



Floor Covering Dealers & New Jersey Sales Tax

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Introduction

This bulletin explains the New Jersey sales and use tax rules for sales and installations of floor covering by **floor covering dealers**. A “floor covering dealer” is someone who makes retail sales of floor coverings. When a dealer installs the floor covering he sells, the dealer is both a retail seller (i.e., seller of floor covering) and a contractor (i.e., installer of floor covering). A contractor that is not a retail floor covering dealer, but rather purchases floor covering on a per job basis and installs it for customers, operates under the general rules for contractors, not the rules for floor covering dealers. For information concerning contractors, see Tax Topic Bulletin [S&U-3](#), *Contractors and New Jersey Taxes*.

Sales of Floor Covering

The retail sale of floor covering is the sale of tangible personal property and is **always** taxable. Examples of floor covering include, but are not limited to: laminate, carpeting, linoleum, tile, hardwood, marble, and padding. When a dealer sells floor covering to a customer, with or without an agreement to install the floor covering, the dealer **must collect sales tax from the customer** on the sales price of the floor covering unless the customer issues a valid exemption certificate or the floor covering is delivered outside the State by the seller. A customer is defined as **anyone** purchasing the floor covering, including a contractor or developer. **NOTE:** A floor covering dealer may accept a resale certificate *only* when the customer is a retail floor covering dealer.

The installer (floor covering dealer, other person or business, or do-it-yourselfer) must pay sales tax on the supplies used in performing the installation. See *Purchases* below.

Installation of Floor Covering

Charges for the installation of floor covering are subject to tax whether or not the installation results in a capital improvement. Thus, the labor to install the following flooring materials on floors is subject to tax:

- Wall-to-wall carpet
- Wall-to-wall carpet that is permanently glued to the subfloor
- Wall-to-wall carpet installed by tack and pad
- “Click” laminate flooring
- Ceramic or vinyl tile
- Glued-down vinyl and linoleum
- Hardwood flooring
- Industrial, institutional, commercial, polymer, and epoxy flooring

Flooring Materials Applied to Walls or Ceilings. The installation of flooring materials such as those listed above on *walls or ceilings* that qualifies as a capital improvement to real property is exempt from sales tax. The charge for installing these same materials *on the floor* is taxable. Floor covering does not include more than the height of a transition floor piece.

Any contractor or subcontractor performing a taxable capital improvement is required to collect sales tax from the person for whom he or she is performing the service, regardless of whether such person is another contractor or the property owner. See [Notice to Construction Industry: Obligation of Subcontractor to Collect Sales Tax for Taxable Capital Improvements in the Performance of Multi-Trade Construction Contracts](#) for additional information.

Examples

1. A developer is constructing a home to sell to the public. The developer purchases carpet from a floor covering dealer and also has the dealer install the carpet. The floor covering dealer must collect tax from the developer on both the purchase of the carpet and the installation charge.

2. A property owner purchases floor covering from a floor covering dealer and contracts with the dealer for installation in an existing home. The floor covering dealer hires a subcontractor to perform the installation service. Since the installation is a taxable service, the subcontractor must collect tax from the floor covering dealer. The amount charged to the property owner by the floor covering dealer for installation is not a taxable receipt; however, the dealer must collect tax from the property owner on the purchase of the floor covering.
3. A developer is constructing a home to sell to the public. The developer hires a general contractor. The general contractor hires a subcontractor floor covering dealer to perform the taxable installation service. The floor covering dealer must collect tax from the general contractor on the installation charge. The amount charged to the developer by the general contractor is not a taxable receipt.

Purchases

For Resale. As a retailer, a floor covering dealer may purchase floor coverings and installation supplies for resale and not pay sales tax on these items by issuing a resale certificate to the supplier.

Installation Supplies. Anyone (floor covering dealer, other person or business, do-it-yourselfer) who installs floor covering is required to pay tax on the purchase price of the supplies used in the installation. Examples of supplies include, but are not limited to: underlayment, nails, staples, plywood strips, adhesive tape, and cement.

When a floor covering dealer installs floor covering, sales tax on the installation supplies may either be paid at the time of purchase, or may be remitted as **use tax** based on the cost of supplies withdrawn from the dealer's sales inventory. When a dealer **sells and installs** floor covering, he pays sales or use tax on the supplies used in the installation.

If the floor covering dealer purchases installation supplies from outside the State and pays sales tax at a rate less than New Jersey's 7% rate, and the other state has sales tax reciprocity with New Jersey, **use tax** must be paid to New Jersey on the cost of the supplies for the difference between the rate in the State where the purchase was made and New Jersey's rate. If no sales tax was paid to the other state or the other state does not have reciprocity with New Jersey, the full 7% New Jersey use tax is due.

Supplies sold in New Jersey for use outside the State and delivered by the seller to the out-of-State job site are not subject to New Jersey sales or use tax.

Exemption Certificates

A fully completed New Jersey exemption certificate allows a qualified individual or business to purchase certain goods and/or services without paying sales tax. In addition to the resale certificate previously mentioned, there are four other exemption certificates that may be used for exempt purchases of floor covering and floor covering installation services.

Exempt Organization Certificate (Form ST-5) — When an exempt organization purchases materials or services, they will provide a copy of their Exempt Organization Certificate instead of paying sales tax.

Contractor's Exempt Purchase Certificate (Form ST-13) — When contractors purchase materials or services for exclusive use in fulfilling a contract with an exempt organization or a Federal or New Jersey government agency, they will issue a Contractor's Exempt Purchase Certificate instead of paying sales tax.

Contractor's Exempt Purchase Certificate — Urban Enterprise Zone (Form UZ-4) — When contractors purchase materials or services for exclusive use in fulfilling a contract with a qualified business within an Urban Enterprise Zone, they will issue a Contractor's Exempt Purchase Certificate instead of paying sales tax.

Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5) — When a UEZ-qualified business purchases materials or services, it will provide a copy of its Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5) instead of paying sales tax. For more information on the Urban Enterprise Zone Program, visit the Division's [website](#).

Record Keeping

A floor covering dealer in New Jersey is required to register with the State as a seller and must collect and remit sales and use tax accordingly. If the seller did not collect sales tax from the customer, the seller must keep a copy of the properly completed exemption certificate or proof that delivery occurred outside of New Jersey with the permanent records of the business.

Registration

New Jersey law requires all businesses to register with the State for tax purposes at least 15 business days before starting business. To fulfill the registration obligation, you must file a **Business Registration Application (Form NJ-REG)**. You can file Form NJ-REG [online](#) through the Division of Revenue and Enterprise Services' NJ Business Gateway Services website. If your application indicates that the business will collect sales tax or purchase materials for resale, the Division of Revenue and Enterprise Services will send you a **New Jersey Certificate of Authority (Form CA-1)**. This is your authorization to collect New Jersey sales tax and accept exemption certificates. You **must** be registered with New Jersey to accept exemption certificates. You may also be required to make a Public Records Filing depending on the type of business ownership. More information on Public Records Filing is available in the New Jersey Complete Business Registration Package ([NJ REG](#)) or by calling 609-292-9292.

For More Information

For more information on floor covering dealers and New Jersey sales tax, contact the Division's Customer Service Center at 609-292-6400, [email](#) us, or write to:

NEW JERSEY DIVISION OF TAXATION
TECHNICAL INFORMATION BRANCH
PO Box 281
TRENTON NJ 08695-0281

Many State tax forms and publications are available on our [website](#).