

New York City Sales and Use Tax Rate Increase Effective June 4, 2003

Attention:

All persons required to collect sales tax, pay compensating use tax, or both: On June 4, 2003, the Mayor of New York City is expected to sign legislation that will result in an increase to New York City's local sales and use tax rate. **If this occurs, as of June 4, 2003, the combined state and local tax rate imposed in New York City is increased to 8 $\frac{5}{8}$ % (.08625).** This includes the 4 $\frac{1}{4}$ % state tax, the $\frac{1}{4}$ % Metropolitan Commuter Transportation District tax, and the 4 $\frac{1}{8}$ % city tax. This change will affect your tax collections and payments if you make taxable sales or deliveries to customers, or if you make taxable uses, in New York City.

As a result of this increase, certain adjustments must be made to information on the sales and use tax returns and schedules to ensure correct reporting and revenue distribution. The sales tax return covering the quarter from June 1, 2003, through August 31, 2003, will contain a double set of entry lines for each of the rates affected by this increase: one to report sales and uses occurring from June 1 through June 3, and one to report sales and uses occurring during the remainder of the quarter. It is important to report transactions on the correct line according to the date of the transaction.

Reporting requirements

All taxable sales made within New York City reported on page 3 of sales and use tax returns Form ST-100, Form ST-101, and Form ST-810, or on page 1 of Form ST-102, must be reported on the New York City 8 $\frac{5}{8}$ % entry line.

Beginning June 1, 2003, and ending May 31, 2004, vendors must collect and remit the total New York State and local sales and compensating use taxes (including the $\frac{1}{4}$ % tax imposed by the state in the Metropolitan Commuter Transportation District (MCTD)) on sales of clothing, footwear, and items used to make or repair such clothing or footwear, regardless of the price. Such sales should be reported as described in the preceding paragraph. See TSB-M-03(2)S for further information.

All **Schedule B** filers reporting sales of **residential** gas (including propane in containers of 100 pounds or more), electricity, and steam, and transportation and delivery charges, must enter this information on the New York City 4 $\frac{1}{8}$ % (.04125) and 1 $\frac{1}{8}$ % (.01125) entry lines for Schedule B, Part 1. Report sales of coal, fuel oil, and wood (for heating) for **residential** use, on the New York City 4 $\frac{1}{8}$ % entry line for Schedule B, Part 2.

All **Schedule B** and **B-ATT** filers reporting sales of **nonresidential** gas (including propane in containers of 100 pounds or more), electricity, refrigeration, and steam, and transportation and delivery charges, must enter this information on the New York City 8 $\frac{5}{8}$ % and 2 $\frac{1}{16}$ % (.024375) entry lines for Schedule B, Part 3, and the New York City 4 $\frac{1}{8}$ % and 1 $\frac{1}{8}$ % entry lines for Schedule B-ATT.

All **Schedule N** filers reporting sales of hotel/motel room occupancy must enter this information on the New York City 8 $\frac{5}{8}$ % and 4 $\frac{1}{8}$ % entry lines, as applicable. All **Schedule N** filers reporting sales of cleaning and maintenance services (fewer than 30 days) must enter this information on the New York City 8 $\frac{5}{8}$ % entry line. The rates of tax imposed in New York City on sales of parking, garaging, or storing of motor vehicles, and on interior decorating and design services, are not affected by the rate increase described in this notice.

Additionally, the rates of tax imposed in New York City on the sale of cleaning and maintenance services (30 days or more), credit rating and reporting services, miscellaneous personal services, and protective and detective services are not affected by the tax rate increase described in this notice; however, please refer to the *Note*: at the end of this notice for more information.

All **Schedule Q** filers reporting sales of property or services eligible for exemption to a Qualified Empire Zone Enterprise (QEZE) must enter this information on the New York City 4 $\frac{1}{8}$ % entry line.

All **Schedule FR** filers reporting retail sales of motor fuel and diesel motor fuel, and fuel taken from inventory, as explained in the Schedule FR instructions, must enter this information on the New York City 8 $\frac{5}{8}$ % entry line.

Special transitional provisions

All sales and uses occurring on or after June 4, 2003, are taxed at the rate of 8 $\frac{5}{8}$ %, except as provided below:

(a) Layaway sales

Receipts may be reported at the lower rate only if the following conditions are met:

- (1) before February 4, 2003, a written agreement was made and the item sold was segregated from other similar property in the possession of the vendor; and
- (2) before June 4, 2003, the purchaser has paid at least 10% of the sales price.

(b) Utility bills

Where the bill for a sale of energy sources and services is based on a meter reading that occurs on or after June 4, 2003, and the number of days from June 4, 2003, to the date of the meter reading is more than half the total number of days covered by the bill, you must report the sale at the higher rates effective June 4, 2003.

Unless the sales are based on meter readings, sales of energy sources and services made on or after June 4, 2003, will be subject to sales tax at the rate in effect at the time of delivery to the customer, whether or not these sales were contracted for prior to any change in the sales tax rates.

(c) Telephone bills

Report charges for services furnished on or after the date of the first bill dated on or after June 4, 2003, at the higher rate of 8½%. Report charges for services furnished before the date of the first bill dated on or after June 4, 2003, at the lower rate, even though the services may be furnished after June 4, 2003.

(d) Telephone answering services

Prorate receipts that cover a period beginning before and ending after June 4, 2003. Receipts for the period prior to June 4, 2003, must be reported at the lower rate. Report receipts for the period on and after June 4, 2003, at the higher rate of 8½%.

(e) Social and athletic club dues

Regardless of the date a bill is mailed, report all bills covering any period that begins on or after June 4, 2003, at the higher rate of 8½%. Report all bills covering periods that begin before June 4, 2003, at the lower rate.

(f) Admissions

Report taxable admissions to an event occurring on or after June 4, 2003, at the higher rate of 8½%, whether or not the admission charge was paid before that date, unless the tickets were sold and delivered before June 4, 2003, to the person attending the event.

(g) Hotel occupancy

Report all taxable daily rentals occurring on or after June 4, 2003, at the higher rate of 8½%. Report all taxable daily rentals

occurring before June 4, 2003, at the lower rate. If the rental is on other than a daily basis, prorate the amount of rent between the number of days taxable at the higher rate and the number of days taxable at the lower rate.

(h) Pre-existing lump sum or unit price construction contracts

Contractors purchasing materials in New York City for use in construction contracts pay the lower rate on purchases made before June 4, 2003, and 8½% on purchases made on or after that date. Contractors who irrevocably entered into a pre-existing lump sum or unit price construction contract before June 4, 2003 (the date on which the local legislation was adopted), may receive a credit or refund of the additional ½% local sales and use tax paid on or after June 4, 2003. This credit or refund applies only to purchases of tangible personal property used solely in the performance of such contract.

Note: Although not affected by the tax rate increase described in this notice, the rates of tax imposed in New York City on the sale of cleaning and maintenance services (30 days or more), credit rating and reporting services, miscellaneous personal services, and protective and detective services are scheduled to increase by ½% effective September 1, 2003. Additional information regarding these changes will be issued at a later date.

Need help?

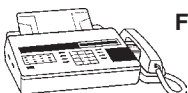
Telephone assistance is available from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday.

For business tax information: 1 800 972-1233

For general information: 1 800 225-5829

To order forms and publications: 1 800 462-8100
(Also see *Internet access* below.)

From areas outside the U.S. and outside Canada: (518) 485-6800



Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week. 1 800 748-3676



Internet access: www.tax.state.ny.us

**Hotline for the hearing and speech impaired:**

1 800 634-2110 from 8 a.m. to 5:55 p.m. (eastern time), Monday through Friday. If you do not own a telecommunications device for the deaf (TDD), check with independent living centers or community action programs to find out where machines are available for public use.



Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.

**If you need to write,** address your letter to:

NYS TAX DEPARTMENT
TAXPAYER CONTACT CENTER
W A HARRIMAN CAMPUS
ALBANY NY 12227