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**When you have a sales tax problem,
we are the solution!**

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Sales Tax & the Ultimate Child's Birthday Party

If we all lived in a castle, we might throw our children a party that looks something like the following. But even the king of the castle has to pay sales tax. If you were the king's advisor, what would your advice be? The queen begins by inviting 35 of the Princess's closest friends over for a pool party or should I say "moat party".



Would you tell the king to pay sales tax on the following items/services?

- 1) A babysitter will come over and help watch the kids. If king had his choice he would have her bring her 4 sisters, so as not to feel badly outnumbered by 35 three-year-olds.
- 2) For additional support he has also hired a waitress to help setup and cleanup.
- 3) Since the king actually wants to see his fellow nobles, he has ordered 12 feet of hero sandwiches rather than barbecuing.
- 4) The kids need something to do, so there will be a pony (with a handler) so all the little girls can go on pony rides.
- 5) Did I mention there is a moat? Well the king needs to hire a lifeguard to help keep everyone safe.
- 6) Also, the moat service company is coming over just before the party to make sure the water is clear and swimmable.
- 7) Did I mention the bounce house the king rented...?
- 8) Several cases of ale for the dads,
- 9) And a bottle of aspirin for the king!

Please don't answer to pay everyone in cash so the king doesn't have to worry about sales tax, that's not the best answer.

- Babysitting and waitress services are not subject to sales tax.
- The purchase of prepared food, the hero, is subject to sales tax.
- Pony rides are not subject to tax.
- Lifeguard services, pool maintenance, and the rental of the bounce house are all taxable.
- And while I would argue that both the ale and aspirin are medically necessary and therefore not subject to sales tax, I suspect that the tax auditor would disagree about the ale.

And you thought that with a party atmosphere you didn't need to think about sales tax. Please don't take this newsletter as tax advice on any specific service or transaction. Rather, take it as a gentle reminder on how far reaching and confusing sales tax can be, and that you should always get competent tax advice for any complex situation.

As a reminder, our new phone # is 631-491-1500

Success Story A Lesson in Use Tax

A bar and restaurant was under audit for sales and use tax by the New York State Department of Taxation and Finance. After determining that sales were being correctly reported, the Tax Department began looking at purchases.

Several years ago, the bar and restaurant had undergone a complete renovation. It purchased millions of dollars of items ranging from furniture to fabric to exotic wood panels. The auditor went through the company's general ledger and stated that the company did not pay sales tax on its purchases, therefore the tax is now due because the company was required to self assess use tax. The Tax Department issued an assessment of approximately \$2.3 million which included interest and penalties.

Sales Tax Defense LLC met with the company and was able to put a plan into effect to rebut the audit findings. The company gathered what purchase invoices it had to show that sales tax was paid. Use tax was due on several items. However, on items which no invoice was found, Sales Tax Defense argued that no use tax should be assessed because it was a capital improvement, or it was labor not subject to use tax, or it was a service not subject to use tax. The auditor accepted the majority of our arguments.

The assessment was reduced from \$2,300,000 including interest and penalties to \$340,000 including simple interest with penalties waived. This represented a savings of approximately \$1,960,000!

About Us

We are a dedicated team of sales and use tax professionals who have committed our careers to helping businesses and fellow professionals 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 us encroaching on their client relationships, because we view you, our fellow professional, as our client.

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