

NEW YORK STATE INCREASES RESTAURANT SALES TAX AUDITS

New York State restaurants are increasingly subjected to state sales tax audits, with 60 percent more Manhattan eateries audited in the fiscal year ending March 31, 2010, than in the prior fiscal year.

A recent *Wall Street Journal* article (“Eateries in Tax Crackdown,” May 18) reported that the state conducted 1,077 sales tax audits of New York City restaurants in fiscal year 2010, compared with 646 in fiscal year 2009. The reviews found that restaurants owed the state \$71.9 million in sales tax, compared with \$40.6 million one year prior, a 77 percent increase. Approximately 25 percent of that has been collected to date.

State tax officials have said that the primary reason for the increased scrutiny is a new program that allows New York State Department of Taxation and Finance employees to review two years’ worth of sales tax returns through the mail or telephone conversations to determine if they should conduct a more detailed field audit. New York State, it has been reported, is experiencing significant budget gaps that it has sought to close through such stringent means as tax amnesty programs to collect taxes more than three years past-due and the state’s recent freeze on contractor payments.

If your company is facing a sales tax audit or if you’d like to learn more about the state tax auditing process, J.H. Cohn’s State and Local Tax (SALT) professionals can help. For assistance, contact Gary Levy, CPA, partner and director of J.H. Cohn’s Hospitality Industry Practice; Patrick Duffany, CPA, a J.H. Cohn partner in the Firm’s State and Local Tax group; or your J.H. Cohn client service professional at 877-704-3500.

May 2010

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