Sales Tax Industry Guides

Sales tax requirements differ across industries. Check out the New York State Tax Website for a full list of bulletins by industry and other products and services not included in this guide.

Food Businesses

Food businesses like restaurants, grocery stores, bars, food trucks, and caterers are subject to some special sales tax rules. Most food items are automatically tax-free for both business owners and customers, but sales to customers are taxable depending on how the food is prepared.

Type of Business	Sales Regulations	Purchase Regulations
Restaurants and Similar Establishments	**Sales** are *almost always* taxable when food is prepared and served to a customer.	**Purchases** of food inventory are *tax-exempt* by default*;* prepared food items for resale can be purchased *tax-exempt* with a resale certificate; supplies are subject to sales tax.
Caterers	**Sales** to customers are *almost always* taxable.	**Purchases** of food inventory are *tax-exempt* by default*;* prepared food items for resale can be purchased *tax-exempt* with a resale certificate; rental items are subject to sales tax.
Grocery Stores and Similar Establishments	**Sales** of food items to customers are *almost always* tax-exempt unless the food is served hot or has been prepared like at a restaurant (ex: deli counter).	**Purchases** of some items for resale are tax-exempt.

Example:
Stacy is a caterer in New York City. She was recently hired to throw a birthday party for a client. Stacy is responsible for finding a space and providing food, tables, and chairs at the event. The following is a breakdown of her purchases.

Purchases that are automatically exempt from sales tax	*Most regular food items that you would buy at a grocery store are not subject to sales tax. When Stacy purchases grains, meats, vegetables, eggs, or dairy products to make her meals, she doesn't pay sales tax, just like any other shopper.*

Purchases that are exempt with a resale certificate	*Stacy then pays a deli to make several sandwich platters for the event. Because the sandwiches are considered prepared food intended for resale, Stacy can buy these without paying sales tax by filling out the Form ST-120, Resale Certificate and giving the deli a copy at purchase.*
Purchases that are always subject to sales tax	*For the event, Stacy rented out a ballroom, as well as tables, chairs, napkins, a sound system, and other items. She will pay sales tax on all of these rentals.*

At the end of the party, Stacy provides the customer with an invoice, charging sales tax on the full amount, not including tips.

The requirements and exceptions around food-related businesses are complicated. Make sure to call the New York State Sales Tax Hotline, or get in touch with a NYC Free Tax Prep Provider at nyc.gov/taxprep if you need assistance with your business.

Beauty and Personal Care Businesses

Beauty and personal care establishments are subject to some special sales tax rules. These apply to all businesses that affect the appearance or comfort of people. These services are *exempt* from sales tax in most locations in New York State, but *not* in New York City.

A breakdown of taxable and non-taxable services and products can be found below:

Services are exempt from sales tax **outside** of NYC but subject to **4.5% NYC** local sales tax	• Beautician, barbering, and hair restoring services, including haircuts, hair coloring, shampooing, blow drying, permanents, hair extensions, hair straightening, and hair restoration services • Hair removal services, such as electrolysis or waxing • Manicures and pedicures • Massage services • Tanning salons • Tattooing or permanent make-up • Weight control and health salons, gymnasiums, and Turkish and sauna baths
Products are subject to **full sales tax** inside and outside NYC	• Sales of other products, such as shampoos, conditioners, and hair styling products • Nail polish, nail files, or other property • Electronic massagers, massage oils, etc. • Lotions, creams, protective goggles, etc.

Any supplies that you intend to resell to your customers may be purchased without paying sales tax. Just make sure you give your supplier a resale certificate (form ST-120) at the time of purchase. Supplies you purchase for use in the provision of services are subject to sales tax.

Example:
Justin is a New York City-based hair stylist. He also travels in and around the City to make house calls and sell his specialty hair products. When Justin visits a client in NYC, he adds the NYC-only 4.5% sales tax. If the customer also purchases an extra bottle of shampoo, they will be charged the full 8.875% sales tax on that retail item. Justin buys his retail shampoo in bulk from his supplier using a resale certificate.

When Justin works upstate, he records the total sales, checks the local tax rate, and includes the local sales tax rate in his invoice for services.

Contracting, Handyman, and Landscaping Services

Contracting, handyman, and landscaping services have some special sales tax rules. This kind of work is subject to sales tax depending on whether it is considered *repair, maintenance, and installation services* or a *capital improvement project.*

Repair, Maintenance, and Installation
This type of work is defined as a job in which the purpose is to keep the property in good working order, maintain its efficiency, maintain its safety, or restore it to its original condition. A full list of services classified as repair, maintenance, or installation can be found on the New York State Tax Website.

Types of Work	Sales Regulations	Purchases Regulations
• Fixing a broken railing • Repointing a chimney • Replacing a faucet • Replacing damaged roof shingles	**Sales** of these services to customers are *taxable* in New York State and must be charged to the customer.	**Purchases** are *taxable at the time of purchase,* but contractors may claim paid sales tax as a credit when filing their quarterly return.

Example:
A plumber is hired to repair a leaking faucet. To prepare, they rent a van, get their uniform cleaned, and purchase a new wrench and drain pipe. The plumber pays sales tax for all of these items. Following the job's completion, the plumber creates an invoice that includes sales tax for the full cost of time, labor, and materials. The plumber can then file for a refund using the Sales Tax Web File for the drain pipe since it was transferred to the customer. They may not file a refund for any of the other materials used.

Capital Improvements

Capital improvements are not subject to sales tax anywhere in New York State. Capital improvement projects must satisfy all three of the following requirements:

- It substantially adds to the value of the real property, or appreciably prolongs the useful life of the real property.
- It becomes part of the real property or is permanently affixed to the real property so that removal would cause material damage to the property or article itself.
- It is intended to become a permanent installation.

General Information	Sales Regulations	Purchases Regulations
Capital Improvements Contractors must keep Form ST-124, *Certificate of Capital Improvement* on file.	**Sales** to customers are *not taxable.* Contractors must have a valid Certificate of Authority on file.	**Purchases** of materials are usually *taxable,* except for items that do not become part of the real property, such as freestanding appliances. These items may be purchased with a *Contractor Exempt Purchase Certificate.*

Example:
A contractor is hired to build a new porch for a customer, which qualifies as a capital improvement. The contractor purchases $500 of materials, including lumber, screws, and stain.
The bill to the contractor might look like this:

Materials:	*$500*
Sales tax (8.875%):	*$40*
Total:	*$540*

The bill to the customer might look like this:

Materials (including sales tax and fee):	*$600*
Labor	*$1,000*
Total:	*$1,600*

The sales tax that the contractor had paid on the materials is an expense that the contractor builds into the price charged to the customer. However, because the work is a capital improvement, there is no sales tax due on the charge to the customer.

Online Retailers

Sales tax obligations for online retailers can be confusing because many online retailers send goods across state lines. Over the last few years, the 45 sales-tax-collecting states have issued laws establishing rules for businesses that do not have any physical presence in the state, including online retailers. Generally speaking, if you are operating at a smaller scale, it is likely that you will not have to register and remit sales tax in other states.

If you are a business owner not located in New York State that makes taxable sales, you are required to register as a sales tax vendor if you meet the following two criteria over the immediately preceding four sales tax quarters, according to these guidelines:

- The cumulative total of your gross receipts from sales of tangible personal property delivered into the state exceeded $500,000, **and**
- You made more than 100 sales of tangible personal property delivered in the state.

Example:
A young entrepreneur who lives in New York City starts selling custom jewelry on Shopify after registering as a sales tax vendor and receiving a certificate of authority. Their sales are subject to standard sales tax. After going viral on TikTok, orders start coming in from other states. While the platform has some automated features that remit sales tax state by state, the entrepreneur is finding it hard to track. As the sales grow and are approaching $100,000 in New Jersey specifically, the entrepreneur reaches out to an accountant to confirm the next steps.

Many online platforms, like Etsy, Depop, or eBay are required to collect and remit sales tax automatically based on the buyer's location. If you use these, you are probably all set. Just check your settings to make sure that sales tax is being collected properly. Some platforms, like Shopify, will have a dashboard that shows the different states your buyers are located in and alerts you when you are approaching the threshold for filing.

Check your online service to see if it has a similar tool. As always, talk to an accountant or a NYC Free Tax Prep Provider at nyc.gov/taxprep for advice.