

Vending Machines & New Jersey Sales Tax

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Introduction

The taxability of sales made through coin-operated vending machines is based on several factors. This bulletin will clarify the different tax treatments required on a variety of vending transactions.

Non-food Items

The gross receipts from all sales of tangible personal property (other than food and drink) such as laundry detergent, cigarettes, nail clippers, barrettes and bobby pins sold through coin-operated vending machines are taxable. Sales of items which are exempt by law, such as clothing and footwear (e.g., shoe laces and bathing caps), as well as sales of any items for 25 cents or less, are not taxable and should be deducted from gross receipts before calculating tax.

Postage stamps purchased for mailing purposes **only** are exempt from tax. Stamps (postage and other) purchased as collector's items are taxable.

To calculate the tax due on receipts from the sale of taxable non-food items, multiply the total gross receipts (less exempt sales if any) by the current sales tax rate (6%). Follow the example below.

Example:

Receipts from sales of non-food items	\$ 1,000
Tax due (\$1,000 x 6% sales tax rate)	\$ 60

Food and Drink

Sales of food and drink for 26 cents or more through coin-operated vending machines are taxable. The only exceptions to this are the sale of milk and sales in cafeterias or other eating facilities in elementary, secondary and higher education schools. Student lounges, dormitories, gymnasiums, libraries, etc. are *not* considered to be eating facilities.

Operators of vending machines which dispense food and drink must report and pay sales tax on the wholesale price of these items. The wholesale price is defined as 70% of the retail vending machine selling price. The receipts from the sales of exempt items should be deducted from gross receipts prior to calculating the tax. To calculate the tax due on sales of food and drink, subtract sales of milk and 30% of sales of food and beverages from total vending machine sales. Then multiply this amount by the current sales tax rate of 6%.

Example:

Receipts from sales of milk	\$ 1,000	
Receipts from sales of food and beverages (other than milk)	\$ 8,000	
Total vending machine sales		\$ 9,000
Less deductions:		
Milk	\$ 1,000	
30% of sales of food and beverages (other than milk) (\$8,000 x 30%)	\$ 2,400	
Total deductions		\$ 3,400
Sales subject to tax		\$ 5,600
Tax due (\$5,600 x 6% sales tax rate)		\$ 336

Registration

Vendors operating coin-operated vending machines must register with New Jersey in order to do business in this State by filing an **Application for Business Registration (Form NJ-REG)**. One sales tax registration number will be given to each vendor for all machines. On each machine there must be the following statement: "This vending machine is operated by Name of Vendor at Place of Business of Vendor" and "New Jersey Sales Tax Registration Number _____."

A Public Records Filing may also be required depending upon the type of business ownership. For more information on Public Records Filing call 609-292-9292.

Resale

The vendor may purchase all items to be sold through coin-operated vending machines without paying New Jersey sales tax by issuing a **New Jersey Resale Certificate (Form ST-3)** to a supplier who is registered to accept such certificates. If the vendor purchases the items out-of-State, the vendor may have to pay the other state's sales tax. For further information on out-of-State purchases and on the use of exemption certificates, request ANJ-10, *Out-of-State Sales & New Jersey Sales Tax*, and Tax Topic Bulletin S&U-6, *Sales Tax Exemption Certificates*.

For More Information

For more information on vending machines and New Jersey sales tax, call the Division's Customer Service Center at 609-292-6400, e-mail us at **taxation@tax.state.nj.us**, or write to:

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