

Special Supplemental Tax on the Rental of Passenger Cars Within the Metropolitan Commuter Transportation District

Recently enacted legislation (Chapter 25 of the Laws of 2009) amended the Tax Law to impose, on or after June 1, 2009, a *special supplemental tax* on the rental of a passenger car that is rented or used within the Metropolitan Commuter Transportation District (MCTD). The MCTD consists of New York City (Bronx, Kings, New York, Queens, and Richmond counties) and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

General

The *special supplemental tax* will be imposed at the rate of 5% on the receipts from the rental of a passenger car that is rented or used **within the MCTD**. The imposition of the *special supplemental tax* is in addition to the applicable state and local sales and use taxes and the statewide special tax on the rental of passenger cars (statewide special tax).

The *special supplemental tax* uses the same rules as the statewide special tax and therefore is calculated, administered, and collected in the same manner as that tax, except that it is only imposed on rentals or uses within the MCTD. Accordingly, if a rental of a passenger car within the MCTD is subject to the statewide special tax, it will also be subject to the *special supplemental tax* beginning June 1, 2009.

The *special supplemental tax* is subject to the transitional provisions in accordance with Tax Law section 1106. Under these provisions, for any rental contract entered into before June 1, 2009, and that expires after that date, the charge that is subject to the *special supplemental tax* is computed as follows:

$$\frac{\text{Number of days in contract period falling on or after June 1, 2009}}{\text{Total number of days in the full contract period}} \times \text{Total charges}$$

Example: *On May 29, 2009, a customer rents a passenger car from a car rental agency located in Brooklyn, New York. The passenger car is rented for 12 days (May 29 through June 9, 2009). The customer is charged a daily rate of \$32 for each day of the rental period (12 x \$32 = \$384 total charges). The charge subject to the special supplemental tax is calculated as follows:*

$$\frac{\text{Number of days in rental period falling on or after June 1, 2009}}{\text{Total number of days in the full rental contract period}} \times \$384 = \text{Charge subject to the special supplemental tax } \$288$$

The balance (remainder) of the receipt (\$384-\$288 = \$96) is not subject to the special supplemental tax.

Reporting requirements

Vendors who provide the rental of passenger cars within the MCTD are required to collect the *special supplemental tax* from their customers and pay the *special supplemental tax* in the same manner and at the same time in which they remit the statewide special tax. In addition, the vendor must separately account for and report sales within the MCTD subject to the *special supplemental tax*. The Tax Department has added a new line and reporting code to the sales tax returns to allow vendors to report and remit the *special supplemental tax*.

Additional information

For more information about the statewide special tax on passenger cars, see previously issued Important Notice N-90-26, *Special Tax on the Rental of Passenger Cars*, and TSB-M-09(1)S, *Increase in the Special Tax on the Rental of Passenger Cars*. These documents are available on the department Web site at www.nystax.gov.

NOTE: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.