New York State Department of Taxation and Finance
Office of Tax Policy Analysis
Technical Services Division

TSB-M-06(12)S
Sales Tax
September 27, 2006

Summary of the 2006 Budget Legislation Relating to Sales Taxes

This memorandum summarizes the amendments to the Tax Law made by Chapter 62 of the Laws of 2006 that apply to state and local sales and compensating use taxes.

Vendor collection credit

The Tax Law has been amended to increase the vendor collection credit from 3½% of the state sales tax collected from customers and reported on the vendor's sales tax return to 5% of all taxes and fees, including local sales tax, reported on the vendor's sales tax return, provided the return is timely filed and fully paid. The vendor collection credit can only be taken on the return to which it applies. This change to the vendor collection credit applies to sales tax returns required to be filed for sales tax quarterly periods beginning on or after September 1, 2006 or longer periods ending on or after September 1, 2006.

In addition, for sales tax returns required to be filed for a sales tax quarterly period beginning on or after September 1, 2006, and ending on or before February 28, 2007, or returns required to be filed for longer periods ending on or before February 28, 2007, the amendment provides that the maximum amount of the vendor collection credit is increased from $150 to $175. For sales tax returns required to be filed for sales tax quarterly or longer periods ending on or after March 1, 2007, the maximum amount of the credit is $200.

The Tax Department will continue to issue vendor collection credit vouchers for quarterly periods ending on or before August 31, 2006. Any vendor collection credit voucher outstanding as of September 1, 2006, must be applied against and used on a return filed for a quarterly or longer period ending on or before February 28, 2007. After March 20, 2007, outstanding vouchers will be void and of no value.

(See Tax Law, section 1137(f)(2))

Exemption from sales taxes on 75% of the admission charge to a qualifying place of amusement becomes permanent

The Tax Law was amended to permanently exempt from state and local sales taxes (sales tax) 75% of the admission charge to a qualifying place of amusement. The exemption also applies to the sales tax imposed by the state in the Metropolitan Commuter Transportation District (MCTD) (currently 3/8%). This exemption was previously set to expire on October 1, 2006.

The exemption applies only to a charge that includes both admission to a qualifying place of amusement and the use of amusement rides at the qualifying place of amusement. Charges for

admission to a qualifying place of amusement that do not also allow the customer use of the amusement rides continue to be fully subject to sales tax. For additional information, see TSB-M-04(7)S, *Exemption from Sales Taxes on 75% of the Admission Charge to a Qualifying Place of Amusement*.

If a place of amusement is not a qualifying place of amusement, it must collect sales tax on 100% of its admission charges unless it offers an admission-only ticket in the manner described in TSB-M-03(5)S, *Charges for Admission to a Place of Amusement and for the Use of Rides*. An admission charge to a patron for admission to, or use of, facilities for sporting activities in which the patron will be a participant, such as bowling alleys and swimming pools, continue to be exempt from sales tax.

(See Tax Law, section 1122)

Sales tax registration requirement for businesses seeking to contract with New York State agencies has been amended

Section 5-a of the Tax Law was amended to simplify the rules regarding the sales tax registration certification requirements for businesses that contract with New York State agencies.

The amendments include an increase in the threshold for contracts and agreements that come under the coverage of the registration certification requirements. For contracts or agreements having a value in excess of $100,000, generally, a contractor must certify that it is registered to collect New York State and local sales tax if it made sales delivered by any means to locations within New York State of tangible personal property or taxable services having a cumulative value in excess of $300,000 over the four quarterly sales tax periods immediately preceding the sales tax quarter in which the certification is made.

On or after April 26, 2006, where a contract is subject to Tax Law section 5-a, a contractor must file (1) Form ST-220-CA, *Contractor Certification to Covered Agency*, with a covered agency, and (2) Form ST-220-TD, *Contractor Certification*, with the Tax Department before a contract may take effect.

Furthermore, the amendments eliminated the requirement for the certification to be done annually if a contract has a term of more than one year. Under the amendments, the certification to the Tax Department need only be filed once, provided that the filing remains correct and complete. For contracts that have renewal terms, the contractor must certify in writing to the contracting agency that the certification on file with the Tax Department is correct and complete at the time of renewal.

Also, the amendments changed the provisions related to when the certification requirements are not applicable. Under the amendments, in addition to the aforementioned

$100,000 threshold, and certain other exclusions, the certification requirements are not applicable where the procuring covered agency and OSC, or other contract reviewer if OSC is not required to approve the contract, find in writing that the contract is necessary to address an *emergency* within the meaning of article 11 of the State Finance Law, or to ensure the public health, safety, or welfare.

For further information on these amendments to section 5-a of the Tax Law, see Publication 223, *Questions and Answers Concerning Tax Law Section 5-a (as amended, effective April 26, 2006) Contractor, Affiliate and Subcontractor Sales and Compensating Use Tax Certification.*