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;

Businesses Collecting Sales Tax:

- Registering a Business
- Keeping Records
- Bookkeeping Methods
- Accounting Methods
- Sales Records
- Sales and Use Tax Returns
- Exemption Certificates
- Sales to Government Agencies
- Out-of-State Sales
- Retention of Records
- Microfilm Records
- Data Processing Records

Other Taxes and Fees:

- Atlantic City Luxury Sales Tax
- Cape May County Tourism Sales Tax
- Domestic Security Fee
- Hotel/Motel Occupancy Fee and Municipal Occupancy Tax
- Motor Vehicle Tire Fee
- Tobacco Products Wholesale Sales and Use Tax
• 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.

**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.shtml](http://www.state.nj.us/treasury/taxation/streamchanges.shtml)

**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 regularly 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 × 7%), directly to the State of New Jersey.

For more information about use tax, see publication [ANJ-7, Use Tax in New Jersey](http://www.state.nj.us/treasury/taxation).
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: bath and shower chairs, bed pans, raised toilet seats. 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
- Antacids ................................................................. E
- Antibiotics .............................................................. E
- Antifungals ............................................................... E
- Antihistamines .......................................................... E
- Antinauseants .......................................................... E
- Antiperspirants ........................................................ E
- 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 for household use ............................................. E
- Baked Goods ..............................................................

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

### Baking Cups:
- Foil ........................................................................ T
- Paper for household use .............................................. E
- Baking Powder .......................................................... E
- Baking Soda .............................................................. E
- Balloons ................................................................. T
- Bandages ................................................................. T
- Band Aids ................................................................. T
- Bar Mixes (Liquid):
  - Sweetened ............................................................. T
  - Unsweetened .......................................................... 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
Birth Control Preparations ............................ E
Biscuits, Crackers ......................................... E
Blankets (except baby receiving blankets) .......... T
Bleach-Liquid, Dry ........................................ T
Blistex® (medicated) ..................................... E
Blood Pressure Cuffs for home use ............... E
Books (except certain textbooks approved by the school) ........... T
(see also Newspapers, Magazines, and Books, and Digital Property, page 20)
Bottled Water:
  Unsweetened ........................................... E
  Sweetened ............................................... E
Braces-Ankle, Knee ...................................... E
Bread and Rolls .......................................... E
Breast Cream ............................................. T
Breast Pump ............................................. T
Breast Shells, Bra Pads ................................. E
Breath Freshener ........................................ T
Bubble Bath ................................................ T
Butane ........................................................... E
Cake Mixes .................................................. E
Calling Cards, Telephone (prepaid):
  Sale of Card ............................................ T
  Additional Minutes .................................... T
Camera Lens and Eyeglass Cleaner
  Tissues .................................................... T
Candles ...................................................... T
Candy .......................................................... T
  Taxable unless product contains flour (e.g., Nestle Crunch) or requires refrigeration
Canes ......................................................... E
Canker Sore Preparations ............................. E
Canned Goods:
  Fruits .................................................................. E
  Meats, Fish (except pet food) ..................... E
  Milk ............................................................ E
  Soup ............................................................ E
  Vegetables .................................................... E
Car Wash and Wax ........................................ T
Carbonated Beverages (see Beverages)
  Carpet Cleaners ........................................ T
  Carpet Deodorizers ..................................... T
  Castor Oil .................................................... E
  Cat Food ..................................................... T
  CDs, Cassettes, DVDs ................................. T
Cereal Bars ................................................ E
  *Taxability depends on ingredients.
  See Candy, page 5.
Cereals ........................................................ E
  Chips-Chocolate, Butterscotch, etc.
    (for use in baking):
    Sweetened ............................................... T
    Unsweetened ............................................ E
  Chips-Potato, Corn, etc ............................... E
  Christmas Trees .......................................... T
  Christmas Tree Skirts-Paper, Cloth ............. T
  Cigarette Filters ......................................... T
  Cigarette Papers ......................................... T
  Cigarettes ................................................... T
  Cigars ....................................................... T
  Cleaning Liquids, Powders .......................... T
  Clothes Lines ............................................... T
  Clothes Pins .............................................. T
  Clothing (see Clothing and Footwear, page 20)
  Cocktail Onions, Olives ............................... E
  Cocktail Sauces ......................................... E
Cocoa, Instant ............................................E
Cod Liver Oil ..........................................E
Coffee (beans, packaged, instant) ............E
Coffee Filters-Paper *for household use* ....E
Coffee Pot Cleaners ..................................T
Cold Preparations and Remedies ...............E
Cold Sore Preparations ..............................E
Combs ......................................................T
Computers: (see also *Services*, page 14) 
  Computer Systems ....................................T
  Hardware Components ..............................T
  Prepackaged Software ...............................T
Condiments (catsup, mustard, etc.) ............E
Condoms ..................................................T
Confections (see *Candy*) .........................T
Constipation Products ...............................E
Contact Lens Care Products, 
  including saline solution .......................T
Contact Lens Cleaner, Solution .................T
Contact Lenses (prescription) ....................E
Contraceptive Preparations .......................E
Cooking Wine ............................................E
Copper Cleaner ..........................................T
Corn and Callus Pads .................................T
Corn and Callus Removers .........................E
Cornstarch ...............................................E
Cosmetics ..................................................T
Costumes ................................................E
Cottonballs ..............................................T
Cough Preparations ...................................E
Cream, Milk, Half and Half .......................E
Crepe Paper ..............................................T
Crutches ................................................E
Cups: 
  Paper *for household use* .......................E
  Plastic, Foam ..........................................T
Cuticle Remover ........................................T
Dandruff/Seborrhea Shampoo .....................T
Decongestants .........................................E
Decorations-Paper, Plastic ......................T
Dehydrated Food (hunting, etc.) ...............E
Dental Floss ............................................T
Dental Rinse ............................................T
Denture Adhesives, Preparations ..............T
Deodorants, Antiperspirants .....................T
Deodorizers-Room, Car, Carpet .................T
Depilatories ............................................T
Detergents .............................................T
Diabetic Supplies (lancets, needles, 
  syringes, test strips, wipes, etc.) ..........E
Diapers (including disposable) .................E
Diaper Liners ..........................................E
Diarrhea Aids ..........................................E
Digestive Aids .........................................E
Digital Property 
  (see *Digital Property*, page 20) .............T
Dinnerware: 
  Paper *for household use* .......................E
  Plastic, Foam ..........................................T
Dips (cheese, onion, etc.) .........................E
Dish Detergents .......................................T
Disinfectants ..........................................T
Distilled Water .........................................E
Diuretics .................................................E
Dog Food ................................................T
Doilies-Paper, Foil .....................................T
Douches: 
  Antiseptic, Anti-Infectious .....................E
  Cleaning, Deodorizing .............................T
Drain Openers, Cleaners .........................T
Drawer Liners ..........................................T
DVDs, CDs ............................................T
Dyes .....................................................T
Ear Preparation, Ache Aids .....................E
Ear Syringes ..........................................E
Eczema Preparations .................................E
Eggs (fresh, dried) .....................................E
Electrical Supplies ............................................T
Energy Bars ...................................................*
   *Taxability depends on ingredients.
       See Candy, page 5.
Epsom Salt:
    Garden Use ............................................T
    Medical Use (for humans) .........................E
Expectorants ..............................................E
Eye Preparations .........................................E
Eyeglass Cleaner Tissues .................................T
Eyeglass Frames (fitted with corrective lenses) ....E
Eyeglasses (corrective) ....................................E
Fabric Softeners ...........................................T
Facial Cleansing Pads .....................................T
Feminine Napkins, Tampons ...............................E
Fever Blister Aids ..........................................E
Fiberglass Cleaner ..........................................T
Film, Film Processing .....................................T
Firewood ................................................................E
First Aid Kits ..................................................T
First Aid Products:
    Bandages ....................................................T
    Healing Agents, Solutions, etc. ....................E
Fishing Bait ....................................................T
Flags:
    State of New Jersey .....................................E
    United States of America ...............................E
    All Others ................................................T
Flashlights ....................................................T
Flatware ..........................................................T
Flea Collars ....................................................T
Floor Cleaners and Polishes ...............................T
Floor Coverings .............................................T
Floor Finishes (Wax) .......................................T
Floor Wax Remover .......................................T
Flowers ..........................................................T
Food Coloring ..................................................E
Food Wraps:
    Aluminum Foil .............................................T
    Paper Freezer Wrap for household use ............E
    Plastic Storage Bags .....................................T
    Plastic Wrap ...............................................T
    Waxed Paper for household use ........................E
Foot Care Preparations ...................................E
Foot Deodorizers ............................................T
Footwear (see Clothing and Footwear, page 20)
    Formica Cleaners and Polishes .....................T
    Freezer Packs (blue ice) ...............................T
    Frozen Foods (see also Ice Cream) .................E
    Fruit .........................................................E
    Fruit Drinks (containing 50% or less juice) ......T
Fuels:
    Charcoal ....................................................E
    Charcoal Lighter ..........................................E
    Cigarette Lighter Fluid ....................................E
    Fungicides ..................................................E
    Furniture ....................................................T
    Furniture Polishes and Cleansers .................T
    Fuses ........................................................T
    Garbage Pails .............................................T
    Garden Supplies ..........................................T
    Gatorade ....................................................T
    Gelatin and Gelatin Desserts .......................E
    Gift Certificates ..........................................E
    Gift Wrap, Bows, Boxes, Tags .......................T
    Glass Cleaners ............................................T
    Gloves ......................................................E
    Glucose Meters for home use ........................E
    Granola Bars .............................................*
       *Taxability depends on ingredients.
       See Candy, page 5.
Greeting Cards ..............................................T
Grenadine .....................................................E
Grip Tape .......................................................T
Guest Towels-Paper for household use ................E
Hair Care Products:
- Brushes, Combs ..................................T
- Conditioners ....................................T
- Curler Papers ..................................T
- Rinses ...........................................T
- Rogaine® ........................................T
- Shampoos ........................................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 Newspapers, Magazines, and Books, page 20)
- Sold as single copies (hard copies) .......... T
- Sold as single copies (electronic) ........... E
- Sold by subscription ............................. E
Make-up .............................................. T
Make-up Remover .................................. T
Maraschino Cherries ................................ E
Marshmallow Fluff .................................. E
Marshmallows ........................................ T
Matches ............................................... T
Meats .................................................... E
Medicines (for pets) ................................ T
Menstrual Cramp Relievers ....................... E
Metal Cleaners and Polishes ....................... T
Mildew Remover ..................................... T
Milk (fresh, dried), Cream,
  Half and Half ..................................... E
Mineral Oil ............................................ E
Mineral or Herbal Supplements
  (in form of pills, capsules, etc.) .............. E
Mixes for Soups ..................................... E
Mixes for alcoholic beverages:
  Powdered ........................................... E
  Liquid, unsweetened .............................. E
  Liquid, sweetened (see Beverages)
Mops, Mop Handles ............................... T
Motion Sickness Remedies ........................ E
Mouthwash .......................................... T
Movies (see Digital Property, page 20) ........ T
Muscle Ache Relievers ............................. E
Music (see Digital Property, page 20) ........... T
Nail Biting Deterrents ............................ T
Nail Polish .......................................... T
Nail Polish Remover ............................... T
Napkins, Table-Paper for household use .... E
Nasal Sprays, Decongestants ..................... E
Newspapers .......................................... E
Nicotine Gum ......................................... E
Nicotine Patch ....................................... E
Nursing Bottles, Nipples, Funnels ............... T
Nursing Pads-Paper ................................ E
Nuts:
  Unsweetened ...................................... E
  Sweetened (see Candy)
Oil-Cooking, Salad ................................ E
Olives .................................................. E
Oral Pain Relievers ................................ E
Orthopedic Devices ............................... E
Oven Cleaners ...................................... T
Oven Cooking Bags:
  Paper for household use ....................... E
  Plastic or Aluminum .............................. T
Ovulation Testing Kits ............................. T
Oxygen .................................................. E
Paint Remover ...................................... T
Paper Bags for household use ................... E
Paper Goods (plates, towels, etc.)
  for household use ................................ E
Paperback Books ................................... T
Pedialyte .............................................. E
Peroxide, Hydrogen (for medical use) .......... E
Pet Foods .............................................. T
Pet Shampoo ......................................... T
Pet Supplies ......................................... T
Petroleum Jelly ...................................... E
Pets ...................................................... T
Pickles ................................................. E
Pies, Pie Crusts ..................................... E
Pillows ............................................... T
Place Mats:
  Cloth and plastic ............................... T
  Paper for household use ....................... E
Plants (including fruit, vegetable) ............. T
Plastic Items ....................................... T
Plates:
  Paper for household use ......................... E
  Plastic, Foam ...................................... T
Poison Ivy and Oak Treatment
  Preparations ........................................ E
Polishing Cloths and Mitts ..................... T
Popcorn:
  Popped, sweetener added ........................ T
  Popped, no sweetener added ..................... E
  Unpopped, any flavor ............................ E
Powdered Beverage Mix ......................... E
Pregnancy Testing Kits .......................... T
Prescription Contraceptives ..................... E
Prescription Drugs .................................. E
Pre-Soaks, Laundry ................................ T
Preserves ............................................. E
Pretzels (unheated) ............................... E
Propane ................................................ E
Prosthetic Aids ..................................... E
Puddings .............................................. E
Pumpkins:
  Used for food ...................................... E
  Used for decoration ............................... T
Rainhoods ............................................ E
Ringtones (see Digital Property, page 20) .... T
Rock Salt .............................................. T
Rogaine® ............................................. E
Rubber Gloves ....................................... E
Rug Cleaners and Shampoos ..................... T
Rug Deodorizers ..................................... T
Salads (potato salad, coleslaw, etc.) .......... *
  *Taxability depends on how product is sold.
Saliva Substitutes ................................. E
Salt and Salt Substitutes ....................... E
Sandwich Bags:
  Paper for household use ......................... E
  Plastic .............................................. T
Sanitary Napkins, Tampons ...................... E
Scouring Pads ....................................... T
Seeds (flower or vegetable) ..................... T
Shampoos .......................................... T
Shaving Cream ..................................... T
Shelf Liners ......................................... T
Shoe Inserts (Odor Eaters) ...................... E
Shoe Laces .......................................... E
Shoe Polish ......................................... T
Shoes (see Clothing and Footwear, page 20)
  Shower Caps ....................................... T
  Sinus Relievers .................................... E
  Skin Bleaches ...................................... T
  Skin Irritation Relievers ...................... E
  Sleep Aids ......................................... E
  Snuff ............................................... T
  Soap ............................................... T
  Soap Pads ......................................... T
  Soup Mixes ........................................ E
  Spaghetti ......................................... E
  Spices ............................................. E
  Sponges .......................................... T
  Stain and Spot Remover ...................... T
  Starch:
    Corn ............................................. E
    Laundry ......................................... T
  Static Remover ................................... T
  Stationery ........................................ T
  Steel Wool ........................................ T
  Stirrers (wood, plastic) ....................... T
Straws:
  Paper for household use ......................... E
  Plastic .............................................. T
Sugar and Sugar Substitutes .................. E
Sunburn Relief Products ......................... E
<table>
<thead>
<tr>
<th>Item</th>
<th>Tax Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunglasses</td>
<td>T</td>
</tr>
<tr>
<td>Sunscreens</td>
<td>T</td>
</tr>
<tr>
<td>Surgical Adhesive</td>
<td>T</td>
</tr>
<tr>
<td>Table Covers:</td>
<td></td>
</tr>
<tr>
<td>Paper for household use</td>
<td>E</td>
</tr>
<tr>
<td>Plastic</td>
<td>T</td>
</tr>
<tr>
<td>Tampons (and like products)</td>
<td>E</td>
</tr>
<tr>
<td>Tape</td>
<td>T</td>
</tr>
<tr>
<td>Tea (prepackaged, dry, or instant)</td>
<td>E</td>
</tr>
<tr>
<td>Tears, Artificial</td>
<td>E</td>
</tr>
<tr>
<td>Teething Lotions</td>
<td>E</td>
</tr>
<tr>
<td>Telephone Calling Cards (prepaid):</td>
<td></td>
</tr>
<tr>
<td>Sale of Card</td>
<td>T</td>
</tr>
<tr>
<td>Additional Minutes</td>
<td>T</td>
</tr>
<tr>
<td>Tenderizers</td>
<td>E</td>
</tr>
<tr>
<td>Thermometers (reusable) for home use</td>
<td>E</td>
</tr>
<tr>
<td>Tile Cleaners</td>
<td>T</td>
</tr>
<tr>
<td>Tissue (facial and toilet) for household use</td>
<td>E</td>
</tr>
<tr>
<td>Tobacco</td>
<td>E</td>
</tr>
<tr>
<td>Toilet Bowl Cleaners</td>
<td>T</td>
</tr>
<tr>
<td>Toilet Bowl Deodorizers</td>
<td>T</td>
</tr>
<tr>
<td>Tooth Ache Relievers</td>
<td>E</td>
</tr>
<tr>
<td>Tooth Desensitizers</td>
<td>T</td>
</tr>
<tr>
<td>Tooth Polish</td>
<td>T</td>
</tr>
<tr>
<td>Toothbrushes</td>
<td>T</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>T</td>
</tr>
<tr>
<td>Toothpicks</td>
<td>T</td>
</tr>
<tr>
<td>Towelettes for household use</td>
<td>E</td>
</tr>
<tr>
<td>Towels:</td>
<td></td>
</tr>
<tr>
<td>Cloth</td>
<td>T</td>
</tr>
<tr>
<td>Paper for household use</td>
<td>E</td>
</tr>
<tr>
<td>Trashbags and Liners</td>
<td>T</td>
</tr>
<tr>
<td>Undergarments, Disposable</td>
<td>E</td>
</tr>
<tr>
<td>Underpads, Disposable-Paper</td>
<td>E</td>
</tr>
<tr>
<td>Upholstery Cleaners</td>
<td>T</td>
</tr>
<tr>
<td>Vacuum Cleaner Bags:</td>
<td></td>
</tr>
<tr>
<td>Cloth, Plastic</td>
<td>T</td>
</tr>
<tr>
<td>Paper for household use</td>
<td>E</td>
</tr>
<tr>
<td>Vaporizer Tablets</td>
<td>T</td>
</tr>
<tr>
<td>Vaseline®</td>
<td>E</td>
</tr>
<tr>
<td>Vegetables</td>
<td>E</td>
</tr>
<tr>
<td>Vitamins</td>
<td>E</td>
</tr>
<tr>
<td>Wart Removers</td>
<td>E</td>
</tr>
<tr>
<td>Water:</td>
<td></td>
</tr>
<tr>
<td>Unsweetened</td>
<td>E</td>
</tr>
<tr>
<td>Sweetened</td>
<td>T</td>
</tr>
<tr>
<td>Water Conditioners</td>
<td>T</td>
</tr>
<tr>
<td>Water Pills</td>
<td>E</td>
</tr>
<tr>
<td>Water Repellent</td>
<td>T</td>
</tr>
<tr>
<td>Wax</td>
<td>T</td>
</tr>
<tr>
<td>Wax Remover</td>
<td>T</td>
</tr>
<tr>
<td>Waxed Paper for household use</td>
<td>E</td>
</tr>
<tr>
<td>Wheelchairs</td>
<td>E</td>
</tr>
<tr>
<td>Whipped Cream</td>
<td>E</td>
</tr>
<tr>
<td>Whiteners, Laundry</td>
<td>T</td>
</tr>
<tr>
<td>Wigs</td>
<td>T</td>
</tr>
<tr>
<td>Window Cleaning Liquids</td>
<td>T</td>
</tr>
<tr>
<td>Windshield Washer Solution</td>
<td>T</td>
</tr>
<tr>
<td>Wipes:</td>
<td></td>
</tr>
<tr>
<td>Handi-Wipes (rayon)</td>
<td>T</td>
</tr>
<tr>
<td>Witch Hazel</td>
<td>E</td>
</tr>
<tr>
<td>Wool Washes</td>
<td>T</td>
</tr>
<tr>
<td>Wrapping Paper, Bows</td>
<td>T</td>
</tr>
<tr>
<td>Wraps:</td>
<td></td>
</tr>
<tr>
<td>Foil, Plastic</td>
<td>T</td>
</tr>
<tr>
<td>Paper for household use</td>
<td>E</td>
</tr>
</tbody>
</table>
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 prewritten 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 66⅔% 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.


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


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

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

*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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular price</td>
<td>$ 99.95</td>
</tr>
<tr>
<td>7% sales tax</td>
<td>+ 7.00</td>
</tr>
<tr>
<td>Total before discount</td>
<td>$106.95</td>
</tr>
<tr>
<td>Manufacturer’s coupon</td>
<td>– 10.00</td>
</tr>
<tr>
<td>Customer pays</td>
<td>$ 96.95</td>
</tr>
</tbody>
</table>

- **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)

**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
- Barrettes
- Belt Buckles (sold separately)
- Bobby Pins
- Briefcases
- Cosmetics
- Costume Masks (sold separately)
- Elastic Ponytail Holders
- Hair Bows
- Hairclips
- Hairnets
- Headbands
- Jewelry
- Key Cases

**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

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

**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 transac-
tions to which the new rules apply.

For additional information, including informa-
tion 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 Sell-
ers. 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 errone-
ously 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 re-
turn (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 Sys-
tem. 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 re-
mitted 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 busi-
ness, trade, profession, or occupation in New Jer-
sey 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 addition-
al 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/. 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/
• E-mail: 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/listservice.shtml

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/