



Dog training, dog sitting and educational training classes

LR: 2013-1-SUT – Issued September 6, 2013

Tax: Sales and Use Tax

Taxpayer requested a Letter Ruling regarding the application of the New Jersey Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.) to charges for dog training classes, dog sitting services, and educational training classes.

Facts

Taxpayer is a certified master dog trainer that offers the following services:

1. Professional dog training. Services are offered in a group setting, in which a dog owner will receive instruction from Taxpayer on how to properly handle their dog to achieve certain results. Taxpayer will occasionally handle the dog herself to demonstrate the proper methods of training. These services are offered both at a client's house and at Taxpayer's facility.
2. Dog sitting services. Taxpayer will watch client's dogs, allow them to interact with other dogs, and train them while in her care. These services are offered both at a client's house and at Taxpayer's facility.
3. Purchase dogs, train them, and sell client a fully trained dog.

Issues

1. Whether Taxpayer's charges for professional dog training are subject to tax.
2. Whether Taxpayer's charges for dog sitting services are subject to tax.
3. Whether Taxpayer's charges for the sale of a dog which has been professionally trained, are subject to tax.

Discussion

The Sales and Use Tax Act imposes tax on the retail sale of tangible personal property, enumerated services, and specified digital products, unless a valid exemption exists. N.J.S.A. 54:32B-3.

The Act exempts personal and professional services from Sales Tax, so long as any property transferred is inconsequential and not separately charged for. N.J.S.A. 54:32B-2(e) (4)(A).

Charges for "[s]toring all tangible personal property not held for sale in the regular course of business and the rental of safe deposit boxes or similar space" are subject to tax. N.J.S.A. 54:32B-3(b) (3).

Taxpayers that are registered in New Jersey may issue a fully completed resale certificate to purchase tangible personal property intended for resale in its present form or which will be incorporated into other property intended for sale. N.J.S.A. 54:32B-2(e) (1). Sales Tax is collected from the ultimate consumer when these items are sold at retail.

“Sales price” is the “measure subject to Sales Tax and means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following: (A) The seller's cost of the property sold; (B) The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller; ...” N.J.S.A. 54:32B-2(oo).

Conclusions

1. Taxpayer’s charges for teaching a professional dog training class are not subject to tax whether the service occurs at a client’s house or at Taxpayer’s facility. N.J.S.A. 54:32B-2(e)(4)(A).

2. Taxpayer’s charges for dog sitting services that take place at the client’s home are considered an exempt personal service transaction so long as any property that is transferred is inconsequential and not separately charged for. N.J.S.A. 54:32B-2(e) (4) (A). However, Taxpayer must charge tax on charges for animal boarding or “day care” when such services occur at the Taxpayer’s facility because Taxpayer is charging for the safekeeping of the dog. N.J.S.A. 54:32B-3(b) (3).

3. Taxpayer may purchase dogs which will be resold without the payment of tax by issuing a fully completed resale certificate to the seller. Taxpayer must charge tax when selling the trained dog to a client. N.J.S.A. 54:32B-3(a). Although separately stated charges for training services are generally not subject to tax, Taxpayer is not selling training services under these facts. Rather, Taxpayer is selling a trained dog. Thus, tax is due on the charge for training services whether or not this amount is separately stated from the price of the dog because the training services are part of the sales price of the dog. N.J.S.A. 54:32B-2(oo).

A Letter Ruling is limited to the facts set forth therein and is binding on the Division of Taxation only with respect to the person or entity to whom it is issued and only if the person or entity fully and accurately describes all relevant facts. A Letter Ruling is based on the law, regulations, and Division policies in effect as of the date the Letter Ruling is issued or for the specific time period at issue in the Letter Ruling.