



Air Conditioning, Heating, Refrigeration & New Jersey Sales Tax

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Contractors

A contractor is an individual or business entity engaged in the business of improving, altering, or repairing land, buildings, or other real property. Under this definition, a person who installs, repairs, or maintains central air conditioning, heating, or refrigeration systems or units is considered to be a contractor. A retailer who sells tangible personal property such as air conditioning units is considered to be a contractor if the retailer also installs the units in such a way that they are permanently attached to and become a component part of real property.

The work performed by a contractor can be a capital improvement, a repair, or a maintenance service. Contractors working in New Jersey are required to register with the State for tax purposes and to collect New Jersey sales tax on charges for labor, when applicable.

This bulletin explains the responsibilities of air conditioning, heating, and refrigeration contractors for the payment and collection of sales and use tax. For more information, see Tax Topic Bulletin [S&U-3, Contractors and New Jersey Taxes](#).

Purchases

Contractors are required to pay sales tax on all purchases of materials and supplies, including air conditioning, heating, and refrigeration units. When materials are purchased in New Jersey, the contractor is required to pay the tax to the supplier. When materials are purchased in another state and brought into New Jersey for use in New Jersey, the contractor is required to pay **use tax** based on the cost of the materials. For more information on use tax, see publication [ANJ-7, Use Tax in New Jersey](#).

Materials that are purchased from a New Jersey supplier for use outside New Jersey and are delivered by the supplier to the out-of-State job site are not taxable. However, if the contractor accepts delivery of the materials in this State, sales tax is due regardless of where the materials are being used.

Installation

The installation of a central heating, air conditioning, or refrigeration system that is permanently attached to and becomes a component part of real property is considered an exempt capital improvement. Charges for installation are not taxable, provided the property owner issues a properly completed **New Jersey Certificate of Exempt Capital Improvement (Form ST-8)** to the installer.

The purchase and installation of an air conditioner is taxable when the unit is placed into an existing space or metal casing that is part of a structure. An air conditioner that can be removed from its casing by the owner is not a capital improvement and remains tangible personal property. The purchase and installation of tangible personal property are taxable to the purchaser.

Movable or removable air conditioning or refrigeration units such as window air conditioners and refrigerated display cases remain tangible personal property after installation. The installation of such a unit does not result in a capital improvement. Both the cost of the equipment and the installation are taxable to the property owner.

Duct Work Installation

A person who fabricates and installs duct work is considered to be a fabricator/contractor. A fabricator/contractor registered with the State for tax purposes may purchase materials for resale without paying sales tax by issuing a **New Jersey Resale Certificate (Form ST-3)** or the **Streamlined Sales and Use Tax Certificate of Exemption (Form ST-SST)** to the supplier.

When a fabricator/contractor sells the fabricated product and does not install the item, the fabricator/contractor must charge the purchaser sales tax based on the sales price of the fabricated product.

When fabricated items are installed and the installation results in a capital improvement, the fabricator/contractor must remit use tax to the State based on:

- The value at which the fabricator/contractor offers items of the same kind for sale; or
- If the fabricator/contractor makes no sales of items of the same kind, the cost of all materials used in the fabrication.

If the installation does not result in an exempt capital improvement (e.g., a section of existing duct work is replaced), the fabricator/contractor must remit use tax on the fabricated item as indicated above **and** collect sales tax from the property owner on the installation charges.

Maintenance, Service, and Repair

Heating Units: The sales tax law specifically exempts from tax the charges for maintaining or repairing residential heating system units serving no more than three families, provided that the families live independently of each other and do their own cooking on the premises. Included under the exemption are cleaning and servicing of residential gas, oil, coal, or wood-burning stoves, furnaces, or fireplaces and their chimneys. A contractor is **not** required to obtain a New Jersey sales tax exemption certificate for services performed on an exempt residential heating system.

The labor charges for maintaining, servicing, or repairing a central heating system in any other kind of structure are taxable to the property owner. When a contractor supplies parts for servicing any central heating system, the contractor is required to pay tax on the parts. A customer should never be charged sales tax on parts for a central heating system that are provided and installed by a contractor. Labor charges are exempt only when work is performed on an exempt residential heating system.

Air Conditioning and Refrigeration Units: Although the installation may result in an exempt capital improvement, labor charges for repairing, maintaining, or servicing air conditioning and refrigeration units are taxable to the property owner. A contractor supplying parts for these services is required to pay sales tax on the cost of the parts.

Charges for maintaining, servicing, or repairing tangible personal property such as window air conditioners and movable refrigeration units are taxable to the customer, as are the charges for any repair or replacement parts.

Maintenance Contracts: Service contracts purchased for maintaining qualified residential heating systems are exempt from tax. All other maintenance contracts are taxable to the purchaser.

Registration

New Jersey law requires all businesses to register with the State for tax purposes at least 15 business days before starting business. To register, a **Business Registration Application (Form NJ-REG)** must be filed. Form NJ-REG may be filed online from the Division of Revenue's New Jersey Business Gateway Services Web site at: www.state.nj.us/njbgs/. If the application indicates that the business will collect sales tax or purchase materials for resale, a **New Jersey Certificate of Authority (Form CA-1)** for sales tax is sent to the business. This certificate provides authorization from the State of New Jersey to collect sales tax and issue or accept exemption certificates. A seller **must** be registered with New Jersey to accept exemption certificates. A Public Records Filing may also be required depending upon 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 air conditioning, heating, refrigeration, and New Jersey sales tax, contact the Division's Customer Service Center at 609-292-6400, e-mail us at nj.taxation@treas.state.nj.us, or write to:

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Many State tax forms and publications are available by fax and on our Web site. Call NJ TaxFax at 609-826-4500 from your fax machine's phone, or access the Division's home page at: www.state.nj.us/treasury/taxation/