

New York State Department of Taxation and Finance
Office of Tax Policy Analysis
Taxpayer Guidance Division

TSB-M-09(1)S
 Sales Tax
 April 30, 2009

Increase in the Special Tax on the Rental of Passenger Cars

Chapter 57 of the Laws of 2009 amended Article 28-A of the Tax Law to increase from 5% to 6% the special tax rate that is imposed on the receipts from the rental of a passenger car that is rented or used in New York State. The 6% rate applies to rentals made and uses occurring on and after June 1, 2009. This tax is in addition to the applicable state and local sales and use taxes.

The 6% rate is subject to the applicable transitional provisions in sections 1106 and 1217 of the Tax Law. Under these provisions, for any rental contract entered into before June 1, 2009, and that expires after that date, the charge subject to the special tax at the 6% rate is determined by the following formula:

$$\frac{\text{Number of days in contract period falling on or after June 1, 2009}}{\text{Total number of days in the full contract period}} \times \text{Total charges}$$

Example: *On May 24, 2009, a vacationer rents a sedan at a car rental agency at Albany International Airport. The passenger car is rented for a three-week period (May, 24, 2009 – June 14, 2009 = 21 days) at a rate of \$45 per day (21 × \$45 = \$945 total charge). The charge subject to the 6% special tax on the rental of passenger cars is determined as follows:*

<i>Number of days in rental period falling on or after June 1, 2009</i>	<u>14</u>	×	<i>Total charges</i>	=	<i>Charge subject to 6% tax</i>
<i>Total number of day in the full rental contract period</i>	21		\$945.00		\$630.00

The balance (remainder) of the receipt (\$945 - \$630 = \$315) is subject to the tax on the rental of passenger cars at the rate of 5%, the rate in effect prior to June 1, 2009.

Thus, the special tax on the rental of passenger cars in this example would be:

<i>\$630.00 × .06 (6%)</i>	=	<i>\$37.80</i>
<i>\$315.00 × .05 (5%)</i>	=	<i>\$15.75</i>
<i>Total special tax on passenger car rentals</i>	=	<i>\$53.55</i>

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For more information about the special tax on the rental of passenger cars, see previously issued Important Notice N-90-26 *Special Tax on the Rental of Passenger Cars*, on the Department Web site at www.nystax.gov.

NOTE: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.