



This TAM addresses the purchase and installation of automated teller machines (“ATM”) and similar equipment by a bank or similar establishment.

PURCHASE OF MATERIALS, SUPPLIES, AND EQUIPMENT

The purchase of tangible personal property, including materials, supplies, and equipment, to be permanently installed in a bank is subject to tax. N.J.S.A. 54:32B-3(a). Depending on whether the bank itself or the contractor purchases the materials will determine which party is responsible for paying the tax. Contractors are considered to be the retail purchasers of materials and supplies used on the job. N.J.S.A. 54:32B-2(e) (2). Thus, if the contractor is purchasing the materials, the contractor will pay the tax at the time of purchase. On the other hand, if the bank is purchasing the materials for the contractor to install, the bank will pay the tax at the time of purchase.

When an installer purchases tangible personal property which remains tangible personal property once installed, the installer may issue a fully completed resale certificate to the seller and not pay tax on these materials. In this instance, the installer charges tax to the bank on the charge for the tangible personal property.

INSTALLATION OF MATERIALS, SUPPLIES, AND EQUIPMENT

The Sales and Use Tax Act imposes tax on the service of installing tangible personal property. N.J.S.A. 54:32B-3(b) (2). Unless the installation of tangible personal property results in an exempt capital improvement to real property, the installation of tangible personal property is subject to tax. N.J.S.A. 54:32B-3(b) (4). A “capital improvement” occurs when tangible personal property is permanently affixed to real property (land or buildings) and becomes a permanent part of the real property.

To qualify as a capital improvement, the installation must increase the capital value of the property or significantly increase the useful life of the property. N.J.A.C. 18:24-5.6(c). If the work performed on the real property results in an exempt capital improvement, the contractor does not collect Sales Tax on the labor portion of the bill, provided the customer issues the contractor a fully completed Certificate of Exempt Capital Improvement (Form ST-8).

A tenant leasing commercial property may issue Form ST-8 so long as there is a written agreement between the property owner and the tenant indicating that any capital improvements to the leased property will remain with the real property once the tenancy is terminated. The agreement should be attached to the Certificate of Exempt Capital Improvement and retained by the contractor to document the exemption from Sales Tax.

COMMON INSTALLATIONS OCCURRING AT A BANK

FREE-STANDING ATM

A free-standing ATM which is installed is not considered to be permanently affixed to the real property since the ATM remains tangible personal property. Thus, charges to install a freestanding ATM are subject to tax.

“THROUGH-THE-WALL” ATM

An ATM which is installed in the wall is considered to be permanently affixed to the real property. Thus, charges to install a “through-the-wall” ATM are exempt from tax as an exempt capital improvement to real property.

BANK VAULT

A bank vault is considered to be permanently affixed to the real property. Thus, charges to install a bank vault are exempt from tax as an exempt capital improvement to real property.

SAFETY DEPOSIT BOX

A safety deposit box in the wall or a vault is considered to be permanently affixed to the real property. Thus, charges to install a safety deposit box are exempt from tax as an exempt capital improvement to real property.

DRIVE-THROUGH WINDOW

A drive-through window is considered to be permanently affixed to the real property. Thus, charges to install a drive-through window are exempt from tax as an exempt capital improvement to real property.

DRIVE-THROUGH TELLER EQUIPMENT WITH TUBE SYSTEM

Drive-through teller equipment with a tube system is considered to be permanently affixed to the real property. Thus, charges to install drive-through teller equipment with a tube system are exempt from tax as an exempt capital improvement to real property.

NIGHT DEPOSITORY

A night depository installed in the wall is considered to be permanently affixed to the real property. Thus, charges to install a night depository are exempt from tax as an exempt capital improvement to real property.

Note: A Technical Advisory Memorandum (“TAM”) is an informational statement of the law, regulations, or Division policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions or changes in Division policies could affect the validity of the information presented in a TAM.