

State and Local Advisory Council
Survey: Credit for Tax Paid Leases

State	(1) State requires tax paid at inception on the entire lease (lump sum or accelerated basis)	(2) State requires tax on each periodic payment	(3) If yes to #2, does your state grant credit for tax paid to another state under question #1 against individual periodic payments in your state because primary property location moved to your state?	(4) If yes to #1, does your state impose tax on subsequent periodic payments under lease entered in another state after the primary property location moves to your state?	(5) If yes to #4, does your state grant credit for tax collected on individual periodic payments in another state under question #2 against tax due in your state?	Credit statute
Alabama	No, Comments: In Alabama, the leasing of tangible personal property is subject to Alabama rental tax, which is levied against the lessor on the monthly gross proceeds derived from the lease. If the rental tax is collected from the lessee, such amounts collected are also subject to the tax.	Yes, Comments: The lessor is liable for Alabama rental tax on the monthly gross proceeds.	No, Comments: There is no credit allowed in Alabama for rental tax or sales tax paid to another state on a lease transaction, subject to Alabama rental tax	Yes, Comments: When the tangible personal property is moved into Alabama, the lease is subject to Alabama rental tax at that time.	No, Comments: The rental tax passed on to a lessee and collected by the lessor is also subject to the rental tax as taxable gross proceeds.	Section 40-27-1 Article V, 1. (Multistate Tax Compact) Each purchaser liable for a use tax on tangible personal property shall be entitled to full credit for the combined amount or amounts of legally imposed sales or use taxes paid by him or her with respect to the same property to another state and any subdivision thereof. The credit shall be applied first against the amount of any use tax due the state, and any unused portion of the credit shall then be applied against the amount of any use tax due a subdivision.
Arizona	No	Yes	Yes			R15-5-1503. Sourcing of Leased Tangible Personal Property H. A taxpayer shall not take a deduction or credit for taxes paid in another state on a lease or rental of tangible personal property.
Arkansas						
California						
Connecticut						
District of Columbia						
Florida						
Georgia						
Hawaii						

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Idaho	the terms of the lease, ownership passes to the transferee at the end of the stated terms of the lease contract with no additional consideration from the transferee, or where the additional consideration does not represent the fair market value of the property, the transaction is a sale and tax on the entire sales price is collected on the date the property is delivered. This type of lease-purchase agreement is in fact an installment, conditional, or similar sale, and not a true lease. Note that tax would be paid up-front on the sales price, not on the sum of the	Yes, Comments: The answer is YES under the following assumptions: Lease with option to purchaser: agreements in which the lessor transfers possession use of the property at the end of the term unless the lessee exercises an option to buy the property. The owner/lessor must collect sales tax from the lessee at the time the rental is charged. If the lessee exercises the option to buy, the lessor/owner must collect sales from the lessee/buyer on the full remaining purchase price, the residual, when the option is exercised.	___ Comments: As noted, Idaho never collects a lump sum, up front tax on the sum of periodic payments. If the transaction is a conditional sale, as described in the Comments under #1, the transaction is considered a sale, with tax imposed on the sales price at the time of first transfer. If a taxpayer were to bring tangible personal property into Idaho credit would be given for taxes rightly paid to another jurisdiction, up to the amount owed in Idaho. Depending upon the length of stay in Idaho, the property may be subject to tax on its fair market value use for the time in Idaho. Under those conditions, credit would still be given for tax paid to another jurisdiction.		General Note: Out-of-State Rental/Lease. Rental or lease payments on equipment used outside Idaho are not subject to Idaho sales tax. Rental or lease payments on equipment used in Idaho are taxable. If the equipment is delivered in Idaho, even though it will be used outside the state, then the rental or lease payment for the first month, or other period, is subject to Idaho tax. This applies to a true lease, not to a conditional or installment sale referred to in #1.	
Illinois						
Indiana	No	Yes	Yes			

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Iowa	No, Comments: Unless it is a conditional sale.	Yes, Comments: Unless it is a conditional sale.	No, Comments: IAR 701-30.7 Credits shall not be allowed for sales, use, or occupational tax already paid in any state of the United States against the Iowa use tax relating to the acquisition cost of property being brought into this state when such tax already paid was paid on the gross receipts of lease/rental payments of tangible personal property used in another state. This would also be true for motor vehicles.			423.22 (Statute) If any person who causes tangible personal property to be brought into this state or who uses in this state services enumerated in section 423.2 has already paid a tax in another state in respect to the sale or use of the property or the performance of the service, or an occupation tax in respect to the property or service, in an amount less than the tax imposed by subchapter II or III, the provisions of those subchapters shall apply, but at a rate measured by the difference only between the rate fixed by subchapter II or III and the rate by which the previous tax on the sale or use, or the occupation tax, was computed. If the tax imposed and paid in the other state is equal to or more than the tax imposed by those subchapters, then a tax is not due in this state on the personal property or service. 701.30.7 (Regulation) When a person has already paid to any other state of the United States a state sales, use, or occupational tax on specifically identified tangible personal property or taxable services on its sale or use, prior to bringing the property into Iowa, and the tax is equal to or greater than the current rate of tax imposed by the Iowa use tax law, no additional use tax shall be due the state of Iowa by such person. If the amount of tax already paid by such person to any other state of the United States on specifically identified tangible personal property or taxable services prior to bringing the property into Iowa is less than the current rate of tax imposed by Iowa law, use tax shall be due the state of Iowa on the difference in tax paid to the foreign state and the tax due under the Iowa law. When a person claims exemption from payment of use tax on the grounds that the tax has already been paid to any other state of the United States with respect to the sale or use of the property or service in question prior to bringing it into Iowa, the burden of proof is upon that person to show the department, county treasurer, or the motor vehicle division of the Iowa department of transportation, by document, that the tax has been paid. Credits shall not be allowed for sales, use, or occupational tax already paid in any state of the United States against the Iowa use tax relating to the acquisition cost of property being brought into this state when such tax already paid was paid on the gross receipts of lease/rental payments of tangible personal property used in another state. This rule is intended to implement Iowa Code section 423.25. 423.25 DIRECTOR'S POWER TO ADOPT RULES.
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Kansas	Yes, Comments: For true leases, each periodic charge is treated as a charge for a separate sale. This rule is applied to rate changes, when the situs of the leased property is changed from one local taxing jurisdiction to another, when the situs of the leased property is changed to another state from Kansas or to Kansas from another state, etc. The parties do not have the option of paying sales tax up front on the entire amount. For conditional sales (financing leases), the full amount of tax is due up front at the time of the sale being financed.	Yes, Comments: For true leases, each periodic charge is treated as a charge for a separate sales transaction. The lessor is required to collect and remit tax on each periodic lease payment.	Yes, Comments: Kansas provides a credit for taxes lawfully paid to another state. If tax was lawfully paid up front as a lump sum, the credit is figured based on the difference in the combined state and local tax rates charged by the two states. If the combined Kansas rates are greater than combined rates of the other state, the difference in the two rates is applied to each periodic payment on which Kansas tax is owed.	Yes, Comments: When leased property is moved to Kansas, the leased property is subject to Kansas tax laws. Kansas sales tax is imposed on each lease payment.	No, Comments: After leased property is situated in Kansas after having been situated in another state, Kansas has jurisdiction to tax the periodic lease payments. A lessee who pays tax to another state after the leased property is situated here is required to seek a refund from the other state.	<p>K.S.A. 79-3704. Exemptions. The provisions of this act shall not apply:</p> <p>(c) In respect to the use, storage or consumption of any article of tangible personal property the sale or use of which has already been subjected to a tax equal to or in excess of that imposed by this act whether under the laws of this state or of some other state of the United States;</p> <p>Kansas compensating tax regulation:</p> <p>K.A.R. 92-20-15 Property already subjected to sales or use tax. The sale or use of property on which the state of Kansas or any other state of the United States has imposed sales or use tax equal to or greater than four percent (4%) is exempt from the tax. However, this exemption shall be denied if a tax paid in another state was not legally due and owing.</p> <p>The sale or use of property on which the state of Kansas or any other state of the United States has imposed a sales or use tax at a rate of less than four percent (4%) is taxable at a rate determined by the difference between four percent (4%) and the rate of tax previously imposed.</p> <p>Taxes imposed as a privilege tax which do not attach to the selling price of tangible personal property by law shall not be allowed as a credit against Kansas compensating (use) tax. (Authorized by K.S.A. 79-3707; implementing K.S.A. 79-3704, 79-3705; effective, E-70-33, July 1, 1970; effective, E-71-8, Jan. 1, 1971; effective Jan. 1, 1972; amended May 1, 1987.)</p> <p>The Kansas state sales tax rate is currently 6.3%, so the reg is incorrect since it references 4%. Kansas uses the combined state and local rates of Kansas and the other state when applying the credit.</p>
Kentucky	No, Comments: On a true lease sales tax is due on the periodic payment. On a financing lease (nominal buyout) the transaction is considered a sale and	Yes, Comments: See #1 above.	Yes, Comments: If the state where the original purchase occurred required full payment of sales tax at the time of purchase Kentucky would give credit for the tax against the periodic lease payments until such time as the			
Louisiana						
Maine						

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Maryland						
Massachusetts	No	Yes. Comments: Yes, each period for which a periodic payment is due is considered a separate sale.	No. Comments: MA treats each period for which a separate payment is due as a separate sale. The credit for tax paid to another jurisdiction is in the sales tax statute but not the use tax statute.	Yes	No. Comments: We would consider the periods after the primary property location moved to MA to be sales in Massachusetts. As noted above, there is no credit under the sales tax for tax paid to another jurisdiction. If it was remitted to another jurisdiction in error, the lessor would need to apply	
Michigan	No, Comments: Michigan permits a lessor to elect either to pay sales/use tax on the full purchase price of leased tpp, or pay use tax on the stream of lease payments. See MCL 205.95(4).	No, Comments: Michigan permits a lessor to elect either to pay sales/use tax on the full purchase price of leased tpp, or pay use tax on the stream of lease payments. See MCL 205.95(4).	___ Comments: Michigan exempts rental receipts if the tpp rented/leased was previously taxed under a sales/use tax act of another state (or a political subdivision of another state) levied at a rate of 6% or more.	Yes, Comments: Lease payment after the initial payment are sourced to the primary location of the tpp. See MCL 205.110(2)(a).	Yes, Comments: Michigan exempts rental receipts if the tpp rented/leased was previously taxed under a sales/use tax act of another state (or a political subdivision of another state) levied at a rate of 6% or more.	MCL 205.94(1)(e). Property the sale or use of which was already subjected to a sales tax or use tax equal to, or in excess of, that imposed by this act under the law of any other state or a local governmental unit within a state if the tax was due and paid on the retail sale to the consumer and the state or local governmental unit within a state in which the tax was imposed accords like or complete exemption on property the sale or use of which was subjected to the sales or use tax of this state. If the sale or use of property was already subjected to a tax under the law of any other state or local governmental unit within a state in an amount less than the tax imposed by this act, this act shall apply, but at a rate measured by the difference between the rate provided in this act and the rate by which the previous tax was computed.
Minnesota						
Mississippi	No	Yes	No			
Missouri						

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Nebraska	No, Our response is "NO" based upon the definition of "lease or rental" in the Agreement which does not include a required transfer of property upon completion of the payments or payment of an option price of \$100 or 1% of the contract price.	Yes	Yes, Comments: If other state continues to tax the periodic payments once the property is moved, then credit is allowed.			77-2704.31. Sales or use tax paid in another state; credit given. If any person who causes property or service to be brought into this state has already paid a tax in another state with respect to the sale or use of such property or service in an amount less than the tax imposed by sections 13-319, 13-2813, 77-2703, and 77-27,142, the provisions of subsection (2) of section 77-2703 shall apply, but at a rate measured by the difference only between the rate imposed by such sections and the rate by which the previous tax on the sale or use was computed. If such tax imposed and paid in such other state is equal to or more than the tax imposed by such sections, then no use tax shall be due in this state on such property if such other state, territory, or possession grants a reciprocal exclusion or exemption to similar transactions in this state.
Nevada						
New Jersey	Yes, if lease agreement is for more than six months N.J.S.A. 54:32B-7(d); 2(i)(1)(A); N.J.A.C. 18:24-32.3(a)(2)	Yes, if lease agreement is for less than six month N.J.S.A. 54:32B-7(d); 2(i)(1)(A); N.J.A.C. 18:24-32.3(a)(1)	Yes	Yes	Yes, Comments: Be advised that New Jersey law provides for reciprocity of sales and use tax paid to other jurisdictions. See N.J.S.A. 54:32B-11(6)	
New Mexico						
New York						

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North Carolina	No, Comments: No, unless the billing is for the lump sum rental.	Yes, Comments: Yes, where the lessee is billed periodically (such as monthly).	Yes, Comments: yes, but since there are no subsequent billings while the property is in North Carolina, no allowance for credit is required.			<p>N.C. Gen. Stat. 105-164.6 (c) Credit. – A credit is allowed against the tax imposed by this section for the following:</p> <p>(1) The amount of sales or use tax paid on the item to this State. Payment of sales or use tax to this State on an item by a retailer extinguishes the liability of a purchaser for the tax imposed under this section.</p> <p>(2) The amount of sales or use tax paid on the item to another state. If the amount of tax paid to the other state is less than the amount of tax imposed by this section, the difference is payable to this State. The credit allowed by this subdivision does not apply to tax paid to a state that that does not grant a similar credit for sales or use taxes paid in North Carolina. N.C Gen Stat. 105-468 Where a local sales or use tax has been paid with respect to tangible personal property by the purchaser, either in another taxing county within the State, or in a taxing jurisdiction outside the State where the purpose of the tax is similar in purpose and intent to the tax which may be imposed pursuant to this Article, the tax paid may be credited against the tax imposed under this section by a taxing county upon the same property. If the amount of sales or use tax so paid is less than the amount of the use tax due the taxing county under this section,</p>
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North Dakota	No	Yes, Comments: Normally, periodic lease payments are taxed; however, North Dakota does not require lessor to collect tax on lease payments if lessor paid tax on purchase price of TPP and subsequently leased.	Yes			57-40.2-11. Articles taxed in other states or political subdivisions of other states. If any article or tangible personal property has been subjected already to a tax by any other state or political subdivision thereof in respect to its sale or use in an amount less than the tax imposed by this chapter, the provisions of this chapter apply, but at a rate measured by the difference only between the rate fixed in this chapter and the rate by which the previous tax upon the sale or use was computed. If the tax imposed in such other state is the same or more, then no tax is due on such article. The provisions of this section apply only if such other state or political subdivision thereof allows a tax credit with respect to the retail sales and use taxes imposed by this state which is substantially similar in effect to the credit allowed by this section.
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Ohio	Yes	Yes, Comments: But only on charges under the lease on which the entire amount due under the lease cannot be calculated at the time the lease is consummated. For purposes of sales and use tax the lease is consummated when the property which is the subject of the lease is delivered or the initial payment under the lease is required to be made, whichever is earlier.	Yes, Comments: The balance of the lease charges due after the leased equipment is brought into Ohio is subject to Ohio's up front sales tax. Credit to Ohio's sales tax will be given for the sales tax paid to another state. If the sales tax paid to another state equals or exceeds the appropriate Ohio sales tax, no additional sales tax is due.	Yes, Comments: The taxable value of tangible personal property, leased in another state and subsequently brought into Ohio within six months after consummation of the lease, is the entire cost of the lease. The taxable value of tangible personal property, leased in another state and brought into Ohio after six months of the lease consummation, is the sum of the remaining lease payments to be paid by the lessee under the terms of the lease. In all cases use tax will be due and should be paid by the lessee to the lessor immediately upon the arrival	Yes	
Oklahoma	No	Yes	No			
Pennsylvania						
Rhode Island	is a transfer fo possession of property that requires the transfer of title upon completion of required payments and payment of an optional price that does not exceed the greater of \$100 or 1% of the total payments (ex: \$1 buyout), the transaction is treated as a conditional purchase agreement and tax would be due at the inception of the lease on the entire	Yes	Yes	Yes	Yes, Comments: If a lessor was obligated to charge tax in another jurisdiction, credit would be allowed in RI for all proper tax collected.	
South Carolina						

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South Dakota	No	Yes	Yes			
Tennessee	No	Yes	Yes, Comments: 1) Where the lease agreement requires a lump sum payment rather than periodic payments, Tennessee would give credit for the tax paid in the other state up to and equal to the amount of tax due in Tennessee on the lump sum price of the lease. 2) Where the lease agreement requires periodic payments and the first state imposed tax on the lease or rental of tpp on an accelerated basis by requiring upfront payment of tax on the total of the periodic payments due for the term of the lease, Tennessee would give credit for the tax paid in the first state on the periodic payments that are paid in Tennessee subsequent to the property moving to Tennessee. No credit would be given for tax paid in the first state on periodic			
Texas						
Utah	No	Yes	Yes			59-12-104 (exemptions) (26) a product upon which a sales or use tax was paid to some other state, or one of its subdivisions, except that the state shall be paid any difference between the tax paid and the tax imposed by this part and Part 2, Local Sales and Use Tax Act, and no adjustment is allowed if the tax paid was greater than the tax imposed by this part and Part 2, Local Sales and Use Tax Act;
Vermont						
Virginia						
Washington	No	Yes	No			

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West Virginia	No	Yes	Yes, Comments: only for the prorated portion attributed to physical location outside WV during the course of the lease.			<p>§11-15A-10a. Credit for sales tax liability paid to another state.</p> <p>(a) A person is entitled to a credit against the tax imposed by this article on the use of a particular item of tangible personal property, custom software or service equal to the amount, if any, of sales tax lawfully paid to another state for the acquisition of that property or service: Provided, That the amount of credit allowed does not exceed the amount of use tax imposed on the use of the property in this state.</p> <p>(b) For purposes of this section:</p> <p>(1) "Sales tax" includes a sales tax or compensating use tax imposed on the use of tangible personal property or a service by the state in which the sale occurred; and</p> <p>(2) "State" includes the District of Columbia but does not include any of the several territories organized by Congress.</p>
Wisconsin	No	Yes	Yes			
Wyoming						