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631-491-1500

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A CONVENIENCE FEE IS NOT SO CONVENIENT



Credit cards are becoming more and more commonplace. After all, who wants to take the time to take money from an ATM when you can just “charge it”? However, while popular for consumers, businesses are trying to find ways to combat credit card fees that eat into their profit margin.

As a result, many businesses charge a convenience fee to customers who choose to use a credit card for payment rather than cash. The theory is that a convenience fee would reimburse the vendor for the 3% or so that the credit card company takes. Although, you may be surprised to learn that you do not get to keep all of that 3% convenience fee. New York State wants its piece too.

Last year, the New York State Department of Taxation and Finance issued guidance

that a convenience fee takes on the same tax treatment as the rest of the sale. Therefore, if a vendor is selling a taxable product or service and tacks on a convenience fee, the convenience fee is subject to sales tax as well. If the vendor is selling nontaxable items, the convenience fee is nontaxable. If the vendor is selling a combination of taxable and nontaxable items, which are separately stated on the invoice, only the portion of the convenience fee that is attributed to the taxable items is subject to sales tax.

While charging a convenience fee is illegal in approximately 7 states, many states that do allow a convenience fee have not issued guidance on whether the convenience fee must be included in taxable receipts. However, Illinois specifically stated that fees, charges, and surcharges, including convenience fees, are subject to sales tax.

Alternatively, Florida has taken the stance with some other fees that if the fee can be avoided by the consumer making a different choice, the fee is nontaxable. For example, a delivery fee is nontaxable if the delivery fee can be avoided by the customer picking up in person instead.

Each state has its own sales tax rules. If you or your client have a state specific sales tax question, Sales Tax Defense is here to help!

SUCCESS STORY



Often, companies come to Sales Tax Defense for guidance. They are expanding into another state or they are adding a product to their line of sales,

ABOUT THE FIRM



We are a dedicated team of sales and use tax professionals who have committed our careers to helping businesses and fellow professionals

and the company needs to know what is subject to sales tax. Recently, we had a business come to us that was going to open a place of amusement. There was an admissions fee but there were also going to be fees for food and drink, lockers, rental of sports equipment, personal trainers, and parking fees. The business wanted to know what it should charge sales tax on.

We were able to provide the business with written guidance which clearly laid out the taxability of each item in the county that the business was in. The business was able to institute the correct sales tax policy before opening its doors, protecting itself from future assessments by the State.

If you or your client need sales tax guidance, whether it is concerning taxability questions or instituting a sales tax policy, Sales Tax Defense is here to help!

with sales and use tax problems.

Since the only work we are focused on is sales tax consulting, businesses never have to be concerned that we will try to sell them other services they do not need. And professionals never have to be concerned with Sales Tax Defense LLC encroaching on their client relationships, because we view you, our fellow professional, as our client.

WHEN YOU HAVE A SALES TAX PROBLEM, *WE ARE THE SOLUTION!*

CALL: 631-491-1500

CONTACT US!

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"Mark is very knowledgeable, gave good advice, open to questions.
One of the best seminars I've attended"

- A CPE Seminar Attendee

MORE TESTIMONIALS

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