



Reciprocal Credit for Sales or Use Taxes Paid to Other Taxing Jurisdictions

This bulletin explains the New York State and local reciprocal use tax credit that may be allowed for sales or use tax you paid in another state or in another locality in New York State.

Introduction

Individuals, estates, trusts, and businesses that are residents of New York State are liable for the New York State use tax if they:

- purchase taxable items or services outside of New York, and then bring those items into New York; or
- purchase taxable items or services in one local taxing jurisdiction in New York, and then bring those items into another local taxing jurisdiction in New York where the purchaser is a resident.

The amount subject to use tax is generally the original purchase price, including any shipping or delivery charges.

You may be considered a resident for sales and use tax purposes even if you are not considered a resident for personal income tax purposes. For example, the following are residents for sales and use tax purposes even if they are not residents for income tax purposes:

- a person maintaining a permanent place of abode in New York who does not spend more than 183 days a year in the state;
- a college student at an educational institution located in New York; or
- a member of the military stationed in New York.

For sales and use tax purposes, you are a resident of the state and of any locality in which you maintain, or another person maintains for your use, a permanent place of abode. A *permanent place of abode* is a dwelling place maintained on other than a temporary or transient basis. For more information about the definition of resident for sales tax purposes, see [Form ST-140-I](#), *Instructions for Form ST-140*.

In addition, you are also a resident of New York, and of a county and/or city in this state, if you engage in any manner in carrying on any employment, trade, business, or profession in such location.

A resident purchaser must pay New York State's 4% state tax (plus the $\frac{3}{8}\%$ tax imposed in the Metropolitan Commuter Transportation District, where applicable) and local use tax due directly to the Tax Department by filing:

- a periodic sales and use tax return (if the purchaser is a registered vendor);
- a [New York State personal income tax return](#), if required;
- [Form ST-140](#), *Individual Purchaser's Annual Report of Sales and Use Tax*; or
- [Form ST-130](#), *Business Purchaser's Report of Sales and Use Tax*.

Two methods of calculating the use tax due are available for individuals:

- the *sales and use tax chart*, and
- the *exact calculation method*.

The *sales and use tax chart* is an easy, time-saving method to calculate use tax that is based on your income. It can be used to report on your income tax return taxable purchases costing less than \$1,000 each. (For more information, see the instructions to Form IT-201.)

The *exact calculation method* must be used for purchases of taxable property or services costing \$1,000 or more each.

Reciprocal credit for sales or use taxes paid to another state

Resident purchasers that owe New York State and local use tax may have paid a sales or use tax in the state and/or locality where they purchased and took possession of the item or service. A reciprocal credit for sales or use tax paid to another state and/or locality in that state **may** be available if **all** the following conditions are met:

- The state and/or locality where the purchase was made allows a corresponding credit for sales or use tax paid to New York State and/or localities in New York State.
- The purchaser was legally liable for the tax and paid the tax to the other state and/or locality.
- The tax paid to the other state and/or locality on the purchase is a sales or use tax.
- The purchaser has no right to a refund or credit of the tax paid to the other state and/or locality.
- The purchaser has proof of payment, such as a receipt showing the amount or rate of tax paid to the other state and/or locality.

Federal excise taxes and customs duties, and taxes and fees paid in foreign countries are **not allowed** as a credit against New York State or local use tax.

New York may provide a reciprocal credit on a rate-to-rate basis for sales or use taxes paid to another state only where, and to the extent that, the other state provides a reciprocal credit for sales or use taxes paid to New York State and/or its localities. Therefore, a New York reciprocal credit may be available for:

- both the state and local sales and use taxes paid in another state;
- only state sales and use taxes paid in another state; or
- only local sales and use taxes paid in another state.

To see if you are entitled to a reciprocal credit, you must determine whether a New York reciprocal credit is allowed for the state where you made your purchase and then see the examples below to find the scenario that applies to your situation. If the other jurisdiction does not provide a reciprocal credit for any sales or use taxes paid to New York State and/or its localities, then the New York State or local reciprocal credit is not allowed.

A reciprocal credit is **not automatically allowed** just because some amount of money labeled as *tax* was paid to another state. The amount paid **must** meet the criteria outlined above in order to qualify for the New York State or local reciprocal use tax credit.

Note: When a reciprocal credit is not allowed you may end up paying money to both New York State and to the other state.

Example: You buy artwork in State A that has a price of \$500. State A imposes a 5% surcharge on sellers on each sale that the seller is allowed to pass through to and recoup from purchasers. As a result, you pay a total of \$525 (\$500 + the \$25 surcharge) in State A.

You bring the artwork back to your home in New York where the combined state and local sales tax rate is 8%. The \$25 surcharge paid by the seller in State A and passed through to you is not equivalent to the sales and use tax imposed here in New York and, therefore, does not meet the criteria for a reciprocal credit. Accordingly, \$40 (\$500 x 8%) in New York state and local use tax is due on the artwork and no reciprocal credit for the surcharge paid in State A is allowed.

Full reciprocal credit

Where another state allows a reciprocal credit for both New York's state tax and its local taxes, New York's reciprocal credit is the sum of the other state's state and local taxes. If the total tax paid in the other state exceeds the total use tax due in New York, no New York use tax is due, but the excess amount **will not** be refunded.

Example: In State 1 you purchased an item for \$100 and paid \$6.25 in sales tax. The combined rate of tax in State 1 is 6¼% (3¼% state rate and 3% local rate). State 1 allows a reciprocal credit for New York's state tax and its local taxes. Because you were a resident of New York State when you purchased the item, you owe New York State and local use tax on the purchase price at the rate in effect in the locality where you reside in New York when you bring the item into New York. Your combined New York tax rate is 8% (4% state rate and 4% local rate).

New York allows a reciprocal credit for both the state and local taxes paid to State 1. Compute your New York State use tax liability, allowable reciprocal credit, and net amount of use tax due as follows:

- *Compute your New York State use tax liability by multiplying the price you paid by your New York State tax rate: $\$100 \times 8\% = \8.00 .*
- *Compute your reciprocal credit by multiplying the price you paid by the rate of tax paid in State 1 that is allowable as a reciprocal credit: $\$100 \times 6\frac{1}{4}\% = \6.25 .*
- *Compute your net amount of New York State use tax due by subtracting your allowable reciprocal credit from your New York State use tax liability: $\$8.00 - \$6.25 = \$1.75$.*

Partial reciprocal credit

Where another state allows a reciprocal credit only for New York's state tax, New York's reciprocal credit is allowed only against New York's state tax and only for the other state's state tax. If the state tax paid in the other state exceeds the state use tax due in New York, no New York State use tax is due, but the excess amount **will not** be refunded and **cannot be used** to reduce the amount of local use tax due in New York.

Similarly, if another state allows a reciprocal credit only for New York's local taxes, New York's reciprocal credit is allowed only against New York's local taxes and only for the other state's local tax. If the local tax paid in the other state exceeds the local use tax due in New York, no New York local use tax is due, but the excess amount **will not** be refunded and **cannot be used** to reduce the amount of state use tax due in New York.

Example: In State 2 you purchased an item for \$100 and paid \$9 in sales tax. The combined rate of tax in State 2 is 9% (5% state rate and 4% local rate). State 2 allows a reciprocal credit only for New York's state tax. Because you were a resident of New York State when you purchased the item, you owe New York State and local use tax on the purchase price at the rate in effect in the locality where you reside in New York when you bring the item into New York for use here. The combined New York tax rate where you reside is 8% (4% state rate and 4% local rate).

*Because State 2 allows a reciprocal credit only for New York's state tax, New York allows a reciprocal credit for only the **state** tax paid to State 2. No reciprocal credit is*

allowed for the local tax paid to State 2. Compute your New York State use tax liability, allowable reciprocal credit, and net amount of use tax due as follows:

Because a reciprocal credit is allowed only for the **state** tax paid to State 2, you must compute your New York State and local use tax liabilities separately:

State use tax liability: $\$100 \times 4\% = \4.00
 Local use tax liability: $\$100 \times 4\% = \4.00

Compute your reciprocal credit by multiplying the price you paid by the rate of the **state** tax paid in State 2 (the only tax for which a reciprocal credit is allowed): $\$100 \times 5\% = \5.00 .

When you apply your allowable reciprocal credit of \$5.00 to your state use tax liability of \$4.00, your **state** use tax liability is reduced to zero. However, the additional \$1.00 of **state** tax paid to State 2 cannot be used to reduce your **local** use tax liability of \$4.00 and cannot be refunded. Since no credit is allowed against the local use tax you owe in New York, you must pay local use tax of \$4.00 in full.

Claiming a New York reciprocal credit for sales or use taxes paid to another state

When claiming a reciprocal credit, you should be able to substantiate:

- Proof of payment to the other state, such as with a receipt showing the amount or rate of sales or use tax paid to the other state and/or locality.
- That the state and/or locality where you made the purchase allows a credit for sales or use tax paid to New York State and/or its localities.
- That you were legally liable for the tax and paid the tax to the other state and/or locality.
- That you have no right to a refund or credit of the tax paid to the other state and/or locality.

New York State local sales tax reciprocal credit

As stated above, on purchases made in New York State, sales tax paid to one locality in New York is allowed as a credit against use tax due in another locality in New York.

*Example: In County X, where the combined state and local tax is 7% (4% state rate and 3% local rate), ABC Corp. buys a new computer for \$800 and pays \$56.00 in sales tax. ABC Corp. then brings the computer to County Y for use at its main office. The combined state and local tax in County Y is 8% (4% state rate and 4% local rate). Because ABC Corp. was a resident of County Y when it purchased the computer, it owes **local** use tax to County Y on the purchase price of the computer. However, the local sales tax paid to County X at the time of purchase is allowed as a credit against the local use tax owed to County Y. ABC Corp. computes its County Y use tax liability, credit for County X sales tax paid at purchase, and net amount of use tax due as follows:*

- Compute the County Y use tax liability by multiplying the price paid by the County Y local tax rate: $\$800 \times 4\% = \32.00 .
- Compute credit for County X sales tax paid at purchase by multiplying the price paid by the County X local tax rate: $\$800 \times 3\% = \24.00 .
- Compute the net amount of local use tax due to County Y by subtracting the credit for County X sales tax from the amount of County Y use tax due: $\$32.00 - \$24.00 = \$8.00$.

Alternative basis for computing New York State and local use tax on certain property

The above examples illustrate the calculation of a reciprocal credit where the New York State and local use taxes due are based upon the actual purchase price of the item of tangible personal property. There are two instances where the New York State and local use taxes due on items purchased by a New York resident **are not based** on the item's purchase price:

- If an item is used outside of New York (or outside the county/city of residence) for **more than** six months prior to the New York resident bringing the item or service into New York (or into the county/city of residence), the amount subject to tax is the **lesser of** the purchase price or the fair market value at the time the item is brought into New York State (or into the county/city of residence).
- In the case of tangible personal property brought into New York State to be used in the performance of a contract for a period of **less than six months**, the amount subject to tax may, at the election of the user, be based on the fair rental value of the property for the period of use within New York, but only if the property is not completely consumed in New York or is not incorporated into real property in New York State.

In either of these cases, where the amount subject to New York State use tax is an amount other than the purchase price of the item or service, the amount of use tax due must be computed by comparing the rate of tax paid to the other state and/or locality and the applicable rate of state and/or local tax due in New York that is allowed as a reciprocal credit.

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

References and other useful information

Tax Law: Sections 1110 and 1118(7)

Bulletins:

[Use Tax for Businesses \(TB-ST-910\)](#)

[Use Tax for Individuals, Estates, and Trusts \(TB-ST-913\)](#)