



New Jersey Sales Tax Guide

Bulletin S&U-4

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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 29 of this publication.)

Important Changes

P.L. 2006, c.44 made the following changes to the Sales and Use Tax Act.

Effective July 15, 2006

The sales and use tax rate increased from 6% to 7% on all retail sales of taxable merchandise or services.

Effective October 1, 2006

Sales and use tax was extended to charges for the following services and property, including the new category “digital property”:

- Space for storage;
- Tanning services;
- Massage services, unless prescribed by a doctor;
- Tattooing, including permanent body art and permanent cosmetic makeup;
- Investigation and security services, including detective services, patrol services, armored car services, and security system services;
- Information services;

- Limousine services originating in this State, except as provided in connection with funeral services;
 - Membership fees for athletic, sporting, health and fitness, and shopping clubs and organizations;
 - Parking, storing, or garaging a motor vehicle, excluding charges for residential parking, certain employee parking, municipal metered parking, and parking subject to any other law or ordinance; and
 - Digital property, which means electronically delivered music, ringtones, movies, books, audio and video works, and similar products where the customer is granted a right or license to use, retain, or make a copy of such item; and
 - Magazines and periodicals, except those sold by subscription and membership periodicals which are distributed by nonprofit organizations.
- **Laundering.** The sales tax exemption for laundering, dry cleaning, tailoring, weaving, and pressing is limited specifically to providing those services to clothing. The exemption does not apply to items such as draperies, carpets, blankets, comforters, slipcovers, tablecloths, napkins, dust cloths, mats, mops, industrial wiper cloths, fender covers, bed linens, hospital linens, table linens, linen supply towels, and other cloths.
 - **Floor Covering Installation Services.** The exemption for the installation of floor covering that resulted in capital improvement to real property is eliminated. Thus, the labor charge to install floor covering (e.g., carpeting, linoleum, tile, and padding) is now taxable. Businesses that provide floor covering installations are still treated as contractors under the law.
 - **Landscaping Services.** The exemption for landscaping services that result in a capital improvement to land was eliminated. Labor charges for landscaping services, such as seeding, sodding or grass plugging of new lawns; planting trees, shrubs, hedges, plants; and clearing and filling land are now taxable.

The taxability of certain property and services was changed as follows:

- **Software.** The current exemption for pre-written software delivered electronically is limited to electronically delivered software that is used directly and exclusively in the conduct of the purchaser's business, trade or occupation. Thus, electronically delivered software sold to individuals is subject to tax.
- **Delivery Charges.** The law modified the exemption for delivery charges that are separately stated from the purchase price of an item on the invoice, bill, or similar document given to the purchaser. The law provides for the taxation of delivery charges on taxable items and retains the exemption for delivery charges on non-taxable items.

For more information on changes effective October 1, 2006, visit the Division's Web site at: www.state.nj.us/treasury/taxation/salestaxbase.shtml

The law also made two technical changes. First, it included a provision that clarified the sales and use tax collection responsibility of a corporation that does not maintain a place of business in New Jersey but, through another corporation that is related through common ownership, conducts business activity in New Jersey through the actions of the related New Jersey agent corporation in furtherance of common marketing, promotion,

selling, or service activity. Second, it incorporated several rate change provisions of the Streamlined Sales and Use Tax Agreement, into the New Jersey Sales and Use Tax Act.

Streamlined Sales and Use Tax Agreement (SSUTA)

The Streamlined Sales and Use Tax Agreement affects the New Jersey sales tax treatment of certain products and services, including, but not limited to, candy, soft drinks, prepared food, certain clothing and footwear, grooming and hygiene products, and lease transactions. This bulletin also includes a number of product definitions to help explain why items that previously were exempt from New Jersey sales tax are now taxable — and vice versa.

For more information regarding the streamlined sales and use tax changes that took effect October 1, 2005, visit the Division's Web site at: www.state.nj.us/treasury/taxation/streamchanges.shtml

Sales Tax Law

The New Jersey Sales and Use Tax Act imposes a tax of 7% upon the receipts from every retail sale of tangible personal property, digital property, and the sale of certain services, except as otherwise provided in the Act. Tangible personal property is defined to include prewritten computer software delivered electronically. In addition, most services performed upon tangible personal property are taxable unless they are specifically exempted by law. Exempt items include: most food sold as grocery items, most clothing and footwear, disposable paper products for household use, prescription drugs, and over-the-counter drugs.

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 3.5% 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.

P.L. 2006, c.34 made changes to the Urban Enterprise Zones Act. N.J.S.A. 52:27H-60, et seq. The UEZ law provides that the purchase exemption for certain sales made to a qualified business remains effective; however, procedural amendments to the law now require the sales tax to be collected on sales made to qualified businesses on and after July 15, 2006, unless the business is a "small qualified business" (annual gross receipts less than \$1 million in the prior annual tax period.) A qualified business other than a small qualified business must pay the tax at the time of purchase and apply for a refund.

In order to document the exemption between July 15, 2006, and September 30, 2006, the Division published a temporary exemption certificate (Form UZ-5-SB Temporary). Sellers had to obtain the temporary certificate from any business claiming the tax exemption at the point of sale. Sellers can no longer rely on the qualified business's

prior exemption certificate (Form UZ-5). Form UZ-5-SB (Temporary) was a self-executing form and purchasers were required to certify that they meet the annual gross receipts threshold of less than \$1 million in the prior tax period. The effective dates of Form UZ-5-SB (Temporary) were July 15, 2006, to September 30, 2006.

On and after October 1, 2006, small qualified businesses will be issued Form UZ-5-SB, which will be administered in the same manner as the original Form UZ-5. Again, a business that does not qualify as a “small qualified business” will be required to pay sales tax at the point of sale, but may apply to the Division for a refund within one year of the invoice date.

For more information, see the Division’s “[Notice Urban Enterprise Zone Businesses.](#)”

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/econ_uez_program.shtml or see publication *Urban Enterprise Zone Tax Questions and Answers.*

Salem County Reduced Sales Tax

Certain sales made by businesses located in Salem County are subject to sales tax at 50% of the regular rate. Although there are certain exceptions, the 3.5% reduced rate applies solely to retail sales of tangible personal property. 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. In addition, the purchaser must accept delivery at the vendor’s place of business in Salem County, or the vendor must deliver the goods to the purchaser from the vendor’s location 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 \$210 ($\$3,000 \times 7\%$), directly to the State of New Jersey.

For more information about use tax, see 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.

Food and food ingredients (exempt) means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. This term does not include tobacco, alcoholic beverages, candy, or soft drinks.

Dietary supplements (exempt) are any products required by the Federal government to be labeled as a dietary supplement, and that are identifiable by the “Supplement Facts” box on the label. Many items that are commonly marketed as health supplements, energy bars, or meal replacement bars do not fall within the definition of “dietary supplements.” These items could be taxable as candy if they meet the definition below.

Candy (taxable) means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Any preparation containing flour or requiring refrigeration is not considered “candy” and is not subject to sales tax.

Soft drinks (taxable) are nonalcoholic beverages in liquid form that contain natural or artificial sweeteners. Beverages that contain milk or milk products; soy, rice, or similar milk substitutes; or more than 50% fruit or vegetable juice are not

considered “soft drinks” and are not subject to sales tax.

NOTE: Prior to October 1, 2005, a distinction was made between carbonated (taxable) and noncarbonated (exempt) beverages. This distinction is no longer relevant. Now, “soft drinks” are taxable, whether they are carbonated or noncarbonated.

Food and beverages that are eligible to be purchased with food stamps are exempt from sales tax. Thus, taxable items such as candy and soft drinks 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.

Prescription drugs and over-the-counter (OTC) drugs are also exempt from tax provided there is a label identifying the product as a drug, such as a “Drug Facts” panel or a statement of active ingredients. Beginning October 1, 2005, the OTC drug exemption does not apply to any **grooming and hygiene product**, which means a soap or cleaning solution, shampoo, toothpaste, mouthwash, antiperspirant, suntan lotion, or sunscreen.

Medical Equipment and Supplies. Diabetic supplies, prosthetic devices, durable medical equipment for home use, and mobility enhancing equipment are exempt from tax. Repair and replacement parts for such devices and equipment are also exempt. However, such items are subject to tax when purchased for use in providing medical services for compensation, and are not

transferred to the purchaser of the medical services. Thus, medical equipment purchased for use within a medical facility which does not go with the patient when he or she leaves the facility is subject to tax.

Examples of “prosthetic devices” include: hearing aids, pacemakers, heart valves, prescription eyeglasses and contact lenses, artificial limbs. Examples of “durable medical equipment” include: bath and shower chairs, bed pans, raised toilet seats. Examples of “mobility enhancing equipment” include: canes, crutches, wheelchairs, wheelchair lifts, hand controls for vehicles.

The following is a list of items commonly found in a retail store, with an indication of whether the item is taxable (T) or exempt (E) from sales tax *when sold to an individual consumer*. The taxability for items whose status changed on October 1, 2005, is shown in bold (T or E). Where applicable, a footnote indicates the product definition to refer to for more information. Some items found on the list may become taxable if sold as prepared food. See the definition of *prepared food* on page 19. For additional information, see the [Notice regarding food and food products](#).

Acne Products:

Creams or Lotions	E
Cleansers or Soaps	T ⁵
Air Fresheners	T
Alcohol, Rubbing.....	E
Alcohol, Swabs and Pads	E
Alcoholic Beverages (prepackaged or by the drink)	T
Allergy Relief Products	E
Aluminum Foil	T

Ammonia	T
Anesthetics	E
Antacids	E
Antibiotics	E
Antifungals	E
Antihistamines	E
Antinauseants	E
Antiperspirants.....	T
Arch Supports	E
Arthritis Relievers.....	E
Artificial Tears	E
Aspirins and Combinations	E
Asthma Preparations	E
Astringents	E
Athlete’s Foot Treatments.....	E
Baby Bath Soaps-Liquid, Bar	T
Baby Food	E
Baby Formulas	E
Baby Lotions	T
Baby Pants	E
Baby Powder	T
Baby Shampoos	T
Baby Wipes	E
Bags:	
Cloth, Plastic	T
Paper for household use	E
Baked Goods.....	E
Baking Cups:	
Foil	T
Paper for household use	E
Baking Powder	E
Baking Soda.....	E
Balloons	T
Bandages	T
Band Aids	T
Bath Beads, Oils, Sachets	T
Bathing Caps.....	E

The taxability of certain items changed on October 1, 2005. Refer to the following definitions for more information.

¹ Food and food ingredients, page 5. ³Candy, page 5. ⁵Grooming and hygiene products, page 5.
² Dietary supplements, page 5. ⁴Soft drinks, page 5. ⁶Prescription drugs and over-the-counter (OTC) drugs, page 5.
⁷Clothing, page 20.

Bathroom Cleaners	T	Cake Mixes	E
Batteries	T	Calling Cards, Telephone (prepaid):	
Batteries-Hearing Aid	E	Sale of Card	T
Bed Linens	T	Additional Minutes	T
Bed Pans <i>for home use</i>	E	Camera Lens and Eyeglass Cleaner	
Bee Sting Relievers	E	Tissues	T
Beverage Powders (Kool-Aid,		Candles	T
lemonade, iced tea)	E	Candy	T ³
Beverages, Sweetened:		Taxable <i>unless</i> product contains	
Containing milk, milk products, or		flour (e.g., Nestle Crunch) or	
milk substitutes (soy, rice, etc.)	E ⁴	requires refrigeration	
Containing more than 50% juice	E ⁴	Canes	E
Containing no milk products and		Canker Sore Preparations	E
containing 50% or less juice	T ⁴	Canned Goods:	
Beverages, Unsweetened	E ⁴	Fruits	E
Bibs	E	Meats, Fish (except pet food)	E
Bird Food	T	Milk	E
Birth Control Preparations	E ⁶	Vegetables	E
Biscuits, Crackers	E	Car Wash and Wax	T
Blankets (except baby		Carbonated Beverages (See <i>Beverages</i>)	
receiving blankets)	T	Carpet Cleaners	T
Bleach-Liquid, Dry	T	Carpet Deodorizers	T
Blistex [®] (medicated)	E	Castor Oil	E
Blood Pressure Cuffs <i>for home use</i>	E	Cat Food	T
Books (except certain textbooks		CDs, Cassettes, DVDs	T
approved by the school)	T	Cereal Bars	* ³
Bottled Water:		*Taxability depends on ingredients.	
Unsweetened	E ⁴	See <i>Candy</i> , page 5.	
Sweetened	T ⁴	Cereals	E
Braces-Ankle, Knee	E	Chapstick [®] (medicated)	E
Bread and Rolls	E	Charcoal, Charcoal Briquets	E
Breast Cream	T	Cheese, Cheese Spreads	E
Breast Pump	T	Chewing Gum	T
Breast Shells, Bra Pads	E	Chewing Tobacco	T
Breath Freshener	T	Chips-Chocolate, Butterscotch, etc.	
Bubble Bath	T	(for use in baking):	
Butane	E	Sweetened	T ¹
		Unsweetened	E

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Chips-Potato, Corn, etc.....	E	Cornstarch.....	E
Christmas Trees	T	Cosmetics	T
Christmas Tree Skirts-Paper, Cloth	T	Costumes	E ⁷
Cigarette Filters	T	Cottonballs.....	T
Cigarette Papers	T	Cough Preparations.....	E
Cigarettes	T	Cream, Milk, Half and Half.....	E
Cigars.....	T	Crepe Paper.....	T
Cleaning Liquids, Powders.....	T	Crutches.....	E
Clothes Lines	T	Cups:	
Clothes Pins	T	Paper for household use.....	E
Clothing (see <i>Clothing and Footwear</i> , page 20)		Plastic, Foam	T
Cocktail Onions, Olives.....	E	Cuticle Remover	T
Cocktail Sauces	E	Dandruff/Seborrhea Shampoo	T ⁵
Cocoa, Instant	E	Decongestants	E
Cod Liver Oil.....	E	Decorations-Paper, Plastic	T
Coffee (beans, packaged, instant).....	E	Dehydrated Food (hunting, etc.).....	E
Coffee Filters-Paper for household use.....	E	Dental Floss	T
Coffee Pot Cleaners	T	Dental Rinse	T
Cold Preparations and Remedies	E	Denture Adhesives, Preparations	T
Cold Sore Preparations	E	Deodorants, Antiperspirants	T
Combs.....	T	Deodorizers-Room, Car, Carpet	T
Computers: (see also <i>Services</i> , page 14)		Depilatories.....	T
Computer Systems	T	Detergents	T
Hardware Components	T	Diabetic Supplies:	
Prepackaged Software	T	Glucometers.....	E
Condiments (catsup, mustard, etc.).....	E	Lancets.....	E
Condoms.....	T	Syringes	E
Confections (see <i>Candy</i>).....	T	Test Strips	E
Constipation Products.....	E	Diaper Liners	E
Contact Lens Care Products	T	Diapers (including disposable).....	E
Contact Lens Cleaner, Solution	T	Diarrhea Aids	E
Contact Lenses (prescription).....	E	Digestive Aids.....	E
Contraceptive Preparations	E ⁶	Dinnerware:	
Cooking Wine	E	Paper for household use.....	E
Copper Cleaner	T	Plastic, Foam	T
Corn and Callus Pads.....	T	Dips (cheese, onion, etc.).....	E
Corn and Callus Removers	E	Dish Detergents	T

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Disinfectants	T	First Aid Products:	
Distilled Water	E	Bandages	T
Diuretics	E	Healing Agents, Solutions, etc.	E
Dog Food	T	Fishing Bait	T
Doilies-Paper, Foil	T	Flags:	
Douches:		State of New Jersey	E
Antiseptic, Anti-Infectious	E	United States of America	E
Cleaning, Deodorizing	T	All Others	T
Drain Openers, Cleaners	T	Flashlights	T
Drawer Liners	T	Flatware	T
DVDs, CDs	T	Flea Collars	T
Dyes	T	Floor Cleaners and Polishes	T
Ear Preparation, Ache Aids	E	Floor Coverings	T
Ear Syringes	E	Floor Finishes (Wax)	T
Eczema Preparations	E	Floor Wax Remover	T
Eggs (fresh, dried)	E	Flowers	T
Electrical Supplies	T	Food Coloring	E
Energy Bars	* ³	Food Wraps:	
*Taxability depends on ingredients.		Aluminum Foil	T
See <i>Candy</i> , page 5.		Paper Freezer Wrap for household use	E
Epsom Salt:		Plastic Storage Bags	T
Garden Use	T	Plastic Wrap	T
Medical Use (for humans)	E	Waxed Paper for household use	E
Expectorants	E	Foot Care Preparations	E
Eye Preparations	E	Foot Deodorizers	T
Eyeglass Cleaner Tissues	T	Footwear (see <i>Clothing and Footwear</i> , page 20)	
Eyeglass Frames (fitted with		Formica Cleaners and Polishes	T
corrective lenses)	E	Freezer Packs (blue ice)	T
Eyeglasses (corrective)	E	Frozen Foods (see also <i>Ice Cream</i>)	E
Fabric Softeners	T	Fruit	E
Facial Cleansing Pads	T	Fruit Drinks (containing 50% or less juice) ..	T ⁴
Feminine Napkins, Tampons	E	Fuels:	
Fever Blister Aids	E	Charcoal	E
Fiberglass Cleaner	T	Charcoal Lighter	E
Film, Film Processing	T	Cigarette Lighter Fluid	E
Firewood	E	Fungicides	E
First Aid Kits	T	Furniture	T

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Furniture Polishes and Cleansers	T	Hypodermic Syringes and Needles	E
Fuses	T	Ibuprofen	E
Garbage Pails	T	Ice	E
Garden Supplies	T	Ice Buckets, Ice Chests	T
Gatorade	T ⁴	Ice Cream:	
Gelatin and Gelatin Desserts	E	Individually wrapped bars,	
Gift Certificates	E	sandwiches, popsicles, cones	
Gift Wrap, Bows, Boxes, Tags	T	(single item or by the box)	E
Glass Cleaners	T	By the gallon or part thereof	E
Gloves	E	Ice Cream Cones (hand-dipped)	T
Granola Bars	* ³	Iced Tea:	
*Taxability depends on ingredients.		Liquid, sweetened	T ⁴
See <i>Candy</i> , page 5.		Liquid, unsweetened	E
Greeting Cards	T	Powder, sweetened or unsweetened	E
Grenadine	E	Ingrown Nail Preparations	E
Grip Tape	T	Insect Bite and Sting Preparations	E
Guest Towels-Paper <i>for household use</i>	E	Insecticides, Repellents	T
Hair Care Products:		Instant Cocoa, Coffee, Tea	E
Brushes, Combs	T	Insulin	E
Conditioners	T	Iodine, Tincture of	E
Curler Papers	T	Itch, Rash Relievers	E
Rinses	T	Jams and Jellies	E
Rogaine®	T	Jewelry Cleaners	T
Shampoos	T	Juice Drinks:	
Halloween Masks	T	Containing 50% or less juice	T ⁴
Hand Cleaners	T	Containing over 50% juice	E
Hand Lotion	T	Keys	T
Hay Fever Aids	E	Laundry Soaps and Detergents	T
Headache Relief Aids	E	Lawn Bags	T
Health/Fitness Equipment (weights,		Laxatives	E
exercise balls, steps, etc.)	T	Leather Cleaners (saddle soap)	T
Heating Pads	E	Leavening Agents	E
Hemorrhoid Treatments	E	Lemonade:	
H.I.V. Testing Kits (only when sample is		Liquid, sweetened	T ⁴
sent to lab for analysis and report)	E	Powdered	E
Hosiery, all types	E	Lice Treatments (for humans)	E
Hot Chocolate, Instant	E	Light Bulbs	T

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Lighter Fluid	E	Mixes for alcoholic beverages:	
Linens	T	Powdered	E
Liners (garbage can, shelf, etc.)	T	Liquid, unsweetened	E
Lint Removers	T	Liquid, sweetened (see <i>Beverages</i>)	
Lip Balms (medicated)	E	Mops, Mop Handles	T
Lipstick	T	Motion Sickness Remedies	E
Litter Box Liners	T	Mouthwash	T
Lotions:		Muscle Ache Relievers	E
Cleansing	T	Nail Biting Deterrents	T
Moisturizing	T	Nail Polish	T
Lunch Bags:		Nail Polish Remover	T
Paper for household use	E	Napkins, Table-Paper for household use	E
Plastic	T	Nasal Sprays, Decongestants	E
Lye	T	Newspapers	E
Magazines (or periodicals), qualified:		Nicotine Gum	E
(see <i>Newspapers, Magazines, and Books,</i>		Nicotine Patch	E
page 19)		Nursing Bottles, Nipples, Funnels	T
Sold as single copies (hard copies)	T	Nursing Pads-Paper	E
Sold as single copies (electronic)	E	Nuts:	
Sold by subscription	E	Unsweetened	E
Make-up	T	Sweetened (see <i>Candy</i>)	
Make-up Remover	T	Oil-Cooking, Salad	E
Maraschino Cherries	E	Olives	E
Marshmallow Fluff	E	Oral Pain Relievers	E
Marshmallows	T ³	Orthopedic Devices	E
Matches	T	Oven Cleaners	T
Meats	E	Oven Cooking Bags:	
Medicines (for pets)	T	Paper for household use	E
Menstrual Cramp Relievers	E	Plastic or Aluminum	T
Metal Cleaners and Polishes	T	Ovulation Testing Kits	T
Mildew Remover	T	Oxygen	E
Milk (fresh, dried), Cream,		Paint Remover	T
Half and Half	E	Paper Bags for household use	E
Mineral Oil	E	Paper Goods (plates, towels, etc.)	
Mineral or Herbal Supplements		for household use	E
(in form of pills, capsules, etc.)	E ²	Paperback Books	T
Mixes for Soups	E	Pedialyte	E
		Peroxide, Hydrogen (for medical use)	E

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Pet Foods	T	Rock Salt	T
Pet Shampoo	T	Rogaine®	E ⁶
Pet Supplies	T	Rubber Gloves	E
Petroleum Jelly	T	Rug Cleaners and Shampoos	T
Pets	T	Rug Deodorizers	T
Pickles	E	Salads (potato salad, coleslaw, etc.)	E
Pies, Pie Crusts	E	Saliva Substitutes	E
Pillows	T	Salt and Salt Substitutes	E
Place Mats:		Sandwich Bags:	
Cloth and plastic	T	Paper for household use	E
Paper for household use	E	Plastic	T
Plants (including fruit, vegetable)	T	Sanitary Napkins, Tampons	E
Plastic Items	T	Scouring Pads	T
Plates:		Seeds (flower or vegetable)	T
Paper for household use	E	Shampoos	T
Plastic, Foam	T	Shaving Cream	T
Poison Ivy and Oak Treatment		Shelf Liners	T
Preparations	E	Shoe Inserts (Odor Eaters)	E
Polishing Cloths and Mitts	T	Shoe Laces	E
Popcorn:		Shoe Polish	T
Popped, sweetener added	T ³	Shoes (see <i>Clothing and Footwear</i> , page 20)	
Popped, no sweetener added	E	Shower Caps	T
Unpopped, any flavor	E	Sinus Relievers	E
Powdered Beverage Mix	E	Skin Bleaches	T
Pregnancy Testing Kits	T	Skin Irritation Relievers	E
Prescription Contraceptives	E	Sleep Aids	E
Prescription Drugs	E	Snuff	T
Pre-Soaks, Laundry	T	Soap	T
Preserves	E	Soap Pads	T
Pretzels (unheated)	E	Soups, Soup Mixes	E
Propane	E	Spaghetti	E
Prosthetic Aids	E	Spices	E
Puddings	E	Sponges	T
Pumpkins:		Stain and Spot Remover	T
Used for food	E	Starch:	
Used for decoration	T	Corn	E
Rainhoods	E	Laundry	T

The taxability of certain items changed on October 1, 2005. Refer to the following definitions for more information.

¹ Food and food ingredients, page 5. ³ Candy, page 5.

⁵ Grooming and hygiene products, page 5.

² Dietary supplements, page 5. ⁴ Soft drinks, page 5.

⁶ Prescription drugs and over-the-counter (OTC) drugs, page 5.

⁷ Clothing, page 20.

Static Remover	T	Towels:	
Stationery	T	Cloth	T
Steel Wool	T	Paper for household use	E
Stirrers (wood, plastic)	T	Trashbags and Liners	T
Straws:		Undergarments, Disposable	E
Paper for household use	E	Underpads, Disposable-Paper	E
Plastic	T	Upholstery Cleaners	T
Sugar and Sugar Substitutes	E	Vacuum Cleaner Bags:	
Sunburn Relief Products	E	Cloth, Plastic	T
Sunglasses	T	Paper for household use	E
Sunscreens	T	Vaporizer Tablets	T
Surgical Adhesive	T	Vaseline®	T
Table Covers:		Vegetables	E
Paper for household use	E	Vitamins	E
Plastic	T	Wart Removers	E
Tampons (and like products)	E	Water:	
Tape	T	Unsweetened	E
Tea (prepackaged, dry, or instant)	E	Sweetened	T ⁴
Tears, Artificial	E	Water Conditioners	T
Teething Lotions	E	Water Pills	E
Telephone Calling Cards (prepaid):		Water Repellent	T
Sale of Card	T	Wax	T
Additional Minutes	T	Wax Remover	T
Tenderizers	E	Waxed Paper for household use	E
Thermometers (reusable) for home use	E	Wheelchairs	E
Tile Cleaners	T	Whipped Cream	E
Tissue (facial and toilet) for household use	E	Whiteners, Laundry	T
Tobacco	T	Wigs	T
Toilet Bowl Cleaners	T	Window Cleaning Liquids	T
Toilet Bowl Deodorizers	T	Windshield Washer Solution	T
Tooth Ache Relievers	E	Wipes:	
Tooth Desensitizers	T ⁵	Handi-Wipes (rayon)	T
Tooth Polish	T	Witch Hazel	E
Toothbrushes	T	Wool Washes	T
Toothpaste	T	Wrapping Paper, Bows	T
Toothpicks	T	Wraps:	
Towelettes for household use	E	Foil, Plastic	T
		Paper for household use	E

The taxability of certain items changed on October 1, 2005. Refer to the following definitions for more information.

¹ Food and food ingredients, page 5. ³ Candy, page 5.

⁵ Grooming and hygiene products, page 5.

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⁶ Prescription drugs and over-the-counter (OTC) drugs, page 5.

⁷ Clothing, page 20.

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;
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.

As of October 1, 2006, P.L. 2006, c.44 changed the taxability of the following:

Prewritten Computer Software Delivered Electronically (N.J.S.A. 54:32B-8.56)

The law limits the current exemption for pre-written computer software delivered electronically to electronically delivered computer

software that is used directly and exclusively in the conduct of the purchaser's business, trade or occupation. Thus, electronically delivered software sold to individuals is subject to tax.

Laundering (N.J.S.A. 54:32B-3(b)(2))

The law specifically limits the sales tax exemption for laundering, dry cleaning, tailoring, weaving, and pressing to providing these services to clothing. As a result, all of these services will be taxable when performed on property such as draperies, carpets, blankets, comforters, slipcovers, tablecloths, napkins, dust cloths, mats, mops, industrial wiper cloths, fender covers, bed linens, hospital linens, table linens, linen supply towels, and other cloths.

Installing Floor Coverings (N.J.S.A. 54:32B-3(b)(2)) See [Tax Note](#) on this topic.

Previously, certain floor covering installation services that resulted in a "capital improvement" were exempt. The law eliminated the exemption for the installation of floor covering, which includes carpeting, linoleum, tile, and padding, so now the labor is taxable. Businesses that provide floor covering installations are still treated as contractors under the law.

Landscaping Services (N.J.S.A. 54:32B-3(b)(2)) See [Tax Note](#) on this topic.

The law defines "landscaping services" as services that result in a capital improvement to land, other than structures of any kind whatsoever, such as: seeding, sodding, or grass plugging of new lawns; planting trees, shrubs, hedges, plants; and clearing and filling land. (N.J.S.A. 54:32B-2(w)). Previously, certain landscaping services that resulted in a capital improvement were exempt. The law eliminated the capital improvement exemption for landscaping services, so now

the labor is taxable. Businesses that provide landscaping services are still treated as contractors under the law.

Delivery Charges for Taxable Goods and Services (N.J.S.A. 54:32B-8.11; 54:32B-2(oo)(1)(D))

The law modified the exemption for delivery charges that are separately stated from the purchase price of an item on the invoice, bill, or similar document given to the purchaser. The law provides for the taxation of delivery charges on taxable items and retains the exemption for delivery charges on nontaxable items like clothing, goods purchased for resale, and goods covered by any other statutory exemption provision.

The law defines “delivery charges” as charges by the seller for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage handling, crating, and packing. If a shipment includes both exempt and taxable property, the seller should allocate the delivery charge by using: (1) a percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment; or (2) a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment. N.J.S.A. 54:32B-2(rr). Thus, only the portion of the delivery charge that relates to the taxable property or services is subject to tax.

As of October 1, 2006, P.L. 2006, c.44 imposed sales and use tax on the following services:

Space for Storage (N.J.S.A. 54:32B-3(b)(3))

See [Tax Note](#) on this topic.

Furnishing of space for storage of tangible personal property, by a person engaged in the business of furnishing space for such storage.

The law defines “space for storage” as secure areas, such as rooms, units, compartments, or containers, whether accessible from outside or from within a building, that are designated for the use of a customer, where the customer has free access within reasonable business hours, or upon reasonable notice to the furnisher of the space, to store and retrieve property. Space for storage does not include the lease or rental of an entire building, such as a warehouse or airplane hangar.

Tanning Services (N.J.S.A. 54:32B-3(b)(8))

Tanning services, including the application of a temporary tan provided by any means.

Massage Services (N.J.S.A. 54:32B-3(b)(9))

See [Tax Note](#) on this topic.

Massage, bodywork, or somatic services, except such services provided pursuant to a doctor’s prescription.

Tattooing (N.J.S.A. 54:32B-3(b)(10))

Tattooing, including all permanent body art and cosmetic make-up applications.

Investigation and Security Services (N.J.S.A. 54:32B-3(b)(11)) See [Tax Note](#) on this topic.

The law defines “investigation and security services” as:

1. Investigation and detective services, including detective agencies and private investigators, and fingerprint, polygraph, missing person tracing, and skip tracing services;
2. Security guard and patrol services, including bodyguard and personal protection, guard dog, guard, patrol, and security services;
3. Armored car services; and

4. Security systems services, including security, burglar, and fire alarm installation, repair, or monitoring services. N.J.S.A. 54:32B-2(xx).

NOTE: Alarm monitoring service has been subject to tax since July 1, 1990, as a telecommunications service.

Information Services (N.J.S.A. 54:32B-3(b)(12)) See [Tax Note](#) on this topic.

The law defines “information services” as the furnishing of information of any kind, which has been collected, compiled, or analyzed by the seller, and provided through any means or method, other than personal or individual information which is not incorporated into reports furnished to other people. N.J.S.A. 54:32B-2(yy).

Limousine Services (N.J.S.A. 54:32B-3(b)(13))

Transportation services originating in this State and provided by a limousine operator, as permitted by law, except such services provided in connection with funeral services.

Membership Fees (N.J.S.A. 54:32B-3(h))

See [Tax Note](#) on this topic.

Initiation fees, membership fees, or dues for access to or use of the property or facilities of a health and fitness, athletic, sporting, or shopping club or organization in this State, except for membership in a club or organization whose members are predominantly age 18 or under.

Parking (N.J.S.A. 54:32B-3(i))

The receipts from parking, storing, or garaging a motor vehicle, excluding charges for the following types of parking: residential parking; employee parking, when provided by an employer or at a facility owned or operated by the employer; municipal metered parking; and parking

receipts subject to tax imposed by any other law or ordinance (e.g., municipal parking taxes).

The following is a list of common services, with an indication of whether the item is taxable (T) or exempt (E) from sales tax.

Accounting Services:

Professional Services E

Electronic Filing Charges T

Admission Charges (over \$0.75):

Spectator Sports:

(baseball games, basketball games, professional wrestling events, etc.) T

Participant Sports:

(bowling, fishing, swimming, etc.) E

Places of Amusement:

(movie theaters, amusement parks, trade shows, craft shows, etc.) T

Advertising Services (in general) E

Alarm Monitoring:

Via control station T

Animal Boarding T

Animal Grooming T

Answering Services, Telephone T

Appliance Repairs T

Appraisals:

(jewelry, real estate, etc.) E

Architectural Services (in general) E

Armored Car Services T

Automobile Repairs:

Inspection Sticker E

Labor T

Parts T

Barber Shop Services E

Beauty Parlor Services E

Beeper and Paging Services T

Boat Docking Fees:

Slip Rentals E

Storage-water or land T

Bookkeeping Services	E	Landscaping Services	T
Cable Television Subscription	E	Laundry Services:	
Car Washing	T	Clothing	E
Carpet Cleaning	T	Other	T
Catering Services	T	Lawn Mowing Services	T
Child/Day Care	E	Limousine Services	T
Cleaning Services (janitorial)	T	Provided for funeral	E
Computer Maintenance/Repair	T	Provided solely within NJ	T
Credit Check/Report	T	Locker Rentals	T
Credit Repair Services	E	Maintenance Agreements	T
Data Processing Services	E	Manufacturer's Rebate:	
Debt Collection	E	(automobile, etc.)	T
Delivery Charges:		Massage Services	T
On Taxable Items	T	Provided pursuant to doctor's	
On Nontaxable Items	E	prescription	E
Digital Property	T	Membership Fees*:	
Direct-Mail Processing Services for		Discount Clubs	E
Advertising/Promotional Material:		Health/Fitness/Athletic/Sporting Clubs ..	T
Distributed in NJ	T	Shopping Clubs	T
Distributed outside NJ	E	Professional/Social Clubs	E
Disc Jockey	E	Parking:	
Dry Cleaning		Parking, storing, or garaging a	
Clothing	E	motor vehicle	T
Other	T	Residential	E
Electronic Filing Charges	T	Municipal metered	E
Employment Agency Fees	E	At facility owned/operated by employer .	E
Extended Warranty Agreements	T	Provided to employee by employer	E
Facsimile (Fax) Services	T	Parking receipts subject to tax imposed	
Floor Covering Installation	T	by any other law or ordinance	E
Garbage Removal:		Pest Control:	
Contractual (30 days or more)	E	Inspection	E
Non-Contractual	T	Treatment	T
Home Repairs (except residential		Pet-Sitting	E
heating systems as explained above)	T	Photocopying Services	T
Information Services	T	Photographer's Services	T
Insurance Premiums	E	Prewritten Computer Software Delivered	
Interior Design	E	Electronically:	
Internet Access Charges	E	Sold to individuals	T
Investigation and Detective Services	T	Used directly in the conduct of the	
		purchaser's business/trade	E

***Tax does not apply to memberships in clubs whose members are predominantly age 18 or under.**

Printing Services	T
Professional Services:	
(doctor, lawyer, etc.)	E
Restaurant Meals	T
Safe Deposit Box Rental.....	T
Scanning (photos, records, etc.).....	T
Security Guard and Patrol Services	T
Security Systems Services	T
Service Contracts:	
(on taxable property).....	T
Shoe Repair.....	E
Silk-Screening, Monogramming, Embroidering:	
Purchase of Clothing Included.....	E
Services Only	T
Snow Removal.....	T
Space for Storage	T
Storage Service Charges	T
Tanning Sessions	T
Tattooing	T
Telecommunications Services:	
(telephone, telegraph, pagers, alarm monitoring, etc.)	T
Telephone Answering Services	T
Tips and Gratuities (separately stated and paid in full to employees)	E
Towing	E
Transportation (see definition of <i>delivery</i> <i>charges</i> , page 15)	E
Trash Removal:	
Contractual (30 days or more)	E
Non-Contractual	T
Travel Agency Fees.....	E
Typing Services.....	E
Utilities (natural gas, electricity)	T †
Videography	T
Web Site Design	E
Web Site Hosting	E
Window Washing.....	T

†Effective 1/1/98, included in rate

Coupons

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

- 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.

Example: A store issues a coupon labeled “mfr.” entitling the holder to purchase an item for \$10 less than the regular price.

Regular price	\$ 99.95
7% sales tax	+ 7.00
Total before discount	\$106.95
Manufacturer’s coupon	– 10.00
Customer pays	\$ 96.95

- 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.

Example: A store issues a coupon entitling the holder to purchase a product for 50 cents less than the regular price.

Regular price	\$ 2.37
Store coupon	– 0.50
Taxable receipt	\$ 1.87
7% sales tax	+ 0.13
Customer pays	\$ 2.00

- 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 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, and additional examples, see publication [ANJ-9, Coupons, Discounts & New Jersey Sales Tax](#).

Prepared Food

Beginning October 1, 2005, the distinction between whether food is being purchased for consumption on-premises or off-premises is no longer relevant. Sales of prepared food are subject to sales tax. **Prepared food**, which includes beverages, means:

- Food sold in a heated state or heated by the seller; or
- Two or more food ingredients combined by the seller and sold as a single item; or
- Food sold with eating utensils provided by the seller.

Food that is only cut, repackaged, or pasteurized by the seller, as well as eggs, fish, meat, poultry,

and foods that contain these raw animal foods that require cooking by the consumer are not treated as prepared food.

The following are *not* treated as prepared food, *unless* the seller provides eating utensils with the items:

- Food sold by a seller that is a manufacturer;
- Food sold in an unheated state by weight or volume as a single item; and
- Bakery items sold as such, including bread, rolls, buns, bagels, donuts, cookies, muffins, etc.

Eating utensils include plates, knives, forks, spoons, glasses, cups, napkins, or straws.

The sale of prepared food by restaurants, taverns, or other establishments engaged in selling food that fits within the above definition is subject to sales tax.

For additional information, see the [Notice regarding food and food products](#).

Newspapers, Magazines, and Books

The sales of newspapers are exempt from sales tax. Magazines and periodicals sold by subscription are exempt whether or not they are accessed by electronic means. Magazines sold as single copies are taxable when sold in printed form; however, they are exempt when delivered electronically. Membership periodicals are also exempt. A “membership periodical” is any periodical distributed by a nonprofit organization to its members as a benefit of membership in the organization. N.J.S.A. 54:32B-8.5(b). For more information, see [ANJ-21, Newspapers, Magazines, Periodicals & New Jersey Sales Tax](#).

Sales of books, both hardback and softback, including sales of the Bible or other sacred scripture are taxable.

Digital Property

Under P.L. 2006, c.44, effective October 1, 2006, “digital property” is subject to tax. Digital property is defined as electronically delivered music, ringtones, movies, books, and audio and video works and similar products, where the customer is granted a right or license to use, retain, or make a copy of such item. For additional information, see the [Tax Note](#) on this topic.

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 certain athletic equipment.

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.

As of October 1, 2005, “protective equipment necessary for the daily work of the user” is specifically exempt. **Protective equipment** means items for human wear and designed as protection of the wearer against injury or disease, or as protections against damage or injury to other persons or property, but not suitable for general use. Examples include protective eye goggles or a protective helmet *for work*. However, goggles or helmets worn for sports are *not* exempt.

NOTE: Beginning July 15, 2006, fur clothing is subject to the Fur Clothing Gross Receipts Tax. For additional information, see the [Notice to retail sellers of fur clothing](#).

Exempt Clothing and Footwear

Aprons (household and shop)
Arch Supports
Athletic Supporters
Baby Receiving Blankets
Bathing Caps
Bathing Suits
Beach Capes and Coats
Belts and Suspenders
Bibs
Boots
Bowling Shirts (if suitable for ordinary street wear)
Camp Clothes
Coats, Jackets, and Wraps (for either evening or daytime wear)
Costumes (e.g., Halloween, dance; whether for adults or children)
Diapers (including disposable, whether for adults or children)
Dress Shields
Dresses (including evening wear)
Ear Muffs
Footlets
Formal Wear
Garters and Garter Belts
Girdles
Gloves and Mittens (for general use)
Hand Muffs
Hats and Caps
Head and Neck Scarves and Bandannas
Hosiery and Peds
Incontinence Briefs
Lab Coats

Leotards and Tights
Neckties
Overshoes
Pantyhose
Rainwear
Rubber Gloves (for home or work use)
Rubber Pants
Safety Clothing (normally worn in hazardous occupations)
Sandals
Shoe Insoles (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
Steel-Toed Shoes
Stockings
Thermal Underwear
Underwear
Uniforms (athletic, school, scout, work, etc.)
Wedding Apparel
Work Clothes, Work Uniforms
Yarmulke and Turbans

Protective Equipment

Breathing Masks
Clean Room Apparel and Equipment
Ear and Hearing Protectors
Face Shields
Hard Hats
Helmets
Protective Goggles
Respirators (paint or dust)
Safety Glasses and Goggles

Safety Belts
Tool Belts
Welders' Gloves and Masks

Sport or Recreational Clothing and Footwear/Equipment

Sport or recreational equipment that is worn only in conjunction with a particular sport is taxable. Articles which can be adapted for general use not exclusively connected with a sporting activity are exempt from tax.

Taxable:

Athletic Shoes (cleated or spiked)
Ballet and Tap Shoes
Baseball and Hockey Gloves
Bicycle Shorts (padded)
Bowling Shoes
Fishing Boots (waders)
Gloves (e.g., baseball, bowling, boxing, hockey, golf)
Goggles
Golf Shoes
Hand and Elbow Guards
Helmets (sports and motorcycle)
Ice Skates
Life Preservers and Vests
Mouth Guards
Protective Masks
Roller Blades
Roller Skates (boot and screw-on)
Shin Guards and Padding
Shoulder Pads
Ski Boots
Skin Diving Suits
Snorkel and Scuba Masks
Sweatbands
Swim Fins
Track Shoes and Cleats
Waders
Wetsuits and Fins

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

Accessories

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

- | | |
|---------------------------------|---------------------------------------|
| Backpacks | Key Rings |
| Barrettes | Patches and Emblems (sold separately) |
| Belt Buckles (sold separately) | Shower Caps |
| Bobby Pins | Sunglasses (non-prescription) |
| Briefcases | Handbags |
| Cosmetics | Handkerchiefs |
| Costume Masks (sold separately) | Sweatbands |
| Elastic Ponytail Holders | Umbrellas |
| Hair Bows | Wallets |
| Hairclips | Watches |
| Hairnets | Watch Bands |
| Headbands | Wigs and Hair Pieces |
| Jewelry | |
| Key Cases | |

Yarn Goods, Yarns, Sewing Equipment, and Supplies

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
- Lace
- Ribbons
- Seam-Binding and Bias Tape
- Thread
- Yarn
- 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
- Pins
- Sewing Machines
- Scissors
- Tape Measures
- Thimbles

Leasing

The streamlined sales and use tax changes affect the tax treatment of leases and rentals that are entered into on or after October 1, 2005. Prior to October 1, 2005, a distinction was made between leases and rentals. A “lease” was a long-term transaction with an original contract term longer than 28 days on which the lessor (owner of the leased property) was responsible for paying use tax. A “rental” was a short-term transaction with an original contract term of 28 days or less on which the renter paid sales tax.

Beginning October 1, 2005, the 28-day contract term distinction between leases and rentals is no longer relevant. The lessor must now collect sales tax from the lessee (person who leases or rents property) regardless of the length of the lease or rental. For leases or rentals with a term of *six months or less*, sales tax must be collected with each periodic payment. For leases or rentals of *more than six months*, the full amount of tax is due up front in the period in which the lessee takes delivery of the property.

For transactions with a term of more than six months, the tax must be calculated using either the original purchase price of the property, or the total of the periodic payments required under the agreement, including interest charges directly paid by the lessee. When sales tax is paid on the purchase price, it does not have to be paid again if the lease is renewed or if the same property is subsequently leased to another party.

The changes in the law do not affect the treatment of leases or rentals entered into prior to October 1, 2005, regardless of whether the property is removed from or brought into New Jersey after October 1, 2005, before the lease or rental

expired. Leases (or rentals) that are renewed for an additional period are considered new transactions to which the new rules apply.

For additional information, including information on which state’s tax applies to a transaction, see the [Notice regarding 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 return (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 return for that quarter has been filed, an Amended Quarterly Return must be filed with the Division of Taxation. Quarterly returns can be amended online or by phone through the Business Paperless Telefiling System. If the error resulted in an overpayment of tax, file a Claim for Refund (Form A-3730). Business owners must have records of canceled sales, returned goods, or uncollectible 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. More information on Public Records Filing is available in the New Jersey Complete Business Registration Package (NJ REG) or by calling 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.)

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.

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 that are subject to use tax
- Lease/rental transactions that are subject to 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. Information on [filing requirements and reporting methods](#) is available on the Division of Taxation's Web site.

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. The New Jersey seller *accepting* an exemption certificate *must* always be registered with New Jersey. The most common certificates are the Resale Certificate (Form ST-3), Exempt Use Certificate (Form ST-4), and Exempt Organization Certificate (Form ST-5).

The seller should accept an exemption certificate only if it is filled out completely and if the certificate does not contain any statement or entry which the seller knows is false or misleading.

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.

SSUTA Exemption Certificate. The Streamlined Sales and Use Tax Agreement provides for simplification and standardization in the administration of exemptions. A uniform Certificate of Exemption, which will be accepted by all SSUTA member states, has been developed. As long as the certificate is completed by the purchaser and

provided to the seller, the seller is relieved of responsibility for collecting sales tax, even if it is later determined that the purchaser was not eligible for the exemption. The certificate with instructions is available on the Division's Web site at: www.state.nj.us/treasury/taxation/prntsale.shtml

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).

Certain purchases by foreign diplomatic and consular personnel residing in the United States are also exempt from sales tax. There are two types of sales tax exemption cards issued by the U.S.

Department of State, Office of Foreign Missions, that are acceptable as proof of the exemption. Personal sales tax exemption cards are issued for the sole benefit of the individual identified on the card. Mission tax exemption cards are issued to embassies, consulates, and international organizations for official purchases only and for the sole benefit of the mission identified on the card. For more information, see Technical Bulletin [TB-53, *Diplomat/Consular Sales Tax Exemptions*](#).

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, see 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 Taxes and Fees

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 13%. In addition, certain room rentals in Atlantic City are also subject to a 1% State occupancy fee. (See *Hotel/Motel Occupancy Fee and Municipal Occupancy Tax* below.) For more information, see publication [ANJ-17, Atlantic City: Luxury Tax, New Jersey Sales Tax & Other Fees](#).

Cape May County Tourism Sales Tax

Certain businesses in Cape May County must collect a 2% tourism sales tax on predominantly tourism-related retail sales in addition to the 7% State sales tax. 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.

In addition to the tourism sales tax, the rent for every occupancy of a room in a hotel, motel, or similar facility that is subject to the 7% New Jersey sales tax is also subject to a tourism assessment of 1.85% and a State occupancy fee of 3.15%. (See *Hotel/Motel Occupancy Fee and Municipal Occupancy Tax* below.)

Domestic Security Fee

Motor vehicle rental companies doing business in New Jersey are required to pay a \$5.00 per day Domestic Security Fee for each rental day a motor vehicle is rented under agreements of 28 days or less. The fee is due for the quarter in which the rental agreement ends and is separate from and in addition to any sales tax due on the rental transaction. For more information, see the [Notice to motor vehicle rental companies](#).

Hotel/Motel Occupancy Fee and Municipal Occupancy Tax

An occupancy fee of 5% is imposed on the rent for every occupancy of a room in a hotel, motel,

or similar facility in most New Jersey municipalities. The fee is imposed at a lower rate in certain municipalities: 3.15% in Wildwood, Wildwood Crest, and North Wildwood; 1% in Newark, Jersey City, and Atlantic City. The fee applies to room rentals that are currently subject to the 7% New Jersey sales tax and is in addition to the sales tax.

A municipal occupancy tax of up to 3% may also be imposed by any New Jersey municipality (other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood) that adopts an ordinance assessing the tax on occupancies in that municipality.

Motor Vehicle Tire Fee

A fee of \$1.50 is imposed on the sale of new tires, including new tires that are component parts of a new or used motor vehicle which is either sold or leased, if the transaction is subject to New Jersey sales tax. The \$1.50 fee is imposed per tire, including the spare tire sold as part of a motor vehicle, and also applies to sales of new tires in connection with a repair or maintenance service. It does not apply to the sale of recapped tires. The tire fee must be collected from the purchaser by the retail vendor, and in general, must be separately stated on any bill, invoice, receipt, or similar document.

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.

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: nj.taxation@treas.state.nj.us
- Subscribe to *NJ Tax E-News*, the Division of Taxation's online information service, at:
www.state.nj.us/treasury/taxation/listservservice.shtml

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/