



UPDATE ON AUDIT ISSUES

New York State Sales Tax

Capital Improvements

June 2008

We have seen a number of instances where taxpayers have not properly applied the definition of a capital improvement when determining their sales tax obligations.

For information about the rules involving capital improvements, please refer to the New York State Department of Taxation and Finance Publication 862, *Sales and Use Tax classification of Capital Improvements and Repairs to Real Property*. This publication explains the requirements found in New York Tax Law, Chapter 60, Article 28, Part I - Definitions, Sales and Compensating Use Taxes, Section 1101(b)(9)(i).

http://www.tax.state.ny.us/pdf/publications/sales/pub862_401.pdf