

New York School of Interior Design

New York Sales Tax on Interior Design Services

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New York Sales Tax

- Generally imposed on the sale of tangible personal property, plus selected services
 - Only a handful of services taxable, such as maintenance services, information services, interior design services, etc.
- State rate: 4%
- Local rate: depends, usually around 4%
 - It's 4.5% in NYC
- Also an extra .0375% for work in the MCTD
- So.....Tax Rate is NYC is **8.875%**

New York Sales Tax

- Dual-Liability for the Tax
 - Collected by vendor, payable by customer
 - Both vendor and customer can be held liable
 - But tax only paid once!
 - NY usually audits vendors for sales tax
 - If vendor is required to pay tax, it can seek reimbursement from customer

Sales Tax on Interior Design

- Taxed statewide at full state/local rate
- **But** NOT subject to NYC local tax
 - So in NYC, interior design services taxed at **4.375%**
- No tax on interior design in NJ or CT
- But sale of furniture/property taxed in all states, based on where project located

Definition – Interior Design

- From NY Education Law

...rendering or offering to render services for a fee or other valuable consideration, in the preparation and administration of interior design documents (including drawings, schedules, and specifications) which pertain to the planning and design of interior spaces including furnishings, layouts, fixtures, cabinetry, lighting, finishes, materials, and interior construction not materially related to or materially affecting the building systems.

Definition – Interior Design

■ Examples from Publication

- preparation of layout drawings, schedules, and specifications pertaining to the planning and design of interior spaces;
- furniture arranging;
- design and planning of furniture, fixtures, and cabinetry;
- staging;
- lighting and sound design;
- interior floral design;
- selection, purchase, and arrangement of surface coverings, draperies, furniture, and other decorations; and
- any similar services.

Issues and Problem Areas

- Architecture vs. Interior Design
 - If design affects “building systems,” not “interior design”
- Interior Design vs. Construction Contractor
 - If services consist of plans and installation = contracting services
 - Usually not taxable if “capital improvement”

Issues and Problem Areas

- Interior Design vs. Sale of Tangible Property
 - Sale of property (furniture) taxed at full rate, even in NYC (8.875%)!
 - Must separately state charge for design from charge for property:
 - \$5,000: couch – taxed at 8.875%
 - \$1,000: design fee – taxed at 4.375%
 - If design fee is simply a mark up
 - \$6,000: couch + markup – taxed at 8.875%

Issues and Problem Areas

■ Sourcing: Where is Sale Taxed?

- Depends on whether contract involves plans, on-site consultation, or both
- Plans: taxable if delivered in NY
- On-Site Consultation: taxable if project in NY
- Both: taxable if project in NY

■ Examples

- Plans for CT house delivered to NY architect = taxed in NY
- Onsite consultation for NY apartment: taxed in NY
- Onsite consultation for CT project: not taxed in NY