



Summary of Sales and Use Tax Budget Legislation Enacted in 2014

This memorandum contains a summary of the sales and use tax changes that were enacted as part of the 2014-2015 New York State budget (Chapter 59 of the Laws of 2014). The following legislative changes are summarized in this memorandum:

- [Exemption increase for vending machine sales of certain food and drink](#)
- [Changes to the prepaid sales tax on motor fuel and diesel motor fuel](#)
- [Extension of exemptions for certain tangible personal property and services related to leased commercial office space in lower Manhattan](#)
- [Extension of tax exemptions for alternative fuels and natural gas](#)

Exemption increase for vending machine sales of certain food and drink

Part II of Chapter 59 of the Laws of 2014 amended the Tax Law to increase the state and local sales and use tax (sales tax) exemption amount from \$0.75 or less per item to \$1.50 or less per item for certain food and drink items sold through vending machines. The increased threshold of \$1.50 or less took effect June 1, 2014.

This sales tax exemption applies to candy, soda, and fruit drinks that contain less than 70% natural fruit juice when they are sold for \$1.50 or less per item through vending machines that accept coins, currency, or credit or debit cards. For additional information, see [TSB-M-14\(7\)S](#), *Increase in the Exemption for Vending Machine Sales of Certain Food and Drink*.

(Tax Law Section 1115(a)(1))

Changes to the prepaid sales tax on motor fuel and diesel motor fuel

Part LL of Chapter 59 of the Laws of 2014 amended the Tax Law to establish new regions for computing the prepaid sales tax imposed on motor fuel and diesel motor fuel and to provide for changes in the prepaid sales tax rates.

Effective June 1, 2014, the new regions established for computing the prepaid sales tax are:

New Region 1	New York City (Bronx, Kings (Brooklyn), New York (Manhattan), Richmond (Staten Island), and Queens counties) Dutchess County Orange County Putnam County Rockland County Westchester County
New Region 2	Nassau County Suffolk County
New Region 3	All other counties in New York State

Also effective June 1, 2014, the new prepaid sales tax rates on motor fuel and diesel motor fuel are:

New Region 1	17.5 cents per gallon
New Region 2	21.0 cents per gallon
New Region 3	16.0 cents per gallon

NOTE: The establishment of new regions and the changes in the rates of prepaid sales tax on motor fuel and diesel motor fuel **do not affect** any rates of retail sales tax that apply to sales of motor fuel or diesel motor fuel to consumers. Therefore, the new rates of prepaid sales tax effective June 1, 2014, **will not cause** an increase in the retail selling price (i.e., the pump price per gallon) of motor fuel or diesel motor fuel.

For additional information, see [TSB-M-14\(6\)S](#), *Amendments Affecting the Prepaid Sales Tax on Motor Fuel and Diesel Motor Fuel*.

(Tax Law section 1111(e))

Extension of exemptions for certain tangible personal property and services related to leased commercial office space in lower Manhattan

Part GG of Chapter 59 of the Laws of 2014 extends the tax-related incentives for businesses to locate or relocate their offices and employees in lower Manhattan. The original incentives were provided by Chapter 2 of the Laws of 2005. Subpart A of Part GG includes amendments that extend exemptions from the state and local sales tax for certain purchases of tangible personal property and services related to leased commercial office space in two eligible areas in lower Manhattan defined in Tax Law section 1115(ee)(7)(D).

The amendments in Subpart A took effect March 31, 2014, and are deemed to have been in effect on and after **September 1, 2013**. The new law provides that tenants, landlords, and

contractors who paid sales tax on qualifying purchases on or after September 1, 2013, are eligible to apply for a credit or refund of the tax paid at the time of the sale.

For additional information, see [TSB-M-14\(10\)S](#), *Extension of Sales and Use Tax Exemptions on Certain Purchases of Tangible Personal Property and Services for Leased Commercial Office Space in Lower Manhattan*.

Extension of tax exemptions for alternative fuels and natural gas

Part V of Chapter 59 of the Laws of 2014 extends, until August 31, 2016, the existing tax exemptions for alternative fuels and natural gas that will be converted into compressed natural gas (CNG) for use or consumption in motor vehicles. The existing exemptions were set to expire on August 31, 2014.

The extension continues the full exemptions for E85, CNG, and hydrogen, and the partial exemption for B20, from the excise tax (Article 12-A), the petroleum business tax (Article 13-A), and the state and local sales and use taxes (Articles 28 and 29).

The extension also continues the exemptions from the prepaid sales tax for CNG and hydrogen fuels, as well as for E85 fuel that is delivered to and placed in the storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. However, the exemption from the prepaid sales tax **does not apply** to sales of B20 fuel.

Finally, the extension continues the exemption from the retail sales and use taxes for natural gas that is purchased in an uncompressed state and that will be converted into CNG and used or sold for use or consumption directly and exclusively in the engine of a motor vehicle.

For additional information, see [TSB-M-14\(4\)M, \(12\)S](#), *Extension of Tax Exemptions for Alternative Fuels and Natural Gas that will be Converted into Compressed Natural Gas*.

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.