

Introduction

This bulletin has been designed as a guide to New Jersey sales tax and the taxability of certain items and services sold at retail. The lists of taxable and exempt items given throughout this publication are not meant to be all-inclusive. If after reading this bulletin you are unsure of whether or not an item is taxable, contact the New Jersey Division of Taxation. (For information on contacting the Division of Taxation see page 21 of this publication.)

Sales Tax Law

The New Jersey Sales and Use Tax Act imposes a tax of 6% upon the receipts from every retail sale of tangible personal property and the sale of certain services, except as otherwise provided in the Act. This means that in New Jersey, most items and most services performed upon tangible personal property are taxable unless they are specifically exempted by law. Exempt items include: most food intended for at-home or off-premises preparation and consumption, most clothing and footwear, disposable paper products for household use, prescription drugs, and over-the-counter drugs sold for the relief of pain.

Urban Enterprise Zones

New Jersey has established Urban Enterprise Zones and UEZ-impacted business districts in a number of economically depressed cities in the State. Urban Enterprise Zones and UEZ-impacted business districts have been designated as areas in which sales and use tax on certain items may be charged at 50% of the regular rate. A qualified business located in a reduced sales tax rate zone or district will charge 3% sales tax on all sales of merchandise qualified for the reduced rate. In order for the vendor to offer this reduced rate a purchaser must make the purchase in person at the vendor's place of business. In addition, the purchaser must accept delivery at the vendor's place of business in the zone or district, or the vendor must deliver the goods to the purchaser from the vendor's location in the zone

or district. For more information about Urban Enterprise Zones or UEZ-impacted business districts visit the New Jersey Commerce and Economic Growth Commission's Web site at: www.state.nj.us/commerce/uezhome.htm or request the publication *Urban Enterprise Zone Tax Questions and Answers*.

Salem County Reduced Sales Tax

There is also an exemption that provides for the assessment of sales tax at 50% of the regular rate on certain sales made by businesses located in Salem County. The 3% reduced rate applies solely to retail sales of tangible personal property with certain exceptions. The following are not eligible for the reduced rate:

- Motor vehicles
- Alcoholic beverages
- Cigarettes
- Mail-order, catalog, or Internet sales
- Sales of services (e.g., maintenance and/or repairs)
- Prepared food, meals, and beverages
- Telephone and electronically communicated sales
- Sales made from locations outside the county
- Charges for admissions or amusements
- Charges for room occupancy

To qualify for the reduced rate, the sale must be made in person from a place of business regularly operated by the vendor for the purpose of making retail sales. The items must be regularly exhibited and offered for retail sale and the merchandise must either be ordered or picked up in person at the place of business in Salem County.

Use Tax

A use tax liability may be incurred when taxable goods or services are purchased for use in New Jersey but sales tax was not collected, or was collected at a rate less than the New Jersey sales tax rate. In these instances the purchaser is liable for payment of use tax at the New Jersey sales tax rate. Thus, when taxable items are purchased from Internet retailers or mail-order catalog companies that do not collect New Jersey sales tax, the purchaser is required to remit the use tax directly to the State of New Jersey.

Example: Frank Smith, a New Jersey resident, ordered a \$3,000 pool table over the Internet from a company based in another state. The company sent the pool table to Mr. Smith's home in New Jersey and did not charge him any sales tax. It is Mr. Smith's responsibility to remit use tax, in the amount of \$180 ($\$3,000 \times 6\%$), directly to the State of New Jersey.

For more information about use tax, request the publication ANJ-7, *Use Tax in New Jersey*.

Grocery, Drug, and Household Items

Most items of food and drink purchased in a food store (supermarket, grocery store, produce market, bakery, etc.) are not subject to sales tax. They are intended to be prepared and consumed off the premises, that is, away from the food store. Candy, confectionery, carbonated beverages (whether or not sold in liquid form), and alcoholic beverages are taxable, regardless of where they are purchased or consumed.

Food and beverages that are eligible to be purchased with food stamps are exempt from sales tax. Thus, taxable items such as candy and soda are not subject to tax when purchased with food stamps.

Sales of disposable household paper products such as towels, napkins, toilet tissue, diapers, paper plates and cups are exempt from sales tax. This exemption does *not* apply to the sale of disposable paper products for industrial, commercial, or other business use.

Also exempt from tax are sales of prescription drugs and over-the-counter drugs recommended and generally sold for the relief of pain, ailments, distresses, or disorders of the human body.

The following is a list of items commonly found in a retail store and the tax status of each item when sold to an individual consumer.

Acne Products	Exempt
Afghans	Taxable
Air Fresheners	Taxable
Alcohol, Rubbing	Exempt
Alcohol, Swabs and Pads	Exempt
Alcoholic Beverages (prepackaged or by the drink)	Taxable
Allergy Relief Products	Exempt
Aluminum Foil	Taxable
Ammonia	Taxable
Analgesics	Exempt
Anesthetics	Exempt
Anorectal Products	Exempt
Antacids	Exempt
Antibiotics	Exempt
Antiemetics	Exempt
Antifungals	Exempt
Antihistamines	Exempt

Antimicrobials	Exempt
Antinauseants	Exempt
Antiperspirants	Taxable
Antipsoriasis	Exempt
Antiseborrhea	Exempt
Arch Supports	Exempt
Arthritis Relievers	Exempt
Artificial Tears	Exempt
Aspirins and Combinations	Exempt
Asthma Preparations	Exempt
Astringents	Exempt
Athlete's Foot Treatments	Exempt
Baby Bath Soaps-Liquid, Bar	Taxable
Baby Food	Exempt
Baby Formulas	Exempt
Baby Lotions	Taxable
Baby Pants	Exempt
Baby Powder	Taxable
Baby Shampoos	Taxable
Baby Wipes	Exempt
Bags:	
Cloth, Plastic	Taxable
Paper*	Exempt
Baked Goods	Exempt
Baking Cups:	
Foil	Taxable
Paper*	Exempt
Baking Powder	Exempt
Baking Soda	Exempt
Balloons	Taxable
Bandages	Taxable
Band Aids	Taxable
Bath Beads, Oils, Sachets	Taxable
Bathing Caps	Exempt
Bathroom Cleaners	Taxable
Batteries	Taxable
Batteries-Hearing Aid	Exempt
Bed Linens	Taxable
Bed Pans	Taxable

***For household use**

Bee Sting Relievers	Exempt	Canned Goods:	
Beverages, Carbonated:		Fruits	Exempt
Sodas or Other Soft Drinks	Taxable	Meats, Fish (except pet food)	Exempt
Water (artificially carbonated)	Taxable	Milk	Exempt
Water (naturally carbonated)	Exempt	Vegetables	Exempt
Beverages, Noncarbonated:		Car Wash and Wax	Taxable
Chocolate Drinks	Exempt	Carbonated Beverages (See <i>Beverages</i>)	
Fruit Drinks	Exempt	Carpet Cleaners	Taxable
Sports Drinks	Exempt	Carpet Deodorizers	Taxable
Water	Exempt	Carpeting	Taxable
Bibs	Exempt	Castor Oil	Exempt
Bird Food	Taxable	Cat Food	Taxable
Birth Control Preparations	Taxable	CDs, Cassettes	Taxable
Biscuits, Sweet Crackers	Exempt	Cereals	Exempt
Bitters	Exempt	Chapstick (medicated)	Exempt
Blankets (except baby receiving blankets)	Taxable	Charcoal, Charcoal Briquets	Exempt
Bleach-Liquid, Dry	Taxable	Cheese	Exempt
Blistex (medicated)	Exempt	Cheese Spreads	Exempt
Blood Pressure Cuffs	Taxable	Chewing Gum	Taxable
Bling, Laundry	Taxable	Chewing Tobacco	Taxable
Books (except certain textbooks approved by the school)	Taxable	Chips-Potato, Corn, etc.	Exempt
Braces-Ankle, Knee	Exempt	Chips-Chocolate, Butterscotch, etc. (for use in baking)	Exempt
Bread and Rolls	Exempt	Christmas Trees	Taxable
Breast Cream	Taxable	Christmas Tree Skirts-Paper, Cloth	Taxable
Breast Pump	Taxable	Cigarette Filters	Taxable
Breast Shells, Bra Pads	Exempt	Cigarette Papers	Taxable
Breath Freshener	Taxable	Cigarettes	Taxable
Bubble Bath	Taxable	Cigars	Taxable
Cake Mixes	Exempt	Cleaning Liquids, Powders	Taxable
Calling Cards, Telephone (prepaid):		Cleansers	Taxable
Sale of Card	Taxable	Clothes Lines	Taxable
Camera Lens and Eyeglass Cleaner		Clothes Pins	Taxable
Tissues	Taxable	Clothing (see <i>Clothing and Footwear</i> , page 13)	
Candy	Taxable	Coal Tar and Sulfur	Exempt
Canes	Exempt	Cocktail Onions, Olives	Exempt
Canker Sore Preparations	Exempt	Cocktail Sauces	Exempt
		Cocoa, Instant	Exempt
		Cod Liver Oil	Exempt

Coffee (beans, packaged, instant)	Exempt	Dental Rinse	Taxable
Coffee Filters-Paper*	Exempt	Denture Adhesives, Preparations	Taxable
Coffee Pot Cleaners	Taxable	Deodorants, Antiperspirants	Taxable
Cold Preparations and Remedies	Exempt	Deodorizers-Room, Car, Carpet	Taxable
Cold Sore Preparations	Exempt	Depilatories	Taxable
Combs	Taxable	Detergents	Taxable
Computers: (see also <i>Services</i> , page 10)		Diabetic Testing Items	Exempt
Computer Systems	Taxable	Diapers (including disposable)	Exempt
Hardware Components	Taxable	Diaper Liners	Exempt
Prepackaged Software	Taxable	Diarrhea Aids	Exempt
Condiments (catsup, mustard, etc.)	Exempt	Diet Foods, Supplements	Exempt
Conditioning Rinse	Taxable	Digestive Aids	Exempt
Condoms	Taxable	Dinnerware:	
Confections (Cracker Jacks, etc.)	Taxable	Paper*	Exempt
Constipation Products	Exempt	Plastic, Foam	Taxable
Contact Lens Care Products	Taxable	Dips (cheese, onion, etc.)	Exempt
Contact Lens Cleaner, Solution	Taxable	Dish Detergents	Taxable
Contraceptives (except by		Disinfectants	Taxable
prescription)	Taxable	Distilled Water	Exempt
Copper Cleaner	Taxable	Diuretics	Exempt
Corn and Callus Pads	Taxable	Dog Food	Taxable
Corn and Callus Removers	Exempt	Doilies-Paper, Foil	Taxable
Cornstarch	Exempt	Douches:	
Cosmetics	Taxable	Antiseptic, Anti-Infectious	Exempt
Cottonballs	Taxable	Cleaning, Deodorizing	Taxable
Cough Preparations	Exempt	Drain Openers, Cleaners	Taxable
Cream, Milk, Half and Half	Exempt	Drawer Liners	Taxable
Creams and Lotions	Taxable	Dyes	Taxable
Crepe Paper	Taxable	Ear Preparation, Ache Aids	Exempt
Crutches	Exempt	Ear Syringes	Taxable
Cups:		Eczema Preparations	Exempt
Paper*	Exempt	Eggs (fresh, dried)	Exempt
Plastic, Foam	Taxable	Electrical Supplies	Taxable
Cuticle Remover	Taxable	Energy Bars	Exempt
Dandruff/Seborrhea Preparations	Exempt	Epsom Salt:	
Decongestants	Exempt	Garden Use	Taxable
Decorations-Paper, Plastic	Taxable	Medical Use (for humans)	Exempt
Dehydrated Food (hunting, etc.)	Exempt	Expectorants	Exempt
Dental Floss	Taxable	Eyeglass Cleaner Tissues	Taxable

***For household use**

Eyeglass Frames (fitted with corrective lenses)	Exempt	Formica Cleaners and Polishes	Taxable
Eyeglasses (prescription)	Exempt	Freezer Packs (blue ice)	Taxable
Eye Preparations	Exempt	Frozen Foods	Exempt
Fabric Softeners	Taxable	Fruit	Exempt
Facial Cleansing Pads	Taxable	Fuels:	
Feminine Napkins, Tampons	Exempt	Charcoal	Exempt
Fever Blister Aids	Exempt	Charcoal Lighter	Exempt
Fiberglass Cleaner	Taxable	Cigarette Lighter Fluid	Exempt
Film, Film Processing	Taxable	Fungicides	Exempt
Firewood	Exempt	Furniture	Taxable
First Aid Kits	Taxable	Furniture Polishes and Cleansers	Taxable
First Aid Products:		Fuses	Taxable
Bandages	Taxable	Garbage Pails	Taxable
Healing Agents, Cleaners, etc.	Exempt	Garden Supplies	Taxable
Fishing Bait	Taxable	Gatorade	Exempt
Flags:		Gelatin and Gelatin Desserts	Exempt
State of New Jersey	Exempt	Gift Certificates	Exempt
United States of America	Exempt	Gift Wrap, Bows, Boxes, Tags	Taxable
All Others	Taxable	Glass Cleaners	Taxable
Flashlights	Taxable	Gloves	Exempt
Flatware	Taxable	Greeting Cards	Taxable
Flea Collars	Taxable	Grenadine	Exempt
Floor Cleaners and Polishes	Taxable	Grip Tape	Taxable
Floor Coverings	Taxable	Guest Towels-Paper*	Exempt
Floor Finishes (Wax)	Taxable	Hair Care Products:	
Floor Wax Remover	Taxable	Brushes, Combs	Taxable
Flowers	Taxable	Conditioners	Taxable
Food Coloring	Exempt	Curler Papers	Taxable
Food Supplements	Exempt	Rinses	Taxable
Food Wraps:		Rogaine®	Taxable
Aluminum Foil	Taxable	Shampoos	Taxable
Paper Freezer Wrap*	Exempt	Halloween Masks	Taxable
Plastic Storage Bags	Taxable	Hand Cleaners	Taxable
Plastic Wrap	Taxable	Hand Lotion	Taxable
Waxed Paper*	Exempt	Hay Fever Aids	Exempt
Foot Care Preparations	Exempt	Headache Relief Aids	Exempt
Foot Deodorizers	Taxable	Health/Fitness Equipment (weights, exercise balls, steps, etc.)	Taxable
Footwear (see <i>Clothing and Footwear</i> , page 13)			

***For household use**

Health Food Supplements:

Energy Bars	Exempt
Heating Pads	Exempt
Hemorrhoid Treatments	Exempt
H.I.V. Testing Kits (only when sample is sent to lab for analysis and report)	Exempt
Hosiery, all types	Exempt
Hot Chocolate, Instant	Exempt
Hypodermic Syringes and Needles	Exempt
Ibuprofen	Exempt
Ice	Exempt
Ice Buckets, Ice Chests	Taxable
Ice Cream:	
Individually wrapped bars, sandwiches, popsicles, cones (single item or by the box)	Exempt
By the gallon or part thereof	Exempt
Ice Cream Cones (hand-dipped)	Taxable
Iced Tea	Exempt
Ingrown Nail Preparations	Exempt
Insect Bite and Sting Preparations	Exempt
Insecticides, Repellents	Taxable
Instant Cocoa, Coffee, Tea	Exempt
Insulin	Exempt
Iodine, Tincture of	Exempt
Itch, Rash Relievers	Exempt
Jams and Jellies	Exempt
Jewelry Cleaners	Taxable
Juices-Noncarbonated	Exempt
Keys	Taxable
Laundry Soaps and Detergents	Taxable
Lawn Bags	Taxable
Laxatives	Exempt
Leather Cleaners (saddle soap)	Taxable
Leavening Agents	Exempt
Lemonade	Exempt
Lice Treatments (for humans)	Exempt
Light Bulbs	Taxable

Lighter Fluid	Exempt
Linens	Taxable
Liners (garbage can, shelf, etc.)	Taxable
Lint Remover Refills	Taxable
Lip Balms (medicated)	Exempt
Lipstick	Taxable
Litter Box Liners	Taxable
Lotions:	
Cleansing	Taxable
Moisturizing	Taxable
Lunch Bags:	
Paper*	Exempt
Plastic	Taxable
Lye	Taxable
Magazines (qualified periodicals)	Exempt
Make-up	Taxable
Make-up Remover	Taxable
Maraschino Cherries	Exempt
Marshmallow Fluff	Exempt
Marshmallows	Exempt
Matches	Taxable
Meal Replacement Bars	Exempt
Meats	Exempt
Medicines (for pets)	Taxable
Menstrual Cramp Relievers	Exempt
Metal Cleaners and Polishes	Taxable
Mildew Remover	Taxable
Milk (fresh, dried), Cream, Half and Half	Exempt
Mineral Oil	Exempt
Mixes for Soups	Exempt
Mixes (dry or noncarbonated liquid, for alcoholic beverages)	Exempt
Mixes (carbonated)	Taxable
Mops, Mop Handles	Taxable
Motion Sickness Remedies	Exempt
Mouthwash	Taxable
Muscle Ache Relievers	Exempt
Nail Biting Deterrents	Taxable

***For household use**

Nail Polish	Taxable	Plastic Items	Taxable
Nail Polish Remover	Taxable	Plates:	
Napkins, Table-Paper*	Exempt	Paper*	Exempt
Nasal Sprays, Decongestants	Exempt	Plastic, Foam	Taxable
Newspapers, Periodicals	Exempt	Poison Ivy and Oak Preparations	Exempt
Nicotine Gum	Exempt	Polishing Cloths and Mitts	Taxable
Nicotine Patch.....	Exempt	Popcorn (packaged without	
Nursing Bottles, Nipples, Funnels	Taxable	confection)	Exempt
Nursing Pads-Paper	Exempt	Pregnancy Testing Kits	Taxable
Nuts (without confection)	Exempt	Pre-Soaks, Laundry	Taxable
Oil-Cooking, Salad	Exempt	Preserves	Exempt
Olives	Exempt	Pretzels (unheated)	Exempt
Ophthalmics	Exempt	Prosthetic Aids	Exempt
Oral Pain Relievers	Exempt	Puddings	Exempt
Orthopedic Devices	Exempt	Pumpkins:	
Oven Cleaners.....	Taxable	Used for food	Exempt
Oven Cooking Bags:		Used for decoration	Taxable
Paper*	Exempt	Rainhoods	Exempt
Plastic or Aluminum	Taxable	Rock Salt	Taxable
Ovulation Testing Kits	Taxable	Rogaine®	Taxable
Oxygen	Exempt	Rubber Gloves	Exempt
Paint Remover	Taxable	Rug Cleaners and Shampoos	Taxable
Paperback Books	Taxable	Rug Deodorizers	Taxable
Paper Bags*	Exempt	Salads (potato salad, coleslaw, etc.) ...	Exempt
Paper Goods (plates, towels, etc.)*	Exempt	Saliva Substitutes	Exempt
Peroxide, Hydrogen (for medical use)	Exempt	Salt and Salt Substitutes	Exempt
Perrier Water	Exempt	Sandwich Bags:	
Pet Foods	Taxable	Paper*	Exempt
Pet Shampoo	Taxable	Plastic	Taxable
Pet Supplies	Taxable	Sanitary Napkins, Tampons	Exempt
Petroleum Jelly	Taxable	Scouring Pads	Taxable
Pets	Taxable	Seeds (flower or vegetable)	Taxable
Pickles	Exempt	Shampoos	Taxable
Pies, Pie Crusts	Exempt	Shaving Cream	Taxable
Pillows	Taxable	Shelf Liners	Taxable
Place Mats:		Shoe Inserts (Odor Eaters)	Exempt
Cloth and plastic	Taxable	Shoe Laces	Exempt
Paper*	Exempt	Shoe Polish	Taxable
Plants	Taxable	Shoes (see <i>Clothing and Footwear</i> , page 13)	

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Shower Caps	Taxable	Tea (prepackaged, dry or instant).....	Exempt
Sinus Relievers	Exempt	Tears, Artificial	Exempt
Skin Bleaches	Taxable	Teething Lotions	Exempt
Skin Lotions and Creams	Taxable	Telephone Calling Cards (prepaid):	
Skin Irritation Relievers	Exempt	Sale of Card	Taxable
Sleep Aids	Exempt	Tenderizers	Exempt
Snuff	Taxable	Thermometers	Taxable
Soap	Taxable	Tile Cleaners	Taxable
Soap Pads	Taxable	Tissue (facial and toilet)*	Exempt
Soups, Soup Mixes	Exempt	Tobacco	Taxable
Spaghetti	Exempt	Toilet Bowl Cleaners	Taxable
Spices	Exempt	Toilet Bowl Deodorizers	Taxable
Spring Water	Exempt	Tooth Ache Relievers	Exempt
Sponges	Taxable	Tooth Desensitizers	Exempt
Sports Drinks	Exempt	Tooth Polish	Taxable
Stain and Spot Remover	Taxable	Toothbrushes	Taxable
Starch:		Toothpaste	Taxable
Corn	Exempt	Toothpicks	Taxable
Laundry	Taxable	Towels:	
Static Remover	Taxable	Cloth	Taxable
Stationery	Taxable	Paper*	Exempt
Steel Wool	Taxable	Towelettes*	Exempt
Stirrers (wood, plastic).....	Taxable	Trashbags and Liners	Taxable
Straws:		Tri-Sodium Phosphate (TSP).....	Taxable
Paper*	Exempt	Undergarments, Disposable	Exempt
Plastic	Taxable	Underpads, Disposable-Paper	Exempt
Styptic Pencils	Taxable	Upholstery Cleaners.....	Taxable
Sugar and Sugar Substitutes	Exempt	Upset Stomach Relief	Exempt
Sulfur and Salicylic Acid	Exempt	Vacuum Cleaner Bags:	
Sunburn Relief Products	Exempt	Cloth, Plastic	Taxable
Sunscreens	Taxable	Paper*	Exempt
Sunglasses	Taxable	Vaporizer Tablets	Taxable
Sundae Topping	Exempt	Vaseline	Taxable
Surgical Adhesive	Taxable	Vegetables	Exempt
Table Covers:		Vitamins	Exempt
Paper*	Exempt	Wart Removers	Exempt
Plastic	Taxable	Water (including naturally	
Tampons (and like products)	Exempt	carbonated)	Exempt
Tape	Taxable	Water Conditioners	Taxable

***For household use**

Water Pills	Exempt
Water Repellent	Taxable
Wax	Taxable
Wax Remover	Taxable
Waxed Paper*	Exempt
Weight Control Food	Exempt
Wheelchairs	Exempt
Whipped Cream	Exempt
Whiteners, Laundry	Taxable
Wigs	Taxable
Window Cleaning Liquids	Taxable
Windshield Washer Solution	Taxable
Wipes:	
Handi-Wipes (rayon)	Taxable
Witch Hazel	Exempt
Wool Washes	Taxable
Wrapping Paper, Bows	Taxable
Wraps:	
Foil, Plastic	Taxable
Paper*	Exempt

Services

The New Jersey Sales and Use Tax Act specifically imposes tax on the receipts from retail sales of the following services:

1. Producing, fabricating, processing, installing, maintaining, repairing, storing, and servicing tangible personal property;
2. Maintaining and repairing real property *except for* maintaining, servicing, or repairing a residential heating system serving not more than three families living independently of each other and doing their own cooking on the premises;
3. Sales of restaurant and catered meals;
4. Rental of hotel and motel rooms;

***For household use**

5. Direct-mail advertising processing services in connection with advertising or promotional material distributed in New Jersey;
6. Certain admission charges;
7. Storage charges for tangible personal property not held for sale;
8. Telecommunications services charged to a New Jersey address; and
9. Utility service (natural gas, electricity) provided to customers in New Jersey.

The following is a list of common services and their tax status.

Accounting Services:

Professional Services	Exempt
Electronic Filing Charges	Taxable

Admission Charges (over \$0.75):

Spectator Sports:

(baseball games, basketball games, professional wrestling events, etc.)	Taxable
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Participant Sports:

(bowling, fishing, swimming, etc.)	Exempt
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Places of Amusement:

(movie theaters, amusement parks, trade shows, craft shows, etc.)	Taxable
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Advertising Services (in general)

Alarm Monitoring:

Via control station	Taxable
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Animal Boarding

Animal Grooming

Answering Services, Telephone

Appliance Repairs

Appraisals:

(jewelry, real estate, etc.)	Exempt
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Architectural Services (in general)	Exempt	Home Repairs (except residential heating systems as explained above)	Taxable
Automobile Repairs:		Insurance Premiums	Exempt
Inspection Sticker	Exempt	Interior Design	Exempt
Labor	Taxable	Internet Access Charges	Exempt
Parts	Taxable	Landscaping Services:	
Barber Shop Services	Exempt	Capital Improvement	Exempt
Beauty Parlor Services	Exempt	Repairs and Maintenance	Taxable
Beeper and Paging Services	Taxable	Laundry Services	Exempt
Boat Docking Fees:		Lawn Mowing Services	Taxable
Slip Rentals	Exempt	Limousine Services:	
Storage-water or land	Taxable	With a Driver	Exempt
Bookkeeping Services	Exempt	Without a Driver	Taxable
Cable Television Subscription	Exempt	Locker Rentals	Taxable
Car Washing	Taxable	Maintenance Agreements	Taxable
Carpet Cleaning	Exempt	Manufacturer's Rebate:	
Catering Services	Taxable	(automobile, etc.)	Taxable
Child/Day Care	Exempt	Membership Fees:	
Cleaning Services (janitorial)	Taxable	Discount Clubs	Exempt
Computer Maintenance/Repair	Taxable	Health Clubs	Exempt
Credit Check/Report	Exempt	Professional/Social Clubs	Exempt
Credit Repair Services	Exempt	Parking	Exempt
Data Processing Services	Exempt	Pest Control:	
Debt Collection	Exempt	Inspection	Exempt
Delivery Charges:		Treatment	Taxable
(between vendor and end user)	Exempt	Pet-Sitting	Exempt
Direct-Mail Processing Services for Advertising/Promotional Material:		Photocopying Services	Taxable
Distributed in NJ	Taxable	Photographer's Services	Taxable
Distributed outside NJ	Exempt	Printing Services	Taxable
Disc Jockey	Exempt	Professional Services:	
Dry Cleaning	Exempt	(doctor, lawyer, etc.)	Exempt
Electronic Filing Charges	Taxable	Restaurant Meals	Taxable
Employment Agency Fees	Exempt	Safe Deposit Box Rental	Taxable
Extended Warranty Agreements	Taxable	Scanning (photos, records, etc.)	Taxable
Facsimile (Fax) Services	Taxable	Security Guard Services	Exempt
Garbage Removal:		Service Contracts:	
Contractual (30 days or more)	Exempt	(on taxable property)	Taxable
Non-Contractual	Taxable	Shoe Repair	Exempt
Genealogical Research Services	Exempt		

Silk-Screening, Monogramming, Embroidering:	
Purchase of Clothing Included	Exempt
Services Only	Taxable
Snow Removal	Taxable
Storage Charges	Taxable
Tanning Sessions	Exempt
Telecommunications Services:	
(telephone, telegraph, pagers, alarm monitoring, etc.)	Taxable
Telephone Answering Services	Taxable
Tips and Gratuities (separately stated and paid in full to employees)	Exempt
Towing	Exempt
Transportation	Exempt
Trash Removal:	
Contractual (30 days or more)	Exempt
Non-Contractual	Taxable
Travel Agency Fees	Exempt
Typing Services	Exempt
Utilities (natural gas, electricity)	Taxable †
Videography	Taxable
Web Site Design	Exempt
Web Site Hosting	Exempt
Window Washing	Taxable

Coupons

The following guidelines apply to retail sale transactions involving the use of coupons.

- When a store issues a coupon entitling a purchaser to a discounted price on the item purchased or a free or reduced price on an additional item, and the vendor receives *no reimbursement* from the manufacturer or other third party, the sales tax is due from the purchaser on only the discounted price, which is the actual receipt.

- When a store issues a coupon entitling a purchaser to pay a reduced price on an item purchased, and the vendor is *reimbursed* by a manufacturer, distributor, or other third party, the tax is due on the full regular price of the item. The taxable receipt is composed of the amount paid and the amount of the coupon value.
- When a manufacturer issues a coupon entitling a purchaser to pay a reduced price on an item purchased, and the vendor is *reimbursed* by the manufacturer, distributor, or other third party, the tax is due on the full regular price of the item. The taxable receipt is composed of the amount paid and the amount of the coupon value. The coupon value reflects a payment or reimbursement by another party to the vendor.
- When a manufacturer or a vendor issues a coupon involving a *third-party reimbursement*, but does not disclose that fact to the purchaser on the coupon or in an accompanying advertisement, the vendor will collect from the purchaser only the tax due on the reduced price, but will be required to pay the tax applicable to the entire receipt, i.e., the amount of the price paid and the reimbursement received from the manufacturer or other third party.

For more information about coupons, request publication ANJ-9, *Coupons, Discounts & New Jersey Sales Tax*.

Prepared Food

On-Premises Consumption. Food and beverages which are purchased for consumption *on* the premises are subject to sales tax. This includes not only prepared food, but also prepackaged food. Examples include:

†Effective 1/1/98, included in rate

- Potato chips, pretzels, prepackaged cakes and snacks;
- Prepared salads or soups.

Food and beverages that are prepared (e.g., heated, buttered, or arranged on trays) by the vendor on the premises, but taken and consumed off the premises (take-out orders), are also taxable.

Off-Premises Consumption. Certain food or drink which is not heated and is intended to be eaten *off* the premises may be exempt from sales tax because of the way it is packaged or sold. Such items are generally sold in food or grocery stores by bulk, by weight, by the dozen (or part of a dozen), or by volume (gallon, quart, etc.). When these unheated items are sold for off-premise consumption in the **same form, condition, quantities, and packaging** as commonly sold in a food store, they are not subject to sales tax. Examples include:

- Potato chips and pretzels;
- Ice cream individually wrapped or bought by the gallon;
- Prepared salads at a salad bar sold by weight or volume.

For more information about the sale of food and beverages for both on- and off-premises consumption, request the publications S&U-1, *Restaurants and New Jersey Taxes*, and ANJ-20, *Delicatessens & New Jersey Sales Tax*.

Newspapers, Magazines, and Books

Sales of newspapers, magazines, and periodicals are specifically exempt from sales tax. Sales of books, both hardback and softback, including

sales of the Bible or other sacred scripture are taxable.

Clothing and Footwear

Sales of articles of clothing and footwear for human use are exempt from New Jersey sales tax. Exceptions to this rule include articles made of fur and certain athletic equipment.

The definition of clothing includes footwear, all inner and outer wear, headgear, gloves and mittens, neckwear, and hosiery normally worn on the human body, including baby receiving blankets, bunting, diapers, diaper inserts, and baby pants. Disposable undergarments for adults are also exempt.

Special and safety occupational clothing and equipment worn on the person and necessary for the daily work of the user are considered clothing and footwear under the above definition and are exempt.

Exempt Clothing and Footwear

- Aprons (household and shop)
- Arch Supports
- Bathing Caps
- Bathing Suits
- Beach Capes and Coats
- Belts and Suspenders
- Bibs
- Bowling Shirts (if suitable for ordinary street wear)
- Bridal Apparel and Accessories
- Camp Clothes
- Children's Costumes (e.g., Halloween, dance)
- Coats and Wraps (for either evening or daytime wear)*

*Non-fur

Crib Blankets and Receiving Blankets
Dress Shields
Dresses (including evening wear)
Ear Muffs*
Garters and Garter Belts
Girdles
Gloves
Hairbows
Hand Muffs*
Head and Neck Scarfs and Bandanas
Headwear and Millinery (all types)*
Hosiery and Peds
Incontinence Briefs
Leotards and Tights
Men's Formal Wear
Neckwear
Overshoes
Rainwear
Rubber Gloves (for home or work use)
Safety Clothing (normally worn in hazardous occupations)
Scout Uniforms
Shoe Inserts (e.g., Dr. Scholl's®)
Shoe Laces
Shoes (including safety shoes, sneakers and tennis shoes)
Shoulder Pads (for dresses, jackets, etc.)
Ski Masks
Sleepwear
Slippers
Socks
Thermal Underwear
Work Clothes, Work Uniforms
Yarmulke and Turbans

Athletic Clothing and Footwear

Athletic equipment that is worn only in conjunction with a particular sport is taxable. Arti-

cles which can be adapted for general use not exclusively connected with a sporting activity are exempt from tax.

Taxable:

Baseball and Hockey Gloves
Bicycle Shorts (padded)
Bowling Shoes
Fishing Boots (waders)
Golf Shoes
Helmets (sports and motorcycle)
Ice Skates
Life Preservers and Vests
Protective Masks
Roller Blades
Roller Skates (boot and screw-on)
Shin Guards and Padding
Ski Boots
Skin Diving Suits
Snorkel and Scuba Masks
Sweatbands
Swim Fins
Track Shoes and Cleats

Exempt:

Athletic Supporters
Children's Sports and Play Uniforms (e.g., football, baseball, karate)
Hooded Shirts
Jogging or Running Shoes, Suits
Knitted Caps or Hats
Overshoes, Coats, Mittens, Parkas, and Trousers (sometimes sold in the trade as hunting, skating, and skiing apparel but suitable for general outdoor wear and commonly worn other than in a particular sport)
Pullovers, Turtlenecks and Other Sweaters
Ski Masks

***Non-fur**

Fur Garments

Garments or articles such as coats, stoles, jackets, capes, collars, muffs, and hats made essentially of fur are subject to sales tax. Any article of clothing or footwear made from fur and other materials is subject to tax if more than one-half of the value of the article is attributable to the fur part.

The word *fur* means natural or dressed animal hair on the hide or pelt. It does not include felt, woolens or other fabrics made from animal hair or leather or suede.

- Rabbit fur dyed to resemble mink is *fur*,
- Sheepskin with wool or hair attached is *fur*,
- Woven or knit materials made of animal hair or wool (such as angora or alpaca) are *not fur*, and
- Cloth printed with a leopard pattern is *not fur*.

Accessories

Accessories are not considered clothing and footwear, and are **taxable**. Some of these are:

Backpacks	Headbands
Barrettes	Jewelry
Belt Buckles	Key Cases
Bobby Pins	Key Rings
Elastic Ponytail Holders	Shower Caps
Hairclips	Sweatbands
Hairnets	Umbrellas
Handbags	Wallets
Handkerchiefs	Watches
	Watch Bands

Yarn Goods, Yarns, and Sewing Accessories

Common wearing apparel materials intended to be used in either making or repairing clothes are **exempt**. These materials include:

Bra and Slip Repair
Buttons
Denim and Leather Patches
Elastic
Fabrics
Knitting Yarns
Lace
Ribbons
Seam-Binding and Bias Tape
Thread
Zippers

NOTE: If these items are used on products other than wearing apparel, such as doll clothes and afghans, they are taxable.

Any item that does not become an integral part of the clothing is **taxable**. Some of these items are:

Chalk
Fabrics and Yarns (used to make items other than apparel such as rugs, pillows, etc.)
Instruction Books
Knitting Needles
Measuring Tapes
Needles
Patterns
Scissors
Straight Pins
Thimbles

Leasing

The New Jersey Sales and Use Tax Act distinguishes between leases and rentals. A rental is a short-term transaction with an original contract term of no more than 28 days. A lease is a long-term transaction with an original contract term longer than 28 days. The *lessor* is the owner of

the property which is rented or leased. A *lessee* is someone who rents or leases property.

A rental is considered a retail sale and the renter pays sales tax on the amount of the rental payments. For example, Joe Smith (the lessee) rents a car for two days. Since this is a short-term transaction lasting less than 28 days, the agency (the lessor) from which Mr. Smith rents the car collects 6% sales tax on the rental fee and remits the tax to the Division of Taxation. In addition, as of August 1, 2002, there is a \$2 per day assessment, designated the “Domestic Security Fee,” which applies to motor vehicle rentals. For more information request Technical Bulletin TB-47, *Domestic Security Fee*.

In the case of a lease (a contract covering more than 28 days), the lessor is responsible for paying use tax. The lessor may pay the use tax by choosing one of two methods. Use tax may be paid on the purchase price of the property being leased. When use tax is paid on the purchase price, it does not have to be paid again if the lease is renewed or the property is re-leased by the same lessor. The second method is to pay use tax on the total amount of payments attributable to the lease, not including interest charges directly paid by the lessee. When choosing this method, the lessor must pay use tax each time a lease is renewed or a new lease is signed.

When property is leased, the lessor issues a Lessor Certification (Form ST-40) to the lessee, certifying that the lessor will pay the tax due on the leased property directly to the Division of Taxation at the beginning of the lease. Thus, if Joe Smith leases a car for six months, the automobile agency (as the lessor) will issue Mr. Smith (the

lessee) a properly completed ST-40 and will not charge sales tax on the lease payments.

For more information about the sales and use tax treatment of these transactions, request publication S&U-12, *Leases and Rentals*.

Claim for Refund of Sales Tax

Refunds Requested by Individuals From Sellers. If nontaxable items are purchased and the seller charges sales tax, a request for a refund of sales tax paid may be made directly to the seller. If an individual is unable to recover the erroneously collected tax from the seller, a request can be made to the Division of Taxation.

Refunds Requested by Individuals From the Division of Taxation. To request a refund from the Division, a Claim for Refund (Form A-3730) must be filed within four years from the date of payment of the sales tax.

Refunds Requested by Businesses From the Division of Taxation. Business owners who have improperly collected and remitted sales tax to the State on their monthly remittance (Form ST-51) may correct the error on their quarterly sales tax return (Form ST-50) only if the error is discovered within the same calendar quarter. If the error is discovered after the end of the calendar quarter, an Amended Quarterly Return (Form ST-607A) *and* a Claim for Refund (Form A-3730) must be filed with the Division of Taxation. Business owners must have records of canceled sales, returned goods, or uncollectable receipts to substantiate any claim for a refund of sales tax remitted to the State.

Businesses Collecting Sales Tax

Registering a Business

Any person or organization engaged in a business, trade, profession, or occupation in New Jersey must register with the State for tax purposes by filing a Business Registration Application, Form NJ-REG, at least fifteen (15) business days before starting business or opening an additional place of business in this State. Registration ensures that the business will receive all the forms and information it needs to comply with New Jersey tax laws. A Public Records Filing may also be required depending upon the type of business ownership. For more information on Public Records Filing call 609-292-9292.

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/. The public records filing required for corporations, limited liability companies, limited partnerships, and limited liability partnerships may also be completed online from this Web site. (There is a fee associated with the Public Records Filing.)

Using Exemption Certificates

New Jersey has exemption certificates which can be used to purchase goods without the payment of sales tax in certain situations. Each exemption certificate has a specific use. In some cases, the purchaser must be registered for sales and use tax purposes to issue exemption certificates. However, the New Jersey seller *accepting* an exemption certificate *must* always be registered with New Jersey. For information on exemption

certificates, request publication S&U-6, *Sales Tax Exemption Certificates*.

Keeping Records

Whatever the business, keeping accurate records is essential to success. Keeping records is more than just good business sense — it is a necessary part of compliance with both State and Federal tax laws. Keeping good records will ensure the accuracy of tax returns, and will protect the business owner in the event of an audit or investigation by the State.

New Jersey retailers are required to keep records and file New Jersey sales and use tax returns. In addition, records must be kept for income tax and, depending on the nature of the business, other taxes as well.

This section contains recordkeeping requirements for New Jersey retailers who collect sales tax.

Bookkeeping Methods

The two accepted methods of bookkeeping are single-entry and double-entry. The single-entry method is the simpler and easier of the two. Although the double-entry method is more complex, it has the advantage of greater accuracy, and it reduces the chance of errors. A business owner may choose whichever method best suits the company's needs.

Accounting Methods

The accrual method of accounting must be used for sales tax records. Under the accrual method, all items of income are included in the gross receipts when they are earned, *although actual payment may not be received until later*.

Example: Frank Smith, owner of Mr. F's Appliance Store, sold a television set to a customer in March, but did not actually receive full payment until May. He must include the amount of the sale in his gross receipts for March and remit sales tax due on the sale with his sales tax return due April 20, even though he did not receive payment until May.

Sales Records

Retailers registered to do business in New Jersey are responsible for collecting sales tax and remitting it to the State. They may also be accepting and issuing New Jersey exemption certificates. These certificates exempt the purchaser from paying New Jersey sales and use tax on merchandise and/or services. Exemption certificates must be retained by the vendor for at least four (4) years from the date of the last transaction covered by the certificate. Certificates must be in the physical possession of the seller and available for inspection by the Division of Taxation. It is essential that businesses maintain clear, accurate records of all sales. For information on issuing and accepting exemption certificates, request publication S&U-6, *Sales Tax Exemption Certificates*.

There are two principles to remember when collecting sales tax:

1. Vendors hold any sales tax collected in trust for the State, and
2. All receipts are considered to be taxable until the contrary is established.

Keep daily records of the sales made. These records can be used to make monthly totals showing the following information:

- Gross receipts from sales
- Receipts from sales that are not subject to tax
- Receipts from taxable sales
- Purchases and/or lease transactions that are subject to use tax
- Amount of sales tax due the State (whether collected or billed)

Use the figures from these totals to complete the monthly and/or quarterly tax returns.

Sales and Use Tax Returns

Every business which is on a reporting basis for sales tax purposes must file sales tax returns. For more information on filing requirements and reporting methods, request publication S&U-7, *Filing Sales & Use Tax Returns*.

Accepting Exemption Certificates

Some businesses will accept New Jersey exemption certificates from certain customers instead of collecting sales tax. The most common certificates are the Resale Certificate (Form ST-3), Exempt Use Certificate (Form ST-4), and Exempt Organization Certificate (Form ST-5).

Keep these rules in mind when accepting exemption certificates:

1. Accept an exemption certificate only if:
 - It is filled out completely and correctly; and
 - There is no reason to doubt that the customer has the right to make an exempt purchase.
2. Keep exemption certificates for at least four years from the date of the purchase.

Only one exemption certificate is necessary for additional purchases of the same general type.

Keep a record of each sale covered by a blanket certificate. Retain this certificate for at least four years from the date of the last purchase covered by the certificate.

Sales to Government Agencies

Sales tax should not be collected when a product is sold to the Federal government, the United Nations or any international organization of which the United States is a member, and the State of New Jersey or any of their agencies. In transactions with government agencies, the acceptable proof of exemption from sales tax is:

- A copy of a government purchase order, official contract, or order on official government letterhead and payment by government check or payment by a “United States of America” SmartPay Visa Card or MasterCard with the number 0, 6, 7, 8, or 9 as the sixth digit (credit card charged to and paid directly by the Federal government, not a card charged to an employee who gets reimbursed by the Federal government); or
- For government cash purchases of \$150 or less, an ST-4 form signed by a qualified government official (not acceptable for room occupancies).

Out-of-State Sales

If taxable items are sold and the items sold are delivered out of State to the purchaser, New Jersey sales tax should not be collected. If the merchandise is shipped out of State to a recipient other than the purchaser (e.g., in a gift transaction), the sale is also exempt from sales tax. Make sure the records show both the out-of-State destination and the method of delivery to that location, such as parcel post receipts, bills of lading, etc.

Sales are taxable, however, if an out-of-State customer picks up the merchandise in New Jersey. They are also taxable if the merchandise is delivered to the customer’s location in New Jersey, even though the customer may intend to ship the merchandise out of State at a later date. However, out-of-State purchasers who are registered with New Jersey and “qualified out-of-State vendors” may make tax-exempt purchases in New Jersey of goods and services purchased for resale. For more information, request publication ANJ-10, *Out-of-State Sales & New Jersey Sales Tax*.

Retention of Records

All books, records, certificates, and other documents necessary to determine the tax liability to New Jersey must be available for inspection by the Division of Taxation for at least four years.

If adequate records have not been kept, the State may estimate the tax liability of the business based on any available information, including external indicators.

Microfilm Records

Books of account (cash books, ledgers, journals, etc.) must be retained. Microfilm reproductions are not acceptable for audit purposes. However, sales invoices, purchase invoices, credit memoranda, etc. may be reproduced on microfilm to be retained for inspection. If a business intends to destroy the originals before the four-year limit, written permission must be received from the Director of the New Jersey Division of Taxation.

Data Processing Records

Automatic data processing tax accounting can be used if it:

- Provides a method of producing visible records for verification;
- Traces any transaction back to the original source or forward to a final total;
- Has the ability to reconstruct transactions that do not have detailed printouts made at the time the transactions were processed;
- Provides an audit trail designed to identify underlying documents such as sales invoices, purchase invoices, credit memoranda, etc.; and
- Prepares a written general ledger with source references to coincide with financial reports for the tax reporting periods.

Retain records such as punched cards, magnetic tapes, and disks for at least four years.

A description of the business system must be available and include:

- The application being performed;
- The procedures employed (flow charts, diagrams, etc.); and
- The controls used to ensure accuracy.

Document important changes in the system and their effective dates.

Other Sales Taxes

Atlantic City Luxury Sales Tax

The Atlantic City luxury tax is imposed on certain rentals, sales, and services within Atlantic City. The luxury tax rate is 9% with the exception of alcoholic beverages sold by the drink, which are subject to a rate of 3%. If the item is subject to both taxes, the State sales tax rate is reduced to the extent that the city rate exceeds 6%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 12%.

For more information, request publication ANJ-17, *Atlantic City Luxury Tax & New Jersey Sales Tax*.

Cape May County Tourism Sales Tax

Pursuant to P.L. 1992, c.165, certain businesses in Cape May County are required to collect an additional 2% tourism sales tax on predominantly tourism-related retail sales. The tax collected, which includes the 6% State sales tax, will total 8%. At present, businesses in Wildwood, Wildwood Crest, and North Wildwood are required to collect the tourism sales tax.

“Tourism-related sales” include the following (if also taxable under the Sales and Use Tax Act):

- Hotel, motel, or boarding house lodging;
- Food and drink sold by restaurants, taverns, and other similar establishments for consumption on or off the premises (including mobile vendors and other sellers of prepared food), or by caterers (but *not* including vending machine sales); and
- Admission charges to any place of amusement, including charges for admission to rides, sporting events and exhibitions, dramatic or musical arts performances, movie theaters, and cover charges to nightclubs and cabarets.

Tobacco Products

Wholesale Sales and Use Tax

The Tobacco Products Wholesale Sales and Use Tax is imposed on the sale, use, or distribution of tobacco products, other than cigarettes. The tax paid by the distributor or wholesaler is calculated on the amount paid by the distributor or wholesaler to buy the products from the manufacturer. Cigarettes are exempt from this tax.

Additional Resources

Publication	Title	Publication	Title
S&U-2	<i>Sales Tax and Home Improvements</i>	ANJ-7	<i>Use Tax In New Jersey</i>
S&U-3	<i>Contractors and New Jersey Taxes</i>	ANJ-8	<i>Air Conditioning, Heating, Refrigeration & NJ Sales Tax</i>
S&U-8	<i>Alarm System Businesses</i>	ANJ-16	<i>Vending Machines & New Jersey Sales Tax</i>
S&U-9	<i>Business Purchases</i>	ANJ-18	<i>Printing & Publishing Industries & New Jersey Sales Tax</i>
S&U-10	<i>Telecommunications</i>	ANJ-19	<i>Barber & Beauty Shops & New Jersey Sales Tax</i>
S&U-11	<i>Admission Charges</i>	ANJ-21	<i>Newspapers, Magazines, Periodicals & NJ Sales Tax</i>
ANJ-2	<i>Professional Photographers & New Jersey Sales Tax</i>		
ANJ-5	<i>Floor Covering Dealers & New Jersey Sales Tax</i>		
ANJ-6	<i>Auto Repair Shops & New Jersey Sales Tax</i>		

For More Information

By Phone

- Call the Division of Taxation's Customer Service Center at **609-292-6400**
- TTY equipment users call **1-800-286-6613** (within NJ, NY, PA, DE, and MD) or **609-984-7300** (anywhere)

Online

- Division of Taxation Web site: www.state.nj.us/treasury/taxation/
- E-mail: taxation@tax.state.nj.us

In Writing

New Jersey Division of Taxation
Information and Publications Branch
PO Box 281
Trenton, NJ 08695-0281

Order Forms and Publications

- Call the Forms Request System at **1-800-323-4400** (Touch-tone phones within NJ, NY, PA, DE, and MD) or **609-826-4400** (Touch-tone phones anywhere)
- Call NJ TaxFax at **609-826-4500** from your fax machine's phone
- Visit the Division of Taxation's Web site: www.state.nj.us/treasury/taxation/