



Important Notice

N-90-26

Special Tax on the Rental of Passenger Cars

Beginning June 1, 1990, in addition to the sales or use tax already imposed, a special tax at the rate of 5% will be imposed on any rental of a passenger car rented or used in New York State. The special 5% tax will apply to the rental whether a customer is a resident or nonresident and regardless of whether or not the passenger car is required to be registered in New York State. It does not however, apply to a sale (rental) for resale or a lease covering a period of a year or more (those related to subdivision (i) of section 1111 of the Tax Law and described in Notice N-90-12).

This additional 5% tax is imposed pursuant to a new article of the Tax Law Article 28-A, but is collected and administered pursuant to Article 28 (the Sales and Use Tax Law). This means that the vendor who is required to collect and report the sales tax must collect and report this special tax since both taxes must be reported and remitted with the vendor's sales tax returns. Although this tax and the sales tax are computed on the same receipts, each tax must be accounted for and reported separately. That is, the state and local sales tax due on the receipts is computed and reported on page 2 of the return in the jurisdiction where tax is due, but the additional 5% tax is reported separately for all jurisdictions on a single reporting line. However, vendors required to collect the special 5% tax are only required to report and remit the tax quarterly, regardless of their sales tax filing status.

Other administrative provisions from Article 28 also apply to this tax, including personal liability for tax, collection and disposition of revenues and exemptions. For example, where federal and state agencies and instrumentalities and other qualified organizations are exempt from sales tax in section 1116 they are also exempt from payment of the special 5% tax.

The following definitions apply to the terms used in this notice:

Motor vehicle - a motor vehicle as defined in section 125* of the Vehicle and Traffic Law but not including a motorcycle.

Passenger car - a motor vehicle with a gross vehicle weight of 9,000 pounds or less with a seating capacity of nine or less designed for passenger transportation.

Rental - The transfer of possession or use of a motor vehicle for consideration without the transfer of ownership and whether or not the motor vehicle is licensed or required to be licensed in New York State. This definition does not include a lease to which subdivision (i) of section 1111 of the Tax Law applies.

* Every vehicle operated or driven upon a public highway which is propelled by any power other than muscular power, except (a) electrically-driven mobility assistance devices operated or driven by a person with a disability, (b) vehicles which run only upon rails or tracks, and (c) snowmobiles.

If You Need Help...

Phone For forms or publications, call toll free (from New York State only) 1 800 462-8100.
From areas outside New York State, call (518) 438-1073.

For information, call toll free (from New York State only) 1 800 CALL TAX (1 800 225-5829).
From areas outside New York State, call (518) 438-8581.

Telephone assistance is available Monday through Friday from 8:00 a.m. to 5:00 p.m.

Write If you need to write, address your letter to:
NYS Tax Department
Taxpayer Assistance Bureau
W. A. Harriman Campus