and local tax changes in 2026 reflect a mixed policy environment, with some states providing targeted relief while others expand tax bases or introduce new fees. These divergent approaches increase complexity for businesses and taxpayers navigating compliance across jurisdictions.

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