

New York State Department of Taxation and Finance
Taxpayer Services Division
Technical Services Bureau

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Sales Tax
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Taxability of Pleasure Craft

Purchased by Foreign Corporations

The following has been prepared to explain the provisions of the New York State and local sales and use tax law as they apply to New York State residents who form corporations outside New York State for the purpose of purchasing and owning pleasure craft.

When a corporation formed either within or outside New York State takes delivery of a pleasure craft within New York State, from a vendor registered with the State, the sale is subject to both state and local sales tax. It is the obligation of the vendor to collect the sales tax at the time of sale; if the tax is not collected by the vendor, it is purchaser's obligation to remit, use taxes due within 20 days from date of sale. The State and local use taxes complement the sales taxes and are due upon in-state use by a New York resident, of a taxable item which a tax has not been paid either because New York State vendor does not collect and remit tax or because the pleasure craft was purchased outside the State or the jurisdiction where use occurs. State and local use taxes should be remitted directly to the New York State Tax Commission. Failure to remit the use taxes will subject the purchaser to interest charges and may subject him to a penalty for late payment.

The following is representative of transactions which involve New York State residents forming corporations outside this State for purposes of purchasing and owning pleasure craft.

A New York resident arranges for the purchase, financing, insuring, mooring and storage of a vessel. Either prior to or immediately subsequent to these arrangements, a corporation is formed outside New York State. One of its purposes is to purchase and own a pleasure craft to be used in New York State. The newly formed corporation completes the purchase of the pleasure craft and takes delivery outside New York State. The pleasure craft is subsequently used in New York State. Use typically includes mooring, storage, etc.

Although sales tax is not due on this transaction, as delivery occurred outside the State, New York State and local compensating use taxes are due once the pleasure craft is used inside the State. The activities of the purchaser described above, even when the purchaser is a foreign corporation, indicate liability for use taxes.

In the event a sales tax was properly paid to another state in which delivery occurred and such state has a reciprocity agreement with New York state, the purchaser will be entitled to a credit for such taxes paid to the other state.