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## **Recordkeeping Requirements for Sales Tax Vendors**

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### **Introduction**

If you are registered for purposes of New York State's sales tax you are a trustee of New York State and you have a responsibility to collect the proper amount of sales tax from your customers and to remit the tax you have collected with your timely filed sales tax return.

As a registered sales tax vendor, you are required to keep accurate records of all sales and purchases that you make. Keeping detailed records of your business operation will help you prepare accurate and complete sales tax returns. Detailed records will also serve as documentation of the accuracy of your returns if you are audited.

While this bulletin does not provide an exhaustive list of the records you must keep, it does give an overview of those records and references to more resources on recordkeeping requirements.

### **Recordkeeping rules**

When you file a sales tax return, it must show:

- total sales,
- taxable sales,
- purchases by the business subject to tax on which no tax was paid to the seller,
- credits (if any),
- sales and use taxes due for each locality, and
- any other special taxes due.

All of your records must be dated and kept in good order. Your records must provide sufficient detail to independently determine the taxable status of each sale and the amount of tax due and collected. You must be able, through your records, to connect an exempt sale to a particular purchaser to the exemption certificate you have on file for that sale or purchaser. If you issue an exemption certificate when you make a purchase, you must maintain a record of the purchase and be able to prove the exempt use.

### **What records to keep**

#### **Sales records**

You must keep records of every sale, the amount of the sale, and the sales tax on the sale. You must retain a true copy of each:

- sales slip, invoice, receipt, contract, statement, or other memorandum of sale;
- guest check, hotel guest check, receipt from admissions such as ticket stubs, receipt from dues; and
- cash register tape and any other original sales document.

If no written document is given to the purchaser, you must keep a **detailed** daily record of all cash and credit sales in a daybook or similar journal. Ask your accountant for help if you aren't sure how to do this.

If you sell both taxable and nontaxable goods or services, you must identify which of the items you sell are subject to sales tax and which are not on the invoice or receipt. For example, a cash register tape must list each item sold with enough detail to determine whether that item is subject to sales tax. You must always separately state the amount of sales tax due on the invoice or receipt that you give your customer. For more information, see Tax Bulletin [Taxable Receipt \(TB-ST-860\)](#).

If you deliver the product or service to a place other than your place of business, you must maintain records that prove where delivery took place. A special rule applies to motor vehicles, trailers, and certain boats. For more information, see [Publication 750, A Guide to Sales Tax in New York State](#).

### **Purchase records**

Records must be maintained to establish the taxable status of all purchases of property or services. Purchase records should include records related to:

- purchases subject to state and/or local taxes,
- purchases for resale (e.g., inventory and raw materials), and
- purchases exempt from state and/or local taxes for reasons other than for resale.

Purchase records must substantiate all your expenses and your cost of goods sold. These records should also show that your business's purchases bear a reasonable relationship to your business's sales.

You should also keep any other record or document that, given the nature of your business, would be necessary to prove that you have collected and paid the proper amount of sales or use tax due.

### **Point-of-Sale (POS) systems**

POS systems are utilized to record sales to a business's customers. In many ways, POS systems take the place of a traditional cash register. If your business uses a POS system, you must comply with the rules and requirements outlined in this section.

When using POS systems, all sales and transactions are made through a computer system. The system records what you're selling, the selling price, and the quantity sold. Then it calculates the total due, including tax, and tells you how much change is due. The system should record every sale and track all transactions.

### **POS system sales records to be kept**

Each POS transaction record must provide enough detail to independently determine the taxability of each sale and the amount of tax due and collected. Detailed information required for each sales transaction includes, but is not limited to the:

- individual item(s) sold,
- selling price,
- tax due,
- invoice number,
- date of sale,
- method of payment, and
- POS terminal number and POS transaction number.

Summary documents should be designed so that the details underlying the documents, such as invoices and vouchers, may be identified and made available upon request.

Any additional reports and schedules relating to the preparation of the tax return must be maintained and made available upon request.

### **POS system purchase records to be kept**

Detailed information required for each purchase transaction includes, but is not limited to the:

- individual item(s) purchased,
- date of purchase,
- purchase price,
- vendor name,
- invoice number,
- total invoice amount,
- purchase order number, and
- method of payment.

Any related inventory system must also be maintained and made available upon request.

Any additional purchase reports, schedules or documentation that reconcile to other books and records, such as purchase journals or a general ledger, must be maintained and made available upon request.

In order to be considered complete, the electronic records must permit the direct reconciliation of the receipts, invoices, and other source documents with the entries in the books and records and on the returns of a taxpayer. If this reconciliation is not possible, the records may be deemed inadequate to permit a detailed audit and another audit methodology (such as a sampling) may be used.

### **POS system internal controls**

Users of POS systems must maintain auditable internal controls to ensure the accuracy and completeness of the transactions recorded in the POS system.

The records must provide the opportunity to trace any transaction back to the original source or forward to a final total.

Audit trail details include, but are not limited to:

- internal sequential transaction numbers;
- records of all POS terminal activity; and
- procedures to account for voids, cancellations, or other discrepancies in sequential numbering.

The POS audit trail or logging functionality must be activated and operational at all times, and it must record:

- any and all activity related to other operating modes available in the system, such as a training mode; and
- any and all changes in the setup of the system.

Failure to have the POS audit trail or logging functionality activated and performing these functions is evidence of a lack of POS system internal controls.

Any and all documentation describing the automated data processing of the POS system must be made available upon request.

### **How long must I keep these records?**

You must keep **all** of your records for **a minimum of three years** from the due date of the return to which those records relate, or the date the return is filed, if later. You must make the records available to the Tax Department upon request. The Tax Department

may require you to keep records for a longer period of time, such as when the records are the subject of an audit, court case, or other proceeding.

If you use a POS system and your system lacks the storage capacity to comply with the three-year retention period, you must transfer, maintain, and have available in a machine-sensible and auditable form<sup>1</sup> any data that has been removed from the POS system. If you change POS systems, you must ensure that the data from the old system is transferred, maintained, and available in a machine-sensible and auditable form.

### **Maintaining records electronically**

If you maintain records in an electronic format, all the requirements for paper records also apply to records created and stored electronically. Records that are maintained in an electronic format must be made available to the Tax Department in an electronically readable form. See [Publication 132](#), *Computer-Assisted Audits - Guidelines and Procedures for Sales Tax Audits*.

### **When your records are considered inadequate**

Your records may be considered inadequate if:

- they don't verify sales receipts,
- they don't verify whether those receipts are subject to sales tax,
- they don't provide details of each individual transaction (summary reports and daily summary or "Z" tapes are not sufficient),
- they don't verify the taxable status of your purchases,
- they don't show that your business's purchases correlate to your business's sales,
- it's not possible to conduct a complete audit using those records,
- you fail to make your records available to the auditor,
- they are not in a form that can be audited by the Tax Department, or
- an evaluation of your accounting system discloses that the system does not provide adequate internal control procedures which assure the accuracy and completeness of the transactions recorded in the books and records (e.g., the lack of sequentially numbered invoices or guest checks, or the lack of dates on receipts).

### **Consequences of inadequate records**

If your records are considered inadequate, you may:

- be subject to an estimated audit methodology to determine any additional taxes due,
- be subject to penalties and interest if additional tax is found to be due,
- be subject to criminal penalties if you willfully failed to maintain proper records, and
- have your *Certificate of Authority* suspended or revoked.

See [Publication 131](#), *Your Rights and Obligations Under the Tax Law*, and Tax Bulletin [Sales and Use Tax Penalties \(TB-ST-805\)](#).

### **Additional recordkeeping requirements for certain vendors**

Additional recordkeeping requirements apply for vendors in the following businesses:

- Retail food stores and other establishments that accept food stamps. See [TSB-M-87\(12\)S](#), *Exemption from Sales Tax on Purchases of Eligible Food with Food Stamps*.

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<sup>1</sup> *Machine-sensible and auditable form* means that the data should be stored in a commonly used format and not stored or presented to the department in a format readable only by proprietary software.

- Show and entertainment promoters. See information beginning on page 40 of [Publication 750](#), *A Guide to Sales Tax in New York State*.
- Materialmen. See [TSB-M-99\(2\)S](#), *Materialmen - Pay When Paid*, and [Form ST-112](#), *Annual Application for a Materialman to Remit Sales Tax Under the Pay-When-Paid Option*.
- Parking garage operators in Manhattan. See [Form TP-832](#), *Special Requirements for Parking Facility Operators\* Located in New York County (Manhattan) Made Permanent*.

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. They are accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

#### References and other useful information

**Tax Law:** Sections 1132(c); 1135; 1138(a); 1142(5); and 1145(i), (j), (k)

**Regulations:** Sections 533.2; 541.3; 541.5; and Part 2402

**Publications:**

[Publication 20](#), *New York State Tax Guide For New Businesses*

[Publication 131](#), *Your Rights and Obligations Under the Tax Law*

[Publication 132](#), *Computer-Assisted Audits—Guidelines and Procedures for Sales Tax Audits*

[Publication 750](#), *A Guide to Sales Tax in New York State*

[Publication 900](#), *Important Information for Business Owners*

**Memoranda:**

[TSB-M-81\(9\)S](#), *Records Required to Be Kept by Sales Tax Vendors*

[TSB-M-85\(5\)S](#), *Vendor Responsibilities in the Collection of Sales Tax*

**Bulletins:**

[Exemption Certificates for Sales Tax \(TB-ST-240\)](#)

[Sales and Use Tax Penalties \(TB-ST-805\)](#)

[Taxable Receipt \(TB-ST-860\)](#)