

STATE OF NEW YORK

1453

2021-2022 Regular Sessions

IN ASSEMBLY

January 11, 2021

Introduced by M. of A. PERRY -- read once and referred to the Committee on Ways and Means

AN ACT to amend the tax law, in relation to requiring vendors to establish mandatory escrow accounts for sales taxes collected, establish the mechanism for those accounts and provide the state with the authority to have immediate access to their collected taxes; and to repeal certain provisions of such law relating thereto

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraph 1 of subdivision (a) of section 1132 of the tax
2 law, as amended by section 1 of part DDD of chapter 59 of the laws of
3 2019, is amended to read as follows:

4 (1) (i) Except as otherwise permitted in subdivision (d) of section
5 eleven hundred thirty-three of this part, every person required to
6 collect the tax shall collect the tax from the customer when collecting
7 the price, amusement charge or rent to which it applies. If the customer
8 is given any sales slip, invoice, receipt or other statement or memoran-
9 dum of the price, amusement charge or rent paid or payable, the tax
10 shall be stated, charged and shown separately on the first of such docu-
11 ments given to him. The tax shall be paid to the person required to
12 collect it as trustee for and on account of the state.

13 (ii) Every person required to collect the tax shall deposit such tax
14 upon collection into a separate account, in trust for and payable to the
15 commissioner, as provided by subparagraphs (iii) and (iv) of this para-
16 graph at a time and in a manner as determined by the commissioner. All
17 amounts deposited in such account shall be kept in such account until
18 paid over to the commissioner.

19 (iii) If the person required to collect the tax does not accept
20 payments from customers through credit or debit card banking trans-
21 actions, the person required to collect the tax shall establish an
22 account in any banking institution approved by the commissioner and

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

LBD05490-01-1

1 located in this state the deposits in which are insured by an agency of
2 the federal government. The account shall be held in trust for and paya-
3 ble to the commissioner and the amount of such tax collected shall be
4 kept in such account until payment over to the commissioner. The person
5 required to collect the tax shall authorize the commissioner to debit
6 such account in a manner determined by the commissioner.

7 (iv) If the person required to collect the tax accepts payments from
8 customers using credit or debit cards, the person required to collect
9 the tax shall establish a separate escrow account through an approved
10 credit card processing company (ACCPC) and not through an escrow account
11 of the type described in subparagraph (iii) of this paragraph. The
12 commissioner shall by regulation establish standards for approving cred-
13 it card processing companies for opening and establishing ACCPC escrow
14 accounts for persons required to pay the tax. Persons collecting the tax
15 and required to use ACCPC escrow accounts under this subparagraph shall
16 make daily deposits into their ACCPC escrow account that are an estimate
17 of the amount of taxes they collected that day for all of their taxable
18 sales, both those paid in cash and those paid by credit or debit card.
19 To effectuate the deposit, the ACCPC shall deduct the estimated sales
20 taxes owed from the day's credit and debit card transactions before
21 paying over the receipts from such transactions to the person required
22 to collect the tax. The amount deducted shall be determined by multiply-
23 ing the day's credit and debit card sales by an algorithmic rate which
24 shall be determined when the ACCPC escrow account is established and at
25 least once a year thereafter. The algorithmic rate shall represent an
26 estimated calculation of the amount of taxes collected and owed each day
27 for both cash and credit and debit card sales. The calculation of the
28 person's algorithmic rate shall be certified by a certified public
29 accountant licensed in this state, an attorney licensed in this state or
30 an enrolled agent or registered tax return preparer who has been author-
31 ized by the department to certify the algorithmic rate, as an accurate
32 estimate of the ratio of the person's cash to credit transactions and
33 taxable to non-taxable sales. The commissioner shall promulgate regu-
34 lations defining how the algorithmic rate shall be calculated, setting
35 standards for that calculation, and identifying the process by which
36 licensed or registered professionals may be approved or disapproved by
37 the department to certify the accuracy of the algorithmic rate. Amounts
38 deposited in an ACCPC escrow account shall be held in trust for and
39 payable to the commissioner and shall be kept in such accounts until
40 payment over to the commissioner. Persons collecting the tax and
41 required to use an ACCPC escrow account under this subparagraph shall,
42 upon establishing the account, authorize the commissioner to debit such
43 account in a manner and frequency to be determined by the commissioner.

44 § 2. Paragraph 1 of subdivision (a) of section 1134 of the tax law, as
45 amended by section 160 of part A of chapter 389 of the laws of 1997,
46 subparagraph (iii) as amended by section 44 of part K of chapter 61 of
47 the laws of 2011, is amended to read as follows:

48 (1) (i) Every person required to collect any tax imposed by this arti-
49 cle, other than a person who is a vendor solely by reason of clause (D),
50 (E) or (F) of subparagraph (i) of paragraph eight of subdivision (b) of
51 section eleven hundred one of this article, commencing business or open-
52 ing a new place of business, (ii) every person purchasing or selling
53 tangible personal property for resale commencing business or opening a
54 new place of business, (iii) every person selling petroleum products
55 including persons who or which are not distributors, (iv) every person
56 described in this subdivision who takes possession of or pays for busi-

ness assets under circumstances requiring notification by such person to the commissioner pursuant to subdivision (c) of section eleven hundred forty-one of this ~~chapter~~ part, (v) every person selling cigarettes including persons who or which are not agents, and (vi) every person described in subparagraph (i), (ii), (iii), (iv) or (v) of this paragraph or every person who is a vendor solely by reason of clause (D), (E) or (F) of subparagraph (i) of paragraph eight of subdivision (b) of section eleven hundred one of this article who or which has had its certificate of authority revoked under paragraph four of this subdivision, shall file with the commissioner a certificate of registration, in a form prescribed by the commissioner, at least twenty days prior to commencing business or opening a new place of business or such purchasing, selling or taking of possession or payment, whichever comes first. Every person who is a vendor solely by reason of clause (D) of subparagraph (i) of paragraph eight of subdivision (b) of section eleven hundred one of this article shall file with the commissioner a certificate of registration, in a form prescribed by such commissioner, within thirty days after the day on which the cumulative total number of occasions that such person came into the state to deliver property or services, for the immediately preceding four quarterly periods ending on the last day of February, May, August and November, exceeds twelve. Every person who is a vendor solely by reason of clause (E) of subparagraph (i) of paragraph eight of subdivision (b) of section eleven hundred one of this article shall file with the commissioner a certificate of registration, in a form prescribed by such commissioner, within thirty days after the day on which the cumulative total, for the immediately preceding four quarterly periods ending on the last day of February, May, August and November, of such person's gross receipts from sales of property delivered in this state exceeds three hundred thousand dollars and number of such sales exceeds one hundred. Every person who is a vendor solely by reason of clause (F) of subparagraph (i) of paragraph eight of subdivision (b) of section eleven hundred one of this article shall file with the commissioner a certificate of registration, in a form prescribed by such commissioner, within thirty days after the day on which tangible personal property in which such person retains an ownership interest is brought into this state by the person to whom such property is sold, where the person to whom such property is sold becomes or is a resident or uses such property in any manner in carrying on in this state any employment, trade, business or profession. A person required to file a certificate of registration and who is required to collect the tax as required by subparagraph (i) of paragraph one of subdivision (a) of section eleven hundred thirty-two of this part shall, at the time such certificate is filed, establish an escrow account as required by subparagraphs (ii), (iii) and (iv) of paragraph one of subdivision (a) of section eleven hundred thirty-two of this part. Persons required to establish an escrow account through an approved credit card processing company pursuant to subparagraph (iv) of paragraph one of subdivision (a) of section eleven hundred thirty-two of this part shall establish an algorithmic formula for payment of the estimated collected sales tax and shall file, within three months of filing their certificate of registration a certification from a licensed, registered or approved professional of the type specified in subparagraph (iv) of paragraph one of subdivision (a) of section eleven hundred thirty-two of this part certifying to the accuracy of their method of estimating their daily collection of sales taxes as provided in subparagraph (iv) of paragraph one of subdivision (a) of section

1 eleven hundred thirty-two of this part. Information with respect to the
2 notice requirements of a purchaser, transferee or assignee and such
3 person's liability pursuant to the provisions of subdivision (c) of
4 section eleven hundred forty-one of this ~~[chapter]~~ part shall be
5 included in or accompany the certificate of registration form furnished
6 the applicant. The commissioner shall also include with such information
7 furnished to each applicant general information about the tax imposed
8 under this article including information on records to be kept, returns
9 and payments, notification requirements and forms. Such certificate of
10 registration may be amended in accordance with rules promulgated by the
11 commissioner.

12 § 3. Subparagraph (A) of paragraph 4 of subdivision (a) of section
13 1134 of the tax law, as amended by section 5 of part I of chapter 59 of
14 the laws of 2020, is amended to read as follows:

15 (A) Where a person who holds a certificate of authority (i) willfully
16 fails to file a report or return required by this article, (ii) willful-
17 ly files, causes to be filed, gives or causes to be given a report,
18 return, certificate or affidavit required under this article which is
19 false, (iii) willfully fails to comply with the provisions of paragraph
20 two or three of subdivision (e) of section eleven hundred thirty-seven
21 of this ~~[article]~~ part, (iv) willfully fails to prepay, collect, truth-
22 fully account for or pay over any tax imposed under this article or
23 pursuant to the authority of article twenty-nine of this chapter, (v)
24 fails to obtain a bond pursuant to paragraph two of subdivision (e) of
25 section eleven hundred thirty-seven of this part, or willfully fails to
26 ~~[comply with a notice issued by the commissioner pursuant to paragraph~~
27 ~~three of such subdivision]~~ establish or properly fund an escrow account
28 as required by paragraph one of subdivision (a) of section eleven
29 hundred thirty-two of this of this part or otherwise willfully fails to
30 comply with the requirements of that section, (vi) has been convicted of
31 a crime provided for in this chapter, or (vii) where such person, or any
32 person affiliated with such person as such term is defined in subdivi-
33 sion twenty-one of section four hundred seventy of this chapter, has had
34 a retail dealer registration issued pursuant to section four hundred
35 eighty-a of this chapter revoked pursuant to subparagraph (iii) of para-
36 graph (a) of subdivision four of such section four hundred eighty-a, the
37 commissioner may revoke or suspend such certificate of authority and all
38 duplicates thereof. Provided, however, that the commissioner may revoke
39 or suspend a certificate of authority based on the grounds set forth in
40 clause (vi) of this subparagraph only where the conviction referred to
41 occurred not more than one year prior to the date of revocation or
42 suspension; and provided further that where the commissioner revokes or
43 suspends a certificate of authority based on the grounds set forth in
44 clause (vii) of this subparagraph, such suspension or revocation shall
45 continue for as long as the revocation of the retail dealer registration
46 pursuant to section four hundred eighty-a of this chapter remains in
47 effect.

48 § 4. Subparagraph (A) of paragraph 4 of subdivision (a) of section
49 1134 of the tax law, as amended by section 6 of part I of chapter 59 of
50 the laws of 2020, is amended to read as follows:

51 (A) Where a person who holds a certificate of authority (i) willfully
52 fails to file a report or return required by this article, (ii) willful-
53 ly files, causes to be filed, gives or causes to be given a report,
54 return, certificate or affidavit required under this article which is
55 false, (iii) willfully fails to comply with the provisions of paragraph
56 two or three of subdivision (e) of section eleven hundred thirty-seven

1 of this [~~article~~] part, (iv) willfully fails to prepay, collect, truth-
2 fully account for or pay over any tax imposed under this article or
3 pursuant to the authority of article twenty-nine of this chapter, (v)
4 willfully fails to establish or properly fund an escrow account as
5 required by paragraph one of subdivision (a) of section eleven hundred
6 thirty-two of this part or otherwise willfully fails to comply with the
7 requirements of that section, or (vi) has been convicted of a crime
8 provided for in this chapter, or [~~(vi)~~] (vii) where such person, or any
9 person affiliated with such person as such term is defined in subdivi-
10 sion twenty-one of section four hundred seventy of this chapter, has had
11 a retail dealer registration issued pursuant to section four hundred
12 eighty-a of this chapter suspended or revoked pursuant to subparagraph
13 (iii) of paragraph (a) of subdivision four of such section four hundred
14 eighty-a, the commissioner may revoke or suspend such certificate of
15 authority and all duplicates thereof. Provided, however, that the
16 commissioner may revoke or suspend a certificate of authority based on
17 the grounds set forth in clause [~~(vi)~~] (vi) of this subparagraph only
18 where the conviction referred to occurred not more than one year prior
19 to the date of revocation or suspension; and provided further that where
20 the commissioner revokes or suspends a certificate of authority based on
21 the grounds set forth in clause [~~(vi)~~] (vii) of this subparagraph, such
22 suspension or revocation shall continue for as long as the revocation of
23 the retail dealer registration pursuant to section four hundred eighty-a
24 of this chapter remains in effect.

25 § 5. Paragraph 1 of subdivision (a) of section 1136 of the tax law is
26 REPEALED.

27 § 6. Subdivision (c) of section 1136 of the tax law, as added by chap-
28 ter 93 of the laws of 1965, is amended to read as follows:

29 (c) The [~~tax commission~~] commissioner may permit or require returns to
30 be made covering other periods and upon such dates as it may specify. If
31 the tax commission deems it necessary in order to insure the payment of
32 the taxes imposed by this article, it may require returns to be made for
33 shorter periods than those prescribed pursuant to the foregoing subdivi-
34 sions of this section, and upon such dates as it may specify. If the
35 commissioner determines that the person required to collect and pay the
36 tax has established an escrow account as provided by subparagraphs (ii),
37 (iii) and (iv) of paragraph one of subdivision (a) of section eleven
38 hundred thirty-two of this part and that the amount deposited in that
39 escrow account has equaled or exceeded ninety-five percent of the taxes
40 owed for four consecutive quarters, the commissioner shall permit the
41 person to file an annual return in lieu of the returns required by
42 subdivision (a) of this section. The annual return shall reconcile the
43 amounts withheld and paid through the escrow account with the person's
44 annual taxable sales and the return shall be certified as accurate by a
45 licensed, registered or approved professional of the type identified in
46 subparagraph (iv) of paragraph one of subdivision (a) of section eleven
47 hundred thirty-two of this part and shall include a certification as
48 prescribed by the commissioner. The form of the annual return shall be
49 prescribed by the commissioner and shall contain such information as the
50 commissioner may deem necessary for the proper administration of this
51 article. The annual return shall be filed on or before January thirty-
52 first of the year following the calendar year covered by the return.

53 § 7. The opening paragraphs of subdivisions (a) and (b) and subdivi-
54 sion (c) of section 1137 of the tax law, the opening paragraphs of
55 subdivisions (a) and (b) as amended by section 2-f of part M-1 of chap-

ter 109 of the laws of 2006 and subdivision (c) as amended by chapter 155 of the laws of 1982, are amended to read as follows:

Every person required to file a return under the preceding section whose total taxable receipts (as "taxable receipts" are described in subdivision (a) of such section), amusement charges and rents are subject to the tax imposed pursuant to subdivisions (a), (c), (d), (e) and (f) of section eleven hundred five of this article shall, at the time of filing such return, pay to the commissioner the total of the following, less any amounts already deposited into the person's escrow account and collected by or available for collection by the commissioner:

Every person required to file a return under the preceding section and not subject to the provisions of subdivision (a) of this section shall, at the time of filing such return, pay to the commissioner the taxes imposed by this article and pursuant to article twenty-nine of this chapter as well as all other moneys collected by such person acting or purporting to act under the provisions of this article or of any local law, ordinance or resolution adopted pursuant to such article twenty-nine; provided, however, that if the commissioner shall have fixed an effective rate of tax applicable to any or all of his or her receipts, amusement charges and rents as provided in subdivision (d) of this section, any such person may elect, with reference to such receipts, amusement charges and rents and subject to approval by the commissioner and to such regulations as the commissioner may promulgate, to pay to the commissioner at the time of filing his or her return the total of the following, less any amounts already deposited into the person's escrow account and collected by or available for collection by the commissioner:

(c) ~~[(1)]~~ The provisions of subdivisions (a) and (b) of this section shall not be applicable to ~~[(1)]~~ a person filing a short-form, part-quarterly return as defined in paragraph ~~[(ii)]~~ two of subdivision (a) of section eleven hundred thirty-six ~~[hereof]~~ of this part who, at the time of such filing shall pay to the tax commission one-third of the total state and local sales and compensating use taxes payable by the person to the tax commission in the comparable quarter of the immediately preceding year under this article and as taxes imposed pursuant to the authority of article twenty-nine with respect to all receipts, amusement charges and rents ~~[, or (ii) a person filing a March estimated return as described in paragraph (ii) of subdivision (c) of section eleven hundred thirty-seven A hereof who, at the time of such filing shall pay to the tax commission one third of the sales and compensating use taxes payable by such person to the tax commission in the comparable quarter of the immediately preceding year under this article. Notwithstanding the preceding sentence, for the purposes of subparagraph (ii) of this paragraph, the sales and compensating use taxes payable in the comparable quarter of the immediately preceding year shall not include taxes imposed by section eleven hundred seven or eleven hundred eight of this article or pursuant to the authority of article twenty-nine of this chapter.]~~

~~(2) The provisions of subdivisions (a) and (b) of this section, however, shall apply to a person filing a March estimated return as described in paragraph (i) of subdivision (c) of section eleven hundred thirty-seven A hereof who, at the time of such filing shall pay to the tax commission the sales and compensating use taxes, that are estimated to be payable by such person for such month of March. Notwithstanding the preceding sentence, for the purposes of this paragraph, the sales~~

~~and compensating use taxes that are estimated to be payable by such person for such month of March shall not include taxes imposed by section eleven hundred seven or eleven hundred eight of this article or pursuant to the authority of article twenty-nine of this chapter].~~

§ 8. Paragraph 3 of subdivision (e) of section 1137 of the tax law is REPEALED.

§ 9. Paragraphs 1 and 2 of subdivision (f) of section 1137 of the tax law, paragraph 1 as amended by section 1 of part X of chapter 57 of the laws of 2010 and paragraph 2 as amended by section 1 of part H of chapter 62 of the laws of 2006, are amended to read as follows:

(1) Except as otherwise provided in this subdivision, a person required to collect tax who files a return required to be filed under section eleven hundred thirty-six of this part for a quarterly or longer period shall be allowed a credit against the taxes and fees required to be reported on, and paid with, such return, in an amount as determined in paragraph two of this subdivision, but only where such person files the return on or before the filing due date and pays or pays over with such return the total amount shown on such return (determined with regard to this subdivision) and further only where the amounts deposited by the person into the person's escrow account during the period covered by the filing are equal to at least ninety-five percent of the total tax due; provided, however, that no credit pursuant to this subdivision shall be allowed for any person who files or is required to file a return pursuant to paragraph two of subdivision (a) of section eleven hundred thirty-six of this part or any person who pays or is required to pay tax pursuant to section ten of this chapter.

(2) The amount of the credit authorized by paragraph one of this subdivision shall be five percent of the amount of taxes and fees (but not including any penalty or interest thereon) required to be reported on, and paid or paid over with, the return but only if the return is filed on or before the filing due date, but not more than ~~[two]~~ five hundred dollars, for each quarterly or longer period~~[, except that, with respect to returns required to be filed for quarterly or longer periods ending on or before the last day of February, two thousand seven, the amount of the credit shall be not more than one hundred seventy-five dollars for each such quarterly or longer period].~~

§ 10. Section 1137-A of the tax law is REPEALED.

§ 11. Section 1145 of the tax law is amended by adding a new subdivision (1) to read as follows:

(1)(1) In addition to any other penalty provided by this article or any other law, any person failing to establish or properly fund an escrow account required by subparagraph (i), (ii), (iii) or (iv) of paragraph one of subdivision (a) of section eleven hundred thirty-two of this part shall be subject to an additional penalty of ten percent of the amount of tax due if such failure is for not more than one month, with an additional one percent for each additional month or fraction thereof during which such failure continues, not exceeding thirty percent in the aggregate.

(2) If the amount paid by the person required to collect the tax into their escrow account is less than ninety percent than the amount of taxes owed, as shown in the person's quarterly, part-quarterly or annual return, the person shall owe a penalty equal to fifty percent of the delinquency. In addition, if the escrow account maintained by the person is an ACCPC escrow account, the commissioner may issue a notice requiring the person to increase the person's algorithmic rate by an amount not exceeding twice the amount of the deficiency and this increased

1 algorithmic rate shall continue as long as the commissioner determines
2 that such increased rate is necessary.

3 § 12. This act shall take effect September 1, 2022; provided that the
4 amendments to subparagraph (A) of paragraph 4 of subdivision (a) of
5 section 1134 of the tax law made by section three of this act shall be
6 subject to the expiration and reversion of such subparagraph pursuant to
7 section 23 of part U of chapter 61 of the laws of 2011, as amended, when
8 upon such date the provisions of section four of this act shall take
9 effect. Effective immediately the addition, amendment and/or repeal of
10 any rule or regulation necessary for the implementation of this act on
11 its effective date are authorized to be made and completed on or before
12 such date.