



Sales and Use Tax Exemption for Military Service Flags and Prisoner of War Flags

This memorandum explains recently enacted legislation that provides a sales and use tax (sales tax) exemption for military service flags and prisoner of war flags.

Recently enacted legislation (Chapter 477 of the Laws of 2012) expands the current sales tax exemption for flags of the United States and the state of New York to include military service flags approved by the United States Secretary of Defense, such as blue star and gold star banners, and prisoner of war flags.

Currently, sales of the flag of the United States and the flag of New York State are exempt from sales tax. This exemption also includes related accessories for display of the flag that are sold with the flag for a single charge. See [TSB-M-01\(5\)S](#), *Amendments to the Sales and Use Tax Regulations Relating to the Exemption for Flags of the United States of America and the State of New York*, for more information about related accessories.

Under the new law, military service flags (including blue star and gold star banners) and prisoner of war flags are exempt from sales tax. In addition, related accessories for display of these flags are also exempt from tax, provided the accessories are sold with the flag for a single charge.

For purposes of this new exemption the following definitions will apply:

- *Military service flags* are those flags whose manufacture and sale are approved by the United States Secretary of Defense. A *blue star banner* may be displayed in a window of the residence of members of the immediate family of any individual serving in the armed forces of the United States during any period of war or hostilities in which our armed forces are engaged. A *gold star banner* is displayed to honor family members who died during service.
- A *prisoner of war flag* is defined in Public Law 101-355 to mean the National League of Families POW/MIA flag.

Note: Generally, patches, decals, and pins with a design of the flag for display on clothing or other items are subject to sales tax. However, certain military decorations, including ribbons, medals, mini-medals, and lapel pins, are exempt from sales tax when sold to an active member or veteran of the United States military. See [TSB-M-06\(15\)S](#), *Supplemental Summary of Recently Enacted Legislation Affecting Sales and Use Taxes Effective in 2006*.

Effective date

This new exemption takes effect December 1, 2012, and applies to sales made or uses occurring on or after that date.

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