



Investigation and Security Services & New Jersey Sales Tax

Publication ANJ–28

Introduction

The New Jersey Sales and Use Tax Act imposes sales tax on the sale of investigation and security services that are sourced to New Jersey.

“Investigation and security services” means:

- Investigation and detective services, including detective agencies and private investigators; and fingerprint, polygraph, missing person tracing, and skip tracing services;
- Security guard and patrol services, including bodyguard and personal protection, guard dog, guard, patrol, and security services;
- Armored car services; and
- Security systems services, including security, burglar, and fire alarm installation, repair, and monitoring services.

Investigation and Detective Services

Investigation and detective services are sourced to where the customer makes first use of the service. First use is deemed to be where the investigative report is delivered. A license to perform such activities is not required in order for the service to be taxable. The tax is imposed regardless of who performs the service.

The amount of the receipt subject to sales tax includes the fee charged for the investigation and security service, as well as the cost of materials used, labor or service, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, any other expense of the seller, and charges by the seller for any services necessary to complete the sale. Charges for such items as travel time, meals, tolls, and mileage billed by a service provider are considered inseparable from the taxable service and are part of the receipt. Because the service provider is providing a taxable service, all expenses incurred by the seller in providing that service (i.e., overhead costs passed on to the client) are also subject to tax regardless of how they are billed.

EXAMPLES OF TAXABLE INVESTIGATION AND DETECTIVE SERVICES

- Lie Detection services
- Background checks (i.e., criminal background, tenant/employee screening, resume verification)
- Insurance claim *investigation* services (whether performed by a licensed private investigator, a third-party administrator, or any other type of business)
- Online or “real-life” research services to track down unclaimed assets
- Online or “real-life” research to track down birth parents and other long-lost people or pets

EXAMPLES OF NONTAXABLE SERVICES

These services are *not* investigative or detective services, and are not taxable.

- Charges by a business hired by an attorney to issue subpoenas and court summonses
- Skycap services performed at an airport
- Ticket and baggage checks to verify a passenger’s identity
- Insurance claim *adjustment* services (e.g., evaluation of liability or damages, settlement negotiations, trial preparation, and settlement of claim)

When purchasing property and services that are actually transferred to the client, service providers may issue a valid **New Jersey Resale Certificate (Form ST-3)** or the **Streamlined Sales and Use Tax Certificate of Exemption (Form ST-SST)** to the supplier and not pay sales tax. Examples of such property include: photographs, video cassettes (for the purpose of surveillance), and printing and copy charges related to the investigative report. The service provider may also provide a resale certificate to another service provider when subcontracting investigative and detective services.

Security Guard and Patrol Services

Security guard and patrol services are sourced based upon where the customer makes first use of the service. Since security guard and patrol services are specific to an actual location, they are sourced based on the location of the property being guarded. Thus, security guard and patrol services performed at a location in New Jersey are subject to tax.

Armored Car Services

Armored car services that are performed entirely within New Jersey are subject to sales tax. If the service is not performed entirely within New Jersey, then the service is sourced to the customer's location. Thus, if the customer's location is in New Jersey, regardless of whether goods are picked up or delivered to that location, the service is subject to sales tax.

An armored car company may charge separately for armored car services and cash management services. The cash management services are not taxable if they are separately stated from the taxable armored car services. It is presumed that the separate charges for cash management services and armored car services are reasonable in relation to prevailing market prices.

EXAMPLES OF CASH MANAGEMENT SERVICES

- ATM cassette preparation: unloading an ATM's cassette, verifying, counting currency, placing cash into the empty ATM cassette, reloading, and sealing it
- Change order preparation: preparing coin and currency for delivery to a customer's location
- Currency verifying: counting inbound and outbound currency to verify cash amounts
- Deposit processing: counting, verifying, and consolidating (wrapping, banding, rolling) customer deposits
- Envelope processing: verifying commercial drop envelope deposits, counting currency, coin and checks, consolidating (wrapping, banding, and rolling currency and coin) for deposit

EXAMPLES OF ARMORED CAR SERVICE CHARGES

- Armored transportation – delivery and pick up of coin and currency
- Excess bin charges
- Excess bag charges
- Excess skid charges
- Emergency armored delivery or unscheduled trips
- Federal Reserve trips

Security Systems Services

Charges for the installation and monitoring of security systems are subject to tax. Installation is taxable whether it results in a capital improvement to real property or not. Thus, the installation of hard-wired security systems, where the wires are placed within the walls, is subject to sales tax. The installation of mobile or portable alarm systems, closed circuit television systems (cameras, monitors, recorders), and alarm systems which are rented or leased is also subject to tax.

Sales of security systems are taxable whether they are sold to individual property owners, other sellers, or to contractors. The customer may install the system himself or hire an outside contractor to install the system. Either way, the customer must pay sales tax on the purchase of the equipment.

Registration

New Jersey law requires all businesses to register with the State for tax purposes at least 15 business days before starting business. To register, a **Business Registration Application (Form NJ-REG)** must be filed. Form NJ-REG may be filed online through the Division of Revenue's New Jersey Business Gateway Registry Services at: www.state.nj.us/treasury/revenue/. If the application indicates that the business will collect sales tax or purchase materials for resale, a **New Jersey Certificate of Authority (Form CA-1)** for sales tax is sent to the business. This certificate provides authorization from the State of New Jersey to collect sales tax and issue or accept exemption certificates. A seller **must** be registered with New Jersey to accept exemption certificates. A Public Records Filing may also be required depending upon the type of business ownership. More information on Public Records Filing is available in the New Jersey Complete Business Registration Package (**NJ REG**) or by calling 609-292-9292.

**For More
Information**

For more information on investigation and security services and New Jersey sales tax, contact the Division's Customer Service Center at 609-292-6400, e-mail us at nj.taxation@treas.state.nj.us, or write to:

NEW JERSEY DIVISION OF TAXATION
TECHNICAL INFORMATION BRANCH
PO BOX 281
TRENTON NJ 08695-0281

Many State tax forms and publications are available by fax and on our Web site. Call NJ TaxFax at 609-826-4500 from your fax machine's phone, or access the Division's home page at:

www.state.nj.us/treasury/taxation/

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