New York State
Department of
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Taxpayer Guidance Division

Tax Bulletin
Sales and Use Tax
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Taxable Receipt
How discounts, trade-ins, and additional charges affect sales tax

Introduction

If you are required to collect New York State and local sales tax from your customers, you need to know which of your charges to your customers are taxable and how discounts and other adjustments affect the amount of sales tax you need to collect. The taxable amount of your charges to your customers is called the *taxable receipt*. This bulletin will explain:

- what types of charges are included in the taxable receipt,
- how discounts affect the taxable receipt, and
- how to compute the taxable receipt on barters and trade-ins.

You calculate the amount of sales tax due by multiplying the taxable receipt by the combined state and local sales tax rate for the locality where the goods or service are delivered to your customer. (See Tax Bulletin *Sales Tax Rate Publications* (TB-ST-820) to find the rates.)

Showing the sales tax on the invoice

Sales tax is calculated based on the total purchase price paid on all taxable items or services on the bill or invoice. If you sell only taxable items or services, the entire invoice amount is the amount subject to sales tax. If you sell a combination of taxable and nontaxable goods and services, you must identify which of the items are taxable and which are not. You must separately state the total amount of sales tax due on any receipt or invoice that you give to your customer.

Combined taxable and nontaxable items

When taxable and nontaxable items or services are sold together as one package, the amount of the taxable receipt can change.

You may collect the sales tax on only the taxable items if all three of the following rules are met:

- the taxable and nontaxable items may be purchased separately,
- the charges for the items are separately stated on your bill or invoice, and
- the charges are reasonable in relation to the total charge.

However, if items are packaged together for one price and cannot be broken out and purchased separately, you must collect tax on the total price.

> *Example: Your store sells a package containing assorted cheeses, a cutting board, and a knife for $15. These items are not sold separately. You must collect sales tax on the $15 selling price, even though a portion of the package (the cheese) would not be subject to tax if it were being sold separately.*

For additional information on taxable and exempt sales, see Tax Bulletin *Quick Reference Guide for Taxable and Exempt Property and Services* (TB-ST-740).

Expenses

Any business operating expenses that you pass along to your customers as part of your bills for taxable services are included in the taxable receipt and are subject to sales tax.

> *Example*: *You are an appliance repairman, and you go to a customer's home to fix a dishwasher. You charge $50 per hour plus expenses. Your invoice is as follows:*

1 ½ hours at $50 per hour	*$75.00*
Travel	*15.00*
Parts	*22.00*
Subtotal	*$112.00*
Sales tax 8%	*8.96*
Total due	*$120.96*

> *You must charge sales tax on the entire charge to your customer, including travel, parts, and the hourly service charge.*

Expenses that are included in the taxable receipt also include any interest charges paid by you that you pass through to the customer.

Trade or volume discounts

Certain discounts offered at the time of sale will reduce the taxable receipt. Any discounts that result in a reduction in the selling price, such as a trade discount, volume discount, or cash-and-carry discount, are subtracted before calculating the amount of sales tax due on the sale.

These discounts are given at the time of sale, based on the type or quantity of merchandise purchased, and represent a reduction in the purchase price.

> *Example*: *You sell office supplies and offer a discount to your customers for purchasing in bulk. If a customer orders three cases of copy paper, the price per case is $35. However, if a customer orders 10 cases, the price is reduced to $32 a case. Because the price is established at the time of the purchase, sales tax is due on the reduced selling price ($320) when a customer orders 10 cases at a time.*

Early payment discounts

An early payment discount is different from trade or volume discounts. When you offer an early payment discount, you still sell the goods for the established price. Customers are only allowed to reduce the amount owed to you if they pay within a specified time period; otherwise, the total amount due remains the same. The early payment discount is an optional discount that customers can take if they choose and does not represent a discount in the actual selling price of the product. The early payment discount is not subtracted from the amount of the invoice that is subject to sales tax.

> *Example*: *Using the facts in the example above, you sell the same 10 cases of copy paper for $35 a case. However, on the invoice you state that a 10% early payment discount is available to customers who pay their invoices in full within 10 days of the date of delivery. The invoice shows the purchase price of $35 per case, and the sales tax is calculated on the $350 for the 10 cases.*

Coupons and food stamps

Special rules may apply when calculating the sales tax due when customers use coupons and food stamps. For example, store-issued coupons generally reduce the receipt subject to sales tax, while manufacturers' coupons do not. See Tax Bulletin *Coupons and*

Food Stamps (TB-ST-140) and TSB-M-11(16)S, *Sales Tax Treatment Relating to the Sale and Redemption of Certain Prepaid Discount Vouchers*, for more information.

Manufacturers' rebates

Manufacturers' rebates (e.g., a rebate on the purchase of a car or an appliance) are **not deductible** from the amount of the taxable receipt. This is so whether the rebate is assigned to or paid to the seller at the time of sale, or later paid directly to the purchaser by the manufacturer. Even though the purchaser's out-of-pocket expense is reduced by the amount of the rebate, the price paid to the seller is not. In effect, the manufacturer is subsidizing the consumer’s purchase, and the full sales price is subject to sales tax.

Delivery, shipping, and handling charges

If what you are selling is taxable, any charge to your customer for shipping, handling, or delivery is taxable. However, if the customer arranges delivery by a third party and pays them directly, the delivery charge is not taxable. See Tax Bulletin *Shipping and Delivery Charges* (TB-ST-838) for more information.

Interest, account service fees, and late fees

In general, if you charge interest, service fees, or late fees for extending credit to your customers in order for them to pay you over a period of time, these charges are not part of the purchase price of the item or service and therefore are not subject to sales tax.

However, if you rent taxable goods and charge a late fee when they are not returned on time, the additional charge is not for the extension of credit. The late fee is part of the charge for the rental of the goods and is part of the taxable receipt subject to sales tax. For example, a fee charged by a home improvement store for returning a rented piece of equipment a day late is a charge for an additional day’s rental and is subject to sales tax.

Deposits

If you charge a deposit on items that you rent, lease, or loan, the charge is not considered to be part of the taxable receipt. If you keep any portion of the deposit when the property is returned, that portion of the deposit is subject to sales tax at that time as part of the charge for the rental or lease of the item.

Excise taxes

Many excise taxes charged by state and federal governmental entities are imposed on the manufacturer, importer, producer, distributor, or distiller of the goods, and are included in the price paid by the customer. Some examples of these types of excise taxes and other taxes included in taxable receipts are:

- state excise tax on alcoholic beverages;
- state excise taxes on cigarettes and tobacco products;
- state petroleum business tax on motor fuel (gasoline), diesel motor fuel, and residual petroleum products;
- New York City tax on cigarettes;
- federal excise taxes imposed on the manufacturing of certain automobiles (gas guzzlers) and tires;
- federal excise taxes on gasoline, diesel fuel, and coal;
- federal excise tax on sporting goods (such as rods, reels, bows and arrows) and firearms (including shells and cartridges);
- federal excise tax on distilled spirits, wines, and beer; and
- federal excise tax on cigars, cigarettes, and cigarette papers.

Motor fuel and diesel motor fuel

Motor fuel (or gasoline) and diesel motor fuel are also subject to a state-imposed excise tax. These excise taxes are part of the price-per-gallon paid for the fuels by the customer at the pump, but are not part of the taxable receipt.

Layaway sales

In a layaway sale, you temporarily hold merchandise for customers and allow them to make periodic payments of the sales price until the merchandise is paid for in full. The customer places a deposit on the items, which are then labeled and stored at your store. Any additional charges you make to the customer for putting the merchandise on layaway are included in the taxable receipt and are subject to sales tax.

Trade-ins

As a seller, when you accept something as a trade-in and reduce your selling price accordingly, sales tax is only due on the reduced price after subtracting the credit for the trade-in, as long as you plan to resell the trade-in item. This is most common with sales and purchases of motor vehicles.

Example: A customer comes into your car dealership and decides to buy a vehicle from you for $22,500. You agree to take the customer's current vehicle as a trade-in and give him a $4,500 credit for his old vehicle. You would calculate the taxable amount of the sale as follows:

Original price	*$22,500*
Trade-in	*- 4,500*
Sale price subject to tax	*$18,000*

Again, this is only true as long as you plan to resell the vehicle being traded in. Additionally, you must apply the trade-in allowance as a partial payment for the specific item being purchased. Any portion of the trade-in allowance that is not applied directly against the price of the item being purchased is not allowed as a credit against the price of another item purchased at some later date or purchased from another seller.

Example: Assume the same facts as in the example above except that only $2,500 of the trade-in allowance is applied against the purchase price of the new vehicle, with the other $2,000 being given to the purchaser in cash. The $2,000 received in cash cannot be applied as a trade-in allowance against any later purchase from you or from another seller.

Trade, barter, and exchange

A trade, barter, or exchange is different from a trade-in because it is usually a swap for something that is not intended for resale. Many times, trades and barters are between individuals not in the business of selling the items (for example, one person agrees with another to trade a kayak for a dirt bike of similar value). But occasionally, businesses trade or barter (for example, a plumber repairs a broken water heater for a mechanic in exchange for repair work on an automobile). In either of these circumstances, sales tax is due on the transaction. The tax is calculated on the value of the items or services given in trade. For example, the plumber may normally charge $350 for the job that was done for the mechanic, and parts and labor for the car repair would normally be expected to cost $350. Both the plumber and the mechanic owe sales tax on the value of what was given in trade. If you are a business required to register for sales tax purposes, the value of the work would be reported on your sales tax return as a taxable sale.

In any trade, barter, or exchange, the purchase price or taxable receipt is considered to be the value of what you gave in trade.

For example, if you trade your boat for a snowmobile, your purchase price of the snowmobile is the value of the boat that you traded. If the values of the items traded are different, the tax due from each party will also be different.

> *Example: Mike has a snowmobile worth $2,800, and Ernie has a boat worth $3,200. Mike and Ernie agree to trade the boat and snowmobile. Mike owes sales tax on $2,800, the value of the snowmobile he gave to Ernie. Ernie owes sales tax on $3,200, the value of the boat he gave to Mike. Both Mike and Ernie will pay the sales tax due at the New York State Department of Motor Vehicles when they register their vehicles.*

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

References and other useful information

Tax Law: Section 1101(b)(3)

Regulations: Sections 526.5 and 526.7

Memoranda: TSB-M-92(2)S, *Delivery Charge Added to Taxable Receipt Effective September 1, 1991*

Bulletins:

Coupons and Food Stamps (TB-ST-140)
Quick Reference Guide for Taxable and Exempt Property and Services (TB-ST-740)
Sales Tax Rate Publications (TB-ST-820)