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C O U N S E L L O R S A T L A W

Bagel with or without a schmeer of Tax?

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New York City is justifiably known for its bagels - having lived in other parts of the country I can testify that it must be something in the water because they just can't get bagels right in Boston, Charlotte, Tampa or LA. What can't New York get right? How it taxes its famous bagels.

This a a true head scratcher. Buy an unsliced bagel - no sales tax. Buy a sliced bagel - sales tax. Now I know that everyone is looking for sales tax revenue, but seriously? What are they going to do, send in undercover bagel auditors to do a tally of sliced versus not? And what if the bagel is purchased wholesale pre-packed sliced with spread? Since you were not the perpetrator of the slice, are you subject to tax? Or if you offer a knife to your customers, do they need to pay for the privilege?

So if I buy a dozen unsliced bagels its \$10.00. If I buy a dozed sliced it is \$10.89 (the NYC sales tax is 8.875% made up of (1) City sales tax rate of 4.5%, (2) New York State sales tax of 4%, and (3) the Metropolitan Commuter Transportation District surcharge of 0.375% - making Jersey look like a good deal).

Tax laws are necessary and even good I daresay (I for one appreciate having roads, police, and the army), but smart and reasonable tax policy is needed. This is an example of the hair on the end of the tail of the dog wagging the whole canine. Thanks to Steven Loeb in our Tax Department for bringing this absurdity to my attention.

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