

NEW SALES TAX RULES APPLY TO EXEMPT ORGANIZATIONS

August 18, 2008

Pursuant to a little-publicized provision of this year's budget bill, effective September 1, New York State will require tax-exempt organizations to begin collecting sales tax on certain sales. Under the new rules, exempt organizations must collect tax on the following:

- any lease or rental of tangible personal property
- most utility services
- the maintenance, service, or repair of real property
- regular sales of any property by telephone, mail order (including e-mail), over the Internet, or by other similar "remote" means

Under these new rules, an exempt hospital's lease of radiology equipment to a group of doctors becomes taxable on September 1. Tax also applies to the hospital's charges to doctors for telephone answering services.

Similarly, an exempt museum that regularly sells books, photographs, posters, and other souvenirs through its Web site must begin collecting tax on all New York sales effective September 1.

These new rules apply to nonprofit, charitable, educational, literary, scientific, and religious organizations; armed service posts; Indian nations; and most other organizations that were previously exempt from sales tax collection responsibilities.

Affected organizations must register with the New York State Department of Taxation and Finance by filing Form DTF-17 immediately.

If you have any questions about any of these rules or their application, please contact us.

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