



# Sales Tax Exemption Administration

Tax Topic Bulletin S&U-6

## **Introduction**

The New Jersey Sales and Use Tax Act (the "Act") imposes a tax on receipts from every retail sale of tangible personal property and some services (except as otherwise provided in the Act). Under certain conditions, exemptions are provided for otherwise taxable transactions. This bulletin explains the proper completion and use of the following New Jersey exemption certificates used to make qualified exempt purchases:

Form ST-3	Resale Certificate
Form ST-3NR	Resale Certificate for Non-New Jersey Vendors
Form ST-4	Exempt Use Certificate
Form ST-4	Sales and Use Tax Exemption (BRRAG) Certificate
Form ST-5	Exempt Organization Certificate
Form ST-6A	Direct Payment Certificate
Form ST-7	Farmer's Exemption Certificate
Form ST-8	Certificate of Capital Improvement
Form ST-10	Motor Vehicle Sales and Use Tax Exemption Report
Form ST-10-A	Aircraft Dealer Sales and Use Tax Exemption Report
Form ST-10V	Vessel Dealer Sales and Use Tax Exemption Report
Form ST-13	Contractor's Exempt Purchase Certificate
Form ST-16	Exemption Certificate for Student Textbooks
Form ST-SST	Streamlined Sales and Use Tax Certificate of Exemption
Form UZ-4	Contractor's Exempt Purchase Certificate – Urban Enterprise Zone
Form UZ-5	Urban Enterprise Zone Exempt Purchase Certificate
Form UZ-6	Urban Enterprise Zone – Energy Exemption Certificate
Form SC-6	Salem County – Energy Exemption Certificate

## **Sales Tax Rate Change**

Effective January 1, 2018, the New Jersey Sales and Use Tax rate decreases from 6.875% to 6.625%. The tax rate was reduced from 7% to 6.875% in 2017. Additional information about the Sales and Use Tax rate change is available [online](#).

## **NJ Exemption Certificates**

Under New Jersey law, some items are exempt from Sales and Use Tax regardless of who buys them or how they are used. Examples of exempt items include most clothing, most items of

food and drink (except when sold in or by restaurants or similar establishments), and prescription drugs. There are however, items that are exempt from tax only under certain conditions. The New Jersey Division of Taxation issues several exemption certificates that allow qualified individuals and businesses to purchase taxable merchandise and services tax-free. Each exemption certificate has its own specific use. In addition, New Jersey sellers and purchasers may accept and issue the Streamlined Sales and Use Tax Certificate of Exemption (ST-SST) in lieu of the exemption certificates issued by the Division.

Agencies of the federal government and the United Nations as well as the State of New Jersey and its political subdivisions are exempt from paying Sales Tax provided the agency making the purchase supplies the seller with a copy of a valid purchase order or contract signed by an authorized official. See [Exempt Organization Certificate \(Form ST-5\)](#).

## **Registration**

### **New Jersey Registration**

Any person or organization engaged in selling taxable goods or services in this state must register with the State for Sales Tax purposes by filing a business registration application (Form NJ-REG) at least 15 business days before starting operations or opening an additional place of business in this state. If your application indicates that you will collect Sales Tax or purchase items for resale, you will be sent a New Jersey Certificate of Authority (Form CA-1) for Sales Tax. This certificate is your authorization from the State of New Jersey to collect Sales Tax and to issue or accept exemption certificates.

The packet containing your Certificate of Authority will also contain your assigned New Jersey tax identification number, which is usually based on your federal employer identification number (FEIN). However, for security purposes, only a portion of that number is printed on Form CA-1. Your New Jersey tax identification number will appear on all preprinted forms sent to you by the State. You must include your tax identification number on all exemption certificates you issue.

A public records filing may also be required depending upon the type of business ownership. More information is available in the *New Jersey Complete Business Registration Package* ([NJ REG](#)) or by calling 609-292-6400.

Form NJ-REG may be filed [online](#) from the Division of Revenue and Enterprise Service's New Jersey Business Gateway Services website. The public records filing required for certain businesses also may be completed online at the Business Gateway Service's website. (There is a fee associated with the public records filing.)

### **Streamlined Sales Tax Central Registration**

The central online registration system developed by the Streamlined Sales and Use Tax Project can be used as an alternative to the traditional registration system currently available through

the Division of Revenue's website. Registering through this central system is *voluntary*, unless the seller seeks to take advantage of the amnesty program.

Since New Jersey became a streamlined member state as of October 1, 2005, amnesty for New Jersey Sales and Use Tax ended on September 30, 2006. However, under limited circumstances a business may still obtain amnesty for uncollected Sales or Use Tax, as well as interest and penalties, for the period that the business was not registered in New Jersey, regardless of nexus. To obtain amnesty between September 30, 2006, and the ending date of May 31, 2007, the business must select a Certified Service Provider (CSP) or use a Certified Automated System (CAS).

Central registration constitutes registration with every state that is a member of the Streamlined Sales and Use Tax Project, including those that adopt the agreement after the seller registers. By registering through this system, sellers agree to collect and remit tax on all sales sourced to each member state. Thus, if the business makes predominantly mail-order or online sales, by registering through this system it subjects itself to collecting the appropriate tax for goods delivered to locations in each member state.

Sellers that register through the central system have the option of choosing among three methods of calculating, reporting, and remitting the tax. These methods involve the selection of a CSP or CAS, or using the seller's own proprietary system. Sellers also may report and remit tax based on traditional means, but there are benefits to using one of the other systems that will not be available for traditional systems. Privacy and confidentiality protections also are addressed.

Additional information concerning the central registration system, the identification and certification of CSPs and CASs, and other administrative simplifications is available on the [Streamlined Sales Tax website](#).

The central registration system may be accessed on the [Division's website](#).

## **Issuing and Accepting Exemption Certificates**

Prior to October 1, 2005, both the purchaser issuing an exemption certificate and the seller accepting it had to be registered with New Jersey. Now purchasers not registered with New Jersey also may issue both the New Jersey exemption certificates and the Streamlined Certificate of Exemption ([ST-SST](#)).

### **Exemption Administration**

The following provisions apply when a purchaser claims an exemption:

1. The seller shall obtain identifying information from the purchaser and the reason for claiming a tax exemption at the time of the purchase;

2. A purchaser is not required to provide a signature to claim an exemption from tax unless a paper exemption certificate is used. A faxed certificate is considered a paper certificate;
3. The seller shall use the standard format for claiming an exemption electronically, once such format is adopted by the governing board;
4. The seller shall obtain the same information for proof of a claimed exemption regardless of the medium in which the transaction occurred;
5. The seller shall maintain proper records of exempt transactions and provide them to the State when requested;
6. Use-based and entity-based exemptions will be administered through a direct pay permit, an exemption certificate, or another means that does not burden sellers.

On and after October 1, 2005, New Jersey shall relieve sellers that follow these requirements from any tax otherwise applicable if it is determined that the purchaser improperly claimed an exemption and shall hold the purchaser liable for the nonpayment of tax. This relief from liability does not apply if a seller accepts an exemption certificate wherein the purchaser claims an entity-based exemption and the property or services are actually received by the purchaser at a location operated by the seller, and the State provides an exemption certificate clearly indicating that the claimed exemption is not available in New Jersey.

Graying out the exemption reason type on the Streamlined Certificate of Exemption (ST-SST) and posting it on the Division of Taxation's website is sufficient indication that a particular entity-based exemption is not available. For example, New Jersey law does not provide for a Sales and Use Tax exemption based on tribal status. The relief from liability also does not apply to a seller who fraudulently fails to collect the tax, or solicits purchasers to participate in an unlawful claim of exemption, or accepts an exemption certificate claiming multiple points of use for tangible personal property other than computer software.

### **New Jersey Exemption Certificates**

The purchaser must fill out the exemption certificate completely, providing the purchaser's New Jersey tax identification number, the name and address of the seller, and any other information specified on the form. Purchasers that are not registered with New Jersey must provide one of the following in lieu of a New Jersey tax identification number when issuing exemption certificates:

1. Federal employer identification number of the business
2. Out-of-state registration number

Purchasers that do not have a New Jersey tax identification number, a federal employer identification number, or an out-of-state registration number may issue the following exemption certificates:

- [ST-4](#) Exempt Use Certificate
- [ST-7](#) Farmer's Exemption Certificate
- [ST-8](#) Certificate of Capital Improvement
- [ST-16](#) Exemption Certificate for Student Textbooks

However, the New Jersey seller *accepting* an exemption certificate always *must* be registered with New Jersey.

A single exemption certificate may cover additional purchases of the same general type of property by the same purchaser from the same vendor.

### **Good Faith**

To act in *good faith* means to act in accordance with standards of honesty. In general, registered sellers that accept exemption certificates in good faith are relieved of liability for the collection and payment of Sales Tax on the transaction covered by the exemption certificate.

For good faith to be established, the following conditions must be met:

- Certificate must contain no statement or entry that the seller knows is false or misleading;
- Certificate must be an official form or a proper and substantive reproduction, including electronic;
- Certificate must be filled out completely;
- Certificate must be dated and include the purchaser's New Jersey tax identification number or, for a purchaser that is not registered in New Jersey, the federal employer identification number or out-of-state registration number. Individual purchasers must include their driver's license number; and
- Certificate or required data elements must be provided within 90 days of the sale.

### **Improper Certificates**

Unless all the good faith conditions are met, the seller should *not* accept the exemption certificate and *must* collect Sales Tax from the purchaser instead. Sales transactions that are not supported by properly executed exemption certificates are considered taxable sales. The burden of proof that tax was not required to be collected is on the purchaser.

## **Correcting Certificates**

Businesses have up to 90 days after the sale is completed to obtain a corrected certificate if the original exemption certificate lacked some necessary information, or if the information was incorrectly stated.

## **Retaining Certificates**

Certificates must be retained by the seller for at least four 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.

## **Out-of-State Sales**

A business that sells taxable items to customers in another state and delivers the items sold out of state to the purchaser does not collect New Jersey Sales Tax. The seller's records should show the out-of-state destination point and the seller should keep evidence of the method of delivery to that location such as parcel post receipts, bills of lading, etc. For more information on out-of-state sales, request [ANJ-10](#), *Out-of-State Sales & New Jersey Sales Tax*.

Sales are subject to New Jersey Sales Tax if the out-of-state customer takes delivery or possession of the items sold in this state at the time of purchase. However, if it is a purchase for resale, an out-of-state seller may issue a New Jersey Resale Certificate (Form ST-3) and not pay Sales Tax. An out-of-state seller may also make tax-exempt purchases in New Jersey of goods and services purchased for resale. See [Resale Certificate \(Form ST-3\)](#) and [Resale Certificate for Non-New Jersey Vendors \(Form ST-3NR\)](#).

## **Using Exemption Certificates**

### **Streamlined Sales and Use Tax Certificate of Exemption ([Form ST-SST](#))**

In lieu of the New Jersey exemption certificates, a purchaser may use the Streamlined Sales and Use Tax Certificate of Exemption (ST-SST) to claim exemption in New Jersey. The purchaser must complete the form according to the instructions. The State of New Jersey requires that a State tax identification number, a federal employer identification number, or a driver's license number (for individual purchasers) be included.

If a valid New Jersey exemption reason is not listed on Form ST-SST, then under Section 5, "Reason for Exemption," the purchaser must circle "M" for "Other," and enter the exemption basis on the line provided. Some common New Jersey exemptions that are not listed are: recycling equipment, commercial motor vehicles, wrapping/packaging materials, research and development, and commercial printing. See [Exempt Use Certificate \(Form ST-4\)](#) for additional information concerning these and other valid New Jersey exemptions.

## New Jersey Exemption Certificates

### Resale Certificate ([Form ST-3](#))

Form ST-3 is used by registered sellers to purchase tangible personal property either for resale in its present form or for incorporation into other property held for sale. When purchasing goods or services, a retailer or wholesaler issues Form ST-3 to the wholesaler or manufacturer. This exempts the retailer or wholesaler from the Sales Tax on the purchase. Sales Tax is collected when these items are sold at retail. New Jersey registered businesses may issue Form ST-3 when purchasing the following:

- **Inventory** intended for resale, rent, or lease

#### Example

Ron, of Ron's Toy Store, purchases an inventory of dolls to sell on a retail basis. Ron issues the doll manufacturer a resale certificate instead of paying Sales Tax.

Ron also needs display cases for the dolls. He may not use a resale certificate when purchasing the display cases because they are not intended for resale. He must pay Sales Tax on the display cases.

#### Example

Allen, of Appliance Rentals, Inc., purchases inventory to rent on a retail basis. He issues his supplier Form ST-3 and does not pay Sales Tax on the purchases. Allen will collect Sales Tax from his customers each time they rent an appliance from him.

When items purchased with a resale certificate are taken out of inventory for personal use, the business owner must pay New Jersey Use Tax on the items that are not resold. Use Tax is computed on the purchase price of the items at the current Sales Tax rate. For more information on Use Tax liabilities, request [ANJ-7, Use Tax in New Jersey](#).

Inventory for resale does not include supplies and materials purchased by contractors. A contractor is someone who works on the land and/or buildings of another. Contractors (e.g., builders, landscapers) *always* must pay Sales Tax on the materials and supplies they purchase unless the property being worked on belongs to a qualified exempt organization, a qualified Urban Enterprise Zone business, or a qualified housing sponsor. See [Contractor's Exempt Purchase Certificate \(Form ST-13\)](#) and [Contractor's Exempt Purchase Certificate - Urban Enterprise Zone \(Form UZ-4\)](#) for additional information.

**NOTE:** Fabricator/contractors (i.e., those who build, sell, and install items such as cabinets or heating ducts that become component parts of real property) and floor covering dealers follow special rules for paying Sales Tax on materials and supplies.

Additional information for contractors, including fabricator/contractors and floor covering dealers, is contained in Tax Topic Bulletin [S&U-3, Contractors and New Jersey Taxes](#), [ANJ-4](#),



*Landscapeers & New Jersey Sales Tax*, and [ANJ-5](#), *Floor Covering Dealers & New Jersey Sales Tax*.

- **Raw Materials** that will become component parts of the finished product

**Example**

Midge, a silversmith, purchases silver to make jewelry. She may issue her supplier Form ST-3 and pay no Sales Tax since the silver becomes part of the jewelry she is producing for resale.

When Midge purchases tools for her business, she may *not* use a resale certificate since the tools do not become a component part of her finished product. She must pay Sales Tax on the tools.

- **Services** for resale

**Example**

Tom's Gas Station is unable to complete all the repairs to a customer's car. Tom sends the car to a transmission specialist (Ace Transmission Repairs) who completes the work and returns the car to Tom's Gas Station. Tom may issue a resale certificate to the transmission specialist and pay no Sales Tax when he pays for the parts and services. When Tom bills his customer, he must charge Sales Tax on the total bill (i.e., the charges for both parts and labor).

If Tom has the garage's hydraulic lifts repaired, he may *not* issue a resale certificate to the repairman since the service rendered will not be resold. Tom must pay Sales Tax on the price of the repair.

The following is an illustration of how Tom will complete the Form ST-3 Resale Certificate he issued for the repair services purchased from Ace Transmission Repairs:



ST-3 (11-99, R-10)	<b>State of New Jersey</b> <b>DIVISION OF TAXATION</b> <b>SALES TAX</b> <b>FORM ST-3</b> <b>RESALE CERTIFICATE</b>	PURCHASER'S NEW JERSEY CERTIFICATE OF AUTHORITY NUMBER  <b>222-678-901/000</b>
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">             The seller must collect the tax on a sale of taxable property or services unless the purchaser gives him a properly completed New Jersey exemption certificate.           </div> <p style="text-align: center; font-size: small;">To be completed by purchaser and given to and retained by seller. See instructions on back.          Seller should read and comply with the instructions given on both sides of an exemption certificate.</p>		
TO <u>Ace Transmission Repairs</u> <small>(Name of Seller)</small>		Date <u>5/21/06</u>
<u>163 Holland Ave.</u> <small>Address</small>	<u>Budd Lake</u> <small>City</small>	<u>NJ</u> <small>State</small>
		<u>07828</u> <small>Zip</small>
<p>The undersigned certifies that:</p> <p>(1) He holds a valid Certificate of Authority (number shown above) to collect State of New Jersey Sales and Use Tax.</p> <p>(2) He is principally engaged in the sale of (indicate nature of merchandise or service sold):  <u>Motor fuels, supplies, and auto repairs</u></p> <p>(3) The merchandise or services being herein purchased are described as follows:  <u>Transmission repairs</u></p> <p>(4) The merchandise described in (3) above is being purchased: (check one or more of the blocks which apply)</p> <p>(a) <input type="checkbox"/> For resale in its present form.</p> <p>(b) <input type="checkbox"/> For resale as converted into or as a component part of a product produced by the undersigned.</p> <p>(c) <input type="checkbox"/> For use in the performance of a taxable service on personal property, where the property which is the subject of this Certificate becomes part of the property being serviced or is later transferred to the purchaser of the service in conjunction with the performance of the service.</p> <p>(5) The services described in (3) above are being purchased: (check the block which applies)</p> <p>(a) <input checked="" type="checkbox"/> By a vendor who will either collect the tax or will resell the services.</p> <p>(b) <input type="checkbox"/> To be performed on personal property held for sale.</p>		
<p>I, the undersigned purchaser, have read and complied with the instructions and rules promulgated pursuant to the New Jersey Sales and Use Tax Act with respect to the use of the Resale Certificate, and it is my belief that the seller named herein is not required to collect the sales or use tax on the transaction or transactions covered by this Certificate. The undersigned purchaser hereby swears (under the penalties for perjury and false swearing) that all of the information shown in this Certificate is true.</p>		
<p style="text-align: center;"><u>Tom's Gas Station, Inc.</u>  <small>NAME OF PURCHASER</small> <span style="float: right;"><small>(as registered with the New Jersey Division of Taxation)</small></span></p> <p style="text-align: center;"><u>16 Beverly Dr., Budd Lake, NJ 07828</u>  <small>(Address of Purchaser)</small></p> <p style="text-align: center;">By <u>Thomas Abbott</u> <span style="float: right;"><u>President</u></span>  <small>(Signature of owner, partner, officer of corporation, etc.)</small> <span style="float: right;"><small>(Title)</small></span></p>		

### **Resale Certificate for Non-New Jersey Vendors ([Form ST-3NR](#))**

Form ST-3NR can be used by qualified out-of-state vendors to make tax-exempt purchases in New Jersey of goods or services purchased for resale. "Qualified out-of-state vendors" are vendors that (1) are not registered with New Jersey, (2) are not required to be registered with New Jersey, and (3) are registered with another state.

When a qualified out-of-state vendor carries the goods away from the point of sale, or sends his/her own vehicle or messenger to pick them up in New Jersey, the qualified out-of-state vendor may use the Resale Certificate for Non-New Jersey Vendors (Form ST-3NR). The ST-3NR requires the person picking up the merchandise to provide acceptable identification (i.e., driver's license of any state in the United States, major credit card including photograph, or any identification card that includes a number *and* a photograph *and* the bearer's address).

Qualified out-of-state vendors may use Form ST-3NR or the Streamlined Certificate of Exemption (ST-SST) for drop-shipment sales in New Jersey. A drop shipment occurs when an out-of-state seller that is not registered with New Jersey instructs a New Jersey vendor to deliver merchandise to the out-of-state seller's customer in New Jersey.

### **Exempt Use Certificate ([Form ST-4](#))**

Form ST-4 makes it possible for businesses to purchase production machinery, packaging supplies, and other goods or services without paying Sales Tax if the way they intend to use these items is specifically exempt under New Jersey law. The exemption does not apply to services performed on the property, except as otherwise noted.

In addition to the following qualified purchases, Form ST-4 also may be used by the federal government, the United Nations, the State of New Jersey and any of their agencies as acceptable proof of exemption from Sales Tax when making cash purchases of \$150 or less instead of an official purchase order or contract. See [Exempt Organization Certificate \(Form ST-5\)](#).

- **Advertising for Use Out of State:** See [Direct-Mail Advertising for Use Out of State](#).
- **Certain Aircraft:** (a) Aircraft used by an air carrier as defined by the Civil Aeronautics Board or the Code of Federal Regulations having its principal place of operations within New Jersey and engaging in interstate, foreign, or intrastate air commerce. Repairs to such aircraft, including the installation of equipment or machinery and replacement parts and labor therefor, are also exempt. (b) Repairs to aircraft having a maximum takeoff weight of 6,000 pounds or more as certified by the Federal Aviation Administration, including machinery or equipment installed on such aircraft and replacement parts therefor. However, the exemption does not extend to purchases of this class of aircraft.
- **Certain Buses:** Bus companies whose rates are regulated by the Interstate Commerce Commission or the Department of Transportation may purchase buses for public passenger

transportation with Form ST-4. This exemption also applies to buses purchased by common or contract carriers that transport children to and from school. Repair and replacement parts for qualified buses as well as labor charges associated with such repairs are also entitled to exemption.

- **Certain Chemicals and Catalysts:** Materials used to induce chemical or refining processes in which the materials are an essential part of the process but do not become part of the finished product.
- **Commercial Fishing Boats:** Certain boats, including commercial party boats (headboats) engaged in sport fishing and subject to annual inspection by the U.S. Coast Guard, and vessels primarily engaged in commercial fishing or shell fishing. Also exempt are charges for repairs, alterations, reoutfitting of boats, fuel, maintenance, and charges for supplies (other than articles purchased for the original equipping of a new ship). Equipment necessary for harvesting fish and shellfish may also be purchased with Form ST-4.
- **Commercial Motor Vehicles:** The purchase, rental, or lease of commercial trucks, tractors, trailers, and vehicles used in combination with such, that are registered as required by New Jersey law and have a gross vehicle weight rating of more than 26,000 pounds or are operated exclusively for the carriage of interstate freight pursuant to federal law are exempt from tax. Repair parts and replacement parts also are exempt. The exemption also applies to trucks, trailers, and truck-trailer combinations that are used directly and exclusively in the production for sale of tangible personal property on farms when the vehicles have a gross vehicle weight rating in excess of 18,000 pounds and are registered with the Motor Vehicle Commission for farm use. A New Jersey Exempt Use Certificate, Form ST-4, should be issued to the seller at the time of purchase. The purchaser is not required to be registered with the State to issue Form ST-4 for the purchase of commercial motor vehicles.

#### **Example**

Fred is a commercial trucker. He operates a vehicle which is registered in Pennsylvania and has a gross vehicle weight rating in excess of 26,000 pounds. When Fred has repairs made in New Jersey, he may give his mechanic an exempt use certificate instead of paying Sales Tax on the parts. Sales Tax must be paid on the charges for labor. As a qualified nonregistered purchaser, Fred will enter his FEIN or out-of-state registration number on Form ST-4. When Fred buys motor oil for his truck, he may not issue an exempt use certificate. Motor oil is a supply, and Sales Tax must be paid at the time of purchase.

- **Commercial Printing:** Machinery and equipment used by businesses engaged in commercial printing, publishing of periodicals, books, business forms, greeting cards, or miscellaneous publishing, typesetting, photoengraving, electrotyping, stereotyping, and lithographic platemaking, including supplies.
- **Communications:** Telephones, telephone lines, cables, central office equipment, or station apparatus, or other machinery or equipment, including comparable telegraph equipment

sold to a service provider subject to the jurisdiction of the Board of Public Utilities or the Federal Communications Commission, for use directly and primarily in receiving at destination or initiating, transmitting, and switching telephone, telegraph, or interactive telecommunications service for sale to the general public.

- **Direct-Mail Advertising for Use Out of State:** Direct mail prepared within or outside of New Jersey by a New Jersey direct-mail advertising or promotional firm for distribution out of state. The exemption applies to charges for printing or production of direct mail, whether prepared in New Jersey or shipped into this state after preparation and stored for subsequent shipment to out-of-state customers. The exemption also applies to direct-mail processing services performed in connection with the distribution of direct mail to out-of-state recipients. Direct-mail processing services include, but are not limited to, preparing and maintaining mailing lists, addressing, separating, folding, inserting, sorting, and packaging direct mail.

#### **Example**

The A-1 advertising agency, located in Trenton, New Jersey, produced a brochure promoting the products of the Smooth-Touch Leather Company of Langhorne, Pennsylvania. A-1 also packaged, labeled, sorted, and mailed the brochure to prospective customers whose names were selected from a mailing list prepared and maintained by the agency. Of the 150,000 brochures distributed, 80% were mailed to addresses outside New Jersey. When A-1 bills Smooth-Touch, it must charge Sales Tax on 20% of its fee for printing the brochures since that is the percentage of direct mail that was distributed in New Jersey. A-1 must also charge Sales Tax on 20% of its fee for the direct-mail processing services performed in connection with distributing the brochures. Separately stated charges for the design and layout of the brochure are nontaxable advertising services.

As of October 1, 2006, delivery charges imposed by the seller of a taxable service are subject to tax. Delivery charges include postage, even if separately stated. Thus, postage charged by the direct mailer is subject to tax if the processing service is taxable. A-1 must charge Sales Tax on 20% of the delivery charges based on the percentage of brochures that were distributed in New Jersey.

If A-1 performed no direct-mail processing services, but simply produced the brochures and sent them all to Smooth-Touch in Pennsylvania, A-1 would not charge Sales Tax on its fee for printing the brochures or on the charges for delivering them to the company since the direct mail was shipped to a location outside New Jersey.

- **Certain Broadcasting Equipment:** Machinery, apparatus, or equipment used directly and primarily in the production or transmission of radio or television broadcasts by commercial broadcasters operating under a broadcasting license issued by the Federal Communications Commission or by providers of cable/satellite television program services. The exemption

also applies to parts with a useful life of more than one year. Equipment used in the construction or operation of towers does not qualify for the exemption.

- **Film/Video Production:** Tangible personal property used directly and primarily in the production of film or video *for sale* including motor vehicles, replacement parts (without regard to useful life), tools, and supplies. Charges for installing, maintaining, servicing, or repairing such property also are exempt. "Film or video" means motion pictures including feature films, shorts and documentaries, television films or episodes, and similar film and video productions whether for broadcast, cable, closed circuit, or unit distribution, and whether in the form of film, tape, or other analog or digital medium. The exemption does not apply to any film or video produced by or on behalf of a corporation or other person for its own internal use for training, advertising, or other similar purposes.
- **Film, Audio/Visual Material:** Films, records, tapes, and other types of visual or sound transcriptions produced for exhibition in theaters or for broadcast by radio or television stations or networks and not used for advertising may also be purchased with Form ST-4.
- **Limousines:** Limousines sold to a person licensed under New Jersey law to operate a limousine service and charges for the repair, including replacement parts, of a limousine operated by a person so licensed or by a person licensed by another state or by the United States to operate a limousine service.

A "limousine" is defined as (1) a motor vehicle registered under the provisions of N.J.S.A. 39:3-19.5, or registered as a limousine under the laws of another state or the United States; and (2) used exclusively in the business of carrying passengers for hire to provide prearranged passenger transportation at a premium fare on a dedicated, nonscheduled, charter basis, that is not conducted on a regular route and with a seating capacity of no more than 14 passengers, excluding the driver.

For purposes of the exemption, a limousine does not include any taxicab, hotel or airport shuttle or bus, or bus used solely to transport children or teachers to and from school, nor does it include any vehicle owned and operated without charge by a business entity for its own purposes.

- **Newspaper Advertising:** Advertising materials to be published in a newspaper or magazine, such as display or classified ads.
- **Newspaper Production Machinery:** Machinery and equipment used directly and primarily in the production of newspapers, including supplies. This machinery and equipment must be located in the production department of a newspaper plant.
- **Wrapping/Packaging Materials:** Wrapping paper, bags, cartons, tape, rope, twine, labels, nonreturnable containers, and all other packaging supplies *when the use of the supplies is*

*incidental to the delivery of merchandise.* Storage containers are not considered to be packaging materials. However, containers used in a farming enterprise are exempt.

**Example**

Henry Johnson owns a company (Crest Manufacturing, Inc.) that manufactures television sets. To deliver the sets to wholesalers, he must package them in cardboard boxes and seal the boxes with tape. When Henry purchases the boxes and rolls of tape, he may issue his supplier an exempt use certificate. However, he may *not* purchase the tape dispensers with Form ST-4 as these items are not part of the packaging used to deliver the television sets.

The following is an example of how Henry will complete Form ST-4 when purchasing the packaging materials necessary to deliver his television sets:

**OBSCOLETE**

ST-4 (2-00, R-12)	<b>State of New Jersey</b> <b>DIVISION OF TAXATION</b> <b>SALES TAX</b> <b>FORM ST-4</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;">PURCHASER'S NEW JERSEY CERTIFICATE OF AUTHORITY NUMBER</td> </tr> <tr> <td style="text-align: center; padding: 2px;">222-092-244/000</td> </tr> </table>	PURCHASER'S NEW JERSEY CERTIFICATE OF AUTHORITY NUMBER	222-092-244/000
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<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 2px;">ELIGIBLE NONREGISTERED PURCHASER: SEE INSTRUCTIONS**</td> </tr> <tr> <td style="height: 20px;"> </td> </tr> </table>	ELIGIBLE NONREGISTERED PURCHASER: SEE INSTRUCTIONS**			
ELIGIBLE NONREGISTERED PURCHASER: SEE INSTRUCTIONS**				
<b>EXEMPT USE CERTIFICATE</b> To be completed by purchaser and given to and retained by seller. Please read and comply with instructions on both sides of this Certificate.				
TO <u>West End Packaging</u> <small>(Name of Seller)</small>		Date <u>5/19/06</u>		
<u>1166 Homer St.</u> <small>Address</small>	<u>Hackettstown</u> <small>City</small>	<u>NJ</u> <small>State</small>		
		<u>07840</u> <small>Zip</small>		
<p>The undersigned purchaser certifies that there is no requirement to pay the New Jersey Sales and/or Use Tax on the purchase or purchases covered by this Certificate because the tangible personal property or services purchased will be used for an exempt purpose under the Sales &amp; Use Tax Act.</p> <p>The tangible personal property or services will be used for the following exempt purpose:</p> <p style="margin-left: 40px;">Delivering television sets.</p> <p>The exemption on the sale of the tangible personal property or services to be used for the above described exempt purpose is provided in subsection N.J.S.A. 54:32B- <span style="border: 1px solid black; padding: 2px;">8.15</span> (See reverse side for listing for principal exempt uses of tangible personal property or services and fill in the block with proper subsection citation).</p>				
<p>I, the undersigned purchaser, have read and complied with the instructions and rules promulgated pursuant to the New Jersey Sales and Use Tax Act with respect to the use of the Exempt Use Certificate and it is my belief that the seller named herein is not required to collect the sales or use tax on the transaction or transactions covered by this Certificate. The undersigned purchaser hereby swears under the penalties for perjury and false swearing that all of the information shown in this Certificate is true.</p>				
<u>Crest Manufacturing, Inc.</u> <small>NAME OF PURCHASER (as registered with the New Jersey Division of Taxation)</small>				
<u>26 Eleventh Ave.</u> <small>(Address of Purchaser)</small>		<u>Hackettstown</u> <small>City</small>		
		<u>NJ</u> <small>State</small>		
		<u>07840</u> <small>Zip</small>		
By <u>Henry Johnson</u> <small>(Signature of Owner, Partner, Officer of Corporation, etc. or qualified officer of Agency)</small>		<u>President</u> <small>(Title)</small>		

MAY BE REPRODUCED  
(Front and Back Required)



- **Prewritten Software:** Sales of prewritten software delivered electronically that is used directly and exclusively in the conduct of the purchaser's business, trade, or occupation. This exemption does not apply to software delivered by the "load and leave" method.
- **Production Machinery:** Machinery and equipment used directly and primarily in the production of merchandise by manufacturing, assembling, processing, and refining. The exemption also applies to parts with a useful life of more than one year, and to imprinting services performed on such machinery. The exemption does not apply either to supplies or to tools that are simple, hand-held, manually operated instruments used in connection with the production machinery or equipment.

#### Example

Jim purchases a turret lathe for use in his machine business. He may issue his supplier an exempt use certificate instead of paying Sales Tax because the lathe will be used directly in the production of merchandise for sale. However, Jim may *not* use Form ST-4 to purchase a forklift used exclusively to transport his final product from the warehouse to the loading dock.

- **Recycling Equipment:** Equipment that is used exclusively to sort and prepare solid waste for recycling or in the recycling of solid waste. Equipment used in the process after the first marketable product is produced or equipment used to reduce iron or steel waste to a molten state does not qualify.
- **Research and Development:** Tangible personal property purchased for use or consumption directly and exclusively in research and development in the experimental or laboratory sense. Research and development in the experimental or laboratory sense means research and development work which has as its goal or purpose:
  1. Basic research in a scientific or technical field of endeavor; or
  2. The advancement of technology by experimentation in a scientific or technical field of endeavor; or
  3. The development of new products; or
  4. The improvement of existing products; or
  5. The development of new uses for existing products.

Research and development does not include the ordinary testing or inspection of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in connection with literary, historical, or other scholarly research done in fields other than science and technology.

#### Example

True Alloys, Inc. purchases materials from which it will construct an apparatus that its research department will use to test the strength of several new alloys the company is developing. True Alloys will issue an exempt use certificate to the supplier and not pay Sales Tax on the purchase since the materials are being used directly in laboratory research. However, True Alloys must pay Sales Tax when it buys the special tools and dies needed to construct the apparatus since the tools are only incidental to research.

- **Solar Energy Devices:** Devices or systems specifically approved by the Board of Public Utilities, Division of Energy and designed to provide heating or cooling or electrical or mechanical power by converting solar energy to some other usable energy source, including devices for storing solar-generated energy. The purchaser is *not* required to be registered with New Jersey to issue Form ST-4 to purchase solar energy devices.

#### **Example**

Mary buys a solar energy collector to heat and cool her home. She may issue the supplier an exempt use certificate instead of paying Sales Tax on the collector. However, she may not use an exempt use certificate to purchase insulation used to reduce heat loss through her walls, roof, slab, or foundation. Since insulation is not directly used in the gathering, storing, or conversion of solar energy, Sales Tax must be paid when it is purchased.

#### **Sales and Use Tax Exemption Certificate (Form ST-4 (BRRAG))**

The New Jersey Economic Development Authority administers the Business Retention and Relocation Assistance Grant Program, which includes a Sales and Use Tax exemption on the purchase of "eligible property" for certain businesses relocating and retaining jobs within New Jersey. Form ST-4 (BRRAG) is issued to these businesses and can be used by both the business and its contractors to purchase eligible property to be incorporated into or used at the location listed on the form.

#### **Exempt Organization Certificate (Form ST-5)**

An Exempt Organization Certificate, Form ST-5, is used by a qualified, registered nonprofit organization to purchase, with its own funds, goods and services for its *exclusive* use without paying Sales Tax. Some examples of organizations that may have exempt status are churches, hospitals, veterans' organizations, and fire companies. When the organization makes purchases, a photocopy of the Form ST-5 is given to the supplier in lieu of paying Sales Tax.

**NOTE: State Occupancy Fee/Municipal Occupancy Tax.** Although qualified nonprofit organizations are exempt from New Jersey Sales Tax under the New Jersey Sales and Use Tax Act, these organizations are not exempt from the State Occupancy Fee or the Municipal Occupancy Tax. Thus the ST-5 cannot be used to exempt a qualified nonprofit organization from paying either the fee or the tax.

Form ST-5 is not required for the United States or State of New Jersey departments or agencies, or New Jersey political subdivisions or public schools to make tax-exempt purchases.

Payment from government funds with the official letterhead or purchase order signed by a qualified officer is sufficient proof for the seller of the exemption from paying the Sales Tax. For cash purchases of less than \$150, a Form ST-4, Exempt Use Certificate, signed by a qualified government or school official is satisfactory. There is an exemption from paying the State Occupancy Fee and the Municipal Occupancy Tax for agencies and instrumentalities of the United States and the State of New Jersey, and New Jersey political subdivisions and public schools. Documentation provided to exempt purchases from Sales Tax is also sufficient to provide exemption from the Occupancy Fee/Tax.

For more information on exempt organization certificates, request brochure [M-5014](#), *Exempt Organization Certificate Form ST-5*.

### **Direct Payment Permit (Forms ST-6A and ST-6X)**

The holder of a valid Regular Direct Payment Permit may issue Form ST-6A at the time of purchase in those cases in which the taxable status of the purchase is not known at the time of purchase. (The holder of a valid Audit Direct Payment Permit may issue Form ST-6X at the time of purchase according to the terms of the taxpayer's audit agreement governing use of the certificate.)

To obtain a Regular Direct Payment Permit, complete an Application for Direct Payment Permit, Form ST-6B, and mail to:

New Jersey Division of Taxation  
PO Box 264  
Trenton NJ 08695-0264

An application for a Regular Direct Payment Permit may be filed only by registered businesses that acquire tangible personal property or services under circumstances that make it impossible at the time of purchase to determine the taxable status of the property or services.

**NOTE:** The holder of a Regular Direct Payment Permit may *not* use Form ST-6A to purchase goods that are clearly taxable at the time of purchase, such as office equipment and supplies, repair services, etc.

A list of Direct Payment Permit Holders is available [online](#).

### **Farmer's Exemption Certificate ([Form ST-7](#))**

Farmers, including nursery owners and greenhouse owners, use this exemption certificate to purchase goods and certain services used directly and primarily for the production, handling, and preservation *for sale* of agricultural or horticultural commodities. The exemption applies only to purchases by the farmer; it does not apply to purchases by contractors or others doing work for the farmer. A farmer does not need to be registered with the State to issue Form ST-7.

The exemption does not apply to purchases of automobiles, energy, or materials that will be incorporated into a building or structure. However, farmers may issue Form ST-7 to purchase materials to construct a silo, greenhouse, grain bin, or manure handling facility that is to be used directly and primarily in the production, handling, or preservation of farm commodities for sale. This exception for certain construction materials applies only to purchases by farmers; it does not apply to purchases by contractors.

For more information about exempt purchases of certain commercial vehicles, including certain vehicles registered for farm use, see [Commercial Motor Vehicles](#).

### **Certificate of Exempt Capital Improvement ([Form ST-8](#))**

A Certificate of Exempt Capital Improvement, Form ST-8, is issued by a property owner to a contractor when work is done to real property that results in an exempt capital improvement. An exempt capital improvement occurs when real property (land or buildings) is improved in a way that increases its capital value or useful life, with certain exceptions. A property owner issues Form ST-8 to the contractor and does not pay Sales Tax on the *labor* portion of the contractor's bill. Sales Tax is paid on the materials at the time of purchase by the contractor or by any other individual making the purchase. A property owner does *not* need to register with New Jersey to issue Form ST-8.

For more information on capital improvements, request Tax Topic Bulletin [S&U-2, Sales Tax and Home Improvements](#).

### **Motor Vehicle Sales and Use Tax Exemption Report ([Form ST-10](#))**

Form ST-10 is used by registered motor vehicle dealers to report Sales Tax exemptions to the Division for *nonresidents* who have purchased and taken delivery of motor vehicles in this State. The purchaser signs Form ST-10 certifying that he/she is a nonresident and meets all the requirements for claiming a Sales Tax exemption. See [Good Faith](#).

**NOTE:** If a person has homes in both New Jersey and another state (e.g., owns a house in New Jersey, but spends the winters in Florida), he or she is not entitled to a Sales Tax exemption as a "nonresident."

### **Aircraft Dealer Sales and Use Tax Exemption Report ([Form ST-10-A](#))**

Form ST-10-A is used by registered aircraft dealers to report exempt sales of airplanes. When a *nonresident* comes into New Jersey and purchases an airplane, no Sales Tax is due provided the purchaser will base the airplane in another state. If the nonresident purchaser bases the airplane in New Jersey within 12 months of the date of sale, the exemption is voided and Sales Tax plus penalty and interest charges are due on the purchase price of the aircraft.

### **Vessel Dealer Sales and Use Tax Exemption Report ([Form ST-10V](#))**

Form ST-10V is used by registered vessel dealers to report exempt sales of boats. An exempt sale is one made to a New Jersey resident who purchases the boat in New Jersey for use

outside New Jersey and, as part of the sales contract, the dealer transports the boat out of state or the dealer arranges to have the boat transported out of state. Sales Tax is due if the resident purchaser does not pay Sales or Use Tax on the boat in another state and then subsequently brings the boat back to New Jersey for use in this state, even on a limited basis.

Also exempt is a sale made to a nonresident who purchases the boat in New Jersey with the intention of basing it in his or her state of residence. This exemption applies whether the nonresident purchaser takes possession of the boat in New Jersey or contracts with the dealer to have it delivered out of state. If the nonresident purchaser bases the boat in New Jersey within 12 months of the date of sale, the exemption is voided and Sales Tax plus penalty and interest charges are due on the purchase price of the boat. The exemption does not apply if the nonresident purchaser maintains a summer home or other place of abode in New Jersey.

### **Example**

James T. Anderson of Pennington, New Jersey, purchased a 32-foot motorized sailboat from Luxury Crafts LTD, a registered vessel dealer located in Toms River, New Jersey. The sales contract for Jim's new boat specifies that the vessel will be transported by Luxury Crafts to a marina in Boca Raton, Florida, and delivered there to Mr. Anderson for use in that state. Luxury Crafts will complete a Vessel Dealer Sales and Use Tax Exemption Report (Form ST-10V) and not charge Sales Tax on the transaction. Mr. Anderson also signs the Form ST-10V certifying that the requirements for the Sales Tax exemption have been met.

### **Contractor's Exempt Purchase Certificate ([Form ST-13](#))**

Form ST-13 is used by registered contractors to purchase materials, supplies, or services for use in performing work on the real property of a qualified exempt organization (an organization that holds a valid New Jersey Exempt Organization Certificate, Form ST-5); or for a federal or New Jersey governmental entity; or for a qualified housing sponsor. The contractor provides Form ST-13 to his supplier and does not pay Sales Tax on the purchase price provided the materials will be entirely used or consumed on the job contracted for by the exempt organization. Form ST-13 must include the exempt organization number shown on Form ST-5 or, if the work is being done for a qualified government agency, the agency's purchase order number.

Form ST-13 may *not* be used to rent machinery or equipment or to purchase tools or materials such as hammers and tarpaulins (rain covers) that may be used on other jobs. For more information on Contractor's Exempt Purchase Certificates, request Tax Topic Bulletin [S&U-3, Contractors and New Jersey Taxes](#).

### **Exemption Certificate for Student Textbooks ([Form ST-16](#))**

The sale of textbooks for use by students in a school, college, university, or other educational institution, approved as such by the Department of Education, is exempt from Sales Tax. When the educational institution declares that the books are required reading for school purposes,

the purchaser may issue the vendor Form ST-16 and not pay Sales Tax. The purchaser is *not* required to be registered with New Jersey to issue Form ST-16.

### **Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5)**

Under the Urban Enterprise Zones Act, a qualified business is eligible for an exemption from Sales and Use Tax on purchases of tangible personal property (other than motor vehicles and parts and supplies) and services (except telecommunication services) for *exclusive use or consumption on the premises of the qualified business at its zone location*. Tangible personal property and services do not include gas, electricity, prepared foods and beverages, rooms, or admissions. A qualified business must pay the full rate of tax on purchases of these items.

**NOTE:** Certain Urban Enterprise Zone and Salem County manufacturing businesses may qualify for exemption from Sales and Use Tax on purchases of natural gas and electricity. See [Urban Enterprise Zone – Energy Exemption Certificate \(Form UZ-6\)](#).

Only personal property controlled by the qualified business qualifies for the exemption. Tangible personal property generally includes items such as construction materials, office supplies, office or business equipment, office and store furnishings, trade fixtures, cash registers, etc. Exempt services performed for a qualified business at its zone location include items such as janitorial and maintenance services, installing, maintaining, or repairing tangible personal property used in business, etc. The exemption is not available to sellers located within Urban Enterprise Zone-impacted business districts.

More information on Urban Enterprise Zones is available [online](#).

### **Contractor’s Exempt Purchase Certificate – Urban Enterprise Zone (Form UZ-4)**

A contractor issues a properly completed Contractor’s Exempt Purchase Certificate – Urban Enterprise Zone (Form UZ-4) to suppliers when purchasing materials that will be incorporated into real property, supplies that will be entirely used or consumed on the job, or services for use in performing work for a qualified business at the business’s real property in an Urban Enterprise Zone. The exemption does not apply to equipment that the contractor rents or leases to perform work for a qualified business. The contractor can only obtain Form UZ-4 from a qualified business. The contractor also issues copies of Form UZ-4 to subcontractors for their use in making exempt purchases for the job. Subcontractors must attach their name, address, and certificate of authority number (in addition to the name, address, and number of the contractor) and then give the UZ-4 and attachments to their vendors. Finally, this certificate is not available to vendors located within Urban Enterprise Zone-impacted business districts.

More information on Urban Enterprise Zones is available [online](#).

### **Urban Enterprise Zone – Energy Exemption Certificate (Form UZ-6)**

The Urban Enterprise Zone – Energy Exemption Certificate (Form UZ-6) is issued to UEZ-certified manufacturers that meet the New Jersey Economic Development Authorities program

employment requirements established under the Business Retention and Relocation Assistance Act. To qualify, the manufacturer must employ at least 250 people within the zone, at least 50% of whom are employed directly in the manufacturing process. The certificate applies to the business's purchase of natural gas, electricity, and the transportation and transmission of both commodities, and must be renewed annually.

A list of Urban Enterprise Zone – Energy Exemption Certificate holders is available [online](#).

### **Salem County – Energy Exemption Certificate (Form SC-6)**

The Salem County – Energy Exemption Certificate (Form SC-6) is issued to Salem County-certified manufacturers that meet the New Jersey Economic Development Authorities program employment requirements established under the Business Retention and Relocation Assistance Act. To qualify, the manufacturer must employ at least 50 people within the zone, at least 50% of whom are employed directly in the manufacturing process. The certificate, which applies to the business's purchase of natural gas, electricity, and the transportation and transmission of both commodities, must be renewed annually.

A list of Salem County – Energy Exemption Certificate holders is available [online](#).

## **For More Information**

### **Online**

- Division of Taxation [website](#);
- [Email](#) general State tax questions.  
Do not include confidential information such as Social Security or federal tax identification numbers, liability or payment amounts, dates of birth, or bank account numbers in your email;
- Subscribe to [NJ Tax E-News](#), the Division of Taxation's online information service.

### **By Phone**

- Call the Division of Taxation's Customer Service Center at **609-292-6400**;
- Text Telephone Service (TTY/TDD) for Hearing-Impaired Users: **1-800-286-6613** (toll-free within NJ, NY, PA, DE, and MD) or **609-984-7300**. These numbers are accessible *only* from TTY devices. Submit a text message on any New Jersey tax matter and receive a reply through NJ Relay Services (711).

### **In Person**

Visit a New Jersey Division of Taxation Regional Information Center. For the address of the center nearest you, visit our [website](#) or call the Automated Tax Information System at 1-800-323-4400.



## **Forms and Publications**

- Visit the Division of Taxation's website for [forms](#) and [publications](#).
- Call the Forms Request System at **1-800-323-4400** (within NJ, NY, PA, DE, and MD) or **609-826-4400** (touch-tone phones only) to have printed forms or publications mailed to you. **NOTE:** Due to budgetary constraints, supplies are limited and only certain forms and publications can be ordered through this system.

**OBSCOLETE**