

## Sales Tax Rate Change

The New Jersey Sales and Use Tax rate will be reduced in two phases between 2017 and 2018. P.L. 2016, c.57 decreases the Sales and Use Tax rate from 7% to 6.875% on and after January 1, 2017. The tax rate will decrease to 6.625% on and after January 1, 2018.

The information in this publication has not yet been updated to reflect the change in the sales tax rate from 7% to 6.875% that takes effect January 1, 2017.

[Continue to the next page](#) to view the current version of this publication.



# New Jersey Sales Tax Guide

Bulletin S&U-4

## Contents

<i>Introduction</i> .....	1
<i>Important Changes</i> .....	1
<i>Streamlined Sales and Use Tax Agreement</i> .....	3
<i>Sales Tax Law</i> .....	3
<i>Urban Enterprise Zones</i> .....	3
<i>Salem County Reduced Sales Tax</i> .....	4
<i>Use Tax</i> .....	4
<i>Grocery, Drug, and Household Items</i> .....	5
<i>Services</i> .....	14
<i>Coupons</i> .....	19
<i>Prepared Food</i> .....	19
<i>Newspapers, Magazines, and Books</i> .....	20
<i>Digital Property</i> .....	20
<i>Clothing and Footwear</i> .....	20
<i>Exempt Clothing and Footwear</i> .....	21
<i>Protective Equipment</i> .....	22
<i>Sport or Recreational Clothing and</i>	
<i>Footwear/Equipment</i> .....	22
<i>Accessories</i> .....	23
<i>Yarn Goods, Yarns, Sewing Equipment,</i>	
<i>and Supplies</i> .....	23
<i>Leasing</i> .....	23
<i>Claim for Refund of Sales Tax</i> .....	24
<i>Businesses Collecting Sales Tax:</i>	
<i>Registering a Business</i> .....	24
<i>Keeping Records</i> .....	25
<i>Bookkeeping Methods</i> .....	25
<i>Accounting Methods</i> .....	25
<i>Sales Records</i> .....	25
<i>Sales and Use Tax Returns</i> .....	26
<i>Exemption Certificates</i> .....	26
<i>Sales to Government Agencies</i> .....	26
<i>Out-of-State Sales</i> .....	27
<i>Retention of Records</i> .....	27
<i>Microfilm Records</i> .....	27
<i>Data Processing Records</i> .....	28
<i>Other Taxes and Fees:</i>	
<i>Atlantic City Luxury Sales Tax</i> .....	28
<i>Cape May County Tourism Sales Tax</i> .....	28
<i>Domestic Security Fee</i> .....	29
<i>Hotel/Motel Occupancy Fee and</i>	
<i>Municipal Occupancy Tax</i> .....	29
<i>Motor Vehicle Tire Fee</i> .....	29
<i>Tobacco Products Wholesale Sales</i>	
<i>and Use Tax</i> .....	29

## 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 of whether or not an item is taxable, contact the New Jersey Division of Taxation. (For information on contacting the Division of Taxation see page 30 of this publication.)

## Important Changes

P.L. 2006, c.44 made the following changes to the Sales and Use Tax Act.

### Effective July 15, 2006

The sales and use tax rate increased from 6% to 7% on all retail sales of taxable merchandise or services.

### Effective October 1, 2006

*Sales and use tax was extended to charges for the following services and property, including the new category “digital property”:*

- Space for storage;
- Tanning services;
- Massage services, unless prescribed by a doctor;
- Tattooing, including permanent body art and permanent cosmetic makeup;
- Investigation and security services, including detective services, patrol services, armored car services, and security system services;
- Information services;

- Limousine services originating and taking place wholly within this State, except as provided in connection with funeral services;
- Membership fees for most athletic, sporting, health and fitness, and shopping clubs and organizations, except charges made by New Jersey State and local government entities and qualified exempt organizations;
- Parking, storing, or garaging a motor vehicle, excluding charges for residential parking, certain employee parking, municipal parking, parking subject to any other law or ordinance, the \$3 minimum fee imposed on parking at Atlantic City casino hotels;
- Digital property, which means electronically delivered music, ringtones, movies, books, audio and video works and similar products, where the customer is granted a right or license to use, retain, or make a copy of such item; and
- Magazines and periodicals, except those sold by subscription and membership periodicals which are distributed by nonprofit organizations.

*The taxability of certain property and services was changed as follows:*

- **Software.** The current exemption for pre-written software delivered electronically is limited to electronically delivered software that is used directly and exclusively in the conduct of the purchaser's business, trade or occupation. Thus, electronically delivered software sold to individuals is subject to tax.
- **Delivery Charges.** The law modified the exclusion for delivery charges that are separately stated from the sales price of an item on the invoice, bill, or similar document given to the purchaser. The law provides for tax to be imposed on delivery charges for taxable items and no tax to be imposed on delivery charges for nontaxable items.
- **Laundering.** The sales tax exemption for laundering, dry cleaning, tailoring, weaving, and pressing is limited specifically to providing those services to clothing. The exemption does not apply to items such as draperies, carpets, blankets, comforters, slipcovers, tablecloths, napkins, dust cloths, mats, mops, industrial wiper cloths, fender covers, bed linens, hospital linens, table linens, linen supply towels, and other cloths.
- **Floor Covering Installation Services.** The exemption for the installation of floor covering that resulted in capital improvement to real property was eliminated. Thus, the labor charge to install floor covering (e.g., carpeting, linoleum, tile, and padding) is now taxable. Businesses that provide floor covering installations are still treated as contractors under the law.
- **Landscaping Services.** The exemption for landscaping services that result in a capital improvement to land was eliminated. Labor charges for landscaping services, such as seeding, sodding or grass plugging of new lawns; planting trees, shrubs, hedges, plants; and clearing and filling land are now taxable.

For more information on changes effective October 1, 2006, visit the Division's Web site at: [www.state.nj.us/treasury/taxation/salestaxbase.shtml](http://www.state.nj.us/treasury/taxation/salestaxbase.shtml)

The law also made two technical changes. First, it included a provision that clarified the sales and use tax collection responsibility of a corporation

that does not maintain a place of business in New Jersey but, through another corporation that is related through common ownership, conducts business activity in New Jersey through the actions of the related New Jersey agent corporation in furtherance of common marketing, promotion, selling, or service activity. Second, it incorporated several rate change provisions of the Streamlined Sales and Use Tax Agreement into the New Jersey Sales and Use Tax Act.

For more information on the taxability of boats, see [Notice – Sales and Use Tax Partial Exemption and Maximum Sales and Use Tax Imposition Amount for Sales and Uses of Boats and Vessels; Establishes Grace Period for Use Tax Imposition on Certain Boats and Vessels used by Resident Purchasers](#).

### **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.

For more information regarding the streamlined sales and use tax changes that took effect October 1, 2005, visit the Division's Web site at: [www.state.nj.us/treasury/taxation/streamchanges.htm](http://www.state.nj.us/treasury/taxation/streamchanges.htm)

### **Sales Tax Law**

The New Jersey Sales and Use Tax Act imposes a tax of 7% upon the receipts from every retail sale of tangible personal property, digital property, and the sale of certain services, except as otherwise provided in the Act. Tangible personal

property is defined to include prewritten computer software delivered electronically. In addition, most services performed upon tangible personal property 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.

### **Urban Enterprise Zones**

New Jersey has established Urban Enterprise Zones in a number of economically depressed cities in the State. Within these zones, qualified businesses having a UZ-2 certificate may charge 3.5% sales tax on sales of merchandise 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, and the seller must deliver the goods from the vendor's location in the zone, not from another location.

P.L. 2006, c.34, made changes to the Urban Enterprise Zones Act. The UEZ law providing a purchase exemption for certain sales made to a qualified business remained effective; however, procedural amendments to the law required sales tax to be collected on sales made to qualified businesses on and after July 15, 2006, unless the business was a "small qualified business" (annual gross receipts less than \$1 million in the prior annual tax period). A qualified business other than a small qualified business had to pay the tax at the time of purchase and apply for a refund.

P.L. 2007, c.328, enacted January 13, 2008, allows qualified businesses with annual gross receipts less than \$3 million in the prior annual tax period to obtain the exemption at the point of purchase.

Businesses must first apply for exemption by filing Form UZ-5-SB-A. Upon approval, small qualified businesses are issued an exemption certificate (Form UZ-5-SB) which is administered in the same manner as the original Form UZ-5. A business that does not qualify as a “small qualified business” will be required to pay sales tax or self-assess use tax, but may apply to the Division for a refund within one year of the invoice date.

For more information on Urban Enterprise Zones visit the Division’s Web site at:  
[www.state.nj.us/treasury/taxation/uez.shtml](http://www.state.nj.us/treasury/taxation/uez.shtml).

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

Certain sales made by businesses located in Salem County are subject to sales tax at 50% of the regular rate. Although there are certain exceptions, the 3.5% 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

To qualify for the reduced rate, the sale must be made in person from a place of business regu-

larly operated by the vendor for the purpose of making retail sales. In addition, the purchaser must accept delivery at the vendor’s place of business in Salem County, or the vendor must deliver the goods to the purchaser from the vendor’s location in Salem County.

### **Use Tax**

A use tax liability may be incurred when taxable goods or services are purchased for use in New Jersey but sales tax was not collected, or was collected at a rate less than the New Jersey sales tax rate. In these instances the purchaser is liable for payment of use tax at the New Jersey sales tax rate. Thus, when taxable items are purchased from Internet retailers or mail-order catalog companies that do not collect New Jersey sales tax, the purchaser is required to remit the use tax directly to the State of New Jersey.

**Example:** Frank Smith, a New Jersey resident, ordered a \$3,000 pool table over the Internet from a company based in another state. The company sent the pool table to Mr. Smith’s home in New Jersey and did not charge him any sales tax. It is Mr. Smith’s responsibility to remit use tax, in the amount of \$210 ( $\$3,000 \times 7\%$ ), directly to the State of New Jersey.

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

## Grocery, Drug, and Household Items

Most items of food and drink purchased in a food store (supermarket, grocery store, produce market, bakery, etc.) are not subject to sales tax.

*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, 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* are also exempt from tax provided 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, durable medical equipment for home use, and mobility enhancing equipment are exempt from tax. Repair and replacement parts for such devices and equipment are also exempt.

Examples of “prosthetic devices” include: hearing aids, pacemakers, heart valves, prescription eyeglasses and contact lenses, artificial limbs. Examples of “durable medical equipment” include: bed pans, blood pressure machines and cuffs, heating pads, ice packs. Examples of “mobility enhancing equipment” include: canes, crutches, wheelchairs, wheelchair lifts, hand controls for vehicles.

The following 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.**

Some items found on the list may become taxable if sold as prepared food. See the definition of *prepared food* on page 19. For additional information, see the [Notice regarding food and food products](#). Food and beverages that are eligible to be purchased with food stamps are exempt from sales tax. Thus, taxable items such as candy and soft drinks are not subject to tax when purchased with food stamps.

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

Acne Products:

Creams or Lotions.....	E
Cleansers or Soaps.....	T
Air Fresheners.....	T
Alcohol, Rubbing.....	E
Alcohol, Swabs and Pads.....	E
Alcoholic Beverages (prepackaged or by the drink).....	T
Allergy Relief Products.....	E
Aluminum Foil.....	T
Ammonia.....	T
Anesthetics.....	E
Antacids.....	E
Antibiotics.....	E
Antifungals.....	E
Antihistamines.....	E
Antinauseants.....	E
Antiperspirants.....	T
Arch Supports.....	E
Arthritis Relievers.....	E
Artificial Tears.....	E
Aspirins and Combinations.....	E
Asthma Preparations.....	E
Astringents.....	E
Athlete's Foot Treatments.....	E
Baby Bath Soaps-Liquid, Bar.....	T
Baby Food.....	E
Baby Formulas.....	E
Baby Lotions.....	T
Baby Pants.....	E
Baby Powder.....	T
Baby Shampoos.....	T
Baby Wipes.....	E

Bags:

Cloth, Plastic.....	T
Paper <i>for household use</i> .....	E
Baked Goods.....	*

\*Taxability depends on how product is sold.  
See *Prepared Foods*, page 19.

Baking Cups:

Foil.....	T
Paper <i>for household use</i> .....	E
Baking Powder.....	E
Baking Soda.....	E
Balloons.....	T
Bandages.....	T
Band Aids.....	T

Bar Mixes (Liquid):

Sweetened.....	T
Unsweetened.....	E
Bath Beads, Oils, Sachets.....	T
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, concentrated).....	E

Beverage Powders (Kool-Aid, lemonade, iced tea).....	E
---	---

Beverage Syrups:

Flavored.....	E
Soda.....	E

Beverages, Sweetened:

Containing milk, milk products, or milk substitutes (soy, rice, etc.).....	E
Containing more than 50% juice.....	E
Containing no milk products and containing 50% or less juice.....	T

Beverages, Unsweetened.....	E
Bibs.....	E

Bird Food .....	T	Canned Goods:	
Birth Control Preparations .....	E	Fruits .....	E
Biscuits, Crackers .....	E	Meats, Fish (except pet food) .....	E
Blankets (except baby receiving blankets) .....	T	Milk .....	E
Bleach-Liquid, Dry .....	T	Soup .....	E
Blistex® (medicated) .....	E	Vegetables .....	E
Blood Pressure Cuffs <i>for home use</i> .....	E	Car Wash and Wax .....	T
Books (except certain textbooks approved by the school) .....	T	Carbonated Beverages (see <i>Beverages</i> )	
(see also <i>Newspapers, Magazines, and</i>		Carpet Cleaners .....	T
<i>Books, and Digital Property, page 20</i> )		Carpet Deodorizers .....	T
Bottled Water:		Castor Oil .....	E
Unsweetened .....	E	Cat Food .....	T
Sweetened .....	T	CDs, Cassettes, DVDs .....	T
Braces-Ankle, Knee .....	E	Cereal Bars .....	*
Bread and Rolls .....	E	*Taxability depends on ingredients.	
Breast Cream .....	T	See <i>Candy, page 5.</i>	
Breast Pump .....	T	Cereals .....	E
Breast Shells, Bra Pads .....	E	Chapstick® (medicated) .....	E
Breath Freshener .....	T	Charcoal, Charcoal Briquets .....	E
Bubble Bath .....	T	Cheese, Cheese Spreads .....	E
Butane .....	E	Chewing Gum .....	T
Cake Mixes .....	E	Chewing Tobacco .....	T
Calling Cards, Telephone (prepaid):		Chips-Chocolate, Butterscotch, etc.	
Sale of Card .....	T	(for use in baking):	
Additional Minutes .....	T	Sweetened .....	T
Camera Lens and Eyeglass Cleaner		Unsweetened .....	E
Tissues .....	T	Chips-Potato, Corn, etc. ....	E
Candles .....	T	Christmas Trees .....	T
Candy .....	T	Christmas Tree Skirts-Paper, Cloth .....	T
Taxable <i>unless</i> product contains		Cigarette Filters .....	T
flour (e.g., Nestle Crunch) or		Cigarette Papers .....	T
requires refrigeration		Cigarettes .....	T
Canes .....	E	Cigars .....	T
Canker Sore Preparations .....	E	Cleaning Liquids, Powders .....	T
		Clothes Lines .....	T
		Clothes Pins .....	T
		Clothing (see <i>Clothing and Footwear, page 20</i> )	
		Cocktail Onions, Olives .....	E
		Cocktail Sauces .....	E

Cocoa, Instant .....	E	Decorations-Paper, Plastic .....	T
Cod Liver Oil .....	E	Dehydrated Food (hunting, etc.) .....	E
Coffee (beans, packaged, instant) .....	E	Dental Floss .....	T
Coffee Filters-Paper <i>for household use</i> .....	E	Dental Rinse .....	T
Coffee Pot Cleaners .....	T	Denture Adhesives, Preparations .....	T
Cold Preparations and Remedies .....	E	Deodorants, Antiperspirants .....	T
Cold Sore Preparations .....	E	Deodorizers-Room, Car, Carpet .....	T
Combs .....	T	Depilatories .....	T
Computers: (see also <i>Services</i> , page 14)		Detergents .....	T
Computer Systems .....	T	Diabetic Supplies (lancets, needles, syringes, test strips, wipes, etc.) .....	E
Hardware Components .....	T	Diapers (including disposable) .....	E
Prepackaged Software .....	T	Diaper Liners .....	E
Condiments (catsup, mustard, etc.) .....	E	Diarrhea Aids .....	E
Condoms .....	T	Digestive Aids .....	E
Confections (see <i>Candy</i> ) .....	T	Digital Property	
Constipation Products .....	E	(see <i>Digital Property</i> , page 20) .....	T
Contact Lens Care Products, including saline solution .....	T	Dinnerware:	
Contact Lens Cleaner, Solution .....	T	Paper <i>for household use</i> .....	E
Contact Lenses (prescription) .....	E	Plastic, Foam .....	T
Contraceptive Preparations .....	E	Dips (cheese, onion, etc.) .....	E
Cooking Wine .....	E	Dish Detergents .....	T
Copper Cleaner .....	T	Disinfectants .....	T
Corn and Callus Pads .....	T	Distilled Water .....	E
Corn and Callus Removers .....	E	Diuretics .....	E
Cornstarch .....	E	Dog Food .....	T
Cosmetics .....	T	Doilies-Paper, Foil .....	T
Costumes .....	E	Douches:	
Cottonballs .....	T	Antiseptic, Anti-Infectious .....	E
Cough Preparations .....	E	Cleaning, Deodorizing .....	T
Cream, Milk, Half and Half .....	E	Drain Openers, Cleaners .....	T
Crepe Paper .....	T	Drawer Liners .....	T
Crutches .....	E	DVDs, CDs .....	T
Cups:		Dyes .....	T
Paper <i>for household use</i> .....	E	Ear Preparation, Ache Aids .....	E
Plastic, Foam .....	T	Ear Syringes .....	E
Cuticle Remover .....	T	Eczema Preparations .....	E
Dandruff/Seborrhea Shampoo .....	T	Eggs (fresh, dried) .....	E
Decongestants .....	E		

Electrical Supplies .....	T	Food Wraps:	
Energy Bars .....	*	Aluminum Foil .....	T
*Taxability depends on ingredients.		Paper Freezer Wrap <i>for household use</i> .....	E
See <i>Candy</i> , page 5.		Plastic Storage Bags .....	T
Epsom Salt:		Plastic Wrap .....	T
Garden Use .....	T	Waxed Paper <i>for household use</i> .....	E
Medical Use (for humans) .....	E	Foot Care Preparations .....	E
Expectorants .....	E	Foot Deodorizers .....	T
Eye Preparations .....	E	Footwear (see <i>Clothing and Footwear</i> , page 20)	
Eyeglass Cleaner Tissues .....	T	Formica Cleaners and Polishes .....	T
Eyeglass Frames (fitted with		Freezer Packs (blue ice) .....	T
corrective lenses) .....	E	Frozen Foods (see also <i>Ice Cream</i> ) .....	E
Eyeglasses (corrective) .....	E	Fruit .....	E
Fabric Softeners .....	T	Fruit Drinks (containing 50% or less juice) .....	T
Facial Cleansing Pads .....	T	Fuels:	
Feminine Napkins, Tampons .....	E	Charcoal .....	E
Fever Blister Aids .....	E	Charcoal Lighter .....	E
Fiberglass Cleaner .....	T	Cigarette Lighter Fluid .....	E
Film, Film Processing .....	T	Fungicides .....	E
Firewood .....	E	Furniture .....	T
First Aid Kits .....	T	Furniture Polishes and Cleansers .....	T
First Aid Products:		Fuses .....	T
Bandages .....	T	Garbage Pails .....	T
Healing Agents, Solutions, etc. ....	E	Garden Supplies .....	T
Fishing Bait .....	T	Gatorade .....	T
Flags:		Gelatin and Gelatin Desserts .....	E
State of New Jersey .....	E	Gift Certificates .....	E
United States of America .....	E	Gift Wrap, Bows, Boxes, Tags .....	T
All Others .....	T	Glass Cleaners .....	T
Flashlights .....	T	Gloves .....	E
Flatware .....	T	Glucose Meters <i>for home use</i> .....	E
Flea Collars .....	T	Granola Bars .....	*
Floor Cleaners and Polishes .....	T	*Taxability depends on ingredients.	
Floor Coverings .....	T	See <i>Candy</i> , page 5.	
Floor Finishes (Wax) .....	T	Greeting Cards .....	T
Floor Wax Remover .....	T	Grenadine .....	E
Flowers .....	T	Grip Tape .....	T
Food Coloring .....	E	Guest Towels-Paper <i>for household use</i> .....	E

Hair Care Products:	
Brushes, Combs .....	T
Conditioners .....	T
Curler Papers.....	T
Rinses .....	T
Shampoos, including Minoxidil-based ....	T
Halloween Masks.....	T
Hand Cleaners.....	T
Hand Lotion .....	T
Hay Fever Aids .....	E
Headache Relief Aids.....	E
Health/Fitness Equipment (weights, exercise balls, steps, etc.).....	T
Heating Pads .....	E
Hemorrhoid Treatments .....	E
H.I.V. Testing Kits (only when sample is sent to lab for analysis and report).....	E
Hosiery, all types.....	E
Hot Chocolate, Instant .....	E
Hypodermic Syringes and Needles:	
Diabetic Use.....	E
Disposable (for nondiabetic use) .....	T
Reusable (for home use) .....	E
Ibuprofen.....	E
Ice .....	E
Ice Buckets, Ice Chests .....	T
Ice Cream:	
Individually wrapped bars, sandwiches, popsicles, cones (single item or by the box).....	E
By the gallon or part thereof.....	E
Ice Cream Cones (hand-dipped) .....	T
Iced Tea:	
Liquid, sweetened .....	T
Liquid, unsweetened .....	E
Powder, sweetened or unsweetened.....	E
Icing/Frosting.....	E
Ingrown Nail Preparations .....	E
Insect Bite and Sting Preparations .....	E
Insecticides, Repellents.....	T
Instant Cocoa, Coffee, Tea.....	E
Insulin .....	E
Iodine, Tincture of.....	E
Itch, Rash Relievers .....	E
Jams and Jellies.....	E
Jewelry Cleaners .....	T
Juice Drinks:	
Containing 50% or less juice .....	T
Containing over 50% juice.....	E
Keys .....	T
Laundry Soaps and Detergents .....	T
Lawn Bags .....	T
Laxatives.....	E
Leather Cleaners (saddle soap) .....	T
Leavening Agents.....	E
Lemonade:	
Liquid, sweetened .....	T
Powdered.....	E
Lice Treatments (for humans).....	E
Light Bulbs.....	T
Lighter Fluid .....	E
Linens.....	T
Liners (garbage can, shelf, etc.).....	T
Lint Removers.....	T
Lip Balms (medicated).....	E
Lipstick .....	T
Litter Box Liners.....	T
Lotions:	
Cleansing.....	T
Moisturizing.....	T
Lunch Bags:	
Paper for household use .....	E
Plastic.....	T
Lye.....	T

Magazines (or periodicals), qualified: (see <i>Newspapers, Magazines, and Books</i> , page 20)		Nicotine Gum .....	E
Sold as single copies (hard copies) .....	T	Nicotine Patch .....	E
Sold as single copies (electronic) .....	E	Nursing Bottles, Nipples, Funnels .....	T
Sold by subscription .....	E	Nursing Pads-Paper .....	E
Make-up .....	T	Nuts:	
Make-up Remover .....	T	Unsweetened .....	E
Maraschino Cherries .....	E	Sweetened (see <i>Candy</i> )	
Marshmallow Fluff .....	E	Oil-Cooking, Salad .....	E
Marshmallows .....	T	Olives .....	E
Matches .....	T	Oral Pain Relievers .....	E
Meats .....	E	Orthopedic Devices .....	E
Medicines (for pets) .....	T	Oven Cleaners .....	T
Menstrual Cramp Relievers .....	E	Oven Cooking Bags:	
Metal Cleaners and Polishes .....	T	Paper for household use .....	E
Mildew Remover .....	T	Plastic or Aluminum .....	T
Milk (fresh, dried), Cream,		Ovulation Testing Kits .....	T
Half and Half .....	E	Oxygen .....	E
Mineral Oil .....	E	Paint Remover .....	T
Mineral or Herbal Supplements		Paper Bags for household use .....	E
(in form of pills, capsules, etc.) .....	E	Paper Goods (plates, towels, etc.)	
Mixes for Soups .....	E	for household use .....	E
Mixes for alcoholic beverages:		Paperback Books .....	T
Powdered .....	E	Pedialyte .....	E
Liquid, unsweetened .....	E	Peroxide, Hydrogen (for medical use) .....	E
Liquid, sweetened (see <i>Beverages</i> )		Pet Foods .....	T
Mops, Mop Handles .....	T	Pet Shampoo .....	T
Motion Sickness Remedies .....	E	Pet Supplies .....	T
Mouthwash .....	T	Petroleum Jelly .....	E
Movies (see <i>Digital Property</i> , page 20) .....	T	Pets .....	T
Muscle Ache Relievers .....	E	Pickles .....	E
Music (see <i>Digital Property</i> , page 20) .....	T	Pies, Pie Crusts .....	E
Nail Biting Deterrents .....	T	Pillows .....	T
Nail Polish .....	T	Place Mats:	
Nail Polish Remover .....	T	Cloth and plastic .....	T
Napkins, Table-Paper for household use .....	E	Paper for household use .....	E
Nasal Sprays, Decongestants .....	E	Plants (including fruit, vegetable) .....	T
Newspapers .....	E	Plastic Items .....	T

Plates:	Sanitary Napkins, Tampons .....	E
Paper for household use .....	Scouring Pads.....	T
Plastic, Foam.....	Seeds (flower or vegetable).....	T
Poison Ivy and Oak Treatment	Shampoos.....	T
Preparations.....	Shaving Cream.....	T
Polishing Cloths and Mitts.....	Shelf Liners.....	T
Popcorn:	Shoe Inserts (Odor Eaters).....	E
Popped, sweetener added.....	Shoe Laces .....	E
Popped, no sweetener added.....	Shoe Polish.....	T
Unpopped, any flavor.....	Shoes (see <i>Clothing and Footwear</i> , page 20)	
Powdered Beverage Mix.....	Shower Caps .....	T
Pregnancy Testing Kits .....	Sinus Relievers.....	E
Prescription Contraceptives .....	Skin Bleaches.....	T
Prescription Drugs .....	Skin Irritation Relievers.....	E
Pre-Soaks, Laundry.....	Sleep Aids .....	E
Preserves .....	Snuff.....	T
Pretzels (unheated).....	Soap.....	T
Propane .....	Soap Pads.....	T
Prosthetic Aids .....	Soup Mixes .....	E
Puddings.....	Spaghetti .....	E
Pumpkins:	Spices .....	E
Used for food .....	Sponges.....	T
Used for decoration.....	Stain and Spot Remover.....	T
Rainhoods .....	Starch:	
Ringtones (see <i>Digital Property</i> , page 20).....	Corn.....	E
Rock Salt.....	Laundry .....	T
Rogaine® Foam/Solution .....	Static Remover.....	T
Rubber Gloves .....	Stationery .....	T
Rug Cleaners and Shampoos .....	Steel Wool.....	T
Rug Deodorizers .....	Stirrers (wood, plastic).....	T
Salads (potato salad, coleslaw, etc.).....*	Straws:	
*Taxability depends on how product is sold.	Paper for household use .....	E
See <i>Prepared Foods</i> , page 19.	Plastic.....	T
Saliva Substitutes.....	Sugar and Sugar Substitutes.....	E
Salt and Salt Substitutes.....	Sunburn Relief Products .....	E
Sandwich Bags:		
Paper for household use .....		
Plastic.....		

Sunglasses .....	T	Underpads, Disposable-Paper .....	E
Sunscreens .....	T	Upholstery Cleaners .....	T
Surgical Adhesive .....	T	Vacuum Cleaner Bags:	
Table Covers:		Cloth, Plastic .....	T
Paper <i>for household use</i> .....	E	Paper <i>for household use</i> .....	E
Plastic .....	T	Vaporizer Tablets .....	T
Tampons (and like products) .....	E	Vaseline® .....	E
Tape .....	T	Vegetables .....	E
Tea (prepackaged, dry, or instant) .....	E	Vitamins .....	E
Tears, Artificial .....	E	Wart Removers .....	E
Teething Lotions .....	E	Water:	
Telephone Calling Cards (prepaid):		Unsweetened .....	E
Sale of Card .....	T	Sweetened .....	T
Additional Minutes .....	T	Water Conditioners .....	T
Tenderizers .....	E	Water Pills .....	E
Thermometers (reusable) <i>for home use</i> .....	E	Water Repellent .....	T
Tile Cleaners .....	T	Wax .....	T
Tissue (facial and toilet) <i>for household use</i> ..	E	Wax Remover .....	T
Tobacco .....	T	Waxed Paper <i>for household use</i> .....	E
Toilet Bowl Cleaners .....	T	Wheelchairs .....	E
Toilet Bowl Deodorizers .....	T	Whipped Cream .....	E
Tooth Ache Relievers .....	E	Whiteners, Laundry .....	T
Tooth Desensitizers .....	T	Wigs .....	T
Tooth Polish .....	T	Window Cleaning Liquids .....	T
Toothbrushes .....	T	Windshield Washer Solution .....	T
Toothpaste .....	T	Wipes:	
Toothpicks .....	T	Handi-Wipes (rayon) .....	T
Towelettes <i>for household use</i> .....	E	Witch Hazel .....	E
Towels:		Wool Washes .....	T
Cloth .....	T	Wrapping Paper, Bows .....	T
Paper <i>for household use</i> .....	E	Wraps:	
Trashbags and Liners .....	T	Foil, Plastic .....	T
Undergarments, Disposable .....	E	Paper <i>for household use</i> .....	E

## Services

The New Jersey Sales and Use Tax Act specifically imposes tax on the receipts from retail sales of the following services:

1. Producing, fabricating, processing, installing, maintaining, repairing, storing, and servicing tangible personal property;
2. Maintaining and repairing real property *except for* maintaining, servicing, or repairing a residential heating system serving not more than three families living independently of each other and doing their own cooking on the premises;
3. Sales of restaurant and catered meals;
4. Rental of hotel and motel rooms;
5. Direct-mail advertising processing services in connection with advertising or promotional material distributed in New Jersey;
6. Certain admission charges;
7. Storage charges for tangible personal property not held for sale;
8. Telecommunications services charged to a New Jersey address; and
9. Utility service (natural gas, electricity) provided to customers in New Jersey.

*As of October 1, 2006, P.L. 2006, c.44 changed the taxability of the following:*

### **Prewritten Computer Software Delivered Electronically (N.J.S.A. 54:32B-8.56)**

The law limits the current exemption for pre-written computer software delivered electronically to electronically delivered computer

software that is used directly and exclusively in the conduct of the purchaser's business, trade or occupation. Thus, electronically delivered software sold to individuals is subject to tax.

### **Laundering (N.J.S.A. 54:32B-3(b)(2))**

The law specifically limits the sales tax exemption for laundering, dry cleaning, tailoring, weaving, and pressing to providing these services to clothing. As a result, all of these services will be taxable when performed on property such as draperies, carpets, blankets, comforters, slipcovers, tablecloths, napkins, dust cloths, mats, mops, industrial wiper cloths, fender covers, bed linens, hospital linens, table linens, linen supply towels, and other cloths. Thus, charges for the rental of laundered items such as table linens, hospital linens, towels, dust cloths, etc. are fully taxable since both the rental charge and the laundering charge are subject to tax. Previously, lump-sum charges for such linen rentals could be reduced by 66 $\frac{2}{3}$ % of the total charge to allow for the laundering exemption when calculating the amount of tax due.

### **Installing Floor Coverings (N.J.S.A. 54:32B-3(b)(2))** See [Tax Note](#) on this topic.

Previously, certain floor covering installation services that resulted in a "capital improvement" were exempt. The law eliminated the exemption for the installation of floor covering, which includes carpeting, linoleum, tile, and padding, so now the labor is taxable. Businesses that provide floor covering installations are still treated as contractors under the law.

### **Landscaping Services (N.J.S.A. 54:32B-3(b)(2))** See [Tax Note](#) on this topic.

The law defines “landscaping services” as services that result in a capital improvement to land, other than structures of any kind whatsoever, such as: seeding, sodding, or grass plugging of new lawns; planting trees, shrubs, hedges, plants; and clearing and filling land. (N.J.S.A. 54:32B-2(ww)). Previously, certain landscaping services that resulted in a capital improvement were exempt. The law eliminated the capital improvement exemption for landscaping services, so now the labor is taxable. Businesses that provide landscaping services are still treated as contractors under the law.

**Delivery Charges for Taxable Goods and Services (N.J.S.A. 54:32B-8.11; 54:32B-2(oo)(1)(D))**

The law modified the exclusion for delivery charges that are separately stated from the sales price of an item on the invoice, bill, or similar document given to the purchaser. The law provides for tax to be imposed on delivery charges for taxable items and no tax to be imposed on delivery charges for nontaxable items like clothing, goods purchased for resale, and goods covered by any other statutory exemption provision.

The law defines “delivery charges” 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: (1) 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 (2) a percentage based on the total weight of the taxable property compared to the total weight of all property in

the shipment. N.J.S.A. 54:32B-2(rr). In these mixed transactions, if the seller does not allocate the delivery charge, the entire delivery charge is taxable.

*As of October 1, 2006, P.L. 2006, c.44 imposed sales and use tax on the following services:*

**Space for Storage (N.J.S.A. 54:32B-3(b)(3))**

See [Tax Note](#) on this topic.

Furnishing of space for storage of tangible personal property, by a person engaged in the business of furnishing space for such storage.

The law defines “space for storage” as secure areas, such as rooms, units, compartments, or containers, whether accessible from outside or from within a building, that are designated for the use of a customer, where the customer has free access within reasonable business hours, or upon reasonable notice to the furnisher of the space, to store and retrieve property. Space for storage does not include the lease or rental of an entire building, such as a warehouse or airplane hangar.

**Tanning Services (N.J.S.A. 54:32B-3(b)(8))**

Tanning services, including the application of a temporary tan provided by any means.

**Massage Services (N.J.S.A. 54:32B-3(b)(9))**

See [Tax Note](#) on this topic.

Massage, bodywork, or somatic services, except such services provided pursuant to a doctor’s prescription.

**Tattooing (N.J.S.A. 54:32B-3(b)(10))**

Tattooing, including all permanent body art and cosmetic make-up applications.

**Investigation and Security Services (N.J.S.A. 54:32B-3(b)(11))** See [Tax Note](#) on this topic.

The law defines “investigation and security services” as:

1. Investigation and detective services, including detective agencies and private investigators, and fingerprint, polygraph, missing person tracing, and skip tracing services;
2. Security guard and patrol services, including bodyguard and personal protection, guard dog, guard, patrol, and security services;
3. Armored car services; and
4. Security systems services, including security, burglar, and fire alarm installation, repair, or monitoring services. N.J.S.A. 54:32B-2(xx).

**NOTE:** Alarm monitoring service has been subject to tax since July 1, 1990, as a telecommunications service.

**Information Services (N.J.S.A. 54:32B-3(b)(12))** See [Tax Note](#) on this topic.

The law defines “information services” as the furnishing of information of any kind, which has been collected, compiled, or analyzed by the seller, and provided through any means or method, other than personal or individual information which is not incorporated into reports furnished to other people. N.J.S.A. 54:32B-2(yy).

**Limousine Services (N.J.S.A. 54:32B-3(b)(13))**

Transportation services originating and taking place wholly within this State and provided by a limousine operator, as permitted by law, except such services provided in connection with funeral services.

**Membership Fees (N.J.S.A. 54:32B-3(h))**

See [Tax Note](#) on this topic.

Initiation fees, membership fees, or dues for access to or use of the property or facilities of a health and fitness, athletic, sporting, or shopping club or organization in this State, except for membership in a club or organization whose members are predominantly age 18 or under or when the charges are made by qualified exempt organizations or New Jersey State or local government entities.

**Parking (N.J.S.A. 54:32B-3(i))**

See [Tax Note](#) on this topic.

The receipts from parking, storing, or garaging a motor vehicle, excluding charges for the following types of parking: residential parking; employee parking, when provided by an employer or at a facility owned or operated by the employer; parking, storing or garaging provided by a municipality, county, or municipal or county parking authority; parking receipts subject to tax imposed by any other law or ordinance (e.g., municipal parking taxes). The \$3 minimum parking fee at Atlantic City casino hotels is also exempt.

The following is a list of common purchases, with an indication of whether the item is taxable (T) or exempt (E) from sales tax.

Accounting Services:

Professional Services .....E

Electronic Filing Charges.....T

Admission Charges:

Spectator Sports:

(baseball games, basketball games, professional wrestling events, etc.) .....T

Participant Sports:

(bowling, fishing, swimming, etc.) .....E

Places of Amusement:	Delivery Charges:
(movie theaters, amusement parks,	On Taxable Items ..... T
trade shows, craft shows, etc.) ..... T	On Nontaxable Items ..... E
Advertising Services (in general) ..... E	Direct-Mail Processing Services for
Alarm Monitoring:	Advertising/Promotional Material:
Via control station ..... T	Distributed in NJ ..... T
Animal Boarding at Seller's Facility ..... T	Distributed outside NJ ..... E
Animal Grooming ..... T	Disc Jockey ..... E
Answering Services, Telephone ..... T	Dry Cleaning
Appliance Repairs ..... T	Clothing ..... E
Appraisals (jewelry, real estate, etc.) ..... E	Other ..... T
Architectural Services (in general) ..... E	Electronic Filing Charges ..... T
Armored Car Services ..... T	Employment Agency Fees ..... E
Automobile Repairs:	Extended Warranty Agreements ..... T
Inspection Sticker ..... E	Facsimile (Fax) Services ..... T
Labor ..... T	Floor Covering Installation ..... T
Parts ..... T	Garbage Removal:
Barber Shop Services ..... E	Contractual (30 days or more) ..... E
Beauty Parlor Services ..... E	Non-Contractual ..... T
Beeper and Paging Services ..... T	Home Repairs (except residential
Boat Docking Fees:	heating systems as explained above) ..... T
Slip Rentals ..... E	Information Services ..... T
Storage-water or land ..... T	Insurance Premiums ..... E
Bookkeeping Services ..... E	Interior Design ..... E
Calligraphy ..... T	Internet Access Charges ..... E
Cable Television Subscription ..... E	Investigation and Detective Services ..... T
Car Washing ..... T	Jewelry:
Carpet Cleaning ..... T	Cleaning ..... T
Catering Services ..... T	Engraving ..... T
Child/Day Care ..... E	Sizing ..... T
Chimney Sweeping (residential) ..... E	Landscaping Services ..... T
Cleaning Services (janitorial) ..... T	Laundry Services:
Computer Maintenance/Repair ..... T	Clothing ..... E
Credit Check/Report ..... T	Other ..... T
Credit Repair Services ..... E	Lawn Mowing Services ..... T
Data Processing Services ..... E	Limousine Services ..... T
Debt Collection ..... E	Provided for funeral ..... E
	Provided solely within NJ ..... T
	Locker Rentals ..... T

Maintenance Agreements (in general) .....	T	Restaurant Meals .....	T
Manufacturer's Rebate:		Safe Deposit Box Rental .....	T
(automobile, etc.) .....	T	Scanning (photos, records, etc.) .....	T
Massage Services .....	T	Security Guard and Patrol Services .....	T
Provided pursuant to doctor's		Security Systems Services .....	T
prescription .....	E	Service Contracts (in general) .....	T
Membership Fees*:		Shoe Repair .....	E
Discount Clubs .....	E	Silk-Screening, Monogramming,	
Health/Fitness/Athletic/Sporting Clubs ..	T	Embroidering:	
Shopping Clubs .....	T	Purchase of Clothing Included .....	E
Professional/Social Clubs .....	E	Services Only .....	T
Parking:		Snow Removal .....	T
Parking, storing, or garaging a		Space for Storage .....	T
motor vehicle .....	T	Storage Service Charges .....	T
Residential .....	E	Tanning Sessions .....	T
Provided by a municipality, county, or		Tattooing .....	T
municipal/county parking authority ....	E	Telecommunications Services:	
At facility owned/operated by employer .	E	(telephone, telegraph, pagers,	
Provided to employee by employer .....	E	alarm monitoring, etc.) .....	T
Parking receipts subject to tax imposed		Telephone Answering Services .....	T
by any other law or ordinance .....	E	Tips and Gratuities (separately stated	
Atlantic City casino hotel \$3		and paid in full to employees) .....	E
parking fee .....	E	Towing .....	E
Pest Control:		Transportation (see definition of <i>delivery</i>	
Inspection .....	E	<i>charges</i> , page 15) .....	E
Treatment .....	T	Trash Removal:	
Pet-Sitting at Owner's Home.....	E	Contractual (30 days or more) .....	E
Photocopying Services .....	T	Non-Contractual .....	T
Photographer's Services .....	T	Travel Agency Fees .....	E
Prewritten Computer Software Delivered		Typing Services .....	E
Electronically:		Utilities (natural gas, electricity) .....	T †
Sold to individuals .....	T	Videography .....	T
Used directly in the conduct of the		Web Site Design .....	E
purchaser's business/trade .....	E	Web Site Hosting .....	E
Printing Services .....	T	Window Washing .....	T
Professional Services:			
(doctor, lawyer, etc.) .....	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.

†Effective 1/1/98, included in rate

## 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 purchased, and the vendor is *reimbursed* by the manufacturer, distributor, or other third party, the tax is due on the full regular price of the item. The taxable receipt 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 vendor.

**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
7% sales tax	+ 7.00
Total before discount	\$106.95
Manufacturer’s coupon	– 10.00
Customer pays	\$ 96.95

- When a store issues a coupon entitling a purchaser to a discounted price on the item purchased or a free or reduced price on an additional item, and the vendor 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	– 0.50
Taxable receipt	\$ 1.87
7% sales tax	+ 0.13
Customer pays	\$ 2.00

- When a store issues a coupon entitling a purchaser to pay a reduced price on an item purchased, and the vendor is *reimbursed* by a manufacturer, distributor, or other third party, the tax is due on the full regular price of the item. The taxable receipt is composed of the amount paid and the amount of the coupon value.
- When a manufacturer or a vendor 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 vendor will collect from the purchaser only the tax due on the reduced price, but will be required to pay the tax applicable to the entire receipt, i.e., the amount of the price paid and the reimbursement received from the manufacturer or other third party.

For more information about coupons, and additional examples, 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, or other establishments engaged in selling food that fits within the above definition is subject to sales tax.

For additional information, see the [Notice regarding food and food products](#).

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

The 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 are also exempt. A “membership periodical” is any periodical distributed by a nonprofit organization to its members as a benefit of membership in the organization. N.J.S.A. 54:32B-8.5(b). For more information, see [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.

## **Digital Property**

Under P.L. 2006, c.44, effective October 1, 2006, “digital property” is subject to tax. Digital property is defined as electronically delivered music, ringtones, movies, books, and audio and video works and similar products, where the customer is granted a right or license to use, retain, or make a copy of such item. The imposition of tax is limited to these five categories of digital property. Digital property may be received on various types of electronic equipment, such as computers, cellular telephones, or devices that store, organize and play audio or video files. The products identified as digital property are also subject to sales tax when delivered in tangible form (e.g., CD, DVD, or audio/video tape).

The term “digital property” *does not include* video programming services, including video on demand television services; and broadcasting services, including content to provide such services. The tax is imposed on receipts from the sale of the digital property listed above. It is not imposed on other types of property that are delivered electronically, such as digital photographs, digital magazines, etc. For additional information, see the [Tax Note](#) on this topic.

## **Clothing and Footwear**

Sales of articles of clothing and footwear for human use are exempt from New Jersey sales tax. Exceptions to this rule include certain athletic equipment.

*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 are also exempt.

“Protective equipment necessary for the daily work of the user” is specifically exempt. *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. Examples include protective eye goggles or a protective helmet *for work*. However, goggles or helmets worn for sports are *not* exempt.

**NOTE:** Beginning July 15, 2006, fur clothing is subject to the Fur Clothing Gross Receipts Tax. For additional information, see the [Notice to retail sellers of fur clothing](#).

### **Exempt Clothing and Footwear**

- Aprons (household and shop)
- Arch Supports
- Athletic Supporters
- Baby Receiving Blankets
- Bathing Caps
- Bathing Suits
- Beach Capes and Coats
- Belts and Suspenders
- Bibs
- Boots
- Bowling Shirts (if suitable for ordinary street wear)
- Camp Clothes
- Coats, Jackets, and Wraps (for either evening or daytime wear)

- Costumes (e.g., Halloween, dance; whether for adults or children)
- Diapers (including disposable, whether for adults or children)
- Dress Shields
- Dresses (including evening wear)
- Ear Muffs
- Footlets
- Formal Wear
- Garters and Garter Belts
- Girdles
- Gloves and Mittens (for general use)
- Hand Muffs
- Hats and Caps
- Head and Neck Scarves and Bandannas
- Hosiery and Peds
- Incontinence Briefs
- Lab Coats
- Leotards and Tights
- Neckties
- Overshoes
- Pantyhose
- Rainwear
- Rubber Gloves (for home or work use)
- Rubber Pants
- Safety Clothing (normally worn in hazardous occupations)
- Sandals
- Shoe Insoles (e.g., Dr. Scholl's®)
- Shoe Laces
- Shoes (including safety shoes, sneakers and tennis shoes)
- Shoulder Pads (for dresses, jackets, etc.)
- Ski Masks
- Sleepwear
- Slippers
- Socks
- Steel-Toed Shoes
- Stockings

Thermal Underwear  
Underwear  
Uniforms (athletic, school, scout, work, etc.)  
Wedding Apparel  
Work Clothes, Work Uniforms  
Yarmulke and Turbans

**Protective Equipment**

Breathing Masks  
Clean Room Apparel and Equipment  
Ear and Hearing Protectors  
Face Shields  
Hard Hats  
Helmets  
Protective Goggles  
Respirators (paint or dust)  
Safety Glasses and Goggles  
Safety Belts  
Tool Belts  
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 is taxable. Articles which 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  
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  
Waders  
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

### **Accessories**

Accessories are not considered clothing or footwear and are **taxable**. Some of these are:

Backpacks	Key Rings
Barrettes	Patches and
Belt Buckles	Emblems
(sold separately)	(sold separately)
Bobby Pins	Shower Caps
Briefcases	Sunglasses (non-
Cosmetics	prescription)
Costume Masks	Handbags
(sold separately)	Handkerchiefs
Elastic Ponytail	Sweatbands
Holder	Umbrellas
Hair Bows	Wallets
Hairclips	Watches
Hairnets	Watch Bands
Headbands	Wigs and Hair
Jewelry	Pieces
Key Cases	

### **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
- Buttons
- Denim and Leather Patches
- Elastic
- Fabrics
- Lace
- Ribbons
- Seam-Binding and Bias Tape
- Thread
- Yarn
- 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 of these items are:

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

### **Leasing**

*Prior to October 1, 2005*, a distinction was made between leases and rentals. A “lease” was a long-term transaction with an original contract term longer than 28 days on which the lessor (owner of the leased property) was responsible for paying use tax. A “rental” was a short-term transaction with an original contract term of 28 days or less on which the renter paid sales tax.

*On and after October 1, 2005*, the 28-day contract term distinction between leases and rentals is no longer relevant. The lessor must collect sales tax from the lessee (person who leases or rents property) regardless of the length of the lease or rental. 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.

Leases or rentals entered into prior to October 1, 2005, are not affected by the changes, even if the property is removed from or brought into New Jersey on or after October 1, 2005, before the lease or rental expired. Leases (or rentals) that are renewed on or after October 1, 2005, for an additional period are considered new transactions to which the new rules apply.

For additional information, including information on which state's tax applies to a transaction, see the [Notice regarding leases and rentals](#).

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

**Refunds Requested by Individuals From Sellers.** If nontaxable items are purchased and the seller charges sales tax, a request for a refund of sales tax paid may be made directly to the seller. If an individual is unable to recover the erroneously collected tax from the seller, a request can be made to the Division of Taxation.

**Refunds Requested by Individuals From the Division of Taxation.** To request a refund from the Division, a Claim for Refund (Form A-3730) must be filed within four years from the date of payment of the sales tax.

**Refunds Requested by Businesses From the Division of Taxation.** Business owners who have improperly collected and remitted sales tax to the State on their monthly return (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, an Amended Quarterly Return must be filed with the Division of Taxation. Quarterly returns can be amended online or by phone through the Business Paperless Telefiling System. If the error resulted in an overpayment of tax, file a Claim for Refund (Form A-3730). Business owners must have records of canceled sales, returned goods, 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*, on page 3.

## **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 fifteen (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. 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.

Form NJ-REG may be filed online from the Division of Revenue's New Jersey Business Gateway Services Web site at: [www.state.nj.us/njbgs/](http://www.state.nj.us/njbgs/). The public records filing required for corporations, limited liability companies, limited partnerships, and limited liability partnerships may also be completed online from this Web site. (There is a fee associated with the Public Records Filing.)

### Keeping Records

Whatever the business, keeping accurate records is essential to success. Keeping records is more than just good business sense — it is a necessary part of compliance with both State and Federal tax laws. Keeping good records will ensure the accuracy of tax returns, and will protect the business owner in the event of an audit or investigation by the State.

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.

### Bookkeeping Methods

The two accepted methods of bookkeeping are single-entry and double-entry. The single-entry method is the simpler and easier of the two. Although the double-entry method is more complex, it has the advantage of greater accuracy,

and it reduces the chance of errors. A business owner may choose whichever method best suits the company's needs.

### 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 television set 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 remit sales tax due on the sale with his sales tax return due April 20, even though he did not receive payment until May.

### Sales Records

Retailers registered to do business in New Jersey are responsible for collecting sales tax and remitting it to the State. They may also be accepting and issuing New Jersey exemption certificates. These certificates exempt the purchaser from paying New Jersey sales and use tax on merchandise and/or services. Exemption certificates must be retained by the vendor for at least four (4) 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. Vendors 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 figures from these totals to complete the monthly and/or quarterly tax returns.

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

Every business which 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 Web site.

### **Exemption Certificates**

New Jersey has exemption certificates which can be used to purchase goods without the payment of sales tax in certain situations. 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 filled out completely and if the certificate does not contain any statement or entry which the seller knows is false or misleading.

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. Retain 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. A uniform Certificate of Exemption, which will be accepted by all SSUTA member states, has been developed. 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. The certificate with instructions is available on the Division's Web site at: [www.state.nj.us/treasury/taxation/prntsale.shtml](http://www.state.nj.us/treasury/taxation/prntsale.shtml)

### **Sales to Government Agencies**

Sales tax should not be collected when a product is sold to the Federal government, the United Nations or any international organization of which the United States is a member, and the State of New Jersey or any of their agencies. 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 and payment by government check or payment by a "United States of America"

SmartPay Visa Card or MasterCard with the number 0, 6, 7, 8, or 9 as the sixth digit (credit card charged to and paid directly by the Federal government, not a card charged to an employee who gets reimbursed by the Federal government); or

- For government cash purchases of \$150 or less, an ST-4 form signed by a qualified government official (not acceptable for room occupancies).

Certain purchases by foreign diplomatic and consular personnel residing in the United States are also exempt from sales tax. There are two types of sales tax exemption cards issued by the U.S. Department of State, Office of Foreign Missions, that are acceptable as proof of the exemption. Personal sales tax exemption cards are issued for the sole benefit of the individual identified on the card. Mission tax exemption cards are issued to embassies, consulates, and international organizations for official purchases only and for the sole benefit of the mission identified on the card. For more information, see Technical Bulletin [\*TB-53, Diplomat/Consular Sales Tax Exemptions.\*](#)

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

If taxable items are sold and the items sold are delivered out of State to the purchaser, New Jersey sales tax should not be collected. If the merchandise is shipped out of State to a recipient other than the purchaser (e.g., in a gift transaction), the sale is also exempt from sales tax. Make sure the records show 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 merchandise in New Jersey. They are also taxable if the merchandise is delivered to the customer's location in New Jersey, even though the customer may intend to ship the merchandise out of State at a later date. However, out-of-State purchasers who are registered with New Jersey and "qualified out-of-State vendors" may make tax-exempt purchases in New Jersey of goods and services purchased for resale. For more information, see publication [\*ANJ-10, Out-of-State Sales & New Jersey Sales Tax.\*](#)

### **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.

### **Microfilm Records**

Books of account (cash books, ledgers, journals, etc.) must be retained. Microfilm reproductions are not acceptable for audit purposes. However, sales invoices, purchase invoices, credit memoranda, etc. may be reproduced on microfilm to be retained 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 New Jersey 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.

Retain records such as punched cards, magnetic tapes, 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 may not exceed 13%. In addition, certain room rentals in Atlantic City are also subject to a 1% State occupancy fee. (See *Hotel/Motel 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 7% 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, or boarding house lodging;
- Food and drink sold by restaurants, taverns, and other similar establishments for consumption on or off the premises (including mobile vendors 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, or similar facility that is subject to the 7% New Jersey sales tax is also subject to a tourism assessment of 1.85% and a State occupancy fee of 3.15%. (See *Hotel/Motel Occupancy Fee and Municipal Occupancy Tax* below.)

### **Domestic Security Fee**

Motor vehicle rental companies doing business in New Jersey are required to pay a \$5.00 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](#).

### **Hotel/Motel 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, 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 currently subject to the 7% New Jersey sales tax and is in addition to the sales tax.

A municipal occupancy tax of up to 3% may also 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.

### **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 which 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 vendor, and in general, must be separately stated on any bill, invoice, receipt, or similar document.

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

The Tobacco Products Wholesale Sales and Use Tax is imposed on the sale, use, or distribution of tobacco 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.

## For More Information

### By Phone

- Call the Division of Taxation's Customer Service Center at **609-292-6400**.
- Text Telephone Service (TTY/TDD) for Hard-of-Hearing Users: **1-800-286-6613** (toll-free within NJ, NY, PA, DE, and MD) or **609-984-7300**. These numbers are accessible *only* from TTY devices. Submit a text message on any tax matter and receive a reply through NJ Relay Services (711).

### Online

- Division of Taxation Web site:  
[www.state.nj.us/treasury/taxation/](http://www.state.nj.us/treasury/taxation/)
- E-mail: [nj.taxation@treas.state.nj.us](mailto:nj.taxation@treas.state.nj.us)
- Subscribe to *NJ Tax E-News*, the Division of Taxation's online information service, at:  
[www.state.nj.us/treasury/taxation/listserv.html](http://www.state.nj.us/treasury/taxation/listserv.html)

### In Writing

New Jersey Division of Taxation  
Information and Publications Branch  
PO Box 281  
Trenton, NJ 08695-0281

## Order Forms and Publications

- Call the Forms Request System at **1-800-323-4400** (within NJ, NY, PA, DE, and MD) or **609-826-4400**. Touch-tone phones only.
- Call NJ TaxFax at **609-826-4500** from your fax machine's phone.
- Visit the Division of Taxation's Web site:  
[www.state.nj.us/treasury/taxation/](http://www.state.nj.us/treasury/taxation/)



STATE OF NEW JERSEY  
DEPARTMENT OF THE TREASURY  
**DIVISION OF TAXATION**  
**TECHNICAL SERVICES**  
INFORMATION AND PUBLICATIONS BRANCH  
PO BOX 281  
TRENTON NJ 08695-0281

***S&U-4 New Jersey Sales Tax Guide***  
*Rev. 5/08*