

NYS Offers Relief for Businesses with Outstanding Sales Tax Liabilities, But the Carrot Always Comes with a Stick



Client Alert

By [Justin J. Andreozzi](#) , [Ethan R. Reger](#)

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Key Takeaways:

- *Under New York's new PAID Program, businesses with eligible sales tax assessments that were fixed and final by September 1, 2026, can pay the tax plus half the accrued interest, and all qualifying penalties are waived.*
- *Under current NYS guidance, starting in mid-2027, every sales tax vendor must re-register for its Certificate of Authority, and New York may refuse a certificate to any business with an unpaid fixed and final tax liability, even one covered by an installment agreement.*
- *The full discounted amount must be paid by December 31, 2026, and electronic payments can take up to 14 days to post, so businesses should start reviewing their eligibility and lining up funds now.*

Let's start with the good news: New York's new PAID Program eliminates penalties and cuts accrued interest in half for certain outstanding sales tax assessments. Now the bad news: starting next year, every existing sales tax vendor must re-register for its Certificate of Authority, and any business with an unpaid tax liability risks being shut

out of selling in New York – making December 31, 2026 the last chance to clean up at a discount.

The New York State Department of Taxation and Finance has announced a temporary opportunity for businesses and responsible officers with outstanding sales tax liabilities. The headline is generous. What sits beneath it is not.

Under the new Penalty and Interest Discount (“PAID”) Program, eligible sales tax vendors can resolve certain outstanding sales tax assessments by paying the underlying tax and only 50% of the accrued interest, while receiving a 100% abatement of the applicable penalties.

For businesses carrying older sales tax assessments, the savings can be substantial. But the discount is not the real news. Beginning in 2027, New York will require existing sales tax vendors to re-register for their Certificates of Authority – and, before a new certificate can be approved, all fixed and final tax liabilities must be paid in full. A business that cannot obtain a certificate cannot legally make taxable sales in New York.

The Carrot and the Stick

Read together, the two programs tell a simple story. PAID is the carrot: pay now, and New York will forgive every qualifying penalty and half the interest. Re-registration is the stick: under DTF’s current guidance, a business with any unpaid fixed and final tax liability – sales tax or otherwise – faces refusal of the Certificate of Authority it needs to keep operating. Unlike today, when a certificate remains valid indefinitely, certificates will be issued for limited terms of at least three years, so compliance will be reviewed again and again.

Re-registration runs from mid-2027 through December 31, 2030, and many businesses will reach their window as early as next year. A standard installment agreement will not solve the problem: it pauses collection but does not satisfy the underlying liability. For a business carrying unresolved tax debt, the practical message is blunt – find a way to capitalize on PAID now, or lose the ability to sell goods or services in New York, and with it the business itself.

Determining which liabilities qualify, reconciling balances, and lining up funding or financing takes time. Businesses should start now, not in December. The answers below address the questions we are hearing most often.

FREQUENTLY ASKED QUESTIONS:

What Is the PAID Program?

The PAID Program was enacted as part of New York’s FY 2027 budget legislation and is designed to encourage businesses to resolve outstanding sales tax debts before the State begins a new sales tax vendor re-registration program in 2027.

For an eligible liability, the amount required to resolve the assessment under PAID is generally:

Outstanding sales or use tax + 50% of accrued interest + \$0 in eligible penalties.

In other words, New York is effectively forgiving all qualifying penalties and half of the interest on eligible assessments. Given that New York charges 14.5% interest on outstanding tax liabilities, this discount can translate

into significant savings – especially for older assessments where interest has compounded over several years.

Which Sales Tax Liabilities Qualify?

The program does not apply to every outstanding sales tax liability.

Generally, an eligible business must have an active Certificate of Authority and an unpaid sales tax assessment that was fixed and final on or before September 1, 2026. A liability is fixed and final when the taxpayer no longer has a right to administrative or judicial review.

PAID is a collection–resolution program for established liabilities – not a mechanism for settling assessments that remain subject to protest or appeal.

Certain liabilities are specifically excluded, including assessments involving fraud or criminal conduct.

PAID applies to sales and use taxes imposed under Article 28 or under Article 29 authority. It does not generally apply to withholding tax liabilities, which are administered under different provisions.

DTF has also clarified that balances reported with sales tax returns for periods ending August 31, 2026 and November 30, 2026 are not eligible merely because they become due during the program period.

How will my business know whether it is eligible?

Businesses do not need to apply or enroll in PAID.

DTF is identifying eligible taxpayers and sending notices listing the assessments that qualify, the discounted amount due, and the savings available under the program.

Businesses that believe they have eligible assessments but have not received a notice should contact Lippes Mathias to determine eligibility.

When is the Deadline, and is Partial Payment Enough?

The most important limitation of the program is that all PAID-eligible bills must be satisfied at the discounted amount by December 31, 2026.

Businesses may make multiple payments before the deadline without a formal installment agreement. But partial payment is not enough; the full discounted amount must be paid by December 31.

DTF warns that electronic payments can take up to 14 days to post. Businesses should not wait until the final days of December.

Can my Business Participate if it is Already on an Installment Agreement?

Importantly, having an existing installment payment agreement with DTF does not necessarily prevent a taxpayer

from using PAID.

A taxpayer whose installment agreement includes eligible sales tax assessments may participate, provided the required discounted amount is fully paid by December 31, 2026.

For businesses already making monthly payments toward older sales tax debt, this creates an opportunity to evaluate whether accelerating or postponing payment could produce meaningful savings.

Can Responsible Persons Benefit?

The program also has an important concern for individuals who have been personally assessed as “responsible persons” for a business’s unpaid sales tax.

DTF's guidance provides that when all eligible assessments are paid under the business identification number, associated responsible person assessments will automatically be closed.

Important: The payment must be made using the business’s assessment ID as identified in the PAID notice – not against the responsible person’s individual assessment.

Why Is New York Offering This Relief Now?

PAID is designed to encourage businesses to clear outstanding sales tax debt before Certificate of Authority re-registration begins in mid-2027. Because DTF states that all fixed and final tax liabilities – not merely sales tax – must be paid in full before a new certificate is approved, unresolved liabilities, including those outside PAID’s scope, could cost a business its ability to make taxable sales in New York.

Will an Existing Installment Agreement Protect my Certificate of Authority at Re-Registration?

This requirement creates a significant issue for businesses with existing multi-year installment payment agreements. The re-registration program runs from mid-2027 through December 31, 2030. A business with a five-year installment agreement entered into in 2026 or later may still have accelerated payments due when its re-registration window arrives.

Under the current guidance, DTF will not approve a new Certificate of Authority while any fixed and final liability remains unpaid – even if the taxpayer is current on an installment agreement. A standard installment payment agreement merely pauses collection action; it does not extinguish or compromise the underlying fixed and final liability. For these businesses, the installment agreement alone does not resolve the re-registration obstacle.

Is an Offer in Compromise a Better Option than PAID?

For some taxpayers, an Offer in Compromise may provide an alternative path to resolving all outstanding liabilities. An accepted OIC legally compromises the liability under Tax Law § 171(Fifteenth). However, taxpayers should not assume that a pending or incomplete OIC will eliminate DTF’s authority to propose refusal of a Certificate of Authority. An offer in compromise is discretionary, and the Division of Tax Appeals cannot compel the Department to accept one.

The critical issue for a taxpayer using an OIC is whether the Department has accepted the offer and whether the compromised amount has been paid according to its terms before the taxpayer's re-registration deadline. An OIC installment plan that extends past the re-registration window may still leave the taxpayer exposed to a proposed refusal unless DTF's administrative policy or specific OIC terms treat an approved and performing OIC as satisfying the "paid in full" condition.

The decision between PAID and an OIC requires a careful financial comparison. Relevant factors include the eligible tax principal, interest accrued through December 31, 2026, excluded penalties, the total OIC amount, payment schedule, equity in assets, current financial circumstances and the taxpayer's Certificate of Authority expiration and re-registration dates.

Can a Proposed Refusal of a Certificate of Authority be Challenged?

Importantly, a proposed refusal of a Certificate of Authority is not final. The statutory authority governing DTF's refusal to issue a COA is codified under Tax Law § 1134(a)(4)(B). The statute provides that the Commissioner "may refuse" to issue a certificate when a finally determined tax has not been paid in full – indicating that refusal is discretionary rather than automatic. A taxpayer may challenge a proposed refusal before the Division of Tax Appeals.

Businesses that cannot satisfy all outstanding liabilities before their re-registration deadline should be prepared to contest any proposed disallowance through this expedited process. Our office routinely advocates for proposed and denied Certificates of Authority.

What Should my Business Confirm Before Paying?

For many businesses, eliminating penalties and 50% of accrued interest will be an obvious financial win – and resolving those liabilities may be what keeps the business eligible to operate after re-registration. Among other things, businesses should confirm:

- Which assessments actually qualify for PAID;
- Whether any assessments remain subject to administrative or judicial challenge;
- Whether payments previously made have been properly applied;
- Whether responsible person assessments correspond to the business liabilities being resolved;
- Whether existing installment agreements contain both eligible and non-eligible liabilities;
- Whether tax warrants will be fully satisfied by the contemplated payment; and
- Whether the business has other fixed and final liabilities – including withholding tax or other non-PAID tax debt – that could create problems during the upcoming Certificate of Authority re-registration process.

Can I get a Refund if I Overpay?

No. Payments made under PAID are effectively final. The statute provides that no refund or subsequent credit will be allowed for amounts paid under the program, including overpayments.

Should my Business Pay Early?

Interest accrues through December 31st, so from a time value of money standpoint, prepayment may not be advantageous. Taxpayers may wait closer to the deadline to secure funds or financing, or if they may not be able to produce the lump sum payment.

Contact Us

PAID will not be available after December 31, 2026, and re-registration will not wait. Businesses with outstanding liabilities should use this window to resolve them while the discount is still on the table.

For more information, please reach out to Justin Andreozzi or Ethan Reger at Lippes Mathias LLP. Our tax controversy team can evaluate PAID eligibility, confirm payments are calculated correctly, compare PAID against an Offer in Compromise, challenge a proposed certificate refusal, and develop a [collection](#) defense strategy that protects your ability to keep doing business in New York.

This article is for informational purposes only and does not constitute legal or tax advice. Eligibility for the PAID Program depends on the taxpayer's particular assessments and circumstances.