This TAM concerns the New Jersey tax treatment of transactions involving convertible virtual currency, such as Bitcoin.

Virtual currency is a form of “electronic/digital money” that can be used as a medium of exchange or as a form of digitally stored value. Taxpayers may use it to pay for goods or services, or hold it for investment. Virtual currency that has an equivalent value in real currency or that acts as a substitute for real currency is convertible virtual currency. Bitcoin is only one example of convertible virtual currency.

New Jersey conforms to the federal tax treatment of convertible virtual currency as detailed in Notice 2014-21 issued by the IRS. Because transactions using virtual currency must be reported in U.S. dollars for federal tax purposes, taxpayers are required to determine the fair market value of the convertible virtual currency in U.S. dollars as of the date of payment or receipt.

SALES AND USE TAX

New Jersey imposes sales or use tax on receipts from the retail sales of tangible personal property, specified digital products, and enumerated services, unless a valid exemption exists. N.J.S.A. 54:32B-3.

For Sales Tax purposes, convertible virtual currency is treated as intangible property. As such, the purchase or use of the currency in a transaction is not subject to Sales Tax. However, New Jersey sales or use tax applies when a person transfers convertible virtual currency for taxable goods or services. Any seller and/or retailer of taxable goods or services that accepts convertible virtual currency as payment must determine the fair market value of the currency in U.S. dollars as of the date of payment and charge the purchaser Sales Tax on the underlying transaction.

Sellers who accept convertible virtual currency as payment for taxable property or services shall:

- register for Sales Tax purposes;
- record in their books and records the value of the convertible virtual currency accepted at the time of each transaction, converted to U.S. dollars;
- record in their books and records the amount of Sales Tax collected at the time of each transaction, converted to U.S. dollars; and
- report such sales and remit any Sales Tax due in U.S. dollars when filing their periodic Sales Tax returns.

See N.J.A.C. 18:2-7.3.
CORPORATION BUSINESS TAX AND GROSS INCOME TAX
For Corporation Business Tax and Gross Income Tax purposes, New Jersey follows the federal tax treatment of convertible virtual currency.

In general, the Corporation Business Tax Act follows the federal determination of taxable income. The Gross Income Tax Act follows the federal treatment of the gain or loss from the sale or exchange of property. In addition, the fair market value of convertible virtual currency paid as wages is subject to New Jersey Gross Income Tax withholding. An independent contractor that receives convertible virtual currency for services performed must determine the fair market value of the currency in U.S. dollars as of the date received. A payment made using convertible virtual currency is subject to information reporting requirements to the same extent as any other payment made in property.

For more information, see Notice 2014-21 issued by the IRS.

Note: A Technical Advisory Memorandum (“TAM”) is an informational statement of the law, regulations, or Division policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions or changes in Division policies could affect the validity of the information presented in a TAM.