



This publication does not reflect the increase in the daily rental fee imposed on motor vehicle rental companies from \$2.00 to \$5.00 that took effect July 8, 2006. See [Technical Bulletin TB-47 \(R2\)](#) for information on the fee increase.

P.L. 2002, Chapter 34, § 54, signed into law July 1, 2002, provides for a new statutory assessment of \$2.00 per day to be paid to the Division of Taxation by motor vehicle rental companies for each day or part thereof that a motor vehicle is rented under rental agreements of not more than 28 days. This fee applies with respect to rental agreements in New Jersey entered into on or after August 1, 2002, pursuant to the rule making authority granted to the Director of the Division of Taxation pursuant to the Administrative Procedure Act, P.L. 1968, c. 410 (N.J.S.A. 52:14B-1 et seq.) and P.L. 1966, c. 30 (N.J.S.A. 54:32B-1). The fee is separate from and in addition to any sales tax imposed on the cost of the rental transaction and is not to be included in the receipts subject to sales tax liability imposed pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The fee is to be designated as the "Domestic Security Fee" in the rental agreement and paid to the Division of Taxation for deposit in the General Fund of the New Jersey Domestic Security Account.

## **Definitions**

"Complimentary rental" means a rental for which the renter or any person on his or her behalf pays no consideration or any charge or does not reimburse any expenses of the rental company, such as but not limited to insurance coverage, associated with the rental.

"Lease agreement" means any agreement for a stated term of more than 28 days that requires the party leasing from a rental company, as hereinafter defined, to pay for state motor vehicle registration, maintain the vehicle for ordinary wear and tear at his own expense, and purchase liability and casualty insurance for the vehicle.

"Rental agreement" means any agreement or invoice for the rental of a motor vehicle. The term includes motor vehicle rentals/loaner transactions which are between companies.

"Rental Company" means any individual, business, or other entity or person engaged in the business of renting motor vehicles.

"Rental day" means midnight to midnight or a 24 hour period commencing at the time of day fixed by the parties for the start of the rental period should the rental agreement provide for same.

"Rental motor vehicle" means a passenger automobile, truck or semitrailer that is rented without a driver and designed for use in the transportation of persons or property on the public roadways, other than for transportation of commercial freight.

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"Renter" means an individual, business, or any other entity that enters into a rental agreement to rent a motor vehicle from a rental company.

## **Imposition of Rental Fee**

### **General Application**

(1) The \$2.00 per day rental fee applies to the first 28 days of a rental agreement for a rental motor vehicle with the same renter; thus, the maximum rental fee in the aggregate is \$56 dollars even if the actual rental extends beyond 28 days. The rental fee does not apply to any period of a lease agreement as defined herein.

*Example (a): A rental company rents a motor vehicle to a renter for 30 days. A rental fee for 28 days is owed by the rental company.*

*Example (b): A rental company rents a motor vehicle to a renter for 20 days. The renter returns the vehicle on the 15th day of the rental agreement and is not charged by the rental company for the remaining 5 days. The rental company owes a rental fee for 15 days. If the rental company charged the renter for the full 20-day period, then a rental fee of 20 days would be owed by the rental company.*

(2) The rental fee is due for every rental day. Any extension of rental time into a part of a day, whether due to an agreement or unilateral extension by either party, as long as billed by the rental company, shall result in an additional 1 day's fee being due from the rental company.

*Example (c): A rental agreement provides for a 5-day rental period with a penalty for late return. The renter does not return the vehicle until 2 hours into a 6th day and pays a penalty to the rental company. The rental company owes 6 days of the rental fee.*

*Example (d): Same as above but the rental company waives the penalty. Only 5 days of the rental fee are owed by the rental company.*

### **No Exemptions**

Payment of the rental fee is required for all transactions, including those involving federal, state or other governmental entities, or non-governmental organizations that are tax exempt under any federal or state laws. In addition, no "rent for re-rent" exemption applies.

Example (e): A rental company rents a motor vehicle to the County Regional High School District Board of Education for use by the Board to attend a two day state sponsored seminar on school district administration in Atlantic City. The rental company must pay the rental fee for the rental period.

Example (f): Rental company A rents a motor vehicle to rental company B which then rents out the same vehicle to a third party. Company A is not exempt from payment of the rental fee for the period of time it is renting the vehicle to company B. In addition, company B is responsible for payment of the rental fee for the period of time it is renting the vehicle to the third party.

## **Commercial Freight**

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*Example (g): Rental company A rents a motor vehicle to company B for the transportation by company B of tangible personal property sold by company B.*

*Company A does not pay any rental fee because the rental [agreement] is for the transportation of commercial freight by its vendor.*

*Example (h): Rental company A rents a motor vehicle to company B for the transportation by company B of tangible personal property owned by others. Company B is in the business of transporting such property. Company A does not pay any rental fee because the rental is for the transportation of commercial freight as a carrier for hire.*

*Example (i): Rental company A rents a motor vehicle to a non-business entity for the transportation of tangible personal property. Company A pays a rental fee because the rental is not for the transportation of commercial freight.*

*Example (j): Rental company A rents a motor vehicle to a business entity to be used to carry tangible personal property to be sold directly out of the vehicle. Company A pays a rental fee because the rental is not for the transportation of commercial freight but for the purpose of using the vehicle as a platform for the sale of tangible personal property.*

### **Vanpool Rentals**

A vanpool rental will not be considered as rental of a motor vehicle for the purposes of the

Domestic Security Fee law if:

- (1) it is part of a voluntary commuter ride-sharing arrangement;
- (2) it involves the use of a van, for a term of any duration, with a seating capacity of between seven and fifteen adults, including the driver;
- (3) it involves serving a group of members, one of whom is the driver, that are definite at any point in time;
- (4) it is solely for the purpose of single daily round trips for transportation of members of that group between:
  - (a) places of employment of members of the group (or other group-designated drop-off or pick-up locations); and
  - (b) the group-members' residences (or other group-designated drop-off or pick-up locations);
- (5) it does not involve compensating the driver or drivers of the van beyond reimbursement for his or her share of the fee for the vanpool arrangement.

### **Quarterly Reporting and Method of Payment**

(1) The rental fee applies with respect to motor vehicle rentals, other than for commercial freight, initiated on or after August 1, 2002, and is imposed on and paid by the rental company by the last day of the month next succeeding the close of a calendar quarter. Thus, the first rental fee return and payment was due by October 31, 2002. The rental fee is due for the quarter in which the rental agreement period ends.

*Example (k): A 20-day rental agreement commences September 2nd and expires on September 22nd . The entire rental agreement period falls within the quarter ending September 30th , so*

that the return with payment of fees must be filed by the end of the month following that quarter (i.e. by October 31st).

*Example (l): A 20-day rental agreement commences September 22nd and expires on October 12th. Although 8 days of the rental agreement fall within the quarter ending September 30th, the return with payment of fees for the entire 20-day rental period accrues in the quarter for October 1st through December 31st, and is not required to be filed until the end of the month following that quarter (i.e. by January 31st).*

(2) The rental fee is payable using telephonic and online filing procedures.  
Separate from Sales Tax

(1) The rental fee is separate from and in addition to any sales tax imposed on the cost of the rental transaction and is not to be included in the receipts subject to sales tax liability imposed pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

(2) The rental fee due from the rental company shall be stated separate and apart from any other rental costs, including any amounts due for sales tax, under the terms of the rental agreement and shall be designated as the "Domestic Security Fee" in the agreement made with or any invoice given to the renter.

(3) A rental company is entitled to reimbursement of the rental fee from a renter pursuant to P.L. 2002, Chapter 34, § 54.

### **Inter-company Rentals**

The rental fee applies to inter-rental company motor vehicle rentals. The rental company renting out the vehicle owes a rental fee for the term of that rental agreement. Any subsequent rental of the same motor vehicle by the renter/rental company to another renter imposes an obligation to pay the rental fee on that company for the subsequent transaction as well.

*Example (m): Company B rents a motor vehicle from Company A for 10 days. Company B rents out the same vehicle to a non-company renter for 10 day. 10 days' of fees are owed each from Company A and Company B.*

### **Out of State Rental Situations**

The rental fee applies whether or not the renter returns the vehicle to New Jersey but does not apply to a rental transaction where a vehicle is rented outside New Jersey and returned by the renter to a rental company location in New Jersey.

*Example (n): A rental company rents a motor vehicle to a renter for 15 days use out of state. Upon commencement of the rental period, the renter immediately removes the vehicle out of state for the balance of the rental period and returns the vehicle to an out of state location. The rental company owes a rental fee for 15 days. If, however, the rental company rents a vehicle from an out of state location and the renter returns the vehicle to a location in New Jersey, no fee is owed on the rental period. Location of the rental company from where the vehicle is rented, not location of use, determines whether a rental fee is owed.*

**Absolute Liability**

The rental fee is due from the rental company whether or not the renter pays for the rental or reimburses the rental company for the fee.

**Complimentary Rentals**

No rental fee is due and owing for any complimentary rentals. Discounted rentals are not complementary.

*Example (o): A rental company rents a motor vehicle under a rental agreement providing for several "free" days of rental. The free days are considered a discount and a rental fee is due for those days as well as the days that are charged by the rental company.*

**Procedures and Returns For Paying the Fee**

All fees due from a motor vehicle rental company shall be paid on a quarterly basis and due no later than the last day of the month following the end of the quarter. The fees shall be reported on return form DSF-100. Domestic Security Fee Returns (DSF-100) are to be filed telephonically or by using an Internet based application that can be found on the Division's website at <http://www.state.nj.us/treasury/taxation/dommail.shtml>. Simply click the "Domestic Security Fee - File By Phone" or "File Online" options and follow the filing instructions. Payments are to be made by credit card or E-check. Paper returns may not be used.

You may contact the Division via email at [nj.taxation@treas.state.nj.us](mailto:nj.taxation@treas.state.nj.us) to submit your questions or comments regarding the Domestic Security Fee.

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**Note:** A Technical Bulletin is an informational document designed to provide guidance on a topic of interest to taxpayers and describe changes to the law, regulations, or Division policies. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the tax law or its interpretation may affect the accuracy of a Technical Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.