



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, 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 receipt* is the amount charged to the customer for the sale of any tangible personal property or service that is subject to sales tax, whether received in money or otherwise.

This bulletin will explain:

- charges included in the taxable receipt,
- how discounts affect the taxable receipt, and
- how to calculate the taxable receipt on barbers and trade-ins.

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. To find the rates, see Tax Bulletin [Sales Tax Rate Publications \(TB-ST-820\)](#).

Showing the sales tax on the invoice

You must collect sales tax on the total sale price of all taxable goods or services shown on the bill or invoice given to the customer. If you sell only taxable goods and services, the total price is subject to 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.

Selling taxable and nontaxable items together

When you sell taxable and nontaxable goods or services together as one package, the total price is subject to sales tax unless the following three conditions are met:

- the customer can purchase the taxable and nontaxable goods or services separately,
- the charges for the taxable and nontaxable goods or services are separately stated on the bill or invoice, and
- the charges **for each item** are reasonable in relation to the total charge.

However, you must collect tax on the total price if the items:

- are packaged together and sold for one price and
- cannot be broken out and purchased separately.

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 \(TB-ST-740\)](#).

Unit price method: no written receipt

If you do not provide the customer with a written or printed receipt at the time of the sale, you can use the alternate *unit price* method for sales other than sales of gasoline and diesel fuel.

The *unit price* is the total price charged, including the sales tax, for the product that is sold to the customer. The customer must be made aware that the sales tax is included in the selling price of such sale.

If you use the unit price method, you must visibly display a placard or sign stating that the selling price of all taxable goods and services includes sales tax.

In addition, you must distinguish between taxable and nontaxable items for sale by:

- attaching labels to merchandise to indicate taxable or nontaxable status,
- displaying taxable and nontaxable items separately, or
- having a detailed list of taxable and nontaxable items for the customer.

If a customer requests and receives a receipt, the sales tax must be separately stated on the receipt.

Expenses

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

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

<i>1 ½ hours at \$50 per hour</i>	<i>\$75.00</i>
<i>Travel</i>	<i>15.00</i>
<i>Parts</i>	<i>22.00</i>
<i>Subtotal</i>	<i>\$112.00</i>
<i>Sales tax 8%</i>	<i>8.96</i>
<i>Total due</i>	<i>\$120.96</i>

You must calculate 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.

Interest paid by a lessor on the purchase of tangible personal property intended to be leased to a customer is an expenditure of the lessor and is included in the taxable receipt subject to tax.

Example: *A lessor, on credit, purchases equipment for a lessee. The agreement provides that the lessee is to pay \$100 per month for equipment rented and \$7 per month to reimburse the lessor for interest paid. The tax is to be collected on \$107.*

Trade or volume discounts

Certain discounts offered at the time of sale of goods or services 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 taxable receipt.

These discounts:

- are given at the time of sale,
- are 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. The customers can take this optional discount if they choose and does not represent a discount in the actual selling price of the product. Customers are only allowed the reduced price if they pay within a specified time period after the sale. The early payment discount is not subtracted from the taxable receipt.

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 taxable receipt, while manufacturers' coupons do not. For more information, 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](#).

Manufacturers' rebates

Manufacturers' rebates (for example, a rebate on the purchase of a car or an appliance) do not reduce the amount of the taxable receipt. This applies 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 you sell taxable goods and services, then any amount you charge your customer for shipping, handling, or delivery of the taxable goods and services is included in the taxable receipt. However, if the customer arranges delivery by a third party and pays them directly, the delivery charge is not taxable. For more information, see Tax Bulletin [Shipping and Delivery Charges \(TB-ST-838\)](#).

Interest, account service fees, and late fees

In general, if you charge interest, service fees, or late fees for extending credit to your customers 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 taxable receipt. 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 (for example, 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, sales tax is only due on the reduced price after subtracting the credit for the trade-in, as long as you intend 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, which you intend to resell, and give them a \$4,500 credit for their 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

Additionally, you must apply the trade-in allowance as a partial payment only 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 barter 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: You have a snowmobile worth \$2,800, and your friend has a boat worth \$3,200. You both agree to trade the boat and snowmobile. You owe sales tax on \$2,800, the value of the snowmobile you gave to your friend. Your friend owes sales tax on \$3,200, the value of the boat he gave to you. Both of you will pay the sales tax due at the New York State Department of Motor Vehicles when registering the vehicles.

Paying sales tax on behalf of a purchaser

As a seller, you are permitted to advertise to the public that you will pay the sales tax on behalf of a purchaser, as long as you state on every receipt or other statement of the sales price given to the customer that:

- you will pay the sales tax on behalf of the purchaser;
- you separately state the amount of sales tax due; and
- sales tax was not collected from the purchaser.

You may not indicate or imply that the transaction is exempt or excluded from tax.

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

Tax Law: §§ 282, 1101(b)(3), 1132(a), 1133(d) and 1817(d)

20 NYCRR: §§ 526.5, 526.7, 527.1(b) and 532.1(b)