



New Jersey Legislature
★ Office of LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

EXECUTIVE SUMMARY

**DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
REMOTE SALES TAX
July 1, 2021 to March 31, 2024**

We found the division's monitoring activities were adequate to ensure compliance with applicable state laws and regulations pertaining to remote sales tax. However, in making these determinations, we found a best practice regarding the transactional nexus for remote sellers has not been implemented, weaknesses in taxpayer account recordkeeping, and United States Customs data is not being utilized to identify potentially noncompliant taxpayers. Additionally, we made observations concerning the division's ability to identify the total number of remote sellers in the state and the allowance of agreements between marketplace facilitators and marketplace sellers.

AUDIT HIGHLIGHTS

- In May 2023, the Streamlined Sales Tax (SST) Governing Board (board) recommended states remove the number of transactions from the economic nexus calculation for remote sellers to help alleviate the burden on small businesses. However, New Jersey still requires sales tax to be collected and remitted when a remote seller reaches 200 separate transactions in the current or prior calendar year.
- The division does not require SST representatives to document changes made at the request of the taxpayer through the SST board through the use of a case note.
- New Jersey entered into a Memorandum of Understanding with the United States Customs Services (Customs) in 1995, and Customs data is provided to the division quarterly. However, the division has not used the data to identify noncompliant remote sellers meeting nexus thresholds.
- The division cannot accurately determine how much revenue is generated from remote sales tax because there is no requirement for a business to identify itself as a remote seller.
- New Jersey is one of two states that does not require marketplace facilitators or marketplace sellers to meet any conditions prior to entering into an agreement regarding the collection and remittance of sales tax. As a result, the division is unaware which businesses should be remitting sales tax, possibly causing an underreporting of sales tax revenue to the state.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report or to print this Executive Summary, click on the attached files.