Frequently Asked Questions

What Is Sales Tax?

Sales tax is a tax on goods and services that businesses collect from their customers on behalf of the state. Sales tax applies to all tangible personal property and select services. There are some exceptions, but almost all products and services* you sell to a customer are subject to sales tax. In New York City, the sales tax rate is 8.875%. This includes the following:

- New York City Local Sales Tax Rate: 4.5%
- New York State Sales Tax Rate: 4.0%
- Metropolitan Commuter Transportation District Surcharge: 0.375%
- Total Sales Tax in NYC: 8.875%

In practice, this means that when you make a sale, an additional 8.875% is added to the total cost. This money is not yours but is owed to New York City and New York State. Make sure you do not use it for anything else!

*Note: For a list of products and services that are not subject to sales tax, visit www.tax.ny.gov.

Do I Have To Collect Sales Tax?

Most retail goods, or "tangible personal property," are subject to sales tax. If you sell these items, then it is your responsibility to collect sales tax from your customers. Some examples of tangible personal property include:

- Art pieces such as sketches, paintings, photographs and/or jewelry
- Animals (for example, dogs, cats, or pet birds); food and supplies for animals
- Certain clothing and footwear
- Cosmetics and toiletries
- Electronics and computers
- Fuels (for example, gasoline and diesel fuel)
- Furniture, appliances, and light fixtures
- Machinery and equipment, parts, tools, and supplies
- Motor vehicles
- Prepared food and beverages such as candy, soft drinks, alcoholic beverages, sandwiches, and heated foods
- Restaurant food and drink
- Trees, shrubs, and seeds

Sales tax also applies to some services, including professional services. If you provide a tax-eligible service, then it is your responsibility to collect sales tax from your customers. Some services include:

- Admission charges to certain events
- Barbers, beauticians, hair restoration, manicures, pedicures, electrolysis, massage, and other similar services
- Credit rating and credit reporting services
- Health clubs, spas, weight control salons, and similar establishments
- Interior decorating and design services
- Maintaining, installing, servicing, and repair services
- Parking and storage services
- Gas, electricity, refrigeration, steam, telephone, and television services
- Protective and detective services
- Storage services
- Occupancy of hotel and motel rooms
- Cleaning, maintenance, and repair services

You can find a more detailed list of taxable goods and services in New York State at tax.ny.gov. Sales tax rules vary across industries – check the industry guides for more details on food service, beauty and personal care, contractor and handyman services, and online retail businesses. If you are still unsure about what applies to you, nyc.gov/taxprepget in touch with an accountant, or an NYC Free Tax Prep Provider at nyc.gov/taxprep, or the New York State Sales Tax Information Center at (518) 485-2889.

What Are My Responsibilities?

The most important responsibilities for individuals and businesses that sell goods or services subject to sales tax are below:

- Register as a sales tax vendor
    - Register your business with New York State
    - Obtain a Certificate of Authority
- Keep accurate and detailed records of sales
- Collect and remit sales tax due
- File accurate and complete returns using the New York State Tax Web File
- If you make more than $3,000 worth of sales after your first year in business, you'll have to file returns quarterly moving forward, following the New York State schedule:
    - 1st quarter: Mar. 1 - May 31, due June 20
    - 2nd quarter: June 1 – Aug. 31, due Sept. 20
    - 3rd quarter: Sept. 1 – Nov. 30, due Dec. 20
    - 4th quarter: Dec. 1 – Feb. 28/29, due March 20
- Answer questions and comply with requests for information

For more specific guidance on the above steps, see our New York State Tax Vendor Checklist, check the New York State's Sales Tax homepage, or contact an NYC Free Tax Prep Provider at nyc.gov/taxprep.

What if I'm Selling Goods Outside of NYC?

You pay sales tax based on where a product transfers hands, meaning where it was delivered. If someone walks into your store in Manhattan and wants a product delivered to Westchester, it would be subject to the Westchester rate. If you sell goods to someone in another state, the sale is subject to the customer's state sales tax.

This is particularly important if your business sells goods online to customers across the country because each state has different sales tax rules, and each online platform may have different ways of collecting the tax. Etsy, Depop, and eBay for example, all collect and remit sales tax on behalf of sellers automatically. Craigslist, on the other hand, does not. There are some exceptions for "one-off" sales, but if your business uses Craigslist, it is your responsibility to collect the tax from your customers. nyc.gov/taxprepTalk to your accountant or an NYC Free Tax Prep Provider at nyc.gov/taxprep.

Can I Make Exempt Purchases? How Do Exemption Certificates Work?

Sales tax exemption certificates allow a buyer to make tax-free purchases of goods or services that would typically be subject to sales tax. To do this, you would have to fill out an exemption certificate and give it to the seller. There are lots of different kinds of exemption certificates.

One common exemption is for the resale of property or services. If a hardware store buys materials that they intend to resell to their customers (meaning the item is now part of the business's inventory), then they can buy those materials tax-free. Sales tax will be collected when the hardware store owner resells the item.

For more information, talk to an accountant or an NYC Free Tax Prep Provider at nyc.gov/taxprep.

I Use a Point-Of-Sale (POS) System With My Business. How Do I Know That I Am Charging Sales Tax Correctly?

POS systems are helpful tools for running a business. They can be set up to charge sales tax automatically and can help track inventory. When you set up your POS system, make sure sales tax is applied to all taxable items. Some POS tools will automatically assign default tax rates to items based on your location, but it is good practice to check your system to make sure the tax rate is applied correctly. Most POS tools can also be configured so no tax is charged on tax-exempt items.

When it comes time to file a return, check your POS system for easy-to-read tax reports. You can take those numbers and put them into the New York State Web File If you don't currently use a POS system and want to learn more, consider talking to a NYC Free Tax Prep Provider at nyc.gov/taxprep.

What Happens if I Don't Collect Sales Tax?

If you don't correctly collect and remit (pay collected taxes to the state) sales tax, you'll be subject to penalties and interest. Punishable offenses include:

- Failing to collect or pay the required tax amount
- Filing a late tax return
- If audited, failing to produce records and receipts that support what you have reported to New York State
- Operating a business without a Certificate of Authority

For example, the penalty for operating without a Certificate of Authority is up to $500 for the first day on which sales or purchases are made, plus up to $200 for each subsequent day, not to exceed $10,000.

If failure to collect and remit sales tax triggers an audit, you will need to provide records going back three to six years, and even further if you have never filed a return. Tax penalties brought on by an audit can severely inhibit your business's growth or lead to your business needing to close down entirely. Additionally, keeping in compliance with your tax responsibilities is a key requirement for many state and city business support services.

Audits and their related penalties can be intimidating. But there are many tools and resources at your disposal including this guide and NYC Free Tax Prep Provider at nyc.gov/taxprep.