



## TAX NOTICE

### NEW CAR LEMON LAW SALES TAX REFUND

#### PURCHASED MOTOR VEHICLES

Recent amendments to the General Business Law and Sales Tax Law provide the following changes, retroactive to September 1, 1983.

- (1) The New York State Tax Department will refund sales tax paid on all or part of the purchase price of a new motor vehicle when a consumer recovers such amount from the manufacturer under the "New Car Lemon Law."
- (2) The sales tax to be refunded cannot exceed the sales tax paid. If only a portion of the purchase price is recovered, the sales tax refund is prorated accordingly.
- (3) The sales tax refund claim must be filed within three years of the date the consumer recovered the purchase price from the manufacturer under the New Car Lemon Law.
- (4) Interest on the sales tax refunded is payable beginning three months after the date the refund application is received in processible form (i.e., the application must be properly completed, and include supporting documentation).

Any consumer who has recovered all or part of the purchase price of a new motor vehicle from an automobile manufacturer, under the "New Car Lemon Law", should apply directly to the Tax Department for a refund of sales tax paid by filing Form AU-11, Application for Credit or Refund of State and Local Sales or Use Tax. The application should be obtained and filed as soon as possible, even if a refund application was previously filed, and even if the consumer's previous application was denied. This will insure that the application is received within the three year period allowed by the New Car Lemon Law.

The New Car Lemon Law requires that at the time the purchase price is returned a manufacturer must provide the consumer with a refund application (Form AU-11) and a notice that the sales tax paid on any portion of the purchase price recovered is refundable in accordance with section 1139(f) of the Sales Tax Law.

To request a refund of the sales tax paid, send the completed refund claim to the address listed at the end of this notice along with:

- a copy of the arbitration agreement or other evidence of settlement received from the manufacturer, and
- a copy of the bill of sale showing the original purchase price, amount of sales tax paid and trade-in information.

### LEASED MOTOR VEHICLES

In addition to the above, further amendments to the General Business Law and Sales Tax Law which became effective August 2, 1986, provide that sales tax paid by a lessee on the capitalized costs, fees and charges (or portions thereof) of a new leased motor vehicle which was returned to and accepted by its manufacturer because it does not conform to its warranty will also be refunded by the New York State Tax Department. A refund claim of this type must also be filed on Form AU-11 within three years of the date the lessee receives the refund from the manufacturer.

The General Business Law defines the following terms:

- 1) Capitalized cost - the total of the deposit and the rental payments previously paid to the lessor for the leased vehicle, less service fees.
- 2) Lessee - any consumer who leases a motor vehicle pursuant to a written lease agreement which provides that the lessee is responsible for repairs to the motor vehicle.
- 3) Service fees - the portion of a rental payment attributable to:
  - (a) an amount for earned interest calculated on the rental payments previously paid to the lessor for the leased vehicle at an annual rate equal to two points above the prime rate in effect on the date of the execution of the lease; and
  - (b) any insurance or other costs paid by the lessor for the benefit of the lessee.

A refund claim for a new leased motor vehicle must be accompanied by:

- a copy of the arbitration agreement or other evidence of settlement received from the manufacturer
- a copy of the lease contract showing the date of the contract, the amount of the periodic lease (rental) payments, any other fees expended by the lessor for the benefit of the lessee and
- evidence of the number of lease (rental) payments made.

EXAMPLE

The following is an example of how to compute the amount of sales tax to be refunded on a leased motor vehicle returned to the manufacturer:

Deposit	\$ 500
Monthly rental payment	\$ 250
Number of payments made	4
Insurance paid by lessor	\$ 45
Prime rate at contract date	10%

Deposit	\$ 500
Rental Payments (4 x \$250)	<u>1000</u>
Total deposit and rental payments	\$1500

Less: Service fees

1) Earned interest

prime rate at contract + (.02) = annualized interest rate	
(.10) + (.02) = (.12)	
annualized interest rate + 12 months = monthly interest rate	
(.12) ÷ 12 months = (.01)	
monthly interest rate x number of monthly payments = interest rate	
(.01) x (4) = (.04)	
interest rate x rental payments = earned interest	
(.04) x (\$1000) =	\$40

2) Insurance paid by lessor \$45

Total service fees \$85

Capitalized cost \$1415

Sales tax rate paid (7%) .07

Sales tax to be refunded \$ 99.05

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If you do not have a copy of the refund application, Form AU-11, you may get one by calling:

Within NYS - 1-800-462-8100 (toll-free)  
Outside NYS - 1-518-438-1073

Refund claims and all necessary documentation should be mailed within the specified three year time limitation to:

New York State Tax Department  
Sales Tax Refund Unit  
W. A. Harriman Campus  
Albany, New York 12227-0125