

Requirements For Separate Statement of Sales Tax

The Tax Law makes the following references to the separate statement of sales tax to a customer:

Section 1132(a) - "...If the customer is given any sales slip, invoice, receipt or other statement or memorandum of the price, amusement charge or rent paid or payable, the tax shall be stated, charged and shown separately on the first of such documents given to him "

Section 1133(d) - "No person required to collect any tax imposed by this article shall advertise or hold out to the public in any manner, directly or indirectly, that the tax is not considered as an element in the price, amusement charge or rent payable by customers."

Section 1144 - "Whenever reference is made in placards or advertisements or in any other publications to any tax imposed by this article, such reference shall be in substantially the following form: 'sales and use tax'; except that in any bill, receipt, statement or other evidence or memorandum of sale,...issued or employed by a person required to collect tax, if the tax is required to be stated separately thereon as provided in subdivision (a) of section eleven hundred thirty-two, the word 'tax' will suffice."

For the purpose of complying with the aforementioned provisions of the Tax Law, and under the conditions stated below, the following procedures should be adhered to:

Sales invoices, guest checks or other written forms of receipts

Receipts given to the customer must separately state the sales tax charged from the amount of the taxable sale.

Cash register receipts

Cash register tapes given to the customer must indicate taxable sales, nontaxable sales (if any), a subtotal of all taxable sales and the sales tax charged.

No written receipts

If no written receipt is given to the customer, the "unit price" method is permissible, under the following stated conditions:

The "unit price" is the total amount of the item, including the sales tax, which is either rung up on a cash register or recorded in some other system of accounting for sales. Since the customer must be made aware of the inclusion of sales tax in the total sales price, every business establishment employing the "unit price" method must visibly display, to all customers, a placard stating that the prices of all taxable items include sales tax.

Note: Placards used for sales of gasoline and diesel fuel are governed by section 1111(d) of the Tax Law and Sales Tax Regulation section 530.35.

In addition, the vendor should, for the benefit of his customers, distinguish between taxable and nontaxable items offered for sale. This may be done by such methods as:

- 1) Attaching labels to merchandise to indicate taxable or nontaxable status.
- 2) Displaying taxable and nontaxable merchandise separately.
- 3) Having available detailed listings of taxable and/or nontaxable items.

Furthermore, it is the responsibility of every vendor who sells both taxable and nontaxable items to maintain accurate records distinguishing such sales.

The following method may be used by vendors to arrive at sales tax due on their taxable sales:

- Method:
- 1) Subtract nontaxable sales, if any, from gross receipts, per your records. You now have taxable receipts plus applicable sales tax.
 - 2) Add the applicable sales tax rate to 100%.
 - 3) Divide taxable receipts plus applicable sales tax (#1 above) by the percentage resulting from #2 above. You now have your taxable sales.
 - 4) Subtract your taxable sales (#3) from #1 (taxable receipts plus applicable sales tax). You now have the amount of sales tax due.

- Example:
- Applicable sales tax rate = 7%.
Gross receipts, per records = \$5000.
Nontaxable sales, per records = \$2000.
- 1) \$5000. (gross receipts, per records)
2000. (nontaxable sales, per records)
\$3000. (taxable receipts plus applicable sales tax)
 - 2) $100\% + 7\% = 107\%$
 - 3) $\$3000. \div 107\% = \$2804.$ (taxable sales)
 - 4) \$3000. (taxable receipts plus applicable sales tax)
2804. (taxable sales)
\$ 196. (sales tax due)

It should be noted that although sales invoices, guest checks, cash register receipts and/or other written forms of receipts are not required to be given to customers, each vendor has the responsibility of substantiating the validity of sales tax reported. In the event of an audit, the absence of any of the above stated sales receipts may make this substantiation more difficult.