

Sales Tax on Business and Professional Services in Connecticut, Massachusetts, and New York

By: Paul Mandel, Legislative Fellow
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Issue

How do Connecticut, Massachusetts, and New York treat business and professional services for sales tax purposes? In addition, identify the business and professional services in Connecticut subject to sales tax under Senate Bill (SB) 877, *An Act Concerning Revenue Items to Implement the Governor's Budget*.

Summary

Connecticut (6.35%), Massachusetts (6.25%), and New York (4%) may impose a sales tax on certain business and professional services (local sales tax also applies in New York). Business and professional services in Connecticut and New York are generally exempt from sales tax unless specifically identified as taxable by statute. However, in Massachusetts, such services are presumed taxable unless specifically exempt by statute (most are exempt). According to the 2017 Federation of Tax Administrators state service taxation survey, there are 34 business services and nine professional services that may be subject to states' sales tax. Of these, 21 business services are subject to sales tax in Connecticut, 13 in Massachusetts, and four in New York. Professional services are exempt from taxation in all three states.

[SB 877](#) imposes Connecticut's sales tax on, among other things, interior design, real estate agency, travel, and veterinary services, as well as newspaper sales. The bill also applies the sales tax to accounting, architectural, engineering, and legal services. However, businesses may be exempt from paying sales tax on certain of these services.

The table below lists the different types of taxable business and professional services. Column one identifies the type of taxable service. Columns two, three, and four identify whether the service is taxable in Connecticut, Massachusetts, or New York. If a field is left blank the service is exempt from taxation.

Table 1: Taxable and Exempt Services in Select States

<i>Business and Professional Services</i>	<i>Connecticut</i>	<i>Massachusetts</i>	<i>New York</i>
<i>Business Services</i>			
Billboards			
Radio/television, national advertising			
Radio/television, local advertising			
Newspaper			
Magazine			
Advertising agency fees	Taxable		
Armored car services	Taxable		Taxable
Bail bond fees			
Check & debt collection			
Commercial art and graphic design	Taxable		
Commercial linen design			
Computer and data processing services	Taxable*		
Credit information, credit bureaus	Taxable		
Employment agencies	Taxable		
Interior design and decorating			Taxable
Maintenance and janitorial services	Taxable		Taxable
Lobbying and consulting	Taxable		
Marketing			
Packing and crating	Taxable		
Exterminating	Taxable		Taxable
Photocopying services	Taxable	Taxable	Taxable
Photo finishing	Taxable	Taxable	Taxable
Printing services	Taxable	Taxable	Taxable
Private investigation (detective) services	Taxable		Taxable
Process server fees			
Public relations, management consulting	Taxable		

<i>Business and Professional Services</i>	<i>Connecticut</i>	<i>Massachusetts</i>	<i>New York</i>
Secretarial and court reporting services	Taxable		
Security services	Taxable		Taxable
Sign construction and installation	Taxable	Taxable	Taxable
Telemarketing services on contract			
Telephone answering services	Taxable		Taxable
Temporary help agencies	Taxable		
Test laboratories			
Tire recapping and repairing	Taxable		Taxable
Window cleaning	Taxable		Taxable
Professional Services			
Accounting and bookkeeping			
Architects			
Attorneys			
Dentists			
Engineers			
Land surveying			
Medical test laboratories			
Nursing services out-of-hospital			
Physicians			

*Computer and data processing services are subject to a 1% sales tax
Source: Federation of Tax Administrators, 2017 Services Taxation [Survey](#).

Sales Tax in Select States

Connecticut

Connecticut law imposes a 6.35% sales tax on all retail sales and certain business and professional services ([CGS § 12-408](#)). Business and professional services in Connecticut are presumed to be exempt from the state’s sales tax unless specifically identified as taxable by state law. Generally, related tax regulations define the types of business and professional services subject to the state’s sales tax ([CONN. AGENCIES REGS. §12-407\(2\)\(i\)-1](#)).

Senate Bill 877. [SB 877](#) applies Connecticut’s sales tax to, among other things, accounting, architectural, engineering, interior design, legal, real estate, travel, and veterinary services, as well as, newspaper sales, effective January 1, 2020 (§ 22). The bill would exempt some of these services from the sales tax expansion if purchased by a business for use by the business. To qualify

for an exemption a business purchaser must certify, as prescribed by the state's revenue services commissioner, that it is a business and is purchasing such services for its business (§ 32).

Massachusetts

In Massachusetts, a 6.25% sales tax is imposed on all services performed in the state. Unlike Connecticut and New York, business and professional services in Massachusetts are presumed taxable unless specifically exempt by state statute. In general, most business and professional services are exempt from the state's sales tax ([MASS. GEN. LAWS ch. 64H, §§ 1-6](#)). Additionally, state tax regulations exempt service transactions from the sales tax so long as (1) the real object of the transaction is the service itself, and no transfer of personal property occurs, or (2) the real object of the transaction is the service itself, and an inconsequential transfer of personal property occurs ([830 MASS. CODE REGS. 64H.1.1](#)).

New York

Under New York law, certain services are subject to a 4% sales tax. Similar to Connecticut, sales of business and professional services are generally exempt from state sales tax unless specifically enumerated by statute ([N.Y. TAX LAW § 1105](#)). In addition, related tax regulations identify sales transactions subject to the state's sales tax ([N.Y. COMP. CODES R. & REGS. tit. 20, § 527](#)).

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