

# Use Tax In New Jersey

Publication ANJ-7

## What is Use Tax?

The New Jersey Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.) provides for a compensating use tax on taxable goods and services brought into New Jersey for use here when sales tax is not charged by the retailer in the state of purchase. Sales and use taxes are complementary taxes and are assessed at the same rates.

Since the Act specifies that tax is due on the purchase of tangible personal property or services to that property (unless specifically exempted by law) when sales tax is not collected or is collected at a rate less than the New Jersey sales tax rate (currently 6%), the end user owes **use tax** to New Jersey.

## Imposition of Use Tax

Use tax is due when:

- Items of inventory which were purchased tax free with a resale certificate are used by the vendor; e.g., are given away as an advertising promotion. The vendor owes use tax.
- Taxable goods and services are purchased out-of-State for use in New Jersey and no sales tax was collected. Either the customer or vendor owes use tax, depending on who is considered to be the end user.
- Taxable goods and services are purchased out-of-State for use in New Jersey and sales tax was collected at a lower rate than New Jersey's. Either the customer or vendor owes use tax depending on who is considered to be the end user. See *Reciprocity* below.

## Reciprocity

For sales tax purposes, reciprocity means that New Jersey will allow you a credit up to the amount paid to the outside state provided such outside state allows a similar credit for sales taxes paid to this State. A majority of the states practice reciprocity and, if the state of purchase has a sales tax rate equal to or greater than New Jersey's 6% tax rate, the taxpayer would not be subject to use tax.

If the state in which you made your purchase has a lower rate than New Jersey, use tax is due at the rate of 6%. If, however, that state has sales tax reciprocity with New Jersey, a credit is allowed for the sales tax paid to that state. For example, if your purchase was \$100 and New York State's sales tax is 4%, you paid \$4 in tax on that sale. New Jersey's sales tax rate is 6% and New Jersey's tax would have been \$6, therefore, tax is calculated at 2% and you owe \$2 in New Jersey use tax.

## Self-Audit Programs

In the last several years the Division of Taxation has conducted Use Tax Self-Audit Programs on many licensed occupations and professionals in the State who purchased equipment of all kinds, furniture, cleaning services, repairs and office supplies from out-of-State vendors for use in New Jersey without paying sales tax on these taxable goods and services. As the end user, businesses and professionals should remit use tax on these purchases. The Sales and Use Tax Act **does not** exempt from tax items used in conducting business.

In addition, some items are taxable because they are *used in business*. For example, paper products are exempt for household use. However, if paper products are purchased for use in a business (e.g., toilet tissue for a rest room), tax is due. If sales tax is not paid on the purchase of the paper products, use tax is due.

## Registered Vendors

When you purchase taxable tangible personal property from an out-of-State source and take possession of it in New Jersey, the vendor, if registered to do business in this State, will collect the New Jersey tax and no use tax is due. On the other hand, an out-of-State vendor not registered to do business in New Jersey can not legally collect New Jersey sales tax. For example, if you purchase taxable merchandise from an out-of-State mail order house which does not charge you New Jersey tax, it does not mean that the tax isn't due but, rather, that the vendor is not authorized to collect it. In such instances, use tax is due directly from you.

**Remitting Use Tax**

Use tax can be reported and remitted on several different forms. Individual taxpayers report and remit any use tax due on Form ST-18 (see below) or on their New Jersey Resident Income Tax Return, Form NJ-1040. Vendors and those nonvendors who file monthly and/or quarterly sales and use tax returns with New Jersey report and remit use tax on Forms ST-50 and ST-51. Certain nonvendor businesses, if qualified, are authorized to report and remit use tax using the Annual Business Use Tax Return (Form ST-18B). For more information on filing Forms ST-50, ST-51 and ST-18B, request Tax Topic Bulletin S&U-7, *Filing Sales and Use Tax Returns*.

**For More Information**

For more information on New Jersey use tax, call 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/>

USE TAX Form ST-18 (8-97)		STATE OF NEW JERSEY DIVISION OF TAXATION	FOR OFFICIAL USE ONLY
PURCHASER'S NAME AND ADDRESS _____ _____ _____ Social Security or Federal Identification Number _____		SELLER'S NAME AND ADDRESS _____ _____ _____ Attach Rider if Necessary _____	
TAXABLE ITEM(S) PURCHASED		POSSESSION DATE	PRICE PAID
a) _____ / _____		_____	\$ _____
b) _____ / _____		_____	_____
c) _____ / _____		_____	_____
(If more taxable items were purchased, attach rider)		(Carry Total to Line 1)	
1. AMOUNT OF PURCHASE \$ _____			
2. USE TAX (Line 1 x .06) _____			
3. CREDIT, IF ANY, FOR TAX PAID IN JURISDICTION OF PURCHASE (See instruction for Line 3) _____			
4. AMOUNT DUE (Line 2 Less Line 3) \$ _____			
I CERTIFY THAT ALL THE INFORMATION GIVEN IS CORRECT _____			
Signature			Date

**INSTRUCTIONS FOR COMPLETING USE TAX RETURN (Form ST-18)**

- LINE 1 - Enter the Total amount of all purchases subject to the Use Tax.
- LINE 2 - Multiply Line 1 by 6% (.06) and enter the amount of Use Tax.
- LINE 3 - Enter credit for sales tax previously paid *ONLY* on purchases where items or services were received outside of New Jersey.
  - A. TAX PAID TO ANOTHER STATE AT 6% OR HIGHER - If you paid Sales Tax on the purchase at the current New Jersey rate of 6% or a higher rate to another state or jurisdiction and did not take delivery in New Jersey, NO Use Tax is due New Jersey. No credit will be given for such payments on items or services delivered into New Jersey or for taxes paid in foreign countries.
  - B. TAX PAID TO ANOTHER STATE AT LESS THAN 6% - If you paid sales tax on the purchase at less than the current New Jersey rate of 6% and did not take delivery in New Jersey, Use Tax is due New Jersey in the amount of any difference.
- LINE 4 - Subtract line 3 from line 2 and enter the result on line 4.

Mail this form upon completion with your payment to: State of New Jersey, Use Tax, PO Box 261, Trenton, NJ 08646-0261  
 (KEEP A COPY FOR YOUR RECORDS)

For information regarding the ST-18 and its completion contact: Division of Taxation, Taxpayer Services Branch, Office of Communication, PO Box 281, Trenton, NJ 08646-0281 or call (609) 292-6400.

**PRIVACY ACT NOTIFICATION**

The Tax Reform Act of 1976, P.L. 94-455, modified at 42USC 405(c)(2)(c)(i), authorizes the use of social security numbers in the administration of a tax law. The Division will use the number for tax account identification and tax administration and collection purposes.