

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

TSB-A-81(4)S
Sales Tax
August 7, 1981

STATE OF NEW YORK
STATE TAX COMMISSION

ADVISORY OPINION

PETITION NO. S810217A

On February 17, 1981 a Petition for Advisory Opinion was received from Ridings Equipment Corp., 60 Paul Road, Rochester, New York.

The issue raised is whether New York State Sales Tax is applicable to certain charges, referred by Petitioner as "rental service charges", made to customers at the time an option to purchase rented property is exercised.

Petitioner, a dealer in heavy construction equipment, is also involved in financing equipment purchases for its customers and may make arrangements whereby a customer may rent a piece of machinery with an option to purchase it after a period of time, whereupon the customer will receive one hundred percent credit for all rent previously paid. At the time of purchase charges called "rental service charges," comprising "interest charges on the amount financed," are included in the invoice amount. Petitioner states that it is commonly held in the heavy equipment industry that "rental service charges" refer to interest charges, and that this is true in this case. Petitioner asserts that these charges are exempt from sales tax as they are nothing more than part of a financial arrangement in connection with an installment sale.

Section 1105(a) of the Tax Law imposes a tax on the receipts from the sale of tangible personal property. Section 1101(b)(3) of the Tax Law defines the term "receipt" as "The amount of the sale price of any property and the charge for any service taxable under this article, valued in money, whether received in money or otherwise, including any amount for which credit is allowed by the vendor to the purchaser, without any deduction for expenses or early payment discounts . . .".

The "rental service charges" billed by Petitioner to his customers comprise part of the sale price of the machinery sold, and as such are part of the receipt subject to sales tax. Such amounts do not constitute a charge for credit extended at the time of sale and therefore do not enjoy the exemption applicable to such an interest charge.

DATED: July 21, 1981

s/LOUIS ETLINGER
Deputy Director
Technical Services Bureau