



# New Jersey Sales Tax Guide

Tax Topic Bulletin S&U-4

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## **Introduction**

This bulletin has been designed as a guide to New Jersey Sales Tax and the taxability of certain items and services sold at retail. The lists of taxable and exempt items given throughout this publication are not meant to be all-inclusive. If after reading this bulletin you are unsure whether an item is taxable, contact the New Jersey Division of Taxation (see page 31). Information on the taxability of boats is available on the Division's [website](#).

## **Sales Tax Law**

The New Jersey Sales and Use Tax Act imposes a tax on the receipts from every retail sale of tangible personal property, specified digital products, and the sale of certain services, except as otherwise provided in the Act. Tangible personal property can include prewritten computer software delivered electronically. In addition, most services performed on tangible personal property and specified digital products are taxable unless they are specifically exempted by law. Exempt items include most food sold as grocery items, most clothing and footwear, disposable paper products for household use, prescription drugs, and over-the-counter drugs.

### **Streamlined Sales and Use Tax Agreement (SSUTA)**

The Streamlined Sales and Use Tax Agreement affects the New Jersey Sales Tax treatment of certain products and services, including, but not limited to, candy, soft drinks, prepared food, certain clothing and footwear, grooming and hygiene products, and lease transactions.

More information on the Streamlined Sales and Use Tax Agreement is available [online](#).

### **Urban Enterprise Zones**

New Jersey has established Urban Enterprise Zones in a number of economically distressed cities in the State. Within these zones, qualified businesses that have a UZ-2 certificate may charge Sales Tax at half of the regular rate on sales of tangible personal property qualified for the reduced rate. In order for the qualified UEZ seller to offer this reduced rate, the purchaser must place the order in person at the seller's place of business in the zone. In addition, the purchaser must accept delivery at the seller's place of business within the zone, or the seller must deliver the property from its business location in the zone, not from another location.

More information on Urban Enterprise Zones and the benefits available to qualified UEZ businesses is provided on the Division's [website](#).

### **Salem County Reduced Sales Tax**

Certain sales made by businesses located in Salem County are subject to Sales Tax at half of the regular rate. Although there are certain exceptions, the reduced rate applies solely to retail sales of tangible personal property. The following are not eligible for the reduced rate:

- Motor vehicles;
- Alcoholic beverages;
- Cigarettes;

- Mail-order, catalog, or internet sales;
- Sales of services (e.g., maintenance and/or repairs);
- Prepared food, meals, and beverages;
- Telephone and electronically communicated sales;
- Sales made from locations outside the county;
- Charges for admissions or amusements;
- Charges for room occupancy, including hotels and transient accommodations such as short-term rentals of rooms, homes, or other lodging.

To qualify for the reduced rate, the sale must be made in person from a place of business regularly operated by the seller for the purpose of making retail sales. In addition, the purchaser must accept delivery at the seller's place of business in Salem County, or the seller must deliver the property to the purchaser from the seller's location in Salem County.

## **Transient Accommodations**

New Jersey taxes occupancies of certain types of real property, such as hotels and motels. As of October 1, 2018, current law extends similar tax treatment to transient accommodations, which were not previously subject to tax.

Transient accommodations are short-term rentals such as:

- Vacation rentals;
- Houses;
- Rooms;
- Similar lodging for guests on a transient basis.

New Jersey property owners who provide transient accommodations are now required to collect and remit New Jersey Sales Tax, the State Occupancy Fee, the Municipal Occupancy Tax (if applicable), and in some cases, other municipal taxes, fees, and assessments. They must be registered with the State to collect and remit these taxes and fees.

Certain transient accommodations are exempt from tax. See [Taxes Imposed on Charges for the Rental of Transient Accommodations](#) for exclusions.

## **Use Tax**

Use Tax is due when taxable tangible personal property, specified digital products, or services are purchased for use in New Jersey but Sales Tax is not collected, or is collected at a rate less than New Jersey's rate. This commonly happens when purchases are made online, by phone or mail order, or outside the State. If the items are delivered to a New Jersey address, the purchaser must pay Use Tax based on the purchase price, including any delivery/shipping charges. The Use Tax rate is the same as the Sales Tax rate, which is 6.625%. (The rate decreased to 6.625% on January 1, 2018.)

**No Sales Tax Paid.** If no Sales Tax is paid on a taxable item or service, the purchaser owes 6.625% Use Tax to New Jersey.

*Example:* A New Jersey resident buys a pool table for \$3,000 plus \$50 for shipping from a company based in another state. The pool table is delivered to the purchaser's home. The seller does not charge Sales Tax. The purchaser owes Use Tax of \$202.06 ( $\$3,050 \times .06625 = \$202.06$ ).

**Sales Tax Paid to Another State at a Rate Less Than New Jersey's Rate.** If

Sales Tax is paid to another state (including Sales Tax paid to a city, county, or other jurisdiction within a state) at a total rate less than 6.625% on a purchase that would have been taxed in New Jersey, the purchaser owes Use Tax on the difference between the two rates. No credit is allowed for Sales Tax paid to a foreign country.

*Example:* On a trip to Maine, Judy Chang buys an antique desk for her office for \$4,000 and pays Maine Sales Tax at the rate of 5.5%. The difference, \$45 (1.125% of the purchase price), is due to New Jersey as Use Tax.

For more information, see publication [ANJ-7](#), *Use Tax in New Jersey*.

## **Grocery, Drug, and Household Items**

Beginning on page 6 is a list of items commonly found in a retail store, with an indication of whether the item is taxable (T) or exempt (E) from Sales Tax *when sold to an individual consumer*.

Most items of food and drink purchased in a food store (supermarket, grocery store, produce market, bakery, etc.) are not subject to Sales Tax. Some items found on the list may become taxable if sold as prepared food. See the definition of [prepared food](#). For more information, see the [Notice regarding food and food products](#). Food and beverages that can be purchased with government benefits from the Supplemental Nutrition Assistance program (SNAP) are exempt from Sales Tax. Thus, taxable items such as candy and soft drinks are not subject to tax when purchased with SNAP benefits.

Sales of disposable paper products, such as towels, napkins, toilet tissue, paper plates, and paper cups, are exempt from Sales Tax when purchased "for household use." This exemption does *not* apply to the sale of disposable paper products for industrial, commercial, or other business use.

*Food and food ingredients* (exempt) means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. This term does not include tobacco and nicotine products, alcoholic beverages, candy, or soft drinks.

*Dietary supplements* (exempt) are any products required by the federal government to be labeled as a dietary supplement, and that are identifiable by the "Supplement Facts" box on the label. Many items that are commonly marketed as health supplements, energy bars, or meal replacement bars do not fall within the definition of "dietary supplements." These items could be taxable as candy if they meet the definition below.

*Candy* (taxable) means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Any preparation containing flour or requiring refrigeration is not considered "candy."

*Soft drinks* (taxable) are nonalcoholic beverages in liquid form that contain natural or artificial sweeteners. Beverages that contain milk or milk products; soy, rice, or similar milk substitutes; or more than 50% fruit or vegetable juice are not considered "soft drinks" and are not subject to Sales Tax.

*Prescription drugs and over-the-counter (OTC) drugs* (for human use) also are exempt from Sales Tax if there is a label identifying the product as a drug, such as a “Drug Facts” panel or a statement of active ingredients. The OTC drug exemption does not apply to any *grooming and hygiene product*, which means a soap or cleaning solution, shampoo, toothpaste, mouthwash, antiperspirant, suntan lotion, or sunscreen.

*Diabetic supplies, prosthetic devices, and durable medical equipment for home use* are exempt from Sales Tax. *Mobility enhancing equipment* also is exempt when sold pursuant to a doctor’s prescription. Repair and replacement parts for the exempt devices and equipment also are not subject to Sales Tax.

Examples of *prosthetic devices* include:

- |  |              |
|--|--------------|
| Artificial Limbs                         | Hearing Aids |
| Corrective Eyeglasses and Contact Lenses | Heart Valves |
|  | Pacemakers   |

Examples of durable medical equipment include:

- |                                   |              |
|-----------------------------------|--------------|
| Bed Pans                          | Heating Pads |
| Blood Pressure Machines and Cuffs | Ice Packs    |

Examples of mobility enhancing equipment include:

- |                            |                  |
|----------------------------|------------------|
| Canes                      | Wheelchairs      |
| Crutches                   | Wheelchair Lifts |
| Hand Controls for Vehicles |                  |

For more information, see Technical Bulletin [TB-63\(R\)](#), Health Care Products: Drugs, Grooming and Hygiene Products, Prosthetic Devices, Durable Medical Equipment, and Mobility Enhancing Equipment.

Acne Products:	Allergy Relief Products.....E
Creams or Lotions.....E	Aluminum Foil.....T
Cleansers or Soaps.....T	Ammonia.....T
Air Fresheners.....T	Anesthetics.....E
Alcohol, Rubbing.....E	Antacids.....E
Alcohol, Swabs and Pads.....E	Antibiotics.....E
Alcoholic Beverages (prepackaged or by the drink).....T	Antifungals.....E
	Antihistamines.....E

Antinauseants.....	E	Concentrated.....	E
Antiperspirants.....	T	Beverage Powders (Kool-Aid, lemonade, iced tea).....	E
Arch Supports.....	E	Beverage Syrups:	
Arthritis Relievers.....	E	Flavored.....	E
Artificial Tears.....	E	Soda.....	E
Aspirins and Combinations.....	E	Beverages, Sweetened:	
Asthma Preparations.....	E	Containing milk, milk products, or milk substitutes (soy, rice, etc.).....	E
Astringents.....	E	Containing more than 50% juice.....	E
Athlete’s Foot Treatments.....	E	Containing no milk products and containing 50% or less juice.....	T
Baby Bath Soaps—Liquid, Bar.....	T	Beverages, Unsweetened.....	E
Baby Food.....	E	Bibs.....	E
Baby Formulas.....	E	Bird Food.....	T
Baby Lotions.....	T	Birth Control Preparations.....	E
Baby Pants.....	E	Biscuits, Crackers.....	E
Baby Powder.....	T	Blankets (except baby receiving blankets)....	T
Baby Shampoos.....	T	Bleach—Liquid, Dry.....	T
Baby Wipes.....	E	Blistex® (medicated).....	E
Bags:		Blood Pressure Cuffs <i>for home use</i> .....	E
Cloth, Plastic.....	T	Books (except certain textbooks approved by the school).....	T
Paper <i>for household use</i> .....	E	(see also <a href="#">Newspapers, Magazines, and Books</a> and <a href="#">Specified Digital Products</a> )	
Baked Goods (see <a href="#">Prepared Food</a> ).....	*	Bottled Water:	
*Taxability depends on how product is sold.		Sweetened.....	T
Baking Cups:		Unsweetened.....	E
Foil.....	T	Braces—Ankle, Knee.....	E
Paper <i>for household use</i> .....	E	Bread and Rolls.....	E
Baking Powder.....	E	Breast Cream.....	T
Baking Soda.....	E	Breast Pump.....	E
Balloons.....	T	*Effective May 1, 2018, sales of breast pumps are exempt when sold to an individual purchaser for home use.	
Bandages.....	T	Breast Shells, Bra Pads.....	E
Band Aids.....	T	Breath Freshener.....	T
Bar Mixes (liquid):		Bubble Bath.....	T
Sweetened.....	T	Butane.....	E
Unsweetened.....	E	Cake Mixes.....	E
Bath Beads, Oils, Sachets.....	T	Calling Cards, Telephone (prepaid):	
Bathing Caps.....	E		
Bathroom Cleaners.....	T		
Batteries.....	T		
Batteries, Hearing aid.....	E		
Bed Linens.....	T		
Bed Pans <i>for home use</i> .....	E		
Bee Sting Relievers.....	E		
Beverage Flavorings/Enhancers—Liquid,			



Sale of Card.....	T	Cigars.....	T
Additional Minutes.....	T	Cleaning Liquids, Powders.....	T
Camera Lens and Eyeglass Cleaner Tissues..	T	Clotheslines.....	T
Candles.....	T	Clothespins.....	T
Candy (see <a href="#">Candy</a> ).....	T	Clothing (see <a href="#">Clothing and Footwear</a> )	
Taxable <i>unless</i> product contains flour		Cocktail Onions, Olives.....	E
(e.g., Nestle Crunch®) or requires		Cocktail Sauces.....	E
refrigeration.		Cocoa, Instant.....	E
Canes.....	T	Cod Liver Oil.....	E
Sold pursuant to doctor's prescription....	E	Coffee—Beans, Packaged, Instant.....	E
Canker Sore Preparations.....	E	Coffee Filters—Paper <i>for household use</i> .....	E
Canned Goods:		Coffee Pot Cleaners.....	T
Fruits.....	E	Cold Preparations and Remedies.....	E
Meats, Fish (except pet food).....	E	Cold Sore Preparations.....	E
Milk.....	E	Combs.....	T
Soup.....	E	Computers: (see also <a href="#">Services</a> )	
Vegetables.....	E	Computer Systems.....	T
Car Wash and Wax.....	T	Hardware Components.....	T
Carbonated Beverages (see <a href="#">Beverages</a> )		Prewritten Computer Software.....	T
Carpet Cleaners.....	T	Condiments (ketchup, mustard, etc.).....	E
Carpet Deodorizers.....	T	Condoms.....	T
Castor Oil.....	E	Confections (see <a href="#">Candy</a> ).....	T
Cat Food.....	T	Constipation Products.....	E
CDs, Cassettes, DVDs.....	T	Contact Lens Care Products (including	
Cereal Bars (see <a href="#">Candy</a> ).....	*	saline solution).....	T
*Taxability depends on ingredients.		Contact Lens Cleaner, Solution.....	T
Cereals.....	E	Contact Lenses (prescription).....	E
Chapstick® (medicated).....	E	Contraceptive Preparations.....	E
Charcoal, Charcoal Briquettes.....	E	Cooking Wine.....	E
Cheese, Cheese Spreads.....	E	Copper Cleaner.....	T
Chewing Gum.....	T	Corn and Callus Pads.....	T
Chewing Tobacco.....	T	Corn and Callus Removers.....	E
Chips—Chocolate, Butterscotch, etc.		Cornstarch.....	E
(for use in baking):		Cosmetics.....	T
Sweetened.....	T	Costumes.....	E
Unsweetened.....	E	Cotton Balls.....	T
Chips—Potato, Corn, etc.....	E	Cough Preparations.....	E
Christmas Trees.....	T	Cream, Milk, Half and Half.....	E
Christmas Tree Skirts—Paper, Cloth.....	T	Crepe Paper.....	T
Cigarette Filters.....	T	Crutches.....	T
Cigarette Papers.....	T	Sold pursuant to doctor's prescription.	E
Cigarettes.....	T	Cups:	

Paper for household use.....	E	Electrical Supplies.....	T
Plastic, Foam.....	T	Energy Bars (see <a href="#">Candy</a> ).....	*
Cuticle Remove.....	T	*Taxability depends on ingredients.	
Dandruff/Seborrhea Shampoo.....	T	Epsom Salt:	
Decongestants.....	E	Garden Use.....	T
Decorations—Paper, Plastic.....	T	Medical Use (for humans).....	E
Dental Floss.....	T	Expectorants.....	E
Dental Rinse.....	T	Eye Preparations.....	E
Denture Adhesives, Preparations.....	T	Eyeglass Cleaner Tissues.....	T
Deodorants, Antiperspirants.....	T	Eyeglass Frames (fitted with corrective lenses).....	E
Deodorizers—Room, Car, Carpet.....	T	Eyeglasses (corrective).....	E
Depilatories.....	T	Fabric Softeners.....	T
Detergents.....	T	Facial Cleansing Pads.....	T
Diabetic Supplies (lancets, needles, syringes, test strips, wipes, etc.).....	E	Feminine Napkins, Tampons.....	E
Diapers (including disposable).....	E	Fever Blister Aids.....	E
Diaper Liners.....	E	Fiberglass Cleaner.....	T
Diarrhea Aids.....	E	Film, Film Processing.....	T
Digestive Aids.....	E	Firewood.....	E
Digital Property (see <a href="#">Specified Digital Products</a> , page 18).....	T	First Aid Kits.....	T
Dinnerware (disposable):		First Aid Products:	
Paper for household use.....	E	Bandages.....	T
Plastic, Foam.....	T	Healing Agents, Solutions, etc.....	E
Dips—Cheese, Onion, etc.....	E	Fishing Bait.....	T
Dish Detergents.....	T	Flags:	
Disinfectants.....	T	State of New Jersey.....	E
Distilled Water.....	E	United States of America.....	E
Diuretics.....	E	All Others.....	T
Dog Food.....	T	Flashlights.....	T
Doilies—Paper, Foil.....	T	Flatware.....	T
Douches:		Flea Collars.....	T
Antiseptic, Anti-Infectious.....	E	Floor Cleaners and Polishes.....	T
Cleaning, Deodorizing.....	T	Floor Coverings, Rugs.....	T
Drain Openers, Cleaners.....	T	Floor Finishes (wax).....	T
Drawer Liners.....	T	Floor Wax Remover.....	T
DVDs, CDs.....	T	Flowers.....	T
Dyes.....	T	Food Coloring.....	E
Ear Preparation, Ache Aids.....	E	Food Wraps:	
Ear Syringes.....	E	Aluminum Foil.....	T
Eczema Preparations.....	E	Paper Freezer Wrap <i>for household use</i> ..	E
Eggs—Fresh, Dried.....	E	Plastic Storage Bags.....	T
		Plastic Wrap.....	T

Waxed Paper <i>for household use</i> .....	E	Headache Relief Aids.....	E
Foot Care Preparations.....	E	Health/Fitness Equipment (weights, exercise balls, steps, etc.).....	T
Foot Deodorizers.....	T	Heating Pads.....	E
Footwear (see <a href="#">Clothing and Footwear</a> )		Hemorrhoid Treatments.....	E
Freezer Packs (blue ice).....	T	H.I.V. Testing Kits (only when sample is sent to lab for analysis and report).....	E
Frozen Foods (see also Ice Cream) .....	E	Hosiery, all types .....	E
Fruit .....	E	Hot Chocolate, Instant .....	E
Fruit Drinks:		Hyperdermic Syringes and Needles:	
Containing 50% or less juice .....	T	Diabetic Use.....	E
Containing over 50% juice .....	E	Disposable (for nondiabetic use).....	T
Fuels:		Reusable (for home use).....	E
Charcoal .....	E	Ibuprofen.....	E
Charcoal Lighter .....	E	Ice .....	E
Cigarette Lighter Fluid .....	E	Ice Buckets, Ice Chests.....	T
Fungicides .....	E	Ice Cream:	
Furniture .....	T	Individually wrapped bars, sandwiches, popsicles, cones	
Furniture Polishes and Cleansers .....	T	(single item or by the box).....	E
Fuses .....	T	By the gallon or part of a gallon.....	E
Garbage Pails.....	T	Ice Cream Cones (hand-dipped) .....	T
Garden Supplies.....	T	Iced Tea:	
Gatorade.....	T	Liquid, sweetened.....	T
Gelatin and Gelatin Desserts.....	E	Liquid, unsweetened .....	E
Gift Certificates.....	E	Powdered, sweetened or unsweetened... E	
Gift Wrap, Bows, Boxes, Tags.....	T	Icing/Frosting.....	E
Gloves.....	E	Ingrown Nail Preparations.....	E
Glucose Meters <i>for home use</i> .....	E	Insect Bite and Sting Preparations.....	E
Granola Bars (see <a href="#">Candy</a> ) .....	*	Insecticides, Repellents .....	T
*Taxability depends on ingredients.		Instant Cocoa, Coffee, Tea.....	E
Greeting Cards .....	T	Insulin .....	E
Grenadine.....	E	Iodine, Tincture of.....	E
Grip Tape.....	T	Itch, Rash Relievers .....	E
Guest Towels—Paper <i>for household use</i> ....	E	Jams and Jellies.....	E
Hair Care Products:		Jewelry Cleaners .....	T
Brushes, Combs.....	T	Juice Drinks:	
Conditioners .....	T	Containing 50% or less juice .....	T
Curler Papers .....	T	Containing over 50% juice .....	E
Rinses .....	T	Keys .....	T
Shampoos, including Minoxidil-based...T		Laundry Soaps and Detergents .....	T
Halloween Masks .....	T	Lawn Bags .....	T
Hand Cleaners.....	T		
Hand Lotion.....	T		
Hay Fever Aids.....	E		

Laxatives .....	E	Mineral or Herbal Supplements	
Leather Cleaners (saddle soap).....	T	(in form of pills, capsules, etc.) .....	E
Leavening Agents.....	E	Mixes for Soups .....	E
Lemonade:		Mixes for alcoholic beverages:	
Liquid, sweetened.....	T	Liquid, sweetened (see <a href="#">Beverages</a> )	
Powdered.....	E	Liquid, unsweetened.....	E
Lice Treatments (for humans).....	E	Powdered.....	E
Light Bulbs .....	T	Mops, Mop Handles.....	T
Lighter Fluid .....	E	Motion Sickness Remedies.....	E
Linens.....	T	Mouthwash.....	T
Liners—Garbage Can, Shelf, etc .....	T	Movies (see <a href="#">Specified Digital Products</a> ) .....	T
Lint Removers.....	T	Muscle Ache Relievers.....	E
Lip Balms (medicated).....	E	Music (see <a href="#">Specified Digital Products</a> ).....	T
Lipstick.....	T	Nail Biting Deterrents .....	T
Liquid Nicotine.....	T	Nail Polish .....	T
Litter Box Liners .....	T	Nail Polish Remover .....	T
Lotions:		Napkins, Table—Paper for household use... E	
Cleansing .....	T	Nasal Sprays, Decongestants.....	E
Moisturizing.....	T	Newspapers.....	E
Lunch Bags:		Nicotine Gum.....	T
Paper <i>for household use</i> .....	E	Nicotine Patch .....	T
Plastic .....	T	Nursing Bottles, Nipples, Funnels.....	T
Lye .....	T	Nursing Pads—Paper.....	E
Magazines (or periodicals), qualified:		Nuts:	
(see <a href="#">Newspapers, Magazines, and Books</a> )		Sweetened (see Candy)	
Sold as single copies (hard copies).....	T	Unsweetened .....	E
Sold as single copies (electronic).....	E	Oil—Cooking, Salad .....	E
Sold by subscription.....	E	Olives .....	E
Makeup.....	T	Oral Pain Relievers.....	E
Makeup Remover.....	T	Oven Cleaners .....	T
Maraschino Cherries .....	E	Oven Cooking Bags:	
Marshmallow Fluff .....	E	Paper <i>for household use</i> .....	E
Marshmallows.....	T	Plastic or Aluminum .....	T
Matches .....	T	Ovulation Testing Kits .....	T
Meats .....	E	Oxygen .....	E
Medicines (for pets) .....	T	Paint Remover .....	T
Menstrual Cramp Relievers .....	E	Paper Bags <i>for household use</i> .....	E
Metal Cleaners and Polishes.....	T	Paper Goods (plates, towels, etc.)	
Mildew Remover.....	T	<i>for household use</i> .....	E
Milk (fresh, powdered), Cream,		Paperback Books.....	T
Half and Half.....	E	Peroxide, Hydrogen (for medical use).....	E
Mineral Oil .....	E	Pet Foods .....	T

Pet Shampoo .....	T	*Taxability depends on how product is sold.
Pet Supplies.....	T	
Petroleum Jelly .....	E	Salt and Salt Substitutes.....
Pets.....	T	E
Pickles.....	E	Sandwich Bags:
Pies, Pie Crusts .....	E	Paper <i>for household use</i> .....
Pillows.....	T	Plastic .....
Place Mats:		Sanitary Napkins, Tampons.....
Cloth and plastic.....	T	Scouring Pads.....
Paper <i>for household use</i> .....	E	Seeds—Flower or Vegetable.....
Plants (including fruit, vegetable) .....	T	Shampoos .....
Plates:		Shaving Cream .....
Paper <i>for household use</i> .....	E	Shelf Liners.....
Plastic, Foam.....	T	Shoe Inserts (Odor Eaters).....
Poison Ivy and Oak Treatment		Shoe Laces .....
Preparations.....	E	Shoe Polish .....
Polishing Cloths and Mitts.....	T	Shoes (see <a href="#">Clothing and Footwear</a> )
Popcorn:		Shower Caps .....
Popped, sweetener added .....	T	Sinus Relievers.....
Popped, no sweetener added.....	E	Skin Bleaches .....
Unpopped, any flavor.....	E	Skin Irritation Relievers .....
Powdered Beverage Mix.....	E	Sleep Aids.....
Pregnancy Testing Kits.....	T	Snuff.....
Prescription Contraceptives .....	E	Soap .....
Prescription Drugs (for human use).....	E	Soap Pads.....
Presoaks, Laundry .....	T	Soup Mixes .....
Preserves .....	E	Spaghetti.....
Pretzels (unheated).....	E	Sparklers, Party Poppers, Glow Worms.....
Propane.....	E	Specified Digital Products (see <a href="#">Specified Digital Products</a> ).....
Puddings.....	E	Spices.....
Pumpkins:		Sponges.....
Used for decoration.....	T	Stain and Spot Remover.....
Used for food .....	E	Starch:
Rainhoods .....	E	Corn .....
Ringtones (see <a href="#">Specified Digital Products</a> ) ..	T	Laundry.....
Rock Salt.....	T	Static Remover .....
Rogaine® Foam/Solution.....	E	Stationery .....
Rubber Gloves.....	E	Steel Wool.....
Rug Cleaners and Shampoos.....	T	Stirrers—Wood, Plastic .....
Rug Deodorizers.....	T	Straws:
Salads (potato salad, coleslaw, etc.).....*		Paper <i>for household use</i> .....
(see <a href="#">Prepared Food</a> )		Plastic .....

Sugar and Sugar Substitutes .....	E	Underpads, Disposable—Paper.....	E
Sunburn Relief Products.....	E	Upholstery Cleaners .....	T
Sunglasses.....	T	Vacuum Cleaner Bags:	
Sunscreens.....	T	Cloth, Plastic .....	T
Surgical Adhesive.....	T	Paper <i>for household use</i> .....	E
Table Covers:		Vaporizer Tablets.....	T
Paper <i>for household use</i> .....	E	Vaseline® .....	E
Plastic .....	T	Vegetables .....	E
Tampons (and like products).....	E	Vitamins .....	E
Tape.....	T	Wart Removers.....	E
Tea—Prepackaged, Dry, or Instant.....	E	Water:	
Tears, Artificial .....	E	Sweetened.....	T
Teething Lotions.....	E	Unsweetened.....	E
Telephone Calling Cards (prepaid):		Water Conditioners .....	T
Additional Minutes.....	T	Water Pills .....	E
Sale of Card.....	T	Water Repellent .....	T
Tenderizers (spices).....	E	Wax.....	T
Thermometers (reusable) <i>for home use</i> .....	E	Wax Remover.....	T
Tile Cleaners .....	T	Waxed Paper <i>for household use</i> .....	E
Tissue—Facial                      and                      Toilet		Wheelchairs.....	T
<i>for household use</i> .....	E	Sold pursuant to doctor’s prescription... E	
Tobacco .....	T	Whipped Cream.....	E
Toilet Bowl Cleaners.....	T	Whiteners, Laundry.....	T
Toilet Bowl Deodorizers.....	T	Wigs .....	T
Tooth Ache Relievers .....	E	Window Cleaning Liquids .....	T
Tooth Polish .....	T	Windshield Washer Solution.....	T
Toothbrushes.....	T	Wipes:	
Toothpaste.....	T	Handi Wipes® (rayon).....	T
Toothpicks .....	T	Witch Hazel .....	E
Towelettes <i>for household use</i> .....	E	Wool Washes .....	T
Towels:		Wrapping Paper, Bows.....	T
Cloth .....	T	Wraps:	
Paper <i>for household use</i> .....	E	Foil, Plastic.....	T
Trashbags and Liners .....	T	Paper <i>for household use</i> .....	E
Undergarments, Disposable.....	E		

**Services**

The following is a list of common services, with an indication of whether the service is taxable (T) or exempt (E) from Sales Tax.

Accounting Services:	Professional Services.....	E
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Electronic Filing Charges.....	T	Debt Collection .....	E
Admission Charges:		Delivery Charges:	
Spectator Sports (baseball games, basketball games, professional wrestling events, etc.).....	T	On Taxable Items .....	T
Participant Sports (bowling, fishing, swimming, etc.).....	E	On Nontaxable Items .....	E
Places of Amusement (movie theaters, amusement parks, trade shows, craft shows, etc.).....	T	Disc Jockey.....	E
Advertising Services (in general) .....	E	Dry Cleaning:	
Alarm Monitoring.....	T	Clothing.....	E
Animal Boarding at Seller’s Facility .....	T	Other .....	T
Animal Grooming.....	T	Document Fees Imposed by Motor Vehicle	
Answering Services, Telephone .....	T	Dealerships:	
Appliance Repairs .....	T	For taxable motor vehicle sales.....	T
Appraisals—Jewelry, Real Estate, etc.....	E	For nontaxable motor vehicle sales.....	E
Architectural Services (in general) .....	E	Separately stated fees for title and registration charged by New Jersey Motor Vehicle Commission.....	E
Armored Car Services .....	T	Electronic Filing Charges .....	T
Automobile Repairs:		Employment Agency Fees.....	E
Inspection Service.....	E	Extended Warranty Agreements .....	T
Labor.....	T	Facsimile (Fax) Services .....	T
Parts.....	T	Floor Covering Installation .....	T
Barber Shop Services .....	E	Garbage Removal:	
Beauty Parlor Services .....	E	Contractual (30 days or more).....	E
Beeper and Paging Services.....	T	Noncontractual.....	T
Boat Docking Fees:		Home Repairs (except residential heating systems) .....	T
Slip Rentals.....	E	Gift Wrapping .....	T
Storage (water or land).....	T	Information Services .....	T
Bookkeeping Services.....	E	Insurance Premiums.....	E
Calligraphy.....	T	Interior Design.....	E
Cable or Satellite Television Subscription.....	E	Internet Access Charges .....	E
Car Washing .....	T	Investigation and Detective Services.....	T
Carpet Cleaning .....	T	Jewelry:	
Catering Services.....	T	Cleaning .....	T
Child/Day Care .....	E	Engraving.....	T
Chimney Sweeping (residential).....	E	Sizing.....	T
Cleaning Services (janitorial).....	T	Landscaping Services.....	T
Computer Maintenance/Repair .....	T	Laundry Services:	
Credit Check/Report .....	T	Clothing.....	E
Credit Repair Services.....	E	Other .....	T
Data Processing Services.....	E	Lawn Mowing Services.....	T
		Locker Rentals .....	T
		Mail Processing Services for	

Advertising/Promotional Material:	Provided pursuant to doctor's Prescription .....	E
Distributed in NJ.....	Membership Fees*:	
Distributed outside NJ .....	Discount Clubs.....	E
Maintenance Agreements (in general).....	Health/Fitness/Athletic/Sporting Clubs .	T
Manufacturer's Rebate (automobile, etc.) ....	Shopping Clubs.....	T
Massage Services .....	Professional/Social Clubs.....	E

\*Tax does not apply to memberships in clubs whose members are predominantly age 18 or under or when charges are made by qualified exempt organizations or New Jersey State or local government entities.

Moving Services.....	E	Security Guard and Patrol Services .....	T
Parking:		Security Systems Services .....	T
Parking, storing, or garaging a motor vehicle .....	T	Service Contracts (in general).....	T
At facility owned/operated by employer .....	E	Shoe Repair .....	E
Atlantic City casino hotel \$3 parking fee.....	E	Silk-Screening, Monogramming, Embroidering:	
Parking receipts subject to tax imposed by any other law or ordinance.....	E	Purchase of Clothing Included.....	E
Provided by a municipality, county, or municipal/county parking authority.....	E	Services Only.....	T
Provided to employee by employer.....	E	Snow Removal.....	T
Residential.....	E	Space for Storage.....	T
Pest Control:		Storage Service Charges.....	T
Inspection.....	E	Tanning Sessions.....	T
Treatment.....	T	Tattooing.....	T
Pet Sitting at Owner's Home .....	E	By prescription in conjunction with reconstructive breast surgery.....	E
Photocopying Services.....	T	Telecommunications Services (landline and wireless telephone, telegraph, pagers, alarm monitoring, etc.) .....	T
Photographer's Services .....	T	.....	T
Prewritten Computer Software Delivered Electronically:		Telephone Answering Services .....	T
Sold to individuals.....	T	Tips and Gratuities (separately stated and paid in full to employees).....	E
Used directly in the conduct of the purchaser's business/trade .....	E	Towing.....	E
Printing Services .....	T	Transportation (see also <a href="#">Delivery Charges</a> ).E	
Professional Services (doctor, lawyer, etc.)...E		Trash Removal:	
Restaurant Meals.....	T	Contractual (30 days or more .....	E
Safe Deposit Box Rental .....	T	Noncontractual.....	T
Scanning—Photos, Records, etc.....	T	Travel Agency Fees.....	E
		Typing Services .....	E
		Utilities (natural gas, electricity).....	T †



Videography.....	T	Website Hosting.....	E
Website Design.....	E	Window Washing.....	T

**†Included in rate**

### **Delivery Charges for Taxable Property and Services**

Sales Tax is imposed on the charges for delivery of property (or services) from a seller directly to a customer if the items sold are subject to tax. Tax is not imposed on delivery charges for nontaxable items like clothing, property purchased for resale, and property covered by any other statutory exemption provision.

*Delivery charges* are defined as charges by the seller for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing. If a shipment includes both exempt and taxable property, the seller should allocate the delivery charge by using:

- A percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment; or
- A percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment.

Thus, only the portion of the delivery charge that relates to the taxable property or service is subject to Sales Tax. In these mixed transactions, if the seller does not allocate the delivery charge, the entire delivery charge is taxable.

For information about delivery charges on out-of-state sales, see publication [ANJ-10, Out-of-State Sales & New Jersey Sales Tax](#).

### **Coupons**

The following guidelines apply to retail sale transactions involving the use of coupons.

- When a manufacturer issues a coupon entitling a purchaser to pay a reduced price on an item, and the seller is *reimbursed* by the manufacturer, distributor, or other third party, the tax is due on the full regular price of the item. The sales price is composed of the amount paid and the amount of the coupon value. The coupon value reflects a payment or reimbursement by another party to the seller.

**Example:** A store issues a coupon labeled "mfr." entitling the holder to purchase an item for \$10 less than the regular price.

Regular price	\$ 99.95
6.625% Sales Tax	+ <u>6.62</u>
Total before discount	\$ 106.57
Manufacturer's coupon	- <u>10.00</u>
Customer pays	\$ 96.57

- When a store issues a coupon entitling a purchaser to a discounted price on the item or a free or reduced price on an additional item, and the seller receives *no reimbursement* from the manufacturer or other third party, the Sales Tax is due from the purchaser on only the discounted price, which is the actual receipt.

**Example:** A store issues a coupon entitling the holder to purchase a product for 50 cents less than the regular price.

Regular price	\$ 2.37
Store coupon	- <u>0.50</u>
Taxable receipt	\$ 1.87
6.625% Sales Tax	+ <u>0.12</u>
Customer pays	\$ 1.99

- When a store issues a coupon entitling a purchaser to pay a reduced price on an item, and the seller is *reimbursed* by a manufacturer, distributor, or other third party, the tax is due on the full regular price of the item. The sales price is composed of the amount paid and the amount of the coupon value.
- When a manufacturer or a seller issues a coupon involving a *third-party reimbursement*, but does not disclose that fact to the purchaser on the coupon or in an accompanying advertisement, the seller will collect from the purchaser only the tax due on the reduced price, but will be required to pay the tax based on the entire sales price (i.e., the amount of the price paid and the reimbursement Received from the manufacturer or other third party).

For more information, see publication [ANJ-9](#), *Coupons, Discounts & New Jersey Sales Tax*.

## **Prepared Food**

Sales of prepared food are subject to Sales Tax. *Prepared food*, which includes beverages, means:

- Food sold in a heated state or heated by the seller; or

- Two or more food ingredients combined by the seller and sold as a single item; or
- Food sold with eating utensils provided by the seller.

Food that is only cut, repackaged, or pasteurized by the seller, as well as eggs, fish, meat, poultry, and foods that contain these raw animal foods that require cooking by the consumer are not treated as prepared food.

The following are *not* treated as prepared food, *unless* the seller provides eating utensils with the items:

- Food sold by a seller that is a manufacturer;
- Food sold in an unheated state by weight or volume as a single item; and
- Bakery items sold as such, including bread, rolls, buns, bagels, donuts, cookies, muffins, etc.

*Eating utensils* include plates, knives, forks, spoons, glasses, cups, napkins, or straws. The sale of prepared food by restaurants, taverns, delicatessens, or other establishments engaged in selling food that fits within the definition of prepared food is subject to Sales Tax.

For more information, see Technical Bulletins [TB-70](#), *Sales of Food and Food Ingredients, Candy, Dietary Supplements, and Soft Drinks Sold by a Grocery Store*, and [TB-71](#), *Sales of Prepared Food by Food Service Providers*.

## **Newspapers, Magazines, and Books**

Sales of newspapers are exempt from Sales Tax. Magazines and periodicals sold by subscription are exempt whether or not they are accessed by electronic means. Magazines sold as single copies are taxable when sold in printed form; however, they are exempt when delivered electronically. Membership periodicals also are exempt. A "membership periodical" is any periodical distributed by a nonprofit organization to its members as a benefit of membership in the organization. For more information, see publication [ANJ-21](#), *Newspapers, Magazines, Periodicals & New Jersey Sales Tax*.

Sales of books, both hardback and softback, including sales of the Bible or other sacred scripture, are taxable whether the book is delivered in hard copy or electronically.

## **Specified Digital Products**

New Jersey imposes tax on retail sales of specified digital products and on charges for installing, maintaining, servicing, or repairing those products, when billed to a New Jersey address.

*Specified digital product* means an electronically transferred digital audio-visual work, digital audio work, or digital book. A digital code that provides a purchaser with a right to obtain the product is treated the same as a specified digital product. Transferred electronically means obtained by the purchaser by means other than tangible storage media.

*Digital audio-visual work* means a series of images which, when shown in succession, create the illusion of motion, together with accompanying sounds, if any.

*Digital audio work* means a series of musical, spoken, or other sounds, including a ringtone. A "Ringtone" is a digital sound file that is downloaded onto the purchaser's device, used to alert the purchaser of communication.

*Digital book* means a work that is generally recognized in the ordinary and usual sense as a book

The term specified digital product *does not include* streaming services, video programming services – such as video-on-demand television – or broadcasting services, including content to provide such services.

Receipts from sales of a specified digital product that is streamed or otherwise accessed, but not delivered electronically to the purchaser, are not taxable. Other types of property that are delivered electronically, such as digital photographs, digital magazines, etc. are also not taxable.

## **Clothing and Footwear**

Sales of articles of clothing and footwear for human use are exempt from New Jersey Sales Tax. This exemption **does not** apply to [fur clothing](#); [accessories or equipment](#); [sport or recreational equipment](#), or [protective equipment](#) (unless the protective equipment is necessary for the daily work of the user).

*Clothing* includes footwear, all inner and outer wear, headgear, gloves and mittens, neckwear, and hosiery normally worn on the human body, including baby receiving blankets, bunting, diapers, diaper inserts, and baby pants. Disposable undergarments for adults also are exempt.

**Exempt Clothing and Footwear** (not made of [fur](#))

Aprons (household and shop)	Incontinence Briefs
Arch Supports	Lab Coats
Athletic Supporters	Leotards and Tights
Baby Receiving Blankets	Neckties
Bathing Caps	Overshoes
Bathing Suits	Pantyhose
Beach Capes and Coats	Rainwear
Belts and Suspenders	Rubber Gloves (for home or work use)
Bibs	Rubber Pants
Boots	Safety Clothing (normally worn in hazardous occupations)
Bowling Shirts (if suitable for ordinary street wear)	Sandals
Coats, Jackets, and Wraps (for either evening or daytime wear)	Saris
Costumes (e.g., Halloween, dance; whether for adults or children)	Shoe Insoles (e.g., Dr. Scholl's®)
Diapers (including disposable, whether for adults or children)	Shoe Laces
Djellabas	Shoes (including safety shoes, sneakers and tennis shoes)
Dress Shields	Shoulder Pads (for dresses, jackets, etc.)
Dresses (including evening wear)	Ski Masks
Ear Muffs	Sleepwear
Footlets	Slippers
Formal Wear	Socks
Garters and Garter Belts	Steel-Toed Shoes
Girdles	Stockings
Gloves and Mittens (for general use)	Thermal Underwear
Hand Muffs	Underwear
Hats and Caps	Uniforms (athletic, school, scout, work, etc.)
Head and Neck Scarves and Bandannas	Wedding Apparel
Hosiery and Peds	Work Clothes, Work Uniforms
	Yarmulkes, Turbans, and Fezzes

**Protective Equipment**

*Protective equipment* means items for human wear and designed as protection of the wearer against injury or disease, or as protections against damage or injury to other persons or property, but not suitable for general use. Protective equipment necessary for the daily work

of the user is specifically **exempt**. However, protective equipment such as goggles or helmets worn for sport or recreational activities is **taxable**. Examples of protective equipment include:

Breathing Masks	Protective Goggles
Clean Room Apparel and Equipment	Respirators (paint or dust)
Ear and Hearing Protectors	Safety Glasses and Goggles
Face Shields	Safety Belts
Hard Hats	Tool Belts
Helmets	Welders' Gloves and Masks

### **Sport or Recreational Clothing and Footwear/Equipment**

Sport or recreational equipment that is worn only in conjunction with a particular sport or recreational activity is taxable. Articles that can be adapted for general use not exclusively connected with a sporting activity are exempt from tax.

#### **Taxable:**

Athletic Shoes (cleated or spiked)  
Ballet and Tap Shoes  
Baseball and Hockey Gloves  
Bicycle Shorts (padded)  
Bowling Shoes  
Fishing Boots (waders)  
Gloves (e.g., baseball, bowling, boxing, hockey, golf)  
Goggles (nonprescription)  
Golf Shoes  
Hand and Elbow Guards  
Helmets (sports and motorcycle)  
Ice Skates  
Life Preservers and Vests  
Mouth Guards  
Protective Masks  
Roller Blades  
Roller Skates (boot and screw-on)  
Shin Guards and Padding  
Shoulder Pads

Ski Boots  
Skin Diving Suits  
Snorkel and Scuba Masks  
Sweatbands  
Swim Fins  
Track Shoes and Cleats  
Wetsuits and Fins

#### **Exempt:**

Athletic Supporters  
Children's Sports and Play Uniforms (e.g., football, baseball, karate)  
Hooded Shirts  
Jogging or Running Shoes, Suits  
Knitted Caps or Hats  
Overshoes, Coats, Mittens, Parkas, and Trousers (sometimes sold in the trade as hunting, skating, and skiing apparel but suitable for general outdoor wear and commonly worn other than in a particular sport)

Pullovers, Turtlenecks, and Other Sweaters                      Ski Masks

### **Fur Clothing**

Sales of fur garments and articles meeting the definition of fur clothing are **taxable**. *Fur clothing* is defined as clothing that is required to be labeled as a fur product and the value of the fur components in the product is more than three times the value of the next most valuable tangible component.

*Fur* means any animal skin with hair, fleece, or fur fibers attached either in its raw or processed state. It does not include skins that have been converted into leather or suede, or those from which the hair, fleece, or fur fiber has been completely removed. Examples of items that may be taxed as fur clothing include:

Boots	Neck Scarves
Capes	Jackets
Coats	Vests
Collars	Wraps
Ear and Hand Muffs	For more information, see the <a href="#">Notice to fur clothing sellers</a> .
Hats	

### **Accessories**

Clothing accessories or equipment, although worn on the body, are not considered clothing or footwear and are **taxable**. Some examples are:

Backpacks and Fanny Packs	Headbands
Barrettes	Jewelry
Belt Buckles (sold separately)	Key Cases
Bobby Pins	Key Rings
Briefcases	Patches and Emblems (sold separately)
Cosmetics	Shower Caps
Costume Masks (sold separately)	Sunglasses (nonprescription)
Elastic and Fur Ponytail Holders	Sweatbands
Hair Bows	Umbrellas
Hairclips	Wallets and Cell Phone Cases
Hairnets	Watches
Handbags and Shoulder or Tote Bags	Watch Bands
Handkerchiefs	Wigs and Hair Pieces

## **Yarn Goods, Yarns, Sewing Equipment, and Supplies**

Common wearing apparel materials intended to be used in either making or repairing clothes are **exempt**. These materials include:

Bra and Slip Repair	Ribbons
Buttons	Seam-Binding and Bias Tape
Denim and Leather Patches	Snaps, Hooks, and Eyes
Elastic	Thread
Fabrics	Yarn
Lace	Zippers

**Note:** If these items are used on products other than wearing apparel, such as doll clothes and afghans, they are taxable.

Any item that does not become an integral part of the clothing is **taxable**. Some examples are:

Chalk	Needles
Fabrics and Yarns (used to make items other than apparel such as rugs, pillows, etc.)	Patterns
Instruction Books	Pins
Knitting Needles	Sewing Machines
Measuring Tapes	Scissors
	Tape Measures
	Thimbles

## **Leasing**

A lessor must collect Sales Tax from the lessee (person who leases or rents property) on a lease or rental transaction. For leases or rentals with a term of *six months or less*, Sales Tax must be collected with each periodic payment. For leases or rentals of *more than six months*, the full amount of tax is due up front in the period in which the lessee takes delivery of the property.

For transactions with a term of more than six months, the tax must be calculated using either the original purchase price of the property, or the total of the periodic payments required under the agreement, including interest charges directly paid by the lessee. When Sales Tax is paid on the purchase price, it does not have to be paid again if the lease is renewed or if the same property is subsequently leased to another party.



For more information, see the [Notice regarding leases and rentals](#) and Tax Topic Bulletin [S&U-12, Leases and Rentals](#).

## **Claim for Refund of Sales Tax**

**Refunds Requested by Individuals From Sellers.** If New Jersey Sales Tax was incorrectly charged and collected by the seller, the purchaser can request a refund of the Sales Tax paid directly from the seller. If the purchaser is unable to recover the tax from the seller, the purchaser can request a refund from the Division of Taxation.

**Refunds Requested by Individuals From the Division of Taxation.** To request a refund from the Division, a purchaser must file a Claim for Refund ([Form A-3730](#)) within four years from the date of payment of the Sales Tax. Individuals must provide an explanation and submit supporting documentation to substantiate the claim. Documentation includes items such as copies of invoices or receipts and proof of tax paid.

**Refunds Requested by Businesses From the Division of Taxation.** Businesses that have improperly collected and/or paid Sales Tax to the State on their monthly remittance statement ([Form ST-51](#)) may correct the error on their quarterly Sales Tax return ([Form ST-50](#)) only if the error is discovered within the same calendar quarter. If the error is discovered after the return for that quarter has been filed, the business must file an amended quarterly return for the period in which the error occurred. When filing the quarterly return, the business must take credit for all payments made for the quarter (including payments submitted in error). Quarterly returns can be amended [online](#) or [by phone](#) through the Business Paperless Telefiling System.

If the amended quarterly return results in an overpayment for the quarter, the business must file a Claim for Refund ([Form A-3730](#)) to obtain a refund. Businesses must have records of canceled sales, returns, or uncollectible receipts to substantiate any claim for a refund of Sales Tax remitted to the State.

Special rules apply to qualified Urban Enterprise Zone businesses. See [Urban Enterprise Zones](#).

## **Businesses Collecting Sales Tax**

### **Registering a Business**

Any person or organization engaged in a business, trade, profession, or occupation in New Jersey must register with the State for tax purposes by filing a Business Registration Application, Form NJ-REG, at least 15 business days before starting business or opening an

additional place of business in this State. Registration ensures that the business will receive all the forms and information it needs to comply with New Jersey tax laws.

Form NJ-REG may be filed [online](#) through the Division of Revenue and Enterprise Services' NJ Business Gateway Services. A Public Records Filing also is required for corporations, limited liability companies, limited partnerships, and limited liability partnerships. More information on Public Records Filing is available in the *New Jersey Complete Business Registration Package (NJ REG)* or by calling 609-292-9292.

### **Collecting Sales Tax**

In general, every New Jersey business selling taxable items or services must collect and remit New Jersey Sales Tax when sales are completed by delivery to a New Jersey location or performance of the service in this State. Sales Tax **must be separately stated** on any sales slip, invoice, receipt, or other statement of the price payable.

### **Sales and Use Tax Returns**

Every business that is on a reporting basis for Sales Tax purposes must file Sales Tax returns. Information on [filing requirements and reporting methods](#) is available on the Division of Taxation's website.

### **Exemption Certificates**

New Jersey has exemption certificates that can be used to purchase property and services without paying Sales Tax under certain conditions. Each exemption certificate has a specific use. The New Jersey seller *accepting* an exemption certificate *must* always be registered with New Jersey. The most common certificates are the Resale Certificate ([Form ST-3](#)), Exempt Use Certificate ([Form ST-4](#)), and Exempt Organization Certificate (Form ST-5).

The seller should accept an exemption certificate only if it is fully completed. As long as the certificate is completed by the purchaser and provided to the seller, the seller is relieved of responsibility for collecting Sales Tax, even if it is later determined that the purchaser was not eligible for the exemption.

Only one exemption certificate is necessary for additional purchases of the same general type. Keep a record of each sale covered by a blanket certificate. Keep this certificate for at least four years from the date of the last purchase covered by the certificate.

**SSUTA Exemption Certificate.** The Streamlined Sales and Use Tax Agreement provides for simplification and standardization in the administration of exemptions. There is a uniform

exemption certificate, Streamlined Sales and Use Tax Agreement Certificate of Exemption ([Form ST-SST](#)), which is accepted by all SSUTA member states.

### **Sales to Government Agencies**

Any New Jersey State agency, political subdivision of the State of New Jersey, federal agency, the United Nations, or any other international organization of which the United States is a member is exempt from paying Sales Tax. In transactions with government agencies, the acceptable proof of exemption from Sales Tax is:

- A copy of a government purchase order, official contract, or order on official government letterhead signed by a qualified officer. When the amount of the transaction is \$150 or less, a fully completed Exempt Use Certificate (Form ST-4) form can be issued instead; and
- Payment must be made by the agency's check or voucher or with a GSA SmartPay 2 credit card that has 0, 6, 7, 8, or 9 as the sixth digit of the account number (credit card charged to and paid directly by the federal government). If payment is made with a GSA SmartPay card having a 1, 2, 3, or 4 as the sixth digit, the transaction is taxable because the card is billed to and paid by the employee.

In addition, certain exemptions are granted to qualified foreign diplomatic and consular personnel who reside in the United States. See Technical Bulletin [TB-53](#), *Diplomat/Consular Sales Tax Exemptions*.

For more information, see Tax Topic Bulletin [MISC-3](#), *Tax Treatment of Nonprofit Organizations and Government Entities*, and Technical Bulletin [TB-53](#).

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

If taxable items are sold and delivered to the purchaser out of State, New Jersey Sales Tax should not be collected. If the property is shipped out of state to a recipient other than the purchaser (e.g., in a gift transaction), the sale also is not subject to New Jersey Sales Tax. The seller must keep a record showing both the out-of-State destination and the method of delivery to that location, such as parcel post receipts, bills of lading, etc.

Sales are taxable, however, if an out-of-state customer picks up the property in New Jersey. They also are taxable if the property is delivered to the customer's location in New Jersey, even though the customer may intend to ship the property out of state at a later date. However, out-of-state purchasers who are registered with New Jersey and "qualified out-of-state sellers" may make tax-exempt purchases in New Jersey of property and services purchased for resale. For more information, see publication [ANJ-10](#), *Out-of-State Sales & New Jersey Sales Tax*.

## **Accounting Methods**

The accrual method of accounting must be used for Sales Tax records. Under the accrual method, all items of income are included in the gross receipts when they are earned, *although actual payment may not be received until later*.

**Example:** Frank Smith, owner of Mr. F's Appliance Store, sold a flat-screen television to a customer in March, but did not actually receive full payment until May. He must include the amount of the sale in his gross receipts for March and pay the Sales Tax due with his Sales Tax return due April 20, even though he did not receive payment until May.

## **Keeping Records**

New Jersey retailers are required to keep records and file New Jersey Sales and Use Tax returns. In addition, records must be kept for Income Tax and, depending on the nature of the business, other taxes as well. Maintaining good records will ensure the accuracy of tax returns and will protect the business in the event of an audit or investigation by the State.

## **Sales Records**

Retailers registered to do business in New Jersey are responsible for collecting Sales Tax and remitting it to the State. They also can accept New Jersey exemption certificates. These certificates exempt the purchaser from paying New Jersey Sales and Use Tax on property and/or services. Exemption certificates must be kept 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. It is essential that businesses maintain clear, accurate records of all sales.

There are two principles to remember when collecting Sales Tax:

1. Sellers hold any Sales Tax collected in trust for the State; and
2. All receipts are considered to be taxable until the contrary is established.

Keep daily records of the sales made. These records can be used to make monthly totals showing the following information:

- Gross receipts from sales;
- Receipts from sales that are not subject to tax;
- Receipts from taxable sales;

- Purchases that are subject to Use Tax;
- Lease/rental transactions that are subject to tax;
- Amount of Sales Tax due the State (whether collected or billed).

Use the amounts from these totals to complete the monthly and/or quarterly tax returns.

### **Retention of Records**

All books, records, certificates, and other documents necessary to determine the tax liability to New Jersey must be available for inspection by the Division of Taxation for at least four years. If adequate records have not been kept, the State may estimate the tax liability of the business based on any available information, including external indicators.

### **Photocopies or Electronically Stored Records**

Books of account (cash books, ledgers, journals, etc.) must be kept. Photocopies or electronically stored records are not acceptable for audit purposes. However, if certain conditions are met, sales invoices, purchase invoices, credit memoranda, etc., may be photocopied or electronically stored to be kept for inspection. If a business intends to destroy the originals before the four year limit, written permission must be received from the Director of the Division of Taxation.

### **Data Processing Records**

Automatic data processing tax accounting can be used if it:

- Provides a method of producing visible records for verification;
- Traces any transaction back to the original source or forward to a final total;
- Has the ability to reconstruct transactions that do not have detailed printouts made at the time the transactions were processed;
- Provides an audit trail designed to identify underlying documents such as sales invoices, purchase invoices, credit memoranda, etc.; and
- Prepares a written general ledger with source references to coincide with financial reports for the tax reporting periods.

Keep records such as punched cards, magnetic tapes, flash drives and disks for at least four years. A description of the business system must be available and include:

- The application being performed;
- The procedures employed (flow charts, diagrams, etc.); and
- The controls used to ensure accuracy.

Document important changes in the system and their effective dates.

## **Other Taxes and Fees**

### **Atlantic City Luxury Sales Tax**

The Atlantic City Luxury Tax is imposed on certain rentals, sales, and services within Atlantic City. The Luxury Tax rate is 9% with the exception of alcoholic beverages sold by the drink, which are subject to a rate of 3%. If the item is subject to both taxes, the State Sales Tax rate is reduced to the extent that the city rate exceeds 6%, and the maximum combined Atlantic City rate and New Jersey rate cannot exceed 12.625%. In addition, certain room rentals in Atlantic City are subject to a 1% State Occupancy Fee. (See *State Occupancy Fee and Municipal Occupancy Tax* below.) For more information, see publication [ANJ-17](#), *Atlantic City: Luxury Tax, New Jersey Sales Tax & Other Fees*.

### **Cape May County Tourism Sales Tax**

Certain businesses in Cape May County must collect a 2% Tourism Sales Tax on predominantly tourism-related retail sales in addition to the State Sales Tax. At present, businesses in Wildwood, Wildwood Crest, and North Wildwood are required to collect the Tourism Sales Tax. "Tourism-related sales" include the following (if also taxable under the Sales and Use Tax Act):

- Hotel, motel, and transient accommodations such as short-term rentals of rooms, homes or other lodging\*;
- Food and drink sold by restaurants, taverns, and other similar establishments for consumption on or off the premises (including mobile sellers and other sellers of prepared food), or by caterers (but *not* including vending machine sales); and
- Admission charges to any place of amusement, including charges for admission to rides, sporting events and exhibitions, dramatic or musical arts performances, movie theaters, and cover charges to nightclubs and cabarets.

In addition to the Tourism Sales Tax, the rent for every occupancy of a room in a hotel, motel, and transient accommodations such as short-term rentals of rooms, homes or other lodging

or similar facility that is subject to the New Jersey Sales Tax also is subject to a Tourism Assessment of 1.85% and a State Occupancy Fee of 3.15%. (See *State Occupancy Fee and Municipal Occupancy Tax* below.)

\*As of October 1, 2018, the law authorizes Wildwood, Wildwood Crest, and North Wildwood to adopt or amend an ordinance that imposes the 2% Tourism Sales Tax on charges for the rental of transient accommodations which occur in Wildwood, Wildwood Crest, and North Wildwood. The Cape May County Tourism Tax will apply to charges for the rental of [transient accommodations](#) on the first day of the first full month following 90 days after receipt of the ordinance by the State Treasurer.

### **State Occupancy Fee and Municipal Occupancy Tax**

An Occupancy Fee of 5% is imposed on the rent for every occupancy of a room in a hotel, motel, and transient accommodations such as short-term rentals of rooms, homes or other lodging or similar facility in most New Jersey municipalities. The fee is imposed at a lower rate in certain municipalities: 3.15% in Wildwood, Wildwood Crest, and North Wildwood; 1% in Newark, Jersey City, and Atlantic City. The fee applies to room rentals that are subject to New Jersey Sales Tax and is in addition to the Sales Tax.

A Municipal Occupancy Tax of up to 3% also may be imposed by any New Jersey municipality (other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood) that adopts an ordinance assessing the tax on occupancies in that municipality.

For more information, see Tax Topic Bulletin [S&U-13](#), *Hotel Occupancies and New Jersey Taxes*.

### **Meadowlands Regional Hotel Use Assessment**

A Meadowlands Regional Hotel Use Assessment of 3% is imposed on the rent for every occupancy of a room in a hotel, motel or similar facility in the Hackensack Meadowlands District, including any hotels located on State-owned land. The district designated by the New Jersey Meadowlands Commission is a 30.4 square-mile area along the Hackensack River covering portions of 14 municipalities in Bergen and Hudson Counties.

The assessment applies to room rentals that are subject to New Jersey Sales Tax and is in addition to the Sales Tax and any other taxes or fees. For more information, see Tax Topic Bulletin [S&U-13](#), *Hotel Occupancies and New Jersey Taxes*.

### **Domestic Security Fee**

Motor vehicle rental companies doing business in New Jersey are required to pay a \$5 per day Domestic Security Fee for each rental day a motor vehicle is rented under agreements of 28 days or less. The fee is due for the quarter in which the rental agreement ends and is separate from and in addition to any Sales Tax due on the rental transaction. For more information, see the [Notice to Motor Vehicle Rental Companies](#).

### **Motor Vehicle Tire Fee**

A fee of \$1.50 is imposed on the sale of new tires, including new tires that are component parts of a new or used motor vehicle that is either sold or leased, if the transaction is subject to New Jersey Sales Tax. The \$1.50 fee is imposed per tire, including the spare tire sold as part of a motor vehicle, and also applies to sales of new tires in connection with a repair or maintenance service. It does not apply to the sale of recapped tires. The tire fee must be collected from the purchaser by the retail seller and, in general, must be separately stated on any bill, invoice, receipt, or similar document.

### **Tobacco and Nicotine Products Wholesale Sales and Use Tax**

The Tobacco and Nicotine Products Wholesale Sales and Use Tax is imposed on the sale, use, or distribution of tobacco or nicotine products, other than cigarettes. The tax paid by the distributor or wholesaler is calculated on the amount paid by the distributor or wholesaler to buy the products from the manufacturer. Cigarettes are exempt from this tax.

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