

Tax Notes - Limousine Services

(01/25/07)

Note: Effective May 1, 2017, limousine transportation services are not subject to New Jersey Sales and Use Tax. For more information, see [Notice to Limousine Operators](#)

Effective October 1, 2006, an amendment to the Sales and Use Tax Act imposes sales tax on the sale, except for resale, of "transportation services originating in this state and provided by a limousine operator, as permitted by law, except such services provided in connection with funeral services." L. 2006, c.44, section 3(b)(13), codified as **N.J.S.A. 54:32B-3(b)(13)**.

Meaning of "Limousine Operator"

A "limousine operator" is a person who provides prearranged passenger transportation, for consideration, not on a scheduled, regular route, and not in connection with mortuary and funeral services. A limousine is an automobile, motor car, or other vehicle (including vehicles known as "black cars") that has a seating capacity of not more than 14 passengers, but does not include vehicles engaged exclusively in transporting school children or teachers or exclusively in providing handicapped transport or ambulance services. Limousine service is generally conducted pursuant to the consent of the New Jersey municipality in which it is provided or in which the operator has its principal place of business.

What Is Included in "Transportation Services"

Receipts for "transportation services" include the charge for physically transporting a passenger or passengers, as well as any charges that may be separately itemized for amenities, individualized services and components of the limousine operator's overhead which are billed to the customer. For example, any additional amounts charged, in addition to the base rate, for waiting time, meeting and greeting, transporting luggage with the passengers, making extra stops, providing refreshments, flowers, or other amenities purchased by the operator, or providing access to in-vehicle television, telephone, or internet service are treated as part of the receipt for the transportation service and therefore subject to the tax. (See **N.J.S.A. 54:32B-2(o)(1)(B)**.) If the limousine operator itemizes expenses incident to the sale of transportation service, such as tolls and parking charges, and separately charges those costs to the customer, those itemized charges are also deemed to be part of the taxable receipt.

Tips that are voluntarily given by the customer to the limousine driver are not subject to sales tax. Gratuities that are billed to the customer are also not taxable if they are separately stated on the bill or invoice for the transportation service, are specifically designated as a "gratuity," and are paid over in their entirety to the driver providing the service.

The following are not deemed to be receipts for "transportation services...provided by a limousine operator" within the meaning of **N.J.S.A. 54:32B-3(b)(13)** and therefore are not subject to sales tax: cancellation and "no-show" charges, and transportation of packages (including medical supplies and human organs) that are not accompanied by a passenger.

Services “Originating in this State”

N.J.S.A. 54:32B-3(b)(13) imposes sales tax on transportation services “originating in this state.” By this, it means limousine service in which the trip begins with pick-up of the passenger or passengers in New Jersey. The location from which the limousine is dispatched, the office location of the limousine operator, and the customer’s billing address are all irrelevant to the issue of where the limousine service originates.

Sales tax will be imposed on limousine service that

- begins with pick-up of passenger(s) in New Jersey,
- ends with discharge of passenger(s) in New Jersey, and
- takes place entirely within the State of New Jersey.

If a customer is picked up in New Jersey and delivered to a location outside this State, the service will not be taxable. If a customer is picked up outside New Jersey and delivered to a location in this State, that service will not be taxable.

Examples:

1. A sole passenger is picked up by a limousine in Hackensack, New Jersey, and dropped off at the airport in Newark. The limousine operator itemizes extra charges for luggage and for parkway tolls.

Taxable, because the service begins and ends in New Jersey. The extra charges for luggage and tolls are treated as part of the transportation service and therefore are taxed as well.

2. A sole passenger is picked up by a limousine in Red Bank, New Jersey, and dropped off at J.F. Kennedy Airport in New York.

Not taxable, because the service ends outside New Jersey.

3. A passenger is picked up from Washington, D.C, and taken to Montclair, New Jersey.

Not taxable, because the service originates outside New Jersey.

4. A passenger contracts with a limousine operator to provide him with round trip service from his home to a hospital and back. The passenger is picked up in Cherry Hill, New Jersey, in the morning and taken to a hospital in Philadelphia, Pennsylvania. Then, several hours later, the passenger is taken back home to Cherry Hill.

The services provided are **not taxable**. The morning service is not taxable because it ends outside New Jersey, and the afternoon service is not taxable because it originates outside New Jersey.

5. A group of three tourists staying in Morristown, New Jersey, plan a trip to visit Ellis Island and the Statue of Liberty. They arrange for a limousine operator to take them from Morristown to the Jersey City, New Jersey, ferry terminal in the morning and then to pick them up in New York City in the evening and take them back to Morristown. They are charged extra for 20 minutes of waiting time in the morning in

Morristown, and for an hour of waiting time in New York City.

The service from Morristown to Jersey City, including the charge for 20 minutes of waiting time in Morristown, is taxable, because the service both originates and ends in New Jersey. The service from New York City back to Morristown, including the waiting time in New York City, is not taxable, because that service originates outside New Jersey.

Pursuant to a reservation made in advance, a passenger is taken by limousine from Matawan, New Jersey, to J. F. Kennedy Airport on April 1, 2007, and is then picked up at the same airport and returned to Matawan on April 8, 2007.

Not taxable, because the April 1 service ends outside New Jersey and the April 8 service originates outside New Jersey.

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