

## Sales Tax Changes Effective October 1, 2006 Streamlined Sales and Use Tax

The information in this publication has not yet been updated to reflect the sales tax changes effective October 1, 2006, or the changes from the Streamlined Sales and Use Tax legislation (P.L. 2005, c.126) that took effect October 1, 2005. [Continue to the next page](#) to view the current version of this publication.

OBSOLETE

# Out-of-State Sales & New Jersey Sales Tax

Publication ANJ-10

## Introduction

When is New Jersey sales tax due on an out-of-State sale? Why does a business that is located outside New Jersey charge sales tax? This bulletin addresses New Jersey sales tax as it relates to sales that take place outside the State.

Generally, sales tax is due to the state where the purchaser takes possession of the item(s) purchased. Sales tax on most services to tangible personal property is based on where the customer takes possession of the serviced item, rather than where the services are performed.

## Businesses Who Collect Sales Tax

All businesses operating in New Jersey must register with the State of New Jersey. Businesses that sell taxable items and/or perform taxable services have to charge, collect and remit sales tax to the State. The New Jersey Certificate of Authority (Form CA-1) for sales tax must be prominently displayed at the business location so that customers know that the vendor has the authority and obligation to collect tax on all taxable items and services sold.

Many out-of-State vendors (e.g., mail-order companies) are also registered with New Jersey for the collection of sales tax. These vendors are required to charge and collect New Jersey sales tax on taxable items delivered to customers in this State.

## Use Tax

When you purchase taxable items or services in New Jersey, the vendor charges you New Jersey sales tax. When you purchase taxable items or services from a vendor who charges no sales tax, you owe use tax. Use tax is due at the same rate as sales tax and is calculated on the price paid for all items or services that are brought into and used in New Jersey. For more information on use tax, request our publication ANJ-7, *Use Tax in New Jersey*.

## Gifts

When you purchase a gift in New Jersey and arrange with the vendor to deliver the gift to an out-of-State recipient, generally no New Jersey sales tax is due. Such sales are considered out-of-State sales. However, when you purchase a gift and you direct the vendor to deliver the gift to a recipient in this State, New Jersey sales tax is due.

## Florist Sales

When a New Jersey florist accepts an order, the florist must charge and collect New Jersey sales tax. This holds true even if a second florist located outside the State must be called for the actual delivery. New Jersey sales tax is due because the sale transaction occurred when the person placed the original order through a florist in this State.

The florist calculates the sales tax on the price of the item plus the charge for any taxable service provided. For example, service charges and charges for telephone calls are all part of the taxable receipt.

On the other hand, when a New Jersey florist receives instructions by telephone or telegraph from another florist for the delivery of flowers, the New Jersey florist does not charge tax on any monies received from that transaction. This is true regardless of where the other florist is located.

## Drop Shipments

When a retailer accepts an order from a New Jersey customer for an item that the vendor does not routinely stock, the retailer has to purchase that item from another supplier. If the retailer instructs that supplier to deliver the item directly to the retailer's customer, rather than to the retailer, this results in a *drop shipment*. If both the retailer and the supplier are registered with New Jersey for sales tax, the retailer may issue a valid New Jersey Resale Certificate (Form ST-3) to the supplier rather than pay New Jersey sales tax on that purchase.

However, if the retailer is located out-of-State and **is not** registered with New Jersey, but the supplier **is** registered with New Jersey, the supplier may accept any of the following as acceptable proof that the sale to the retailer is a sale for resale:

*continued*

- Purchaser’s out-of-State resale certificate
- Multijurisdiction Uniform Sales & Use Tax Certificate published by the Multi-State Tax Commission
- New Jersey Form ST-3NR (Resale Certificate for Non-New Jersey Vendors)

For more information request Tax Topic Bulletin S&U-6, *Sales Tax Exemption Certificates*.

**Delivery**

Charges for the delivery of property from a vendor directly to a customer are exempt from tax if separately stated on the invoice.

**For More Information**

For more information on out-of-State sales and New Jersey sales tax, contact the Division’s Tax Hotline at 609-292-6400, or write to:

NEW JERSEY DIVISION OF TAXATION  
 TECHNICAL SERVICES TSB/OCE  
 PO BOX 281  
 TRENTON NJ 08646-0281

Many State tax forms and publications are now available, both by fax and through the World Wide Web. Call NJ TaxFax at 609-826-4500 from your fax machine’s phone, or access the Division’s home page via your computer’s modem at: <http://www.state.nj.us/treasury/taxation/>

**Intrastate and Interstate Sales & New Jersey Sales Tax**

State of Purchase	Residence of Purchaser	Delivery to	Seller Registered in New Jersey	New Jersey Tax Due? <sup>1</sup>
New Jersey	New Jersey	New Jersey	Yes	Yes
		Outside NJ	Yes	No
	Outside New Jersey	New Jersey	Yes	Yes
		Outside NJ	Yes	No <sup>2</sup>
Outside New Jersey	New Jersey	New Jersey	Yes	Yes
		Outside NJ	Yes	No <sup>3</sup>
	Outside New Jersey	New Jersey	Yes	Yes
		Outside NJ	Yes	No

<sup>1</sup> The answers in this column do not take into account exemptions that apply if valid exemption certificates (ST-3, ST-3NR, ST-4, ST-5, ST-6, etc.) are issued.

<sup>2</sup> Nonresidents purchasing motor vehicles in New Jersey must complete Form ST-10 in order not to be charged New Jersey sales tax.

<sup>3</sup> If a taxable item was delivered out-of-State and subsequently returned to New Jersey for use in this State, use tax may be due.