
tax lawflash

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Billboard Tax Imposed on New York City's Commercial Renters

Companies with ads on New York's billboards may find that tax collectors are their first customers.

New York City imposes a little-known commercial rent tax on tenants renting commercial premises in Manhattan, south of 96th Street. The city treats billboards attached to buildings as taxable premises. In the past, the city has not actively publicized the tax or enforced the tax on billboard owners that contract with building owners for the right to erect billboards or advertisers that lease or license the space on billboards for their ads. Currently, however, the city is cracking down on delinquent taxpayers.

Billboard owners and advertisers should ensure that they understand their filing obligations, seek to mitigate the taxes and penalties that may be asserted through audit, and consider taking advantage of the city's existing voluntary disclosure program to come into compliance without penalties. Below are some additional details about this tax.

Commercial Rent Tax Imposition

The tax is charged to tenants that rent space in Manhattan, south of 96th Street, for any trade, business, profession, or commercial activity and that have annual or annualized gross rent paid of at least \$250,000.

Tenants Subject to Tax

A "tenant" is a person that pays rent as a lessee, sub-lessee, licensee, or concessionaire.

Base Rent

Base rent is the amount paid or required to be paid for the use or occupancy of the premises.

Tax Rate

The tax rate is 6% of base rent. All taxpayers are granted a 35% base rent reduction, which reduces the effective tax rate to 3.9%.

Filing Deadlines

The annual return is due on or before June 20, which covers the prior year from June 1 to May 31. In addition, there are quarterly returns due for the first three quarters of the tax year. Taxpayers that fail to comply are subject to significant penalties as well as interest on unpaid tax.

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