

S&U-4 New Jersey Sales Tax Guide

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 20 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 in a number of economically depressed cities in the State. Urban Enterprise Zones 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 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 the vendor must deliver the goods to the purchaser from the vendor's location in the zone. For more information about Urban Enterprise Zones visit the New Jersey Commerce and Economic Growth Commission's Web site at:

www.state.nj.us/commerce/uez.htm or request the publication *Urban Enterprise Zone Tax Questions and Answers Booklet*.

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.

What Is 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.

When eligible food and beverages are purchased with food stamps, they 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.

Acne Products	Exempt	Astringents	Exempt
Afghans	Taxable	Athlete's Foot Treatments	Exempt
Air Fresheners	Taxable	Baby Bath Soaps-Liquid, Bar	Taxable
Alcohol, Rubbing	Exempt	Baby Food	Exempt
Alcohol, Swabs and Pads	Exempt	Baby Formulas	Exempt
Alcoholic Beverages (prepackaged or by the drink)	Taxable	Baby Lotions	Taxable
Allergy Relief Products	Exempt	Baby Pants	Exempt
Aluminum Foil	Taxable	Baby Powder	Taxable
Ammonia	Taxable	Baby Shampoos	Taxable
Analgesics	Exempt	Baby Wipes	Exempt
Anesthetics	Exempt	Bags:	
Anorectal Products	Exempt	Cloth, Plastic	Taxable
Antacids	Exempt	Paper*	Exempt
Antibiotics	Exempt	Baked Goods	Exempt
Antiemetics	Exempt	Baking Cups:	
Antifungals	Exempt	Foil	Taxable
Antihistamines	Exempt	Paper*	Exempt
Antimicrobials	Exempt	Baking Powder	Exempt
Antinauseants	Exempt	Baking Soda	Exempt
Antiperspirants	Taxable	Bandages	Taxable
Antipsoriasis	Exempt	Band Aids	Taxable
Antiseborrhea	Exempt	Bath Beads, Oils, Sachets	Taxable
Arch Supports	Exempt	Bathing Caps	Exempt
Arthritis Relievers	Exempt	Bathroom Cleaners	Taxable
Artificial Tears	Exempt	Batteries	Taxable
Aspirins and Combinations	Exempt	Batteries-Hearing Aid	Exempt
Asthma Preparations	Exempt	Bed Linens	Taxable
		Bed Pans	Taxable
		Bee Sting Relievers	Exempt
		Beverages, Carbonated:	
		Sodas or Other Soft Drinks	Taxable
		Water (artificially carbonated)	Taxable
		Water (naturally carbonated)	Exempt
		Beverages, Noncarbonated:	
		Chocolate Drinks	Exempt
		Fruit Drinks	Exempt
		Sports Drinks	Exempt
		Water	Exempt
		Bibs	Exempt
		Bird Food	Taxable

***For household use**

Birth Control Preparations	Taxable	Chapstick (medicated).....	Exempt
Biscuits, Sweet Crackers	Exempt	Charcoal, Charcoal Briquets.....	Exempt
Bitters	Exempt	Cheese	Exempt
Blankets (except baby receiving blankets)	Taxable	Cheese Spreads.....	Exempt
Bleach-Liquid, Dry.....	Taxable	Chemical Cold Pack.....	Taxable
Blistex (medicated)	Exempt	Chewing Gum	Taxable
Blood Pressure Cuffs.....	Taxable	Chewing Tobacco.....	Taxable
Bluing, Laundry.....	Taxable	Chips-Potato, Corn, etc.	Exempt
Books (except certain textbooks approved by the school)	Taxable	Chips-Chocolate, Butterscotch, etc. (for use in baking)	Exempt
Braces-Ankle, Knee.....	Exempt	Christmas Trees.....	Taxable
Bread and Rolls	Exempt	Christmas Tree Skirts-Paper, Cloth.....	Taxable
Breast Cream	Taxable	Cigarette Filters	Taxable
Breast Pump	Taxable	Cigarette Papers.....	Taxable
Breast Shells, Bra Pads.....	Exempt	Cigarettes.....	Taxable
Breath Freshener.....	Taxable	Cigars	Taxable
Bubble Bath.....	Taxable	Cleaning Liquids, Powders.....	Taxable
Cake Mixes.....	Exempt	Cleansers	Taxable
Calling Cards, Telephone (prepaid):		Clothes Lines.....	Taxable
Sale of Card.....	Taxable	Clothes Pins.....	Taxable
Camera Lens and Eyeglass Cleaner		Clothing (see <i>Clothing and Footwear</i> , page 13)	
Tissues	Taxable	Coal Tar and Sulfur	Exempt
Candy.....	Taxable	Cocktail Onions, Olives	Exempt
Canes	Exempt	Cocktail Sauces	Exempt
Canker Sore Preparations	Exempt	Cocoa, Instant.....	Exempt
Canned Goods:		Cod Liver Oil	Exempt
Fruits.....	Exempt	Coffee (beans, packaged, instant).....	Exempt
Meats (except pet food).....	Exempt	Coffee Filters-Paper*	Exempt
Milk	Exempt	Coffee Pot Cleaners.....	Taxable
Vegetables	Exempt	Cold Pack, Chemical (“Ice Pack”)	Taxable
Car Wash and Wax.....	Taxable	Cold Preparations and Remedies.....	Exempt
Carbonated Beverages (See <i>Beverages</i>)		Cold Sore Preparations.....	Exempt
Carpet Cleaners	Taxable	Combs	Taxable
Carpet Deodorizers.....	Taxable	Computers: (see also <i>Services</i> , page 10)	
Carpeting	Taxable	Computer Systems.....	Taxable
Castor Oil	Exempt	Hardware Components	Taxable
Cat Food	Taxable	Prepackaged Software	Taxable
Cereals.....	Exempt	Condiments (catsup, mustard, etc.)	Exempt
		Conditioning Rinse.....	Taxable
		Condoms	Taxable

***For household use**

Confections (Cracker Jacks, etc.).....	Taxable	Dips (cheese, onion, etc.)	Exempt
Constipation Products	Exempt	Dish Detergents	Taxable
Contact Lens Care Products	Taxable	Disinfectants.....	Taxable
Contact Lens Cleaner, Solution.....	Taxable	Distilled Water	Exempt
Contraceptives	Taxable	Diuretics	Exempt
Copper Cleaner.....	Taxable	Dog Food.....	Taxable
Corn and Callus Pads	Taxable	Doilies-Paper, Foil	Taxable
Corn and Callus Removers.....	Exempt	Douches:	
Cornstarch	Exempt	Antiseptic, Anti-infectious	Exempt
Cosmetics	Taxable	Cleaning, Deodorizing	Taxable
Cottonballs	Taxable	Drain Openers, Cleaners.....	Taxable
Cough Preparations	Exempt	Drawer Liners.....	Taxable
Cream, Milk, Half and Half	Exempt	Dyes.....	Taxable
Creams and Lotions.....	Taxable	Ear Preparation, Ache Aids.....	Exempt
Crepe Paper	Taxable	Ear Syringes	Taxable
Crutches.....	Exempt	Eczema Preparations	Exempt
Cups:		Eggs (fresh, dried)	Exempt
Paper*	Exempt	Electrical Supplies.....	Taxable
Plastic, Foam	Taxable	Energy Bars	Exempt
Cuticle Remover.....	Taxable	Epsom Salt:	
Dandruff/Seborrhea Preparations	Exempt	Garden Use.....	Taxable
Decongestants.....	Exempt	Medical Use (for humans).....	Exempt
Decorations-Paper, Plastic	Taxable	Expectorants	Exempt
Dehydrated Food (hunting, etc.).....	Exempt	Eyeglass Cleaner Tissues	Taxable
Dental Floss.....	Taxable	Eyeglass Frames (fitted with	
Denture Adhesives, Preparations	Taxable	corrective lenses).....	Exempt
Deodorants, Antiperspirants.....	Taxable	Eyeglasses (prescription).....	Exempt
Deodorizers-Room, Car, Carpet.....	Taxable	Eye Preparations.....	Exempt
Depilatories	Taxable	Fabric Softeners.....	Taxable
Detergents.....	Taxable	Facial Cleansing Pads.....	Taxable
Diabetic Testing Items.....	Exempt	Feminine Napkins, Tampons.....	Exempt
Diapers (including disposable).....	Exempt	Fever Blister Aids.....	Exempt
Diaper Liners	Exempt	Fiberglass Cleaner	Taxable
Diarrhea Aids	Exempt	Film, Film Processing	Taxable
Diet Foods, Supplements.....	Exempt	Firewood.....	Exempt
Digestive Aids	Exempt	First Aid Kits.....	Taxable
Dinnerware:		First Aid Products:	
Paper*	Exempt	Bandages	Taxable
Plastic, Foam	Taxable	Healing Agents, Cleaners, etc.	Exempt

***For household use**

Flags:	
State of New Jersey	Exempt
United States of America	Exempt
All Others	Taxable
Flashlights	Taxable
Flatware	Taxable
Flea Collars	Taxable
Floor Cleaner and Polishes.....	Taxable
Floor Coverings.....	Taxable
Floor Finishes (Wax).....	Taxable
Floor Wax Remover.....	Taxable
Flowers	Taxable
Food Coloring	Exempt
Food Supplements	Exempt
Food Wraps:	
Aluminum Foil	Taxable
Paper Freezer Wrap*.....	Exempt
Plastic Storage Bags	Taxable
Plastic Wrap	Taxable
Waxed Paper*	Exempt
Foot Care Preparations	Exempt
Foot Deodorizers	Taxable
Footwear (see <i>Clothing and Footwear</i> , page 13)	
Formica Cleaners and Polishes	Taxable
Frozen Foods	Exempt
Fruit	Exempt
Fuels:	
Charcoal	Exempt
Charcoal Lighter.....	Exempt
Cigarette Lighter Fluid	Exempt
Fungicides	Exempt
Furniture	Taxable
Furniture Polishes and Cleansers	Taxable
Fuses.....	Taxable
Garbage Pails.....	Taxable
Garden Supplies	Taxable
Gatorade	Exempt
Gelatin and Gelatin Desserts	Exempt
Gift Certificates	Exempt
Gift Wrap, Bows, Boxes, Tags.....	Taxable
Glass Cleaners	Taxable
Gloves.....	Exempt
Greeting Cards.....	Taxable
Grenadine	Exempt
Grip Tape.....	Taxable
Guest Towels-Paper*	Exempt
Hair Care Products:	
Brushes, Combs.....	Taxable
Conditioners	Taxable
Curler Papers	Taxable
Rinses Taxable	
Rogaine®.....	Taxable
Shampoos	Taxable
Halloween Masks	Taxable
Hand Cleaners	Taxable
Hand Lotion.....	Taxable
Hay Fever Aids	Exempt
Headache Relief Aids.....	Exempt
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
Ice Packs (chemical cold pack)	Taxable
Iced Tea	Exempt
Ingrown Nail Preparations.....	Exempt

*For household use

Insect Bite and Sting Preparations.....	Exempt	Meal Replacement Bars	Exempt
Insecticides, Repellents	Taxable	Meats	Exempt
Instant Cocoa, Coffee, Tea	Exempt	Medicines (for pets)	Taxable
Insulin.....	Exempt	Menstrual Cramp Relievers.....	Exempt
Iodine, Tincture of.....	Exempt	Metal Cleaners and Polishes	Taxable
Itch, Rash Relievers.....	Exempt	Mildew Remover.....	Taxable
Jams and Jellies	Exempt	Milk (fresh, dried), Cream, Half and Half	Exempt
Jewelry Cleaners.....	Taxable	Mineral Oil	Exempt
Juices-Noncarbonated	Exempt	Mixes for Soups	Exempt
Keys.....	Taxable	Mixes (dry or noncarbonated liquid, for alcoholic beverages)	Exempt
Laundry Soaps and Detergents	Taxable	Mixes (carbonated).....	Taxable
Lawn Bags	Taxable	Mops, Mop Handles	Taxable
Laxatives	Exempt	Motion Sickness Remedies	Exempt
Leather Cleaners (saddle soap).....	Taxable	Mouthwash.....	Taxable
Leavening Agents.....	Exempt	Muscle Ache Relievers.....	Exempt
Lemonade	Exempt	Nail Biting Deterrents	Taxable
Lice Treatments (for humans)	Exempt	Nail Polish.....	Taxable
Light Bulbs.....	Taxable	Nail Polish Remover	Taxable
Lighter Fluid.....	Exempt	Napkins, Table-Paper*	Exempt
Linens	Taxable	Nasal Sprays, Decongestants.....	Exempt
Liners (garbage can, shelf, etc.).....	Taxable	Newspapers, Periodicals.....	Exempt
Lint Remover Refills.....	Taxable	Nicotine Gum	Exempt
Lip Balms (medicated).....	Exempt	Nicotine Patch	Exempt
Lipstick.....	Taxable	Nursing Bottles, Nipples, Funnels.....	Taxable
Litter Box Liners	Taxable	Nursing Pads-Paper	Exempt
Lotions:		Nuts (without confection).....	Exempt
Cleansing.....	Taxable	Oil-Cooking, Salad.....	Exempt
Moisturizing	Taxable	Olives	Exempt
Lunch Bags:		Ophthalmics	Exempt
Paper*.....	Exempt	Oral Pain Relievers.....	Exempt
Plastic	Taxable	Orthopedic Devices	Exempt
Lye.....	Taxable	Oven Cleaners	Taxable
Magazines (qualified periodicals)	Exempt	Oven Cooking Bags:	
Make-up	Taxable	Paper*	Exempt
Make-up Remover.....	Taxable	Plastic or Aluminum	Taxable
Maraschino Cherries	Exempt	Ovulation Testing Kits	Taxable
Marshmallow Fluff.....	Exempt	Oxygen	Exempt
Marshmallows	Exempt	Paint Remover	Taxable
Matches	Taxable		

***For household use**

Paperback Books	Taxable	Salads (potato salad, coleslaw, etc.)	Exempt
Paper Bags*	Exempt	Saliva Substitutes	Exempt
Paper Goods (plates, towels, etc.)*	Exempt	Salt and Salt Substitutes	Exempt
Peroxide, Hydrogen (for medical use) ...	Exempt	Sandwich Bags:	
Perrier Water	Exempt	Paper*	Exempt
Pet Foods	Taxable	Plastic	Taxable
Pet Shampoo.....	Taxable	Sanitary Napkins, Tampons	Exempt
Pet Supplies.....	Taxable	Scouring Pads	Taxable
Petroleum Jelly.....	Taxable	Seeds (flower or vegetable).....	Taxable
Pets	Taxable	Shampoos	Taxable
Pickles	Exempt	Shaving Cream	Taxable
Pies, Pie Crusts.....	Exempt	Shelf Liners	Taxable
Pillows.....	Taxable	Shoe Inserts (Odor Eaters)	Exempt
Place Mats:		Shoe Laces.....	Exempt
Cloth and plastic.....	Taxable	Shoe Polish.....	Taxable
Paper*	Exempt	Shoes (see <i>Clothing and Footwear</i> , page 13)	
Plants	Taxable	Shower Caps.....	Taxable
Plastic Items	Taxable	Sinus Relievers.....	Exempt
Plates:		Skin Bleaches	Taxable
Paper*.....	Exempt	Skin Lotions and Creams	Taxable
Plastic, Foam.....	Taxable	Skin Irritation Relievers	Exempt
Poison Ivy and Oak Preparations	Exempt	Sleep Aids	Exempt
Polishing Cloths and Mitts	Taxable	Snuff	Taxable
Popcorn (packaged without		Soap.....	Taxable
confection).....	Exempt	Soap Pads	Taxable
Pregnancy Testing Kits.....	Taxable	Soups, Soup Mixes.....	Exempt
Pre-Soaks, Laundry	Taxable	Spaghetti.....	Exempt
Preserves.....	Exempt	Spices	Exempt
Pretzels (unheated)	Exempt	Spring Water	Exempt
Prosthetic Aids	Exempt	Sponges	Taxable
Puddings	Exempt	Sports Drinks.....	Exempt
Pumpkins:		Stain and Spot Remover.....	Taxable
Used for food.....	Exempt	Starch:	
Used for decoration	Taxable	Corn.....	Exempt
Rainhoods.....	Exempt	Laundry.....	Taxable
Rock Salt	Taxable	Static Remover	Taxable
Rogaine®.....	Taxable	Stationery.....	Taxable
Rubber Gloves.....	Exempt	Steel Wool.....	Taxable
Rug Cleaners and Shampoos.....	Taxable	Stirrers (wood, plastic)	Taxable
Rug Deodorizers.....	Taxable		

***For household use**

Straws:		Underpads, Disposable-Paper	Exempt
Paper*	Exempt	Upholstery Cleaners	Taxable
Plastic	Taxable	Upset Stomach Relief.....	Exempt
Styptic Pencils	Taxable	Vacuum Cleaner Bags:	
Sugar and Sugar Substitutes	Exempt	Cloth, Plastic	Taxable
Sulfur and Salicylic Acid	Exempt	Paper*	Exempt
Sunburn Relief Products.....	Exempt	Vaporizer Tablets	Taxable
Sunscreens	Taxable	Vaseline.....	Taxable
Sunglasses	Taxable	Vegetables	Exempt
Sundae Topping.....	Exempt	Vitamins	Exempt
Surgical Adhesive	Taxable	Wart Removers.....	Exempt
Table Covers:		Water (including naturally	
Paper*	Exempt	carbonated)	Exempt
Plastic	Taxable	Water Conditioners	Taxable
Tampons (and like products).....	Exempt	Water Pills.....	Exempt
Tape.....	Taxable	Water Repellent.....	Taxable
Tea (prepackaged, dry or instant).....	Exempt	Wax	Taxable
Tears, Artificial	Exempt	Wax Remover.....	Taxable
Teething Lotions.....	Exempt	Waxed Paper*	Exempt
Telephone Calling Cards (prepaid):		Weight Control Food.....	Exempt
Sale of Card.....	Taxable	Wheelchairs	Exempt
Tenderizers	Exempt	Whipped Cream.....	Exempt
Thermometers.....	Taxable	Whiteners, Laundry	Taxable
Tile Cleaners	Taxable	Wigs	Taxable
Tissue (facial and toilet)*	Exempt	Window Cleaning Liquids	Taxable
Tobacco	Taxable	Windshield Washer Solution.....	Taxable
Toilet Bowl Cleaners.....	Taxable	Wipes:	
Toilet Bowl Deodorizers	Taxable	Handi-Wipes (rayon).....	Taxable
Tooth Ache Relievers.....	Exempt	Witch Hazel.....	Exempt
Tooth Desensitizers	Exempt	Wool Washes	Taxable
Tooth Polish	Taxable	Wrapping Paper, Bows.....	Taxable
Toothpaste	Taxable	Wraps:	
Toothpicks	Taxable	Foil, Plastic.....	Taxable
Towels:		Paper*	Exempt
Cloth.....	Taxable		
Paper*	Exempt		
Towelettes*	Exempt		
Trashbags and Liners.....	Taxable		
Tri-Sodium Phosphate (TSP)	Taxable		
Undergarments, Disposable.....	Exempt		

***For household use**

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.

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

Participant Sports:

- (bowling, fishing, swimming, etc.)..... Exempt

Places of Amusement:

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

Advertising, Direct Mail Processing

- Services for..... Taxable

Alarm Monitoring:

- Via control station..... Taxable

Animal Boarding..... Taxable

Animal Grooming..... Taxable

Appliance Repairs..... Taxable

Appraisals:

- (jewelry, real estate, etc.)..... Exempt

Architectural Services (in general)..... Exempt

Automobile Repairs:

- Inspection Sticker..... Exempt

- Labor..... Taxable

- Parts..... Taxable

Barber Shop Services..... Exempt

Beauty Parlor Services..... Exempt

Beeper and Paging Services..... Taxable

Boat Docking Fees:

- Slip Rentals..... Exempt

- Storage-water or land..... Taxable

Bookkeeping Services..... Exempt

Cable Television Subscription..... Exempt

Car Washing..... Taxable

Carpet Cleaning..... Exempt

Catering Services..... Taxable

Cleaning Services (janitorial)..... Taxable

Computer Maintenance/Repair..... Taxable

Credit Repair Services..... Exempt

Data Processing Services..... Exempt

Debt Collection	Exempt	Printing Services	Taxable
Delivery Charges:		Professional Services:	
(between vendor and end user).....	Exempt	(doctor, lawyer, etc.).....	Exempt
Disc Jockey.....	Exempt	Restaurant Meals	Taxable
Dry Cleaning	Exempt	Safe Deposit Box Rental	Taxable
Electronic Filing Charges	Taxable	Security Guard Services	Exempt
Employment Agency Fees.....	Exempt	Service Contracts:	
Extended Warranty Agreements.....	Taxable	(on taxable property)	Taxable
Facsimile (Fax) Services	Taxable	Shoe Repair	Exempt
Garbage Removal:		Silk-screening, Monogramming,	
Contractual (30 days or more).....	Exempt	Embroidering:	
Non-Contractual	Taxable	Purchase of Clothing Included	Exempt
Home Repairs (except residential		Services Only	Taxable
heating systems as explained		Snow Removal	Taxable
above)	Taxable	Storage Charges.....	Taxable
Insurance Premiums	Exempt	Tanning Sessions	Exempt
Internet Access Charges	Exempt	Telecommunication Services:	
Landscaping Services:		(phone, telegraph, pagers,	
Capital Improvement.....	Exempt	alarm monitoring, etc.)	Taxable
Repairs and Maintenance	Taxable	Telephone Answering Services	Taxable
Laundry Services	Exempt	Tips and Gratuities (separately stated	
Lawn Mowing Services	Taxable	and paid in full to employees)	Exempt
Limousine Services:		Towing	Exempt
With a Driver.....	Exempt	Transportation	Exempt
Without a Driver.....	Taxable	Trash Removal:	
Locker Rentals.....	Taxable	Contractual (30 days or more).....	Exempt
Maintenance Agreements	Taxable	Non-Contractual	Taxable
Manufacturer's Rebate:		Travel Agency Fees	Exempt
(automobile, etc.).....	Taxable	Typing Services	Exempt
Membership Fees:		Utilities (natural gas, electricity)	Taxable †
Discount Clubs	Exempt	Web Site Design.....	Exempt
Health Clubs.....	Exempt	Web Site Hosting	Exempt
Professional/Social Clubs.....	Exempt		
Parking	Exempt		
Pest Control:			
Inspection	Exempt		
Treatment	Taxable		
Photocopying Services	Taxable		
Photographer's Services	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

†Effective 1/1/98, included in rate

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 the 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:

- 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
- Coats and Wraps (for either evening or daytime wear)*
- 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
- 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

***Non-fur**

Athletic Clothing and Footwear

Athletic 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:

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

Exempt:

Athletic Supporters
Children's Baseball Uniforms
Children's Football Uniforms
Girls' and Boys' Gym Suits
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, Turtleneck and Other Sweaters
Ski Masks

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:

Barrettes
Belt Buckles
Bobby Pins
Elastic Ponytail Holders
Hairclips
Hairnets
Handbags
Handkerchiefs
Headbands
Jewelry
Key Cases
Key Rings
Shower Caps
Umbrellas
Wallets
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 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 the 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

All businesses in New Jersey must register with the State for tax purposes at least 15 business days before starting business. A Public Records filing may also be required depending on the type of business ownership. For information on registering a business, request a New Jersey Complete Business Registration Package (NJ REG) or our publication MISC-3, *Starting Business in New Jersey*.

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 the 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 insure 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 the 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 excepting exemption certificates, request the 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, contact the Division of Taxation and request the 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 the 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 insure accuracy.

Document important changes in the system and their effective dates.

Other Sales Taxes

Atlantic 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 our publication ANJ-17, *Atlantic City Luxury Tax & New Jersey Sales Tax*.

New Jersey Sales Tax Guide

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