

**Sales and Use Tax Treatment of Wood Pellets
and Other Similar Products Used For
Home Heating Purposes**

This memorandum is intended to clarify the Tax Department's policy on the sales and use tax (sales tax) treatment of wood pellets, other compressed wood products, and non-wood products designed to be used in stoves or fireplaces used for residential heating purposes.

Section 1105-A of the Tax Law provides that certain residential energy sources and services are **not subject** to the New York State sales and use tax. Under that section, the following tangible personal property and services used for residential purposes constitute *residential energy sources and services* not subject to the state sales and use tax.

- natural gas;
- propane sold in containers of 100 pounds or more;
- electricity;
- steam;
- gas, electric, and steam services;
- fuel oil (except diesel motor fuel);
- coal; and
- wood (for heating purposes only).

It is the Department's position that wood pellets and other compressed wood products designed to be used in a stove or fireplace used for residential heating purposes constitute wood for purposes of Section 1105-A of the Tax Law. Accordingly, purchases of these products for residential heating purposes are exempt from the New York State sales tax.

Counties and cities (localities) that impose a local sales tax may choose to either tax or exempt residential energy sources and services. The localities that choose to impose a local tax on residential energy sources and services may further choose to tax these sources and services at their regular local rate or at a reduced local rate. Part 2 of Publication 718-R, *Local Sales and Use Tax Rates on Residential Energy Sources and Services*, lists the jurisdictions that impose a local tax on residential energy sources and services with the applicable tax rate. Localities not listed in Publication 718-R do not impose a local tax on residential energy sources and services.

Purchases of wood pellets and other compressed wood products designed to be used in a stove or fireplace used for residential heating purposes are also exempt from the local tax in those localities that exempt residential energy sources and services. Purchases of these products are subject to tax at the rate listed in Part 2 of Publication 718-R in those localities that tax energy sources and services. Vendors must collect tax at the rate in effect in the locality where the pellets or compressed wood products are delivered to the customer. A vendor must report the amount of local sales tax collected, if any, on sales of wood pellets and other compressed wood products sold for residential heating purposes on Schedule B, Part 2, of Form ST-100.3, *Quarterly Schedule B - Consumer's Utility and Fuel Taxes for Residential and Nonresidential Gas, Electricity, Refrigeration, and Steam, and Sales of Heating Fuels*. (If a customer uses such wood products in a locality other than the one where they were purchased or delivered, the customer may owe use tax. See Publication 774, *Purchaser's Obligations to Pay Sales and Use Taxes Directly to the Tax Department—Questions and Answers*, for rules relating to use tax.)

The sales tax treatment of wood pellets and compressed wood products described above does not apply to other pellets or other compressed products that are made from non-wood material, or other non-wood products, such as corn or corn kernels. Vendors must collect sales tax on receipts from the sales of these non-wood products at the combined New York State sales tax rate and regular local sales tax rate in the locality where the products are delivered to the customer. (See Publication 718, *New York State Sales and Use Tax Rates by Jurisdiction*, for these rates.) (If a customer uses these non-wood products in a locality other than the one where they were purchased or delivered, the customer may owe use tax. See Publication 774, for rules relating to use tax.)