

STATE OF NEW JERSEY
Department of the Treasury
Division of Taxation

The Savvy Shopper and New Jersey Use Tax

**Do you like to shop on-line or by mail order?
If so, here are some things that you need to know.**

When taxable goods and services are purchased out-of-State for use in New Jersey and sales tax is not collected or sales tax is collected at a lower rate than New Jersey's 7% rate of tax, the New Jersey resident purchaser owes use tax. Sales and use taxes are complimentary taxes and are assessed at the same rate.

Some out-of-State sellers are not required to collect and remit New Jersey sales tax. Out-of-State sellers must have sufficient contacts with New Jersey (e.g. offices, stores, salespeople) in order for New Jersey to impose a tax collection responsibility. Therefore, when a New Jersey resident purchases taxable goods and services from many out-of-State sellers, it is the responsibility of the New Jersey resident to submit use tax on these purchases. The non-reporting or underreporting of use tax owed can result in the imposition of penalties, interest or both.

A New Jersey resident owes use tax when purchasing taxable goods or services outside the State of New Jersey. Use tax is also due when purchases are made from businesses that are located outside of New Jersey, via the Internet or by phone, from catalogs, television shopping networks or radio stations, and sales tax is not collected or is collected at a rate less than 7%.

Common situations in which a New Jersey resident may owe use tax:

Example: A New Jersey resident buys a computer through a retail website from a business that does not collect New Jersey sales tax and it is delivered by a freight company to him in New Jersey. The New Jersey resident owes use tax at a rate of 7% on the cost of the computer, including any charge for shipping and handling.

Example: A New Jersey resident downloads a virus protection software update onto his home computer and is not charged New Jersey sales tax. Use tax is due on the cost of the software download at a rate of 7%.

Example: On a trip to Delaware, a New Jersey resident purchases a couch for his home and does not pay sales tax on the purchase, New Jersey use tax is due on this purchase at a rate of 7%.

Example: A New Jersey resident sends a watch to an out-of-State seller for repair services. The seller charges the New Jersey resident for the repair services but does not charge sales tax and ships the watch back to the New Jersey resident at a location in New Jersey. Use tax is due on the cost of this repair service plus any charges for handling and/or delivery at a rate of 7%.

Example: A New Jersey resident orders a stereo sound system by phone from a television shopping network and no sales tax is charged on the purchase of the sound system. Use tax is due on the purchase of the sound system including any charges for shipping and handling at a rate of 7%.

When a New Jersey resident may owe use tax at a rate less than 7%:

If the state where the purchase was made has a lower rate of tax than New Jersey, use tax is due at the rate of 7%. In general, New Jersey will allow a credit for the amount of tax paid to that state.

Example: On a trip to Maine a New Jersey resident purchases an antique desk for \$4000 and pays the 5% Maine sales tax of \$200. The purchaser owes the additional 2%, or \$80, as New Jersey use tax.

When a New Jersey resident is not required to remit use tax:

If the state where the purchase was made has a sales tax rate equal to or greater than New Jersey's 7% tax rate, the purchaser would not be subject to use tax. Use tax is not imposed on tangible personal property purchased outside of New Jersey if the purchase would not be taxable if it occurred in this State.

Example: On a trip to Rhode Island a New Jersey resident purchases a painting and pays the 7% Rhode Island sales tax. Use tax is not due on this purchase because the Rhode Island sales tax rate is the same as New Jersey.

Example: On a trip to New York, a New Jersey resident purchases a television and pays New York State sales tax at a rate higher than the New Jersey sales tax rate. No use tax is due to New Jersey on this purchase because the New York sales tax rate is higher than that of New Jersey. However, if the New York seller does not charge any tax, use tax is due on the purchase of the television at the full 7% rate for New Jersey.

Example: On a trip to Delaware a New Jersey resident purchases a coat without paying sales tax. Use tax is not due on this purchase because a coat is not subject to sales tax in New Jersey.

Recordkeeping and paying use tax:

Individuals are responsible for reporting and paying any use tax due. In order to simplify compliance individuals may report and pay use tax on their New Jersey Resident Income Tax Return (Form NJ-1040). It is important to keep a record of all receipts for out-of-State purchases that are subject to use tax. If you are unable to document specific purchases that are subject to use tax, a chart based on income ranges is provided in the return instructions. Taxable items commonly purchased from remote sellers include furniture, carpet, televisions, computers, books, cameras, DVDs, artwork, antiques, jewelry and software. For a more complete list of purchases subject to tax and thus reportable on your NJ-1040, please see publication S&U 4 - *New Jersey Sales Tax Guide*.

For more information on New Jersey use tax and for instructions on reporting use tax on your NJ-1040 please see Publication ANJ-7 and the New Jersey NJ-1040 instruction booklet located on the Division's website at: <http://www.state.nj.us/treasury/taxation/prntgit.shtml> and <http://www.state.nj.us/treasury/taxation/pdf/pubs/sales/anj7.pdf>.