

# N.J. Sales Tax Guide for & SHOPPERS RETAILERS

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**New Jersey Division of Taxation  
TAXPAYER INFORMATION SERVICES**

This booklet has been designed as a guide to the taxability of certain items sold at retail. It also provides vendors with guidelines for operating a retail business in compliance with the New Jersey Sales and Use Tax law.

If you have questions about the contents of this guide, or if you need information about any New Jersey taxes, Taxpayer Services can help. We offer a wide range of services including small business workshops, walk-in tax assistance and a toll-free tax information hotline for your convenience. The forms mentioned in this guide, as well as any other New Jersey tax forms and publications, are available from Taxpayer Services. You may call, write or visit one of our Regional Offices.

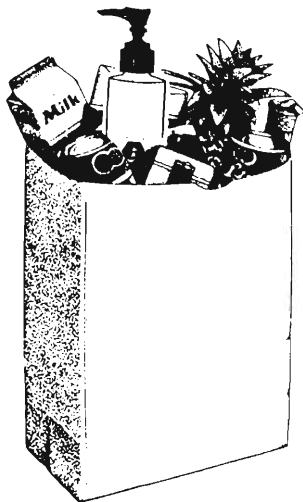
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## **SALES TAX LAW**

The New Jersey Sales and Use Tax Act imposes a tax of 7% upon the receipts from every retail sale of tangible personal property, except as otherwise provided in the Act. This means that in New Jersey, most items are taxable unless they are specifically exempted by law. Most food items intended for preparation and off-premises consumption, clothing, footwear, disposable paper products for household use, prescription drugs and over-the-counter drugs sold for the relief of pain are exempt. If you are unsure of whether or not an item is taxable, contact the New Jersey Division of Taxation.

New Jersey has established Urban Enterprise Zones in a number of economically distressed cities in the State. Some Urban Enterprise Zones have been designated as areas in which sales and use tax on certain items may be charged at 50% of the regular rate. A qualified business located in a reduced sales tax rate zone will charge 3.5% sales tax on all sales of merchandise qualified for the reduced rate.

### **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. They are intended to be prepared and consumed off the premises, that is, away from the food store. Candy and confectionery, carbonated soft drinks and beverages (whether or not sold in liquid form) are taxable, regardless of where they are purchased or consumed. Alcoholic beverages are subject to both Alcoholic Beverage Tax and sales tax.

When eligible food and beverages are purchased with food stamps, they are exempt from sales tax. Thus, taxable items such as candy and soda are not subject to tax when purchased with food stamps. Items which may not be purchased with food stamps remain subject to sales tax.

Sales of disposable household paper products, such as towels, napkins, toilet tissue, diapers, paper plates and 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.

Also exempt from tax are sales of prescription drugs and over-the-counter drugs recommended and generally sold for the relief of pain, ailments, distresses or disorders of the human body.

The following is a list of items commonly found in a retail store and the tax status of each item.

Acne Products .....	Exempt
Air Fresheners .....	Taxable

Alcohol, Rubbing .....	Exempt
Allergy Relief Products .....	Exempt
Aluminum Foil .....	Taxable
Ammonia .....	Taxable
Analgesics .....	Exempt
Anesthetics .....	Exempt
Anorectal Products .....	Exempt
Anorexics .....	Taxable
Antacids .....	Exempt
Antibiotics .....	Exempt
Antiemetics .....	Exempt
Antifungals .....	Exempt
Antihistamines .....	Exempt
Antimicrobials .....	Exempt
Antinauseants .....	Exempt
Antiperspirants .....	Taxable
Antipsoriasis .....	Exempt
Antiseborrhea .....	Exempt
Antiseptics .....	Exempt
Appetite Suppressants .....	Taxable
Arthritis Relievers .....	Exempt
Artificial Tears .....	Exempt
Aspirins & Combinations .....	Exempt
Asthma Preparations .....	Exempt
Athlete's Foot Treatments .....	Exempt
Baby Bath Soaps--Liquid, Bar .....	Taxable
Baby Food .....	Exempt
Baby Formulas .....	Exempt
Baby Lotions .....	Taxable
Baby Pants .....	Exempt
Baby Powder .....	Taxable
Baby Shampoos .....	Taxable
Bags--Plastic, Cloth .....	Taxable
Bags--Paper .....	Exempt
Baked Goods .....	Exempt
Baking Cups--Paper .....	Exempt
Baking Cups--Foil.....	Taxable
Baking Powder .....	Exempt
Baking Soda .....	Exempt
Bandages .....	Taxable
Band Aids .....	Taxable
Band Aids ((Medicated) .....	Exempt
Bath Beads, Oils, Sachets .....	Taxable
Bathing Caps .....	Exempt

Bathroom Cleaners .....	Taxable
Batteries .....	Taxable
Bed Pans .....	Taxable
Bee Sting Relievers .....	Exempt
Beverages:	
--Chocolate Drinks-Noncarbonated ...	Exempt
--Fruit Drinks-Noncarbonated .....	Exempt
--Mixes (quinine water, etc.) .....	Taxable
--Sodas .....	Taxable
--All Carbonated Drinks .....	Taxable
Bibs, Paper .....	Exempt
Bibs, Plastic .....	Taxable
Birth Control Preparations .....	Taxable
Biscuits, Sweet Crackers.....	Exempt
Bitters .....	Exempt
Bleach--Liquid, Dry .....	Taxable
Bluing, Laundry .....	Taxable
Books (except certain text books approved by the State) .....	Taxable
Braces--Ankle, Knee .....	Exempt
Bread and Rolls .....	Exempt
Breast Cream .....	Taxable
Breast Pump .....	Taxable
Breath Freshener .....	Taxable
Bubble Bath .....	Taxable
Cake Mixes .....	Exempt
Camera Lens/Eyeglass Cleaner Tissues .....	Taxable
Candy .....	Taxable
Canker Sore Preparations .....	Exempt
Canned Goods:	
--Fruits .....	Exempt
--Meats (except pet foods) .....	Exempt
--Milk .....	Exempt
--Vegetables .....	Exempt
Car Wash and Wax .....	Taxable
Carpet Cleaners .....	Taxable
Carpet Deodorizers .....	Taxable
Castor Oil .....	Exempt
Cat Food .....	Taxable
Cereals .....	Exempt
Charcoal, Charcoal Briquets .....	Exempt
Cheese .....	Exempt
Cheese Spreads .....	Exempt

Chemical Cold Pack .....	Taxable
Chewing Tobacco .....	Taxable
Chips--Potato, Corn, etc. ....	Exempt
Chips--Chocolate, Butterscotch, etc. (for use in baking) .....	Exempt
Christmas Tree Skirts--Paper .....	Taxable
Cigarette Filters .....	Taxable
Cigarette Papers .....	Taxable
Cigarettes .....	Taxable
Cigars .....	Taxable
Cleaning Liquids, Powders .....	Taxable
Cleansers .....	Taxable
Clothes Lines .....	Taxable
Clothes Pins .....	Taxable
Clothing Items .....	Exempt
Coal Tar .....	Exempt
Coal Tar and Sulphur .....	Exempt
Cocktail Onions, Olives .....	Exempt
Cocktail Sauces .....	Exempt
Cod Liver Oil .....	Exempt
Coffee (packaged) .....	Exempt
Coffee Filters--Paper .....	Exempt
Coffee Pot Cleaners .....	Taxable
Cold Pack, Chemical ("Ice Pack") .....	Taxable
Cold Preparations/Remedies .....	Exempt
Cold Sore Preparations .....	Exempt
Combs .....	Taxable
Condiments (catsup, mustard, etc.) .....	Exempt
Conditioning Rinse .....	Taxable
Confections (Cracker jacks, etc.) .....	Taxable
Constipation Products .....	Exempt
Contact Lens Care Products .....	Taxable
Contact Lens Cleaner, Solution .....	Taxable
Contraceptives .....	Taxable
Copper Cleaner .....	Taxable
Corn & Callus Removers .....	Exempt
Corn & Callus Pads:	
--Medicated .....	Exempt
--Regular .....	Taxable
Cosmetics .....	Taxable
Cottonballs .....	Taxable
Cough Preparations .....	Exempt
Cream, Milk, Half & Half .....	Exempt
Creams/Lotions .....	Taxable

Crutches .....	Exempt
Cups:	
--Paper .....	Exempt
--Plastic, Foam .....	Taxable
Cuticle Remover .....	Taxable
Dandruff & Seborrhea Preparations .....	Exempt
Decongestants .....	Exempt
Decorations--Paper, Plastic .....	Taxable
Dental Floss .....	Taxable
Denture Adhesives, Preparations .....	Taxable
Deodorants, Antiperspirants .....	Taxable
Deodorizers, Room .....	Taxable
Depilatories .....	Taxable
Dermatologicals .....	Exempt
Detergents .....	Taxable
Diabetic Testing Items .....	Exempt
Diapers (including disposable diapers) .....	Exempt
Diaper Liners.....	Exempt
Diarrhea Aids .....	Exempt
Diet Aids .....	Taxable
Diet Candy .....	Taxable
Diet Foods, Supplements .....	Exempt
Digestive Aids .....	Exempt
Dinnerware	
--Paper .....	Exempt
--Plastic .....	Taxable
Dips (cheese, onion, etc.) .....	Exempt
Dish Detergents .....	Taxable
Disinfectants .....	Taxable
Diuretics .....	Exempt
Dog Food .....	Taxable
Doilies--Paper, Foil .....	Taxable
Douches:	
--Antiseptic, Anti-infectious .....	Exempt
--Cleaning, Deodorizing .....	Taxable
Drain Openers, Cleaners .....	Taxable
Drawer Liners .....	Taxable
Dyes .....	Taxable
Ear Preparations, Ache Aids .....	Exempt
Ear Syringes .....	Taxable
Eczema Preparations .....	Exempt
Eggs (fresh, dried) .....	Exempt

Medical Supplies .....	Taxable
Epsom Salt .....	Exempt
Expectorants .....	Exempt
Eyeglass Cleaner Tissues .....	Taxable
Eye Preparations .....	Exempt
Fabric Softeners .....	Taxable
Facial Cleansing Pads (Medicated) .....	Exempt
Feminine Napkins, Tampons .....	Exempt
Fever Blister Aids .....	Exempt
Fiberglass Cleaner .....	Taxable
Film, Film Processing .....	Taxable
First Aid Kits .....	Taxable
First Aid Products:	
--Bandages .....	Taxable
--Healing Agents, Cleaners, etc.....	Exempt
Flatware .....	Taxable
Flea Collars .....	Taxable
Floor Cleaners/Polishes .....	Taxable
Floor Finishes (Wax) .....	Taxable
Floor Wax Remover .....	Taxable
Food Coloring .....	Exempt
Food Supplements .....	Exempt
Food Wraps:	
--Aluminum Foil .....	Taxable
--Paper Freezer Wrap .....	Exempt
--Plastic Storage Bags.....	Taxable
--Plastic Wrap .....	Taxable
--Waxed Paper .....	Exempt
Foot Care Preparations .....	Exempt
Foot Deodorizer .....	Taxable
Formica Cleaners/Polishes .....	Taxable
Fountain Syringe .....	Taxable
Froth Inducers (like "Frothee") .....	Taxable
Frozen Foods .....	Exempt
Fruit .....	Exempt
Fuels:	
--Charcoal .....	Exempt
--Charcoal Lighter .....	Exempt
--Cigarette Lighter Fluid .....	Exempt
Fungicides .....	Exempt
Furniture Polishes/Cleansers .....	Taxable
Fuses .....	Taxable
Garbage Pails .....	Taxable
Garden Supplies .....	Taxable

Gelatin and Gelatin Desserts .....	Exempt
Gift Wrap, Bows, Boxes, Tags .....	Taxable
Glass Cleaners .....	Taxable
Gloves .....	Exempt
Greeting Cards .....	Taxable
Grenadine .....	Exempt
Grip Tape .....	Taxable
Guest Towels--Paper .....	Exempt
Hair Brushes, Combs .....	Taxable
Hair Conditioners .....	Taxable
Hair Curler Papers .....	Taxable
Hair Rinses .....	Taxable
Hair Shampoos .....	Taxable
Hand Cleaners .....	Taxable
Hand Lotions .....	Taxable
Hardware .....	Taxable
Hay Fever Aids .....	Exempt
Headache Relief Aids .....	Exempt
Hemorrhoid Treatments .....	Exempt
Hosiery, all types .....	Exempt
Hypodermic Syringes & Needles .....	Exempt
Ice .....	Exempt
Ice Buckets, Ice Chests .....	Taxable
Ice Cream (except individual serving) ....	Exempt
Ice Cream Toppings .....	Taxable
Ingrown Nail Preparations .....	Exempt
Insect Bite & Sting Preparations .....	Exempt
Insecticides, Repellents .....	Taxable
Instant Cocoa, Coffee, Tea .....	Exempt
Insulin .....	Exempt
Iodine, Tincture of .....	Exempt
Itch, Rash Relievers .....	Exempt
Jams and Jellies .....	Exempt
Jewelry Cleaner .....	Taxable
Juices--Noncarbonated .....	Exempt
Keys .....	Taxable
Laundry Soaps and Detergents .....	Taxable
Lawn Bags .....	Taxable
Laxatives .....	Exempt
Leather Cleaners (saddle soap) .....	Taxable
Leavening Agents .....	Exempt
Lice Treatments (for humans) .....	Exempt
Light Bulbs .....	Taxable
Lighter Fluid .....	Exempt

Liners (garbage can, shelf, etc.) .....	Taxable
Lint Remover Refills .....	Taxable
Lip Balms .....	Exempt
Litter Box Liners .....	Taxable
Lotions, Cleansing .....	Taxable
Lotions, Moisturizing .....	Taxable
Lunch Bags:	
--Paper .....	Exempt
--Plastic .....	Taxable
Lye .....	Taxable
Magazines (qualified periodicals) .....	Exempt
Make-up Remover .....	Taxable
Maraschino Cherries .....	Exempt
Marshmallow Fluff .....	Exempt
Marshmallows .....	Exempt
Matches .....	Taxable
Meats .....	Exempt
Menstrual Cramp Relievers .....	Exempt
Metal Cleaner/Polishes .....	Taxable
Mildew Remover .....	Taxable
Milk (fresh, dried) .....	Exempt
Mineral Oil .....	Exempt
Mixes for Soups .....	Exempt
Mixes (dry or liquid, for alcoholic beverages) .....	Taxable
Mops, Mop Handles .....	Taxable
Motion Sickness Remedies .....	Exempt
Mouthwash .....	Taxable
Muscle Ache Relievers .....	Exempt
Nail Biting Deterrents .....	Taxable
Nail Polish Remover .....	Taxable
Napkins, Table--Paper .....	Exempt
Nasal Sprays, Decongestants .....	Exempt
Newspapers, Periodicals .....	Exempt
Nursing Bottles, Nipples, Funnels .....	Taxable
Nursing Pads--Paper .....	Exempt
Nuts (without confection) .....	Exempt
Oil--Cooking, Salad .....	Exempt
Ophthalmics .....	Exempt
Oral Pain Relievers .....	Exempt
Orthopedic Devices .....	Exempt
Oven Cleaners .....	Taxable
Oven Cooking Bags--Paper .....	Exempt

Oven Cooking Bags--Plastic .....	Taxable
Paint Remover .....	Taxable
Paperback Books .....	Taxable
Paper Bags .....	Exempt
Paper Goods (plates, towels, etc.) .....	Exempt
Peroxide, Hydrogen .....	Exempt
Pet Foods .....	Taxable
Pet Shampoo .....	Taxable
Pet Supplies .....	Taxable
Petroleum Jelly .....	Taxable
Pickles .....	Exempt
Pies, Pie Crusts .....	Exempt
Place Mats--Paper .....	Exempt
Plants .....	Taxable
Plastic Items .....	Taxable
Plates--Paper .....	Exempt
Poison Ivy & Oak Preparations .....	Exempt
Polishing Cloths and Mitts .....	Taxable
Popcorn--(packaged without confection).....	Exempt
Pregnancy Testing Kits .....	Taxable
Pre-Soaks, Laundry .....	Taxable
Preserves .....	Exempt
Pretzels .....	Exempt
Prosthetic Aids .....	Exempt
Puddings .....	Exempt
Rubber Gloves .....	Exempt
Rug Cleaners/Shampoo .....	Taxable
Rug Deodorizers .....	Taxable
Salads (potato salad, cole slaw, etc.) .....	Exempt
Saliva Substitutes .....	Exempt
Salt and Salt Substitutes .....	Exempt
Sandwich Bags:	
--Paper .....	Exempt
--Plastic .....	Taxable
Sanitary Napkins, Tampons .....	Exempt
Scouring Pads:	
--With Soaps .....	Taxable
--Without Soaps .....	Taxable
Seeds (flower or vegetable) .....	Taxable
Shampoos .....	Taxable
Shaving Cream .....	Taxable
Shelf Liners .....	Taxable

Shoe Inserts .....	Taxable
Shoe Polish .....	Taxable
Sinus Relievers .....	Exempt
Skin Bleaches .....	Taxable
Skin Lotions/Creams .....	Taxable
Skin Irritation Relievers .....	Exempt
Sleep Aids .....	Exempt
Snuff .....	Taxable
Soap .....	Taxable
Soap Pads .....	Taxable
Soups, Soup Mixes .....	Exempt
Spaghetti .....	Exempt
Spices .....	Exempt
Spring Water .....	Exempt
Stain/Spot Remover .....	Taxable
Starch:	
--Corn .....	Exempt
--Laundry .....	Taxable
Static Remover .....	Taxable
Steel Wool:	
--With Soap .....	Taxable
--Without Soap .....	Taxable
Stimulants .....	Taxable
Stirrers (wood, plastic) .....	Taxable
Straws	
--Paper .....	Exempt
--Plastic .....	Taxable
Styptic Pencils .....	Taxable
Sugar and Sugar Substitutes .....	Exempt
Sulfur & Salicylic Acid .....	Exempt
Sunburn Relief Products .....	Exempt
Sunscreens .....	Taxable
Sunglasses .....	Taxable
Sundae Topping .....	Taxable
Surgical Adhesive .....	Taxable
Table Covers	
--Paper .....	Exempt
--Plastic .....	Taxable
Tampons (and like products) .....	Exempt
Tape .....	Taxable
Tea (all forms) .....	Exempt
Teething Lotions .....	Exempt
Tenderizers .....	Exempt
Tile Cleaners .....	Taxable

Tissue (facial & toilet) .....	Exempt
Tobacco .....	Taxable
Toilet Bowl Cleaners .....	Taxable
Toilet Bowl Deodorizer .....	Taxable
Tooth Ache Reliever .....	Exempt
Tooth Desensitizers .....	Exempt
Tooth Polish .....	Taxable
Toothpaste .....	Taxable
Toothpicks .....	Taxable
Towels:	
--Cloth .....	Taxable
--Paper .....	Exempt
Towelettes .....	Exempt
Trashbags/Liners .....	Taxable
Tri-Sodium Phosphate (TSP) .....	Taxable
Undergarments, Disposable .....	Exempt
Underpads, Disposable--Paper .....	Exempt
Upholstery Cleaners .....	Taxable
Upset Stomach Relief .....	Exempt
Vacuum Cleaner Bags:	
--Cloth, Plastic .....	Taxable
--Paper .....	Exempt
Vitamins .....	Exempt
Wart Removers .....	Exempt
Water .....	Exempt
Water Conditioners .....	Taxable
Water Pills .....	Exempt
Water Repellent .....	Taxable
Wax .....	Taxable
Wax Remover .....	Taxable
Waxed Paper .....	Exempt
Weight Control Preparations .....	Taxable
Whipped Cream .....	Exempt
Whiteners, Laundry .....	Taxable
Window Cleaning Liquids .....	Taxable
Windshield Washer Solution .....	Taxable
Wipes:	
--Handi-Wipes (rayon) .....	Taxable
Witch Hazel .....	Exempt
Wool Washes .....	Taxable
Wrapping Supplies .....	Taxable
Wraps:	
--Foil, Plastic .....	Taxable
--Paper .....	Exempt

## COUPONS

The following guidelines are applicable to retail sale transactions in New Jersey involving the use of coupons:

When a vendor issues a coupon entitling a purchaser to a discounted price on the item purchased or a free or reduced price on an additional item, and the vendor receives no reimbursement, the sales tax is due from the purchaser on only the discounted price, which is the actual receipt.

Example 1: A store issues a coupon entitling the holder to purchase a product for 10¢ less than the regular sales price. The retailer would bill as follows:

Regular price	60¢
Store coupon	<u>-10¢</u>
Taxable receipt	50¢
Sales tax at 7%	<u>+03¢</u>
Amount due from purchaser	53¢

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 receipt is composed of the amount paid and the amount of the coupon value.

When a manufacturer issues a coupon entitling a purchaser to pay a reduced price on an item purchased, the tax is due on the full regular price of the item. The 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 2: A manufacturer issues a coupon entitling the holder to purchase an item from a retailer for 10¢ less than the regular purchase price. The retailer would bill as follows:

Regular price	60¢
Sales tax at 7%	<u>+04¢</u>
	64¢
Manufacturer coupon	<u>-10¢</u>
Amount due from purchaser	54¢

When a manufacturer or a vendor issues a coupon involving a 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.



## FOOD SOLD IN SNACK BARS

Sales tax is imposed on the sale of food and beverages "in all instances where the sale is for consumption on the premises where sold." This includes not only prepared food, but also prepackaged food such as cupcakes and potato chips.

Food that is prepared by the vendor on the premises, but taken and consumed off the premises (take-out order), is also taxable. When a retail store operates a snack bar, all food and beverages sold are taxable. Certain prepackaged food sold by a snack bar that is purchased and consumed off the premises is still taxable because the food was intended to be eaten on the premises.

## NEWSPAPERS, MAGAZINES AND BOOKS

Sales of newspapers, magazines and periodicals are specifically exempt from sales tax. Sales of books, both hardback and softback, including sales of the Bible or similar sacred scripture are taxable.

## **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 articles made of fur and certain athletic equipment.

The definition of clothing includes footwear, all inner and outer wear, headwear, 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.

Special and safety occupational clothing and equipment worn on the person and necessary for the daily work of the user are considered clothing and footwear under the above definition and are exempt.

### **Exempt Clothing and Footwear**

- Aprons (household and shop)
- Bathing Suits
- Beach Capes and Coats
- Belts and Suspenders
- Bibs
- Bowling Shirts (if suitable for ordinary street wear)
- Bridal Apparel and Accessories
- Camp Clothes
- Coats and Wraps (for either evening or daytime wear)
- Corset Laces
- Children's Costumes
- Crib Blankets and Receiving Blankets
- Dress Shields
- Dresses (including evening wear)
- Garters and Garter Belts
- Girdles
- Gloves
- Hairbows
- Head Scarfs
- Headwear and Millinery (all types)
- Hosiery and Peds
- Leotards and Tights
- Men's Formal Wear
- Neckwear

**Overshoes**

Rainwear

Rubber Gloves (for home or work use)

Safety Clothing (normally worn in hazardous occupations)

Scout Uniforms

Shoe Laces

Shoes (including safety shoes, sneakers and tennis shoes)

Socks

Underwear

Work Clothes, Work Uniforms

**Athletic Clothing and Footwear**

Athletic 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**

Baseball and Hockey Gloves

Bowling Shoes

Fishing Boots (waders)

Golf Shoes

Helmets (sports)

Protective Masks

Shin Guards and Padding

Skin Diving Suits

Track Shoes and Cleats

**Exempt**

Athletic supporters

Children's Baseball Uniforms

Children's Football Uniforms

Girls' and Boys' Gym Suits

Hooded Shirts

Knitted Caps or Hats

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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, Turtleneck and Other Sweaters  
Jogging or Running Suits

### Fur Garments

Garments or articles such as coats, stoles, jackets, capes, collars, muffs and hats made essentially of fur are subject to sales tax. Any article of clothing or footwear made from fur and other materials is subject to tax if more than one-half the value of the article is attributable to the fur part.

The word "fur" means natural or dressed animal hair on the hide or pelt. It does not include felt, woolens or other fabrics made from animal hair or leather or suede.

Rabbit fur dyed to resemble mink is "fur";  
Sheepskin with wool or hair attached is "fur";  
Woven materials made of animal hair or wool  
(such as angora or alpaca) are not "fur"; and,  
Cloth printed with a leopard pattern is not "fur".

### Accessories

Accessories are not considered clothing and footwear, and are **taxable**. Some of these are:

Hairclips  
Hairnets and Barrettes  
Handbags  
Handkerchiefs  
Jewelry  
Umbrellas  
Wallets

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**Yard Goods, Yarns and Sewing Accessories**

Common wearing apparel materials intended to be used in making clothes are **exempt**. These materials include:

- Buttons
- Fabrics
- Knitting Yarns
- Thread
- Zippers

**NOTE:** If these items are used on products other than wearing apparel, they are taxable.

In addition to the previously mentioned items, any material that becomes an integral part of the clothing is also **exempt**. Examples are:

- Bra and Slip Repair
- Denim and Leather Patches
- Elastic
- Lace
- Ribbons
- Seambinding and Bias Tape
- Tape

Any item that does not become an integral part of the clothing is **taxable**. Some of these items are:

- Fabrics and Yarns (used to make items other than apparel such as rugs, pillows, etc.)
- Instruction Books
- Knitting Needles
- Measuring Tapes
- Needles
- Patterns
- Scissors
- Thimbles

The lists of examples of taxable and exempt items given above are not meant to be all-inclusive. If you are uncertain about the taxability of a particular item, contact the Division of Taxation.

## REGISTERING YOUR BUSINESS

All businesses in New Jersey must register with the Division of Taxation. To register, file an Application for Registration (Form REG-1) within three days of starting business. Timely registration will insure that the business receives all the forms and information needed to comply with New Jersey tax laws.

There is no fee for registration. Once the application has been processed, businesses that indicated sales tax responsibility will receive a Sales Tax Certificate of Authority. This certificate authorizes a retailer to collect sales tax and to issue and accept New Jersey exemption certificates. The Certificate of Authority must be prominently displayed at the place of business.

Qualified registered vendors who buy or sell taxable goods and services across the New York/New Jersey border may be eligible to participate in a Border Sales Tax Agreement between the two States. Participating vendors receive the neighboring State's Certificate of Authority, authorizing them to collect and remit the neighboring State's use tax directly to the State in which the business is located and to issue the neighboring State's exemption certificates. For more information contact the New Jersey Division of Taxation.

**A Reminder:** You are ultimately responsible for your business's compliance with State and Federal laws. Engaging the services of an accountant or tax preparer does not relieve you of this responsibility.

## USING RE SALE CERTIFICATES

New Jersey has exemption certificates which can be used to purchase goods without payment of sales tax in certain situations. A vendor must be registered to issue or accept exemption certificates.

The New Jersey Resale Certificate (Form ST-3) is used by registered retailers to purchase tangible personal property intended for resale in its present form or which will be incorporated into other property held for sale. When purchasing goods, a retailer issues an ST-3 to the wholesaler or manufacturer. This exempts the retailer from the sales tax on the purchase. Sales tax is collected when these items are sold at retail.

**EXAMPLE:** You own a retail camera shop. You purchase a supply of cameras from either a camera wholesaler or manufacturer. You present a properly completed ST-3 and do not pay sales tax. When you sell a camera to a customer, you collect sales tax on the purchase price.

A retailer should not issue an ST-3 when purchasing goods for his own use (office equipment, tools, cleaning supplies, or building materials). A retailer who purchases goods for resale with an ST-3, but then uses the goods for other purposes, is required to remit use tax on the purchase price of the item(s). Use tax is a tax on the use of goods or services where sales tax has not been paid. Sales and use taxes are complementary taxes and are assessed at the same rates. Use tax is payable to the State in which the item is used, at that State's rate.

The use tax should be reported on the sales tax Quarterly Return (ST-50) or Monthly Remittance (ST-51).

**EXAMPLE:** Harvey's Office Supplies purchases desks for resale from the supplier. Harvey issues the supplier a Resale Certificate (ST-3) and pays no sales tax on the purchase. Later, he hires a new secretary and uses one of the desks he bought for his office. He is required to remit use tax of 7% of the purchase price of the desk.

## LEASING

The New Jersey Sales and Use Tax Act distinguishes between leases and rentals. A rental is a short-term transaction, lasting 28 days or less. A lease is a long-term transaction, lasting more than 28 days. The "lessor" is the owner of property which is rented or leased. A "lessee" is someone who rents or leases property.

A rental is considered a retail sale and the renter pays sales tax on the amount of the rental payments. For example, Joe Smith (the "lessee") rents a car for two days. Since this is a short-term transaction lasting less than 28 days, the agency from which Mr. Smith rents the car (the "lessor") collects 7% sales tax on the rental fee and remits the tax to the Division of Taxation.

In the case of a lease (a contract covering more than 28 days), the lessor is responsible for paying the sales or use tax. When property is leased, the lessor issues a Lessor Certification (Form ST-40) to the lessee, certifying that the lessor will pay the tax due on the leased property directly to the Division of Taxation at the time of the lease. Thus, if Joe Smith leases a car for six months, the automobile agency (the "lessor") will issue Mr. Smith (the "lessee") a properly completed ST-40 and will not charge sales tax on the lease payments.

For more information about the sales tax treatment of rentals or leases, contact the Division of Taxation.

## KEEPING RECORDS

Whatever your business, keeping accurate records is essential to your success. Keeping records is more than just good business sense--it is a necessary part of your compliance with both State and Federal tax laws. Keeping good records will insure the accuracy of your tax returns, and will protect you in the event of an audit or investigation by the State.

As a New Jersey retailer, you'll be required to keep records and file returns for the New Jersey Sales and Use Tax. In addition, you must keep records for income tax and, depending on the nature of your business, other taxes as well.

This section contains record-keeping requirements for New Jersey retailers who collect sales tax.

### Bookkeeping Methods

The two accepted methods of bookkeeping are single-entry and double-entry. The single-entry method is the simpler and the 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. You may choose whichever method suits your business.

### Accounting Methods

For sales tax records, you must use the accrual method of accounting. Under the accrual method, all items of income are included in your gross receipts when they are earned, even though you may not receive the actual payment 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

As a retailer registered to do business in New Jersey, you are responsible for collecting sales tax and remitting it to the State. You may also be accepting New Jersey exemption certificates. These certificates exempt the purchaser from paying the New Jersey Sales and Use Tax on merchandise and/or services. Only New Jersey exemption certificates may be

You are Viewing an Archived Copy from the New Jersey State Library used; sales tax exemption certificates from other states are not acceptable. Therefore, it is essential you maintain clear, accurate records of all your sales.

Remember two principles as you collect sales tax:

1. Vendors hold any sales tax collected in trust for the State.
2. All receipts are presumed to be taxable until the contrary is established.

Keep daily records of the sales you make. These records can then be used to make monthly totals showing the following information:

- your gross receipts from sales
- receipts from sales that are not subject to tax
- receipts from taxable sales
- your purchases and/or lease transactions that are subject to use tax
- amount of sales tax due the State (actually collected or billed)

## **Sales and Use Tax Returns**

You must report the monthly totals on your Sales and Use Tax Monthly Remittance or Quarterly Return. Every business which is on a reporting basis for sales tax purposes must file a Quarterly Return (Form ST-50) even for quarters when no sales are made and no tax is due. A Monthly Remittance (Form ST-51) must also be filed when more than \$100 in sales tax is due in either of the first two months of a quarter. You will receive these forms once you register your business with the New Jersey Division of Taxation.

## **Accepting Exemption Certificates**

In the course of your business, you will probably accept New Jersey exemption certificates from certain customers instead of collecting sales tax. The most common certificates are the Resale Certificate (Form ST-3), Exempt Use Certificate (Form ST-4) and Exempt Organization Certificate (Form ST-5).

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Keep these rules in mind as you accept exemption certificates:

1. Accept an exemption certificate only if:
  - it is filled out completely and correctly, and
  - you have no reason to doubt that your customer has the right to make an exempt purchase
2. Keep exemption certificates in your files for at least three years from the date of purchase.

You may use one exemption certificate 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 three years from the date of the last purchase covered by the certificate.

### **Sales to Government Agencies**

You should not collect sales tax when you sell products to the Federal government, the United Nations, the State of New Jersey or any of their agencies. In transactions with government agencies, you must obtain a purchase order on the letterhead of the agency. This purchase order must be signed by an authorized official. When the purchase is for \$50 or less, the government agency may issue you a New Jersey Exempt Use Certificate (ST-4) in place of a purchase order.

### **Out-of-State Sales**

If you sell taxable items to customers in another state and the items sold are delivered out-of-State to the purchaser, you should not collect New Jersey Sales Tax. Indicate in your records the destination point outside of New Jersey and retain evidence of the method of delivery to the out-of-State location, such as parcel post receipts, bills of lading, etc.

If you ship merchandise out-of-State to a recipient other than the purchaser, (e.g., in a gift transaction), the sale is also exempt from sales tax.

### **Claims for Refund of Sales Tax**

You must have records of cancelled sales, returned goods or uncollectible receipts to substantiate any claim for a refund of sales tax you have remitted to the State. The application for a refund (Form A-3730) must be filed within two years from the date of payment of the sales tax.

## **Retention of Records**

All books, records, certificates and other documents necessary to determine your tax liability to New Jersey must be available for inspection for at least three years.

If you have not kept adequate records, the State may estimate your tax liability 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. However, sales invoices, purchase invoices, credit memoranda, etc. may be reproduced on microfilm to be retained for inspection. If you intend to destroy your originals before the three-year limit, you must receive written permission 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.
- 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.

A description of your system must be available and include:

- the application being performed;
- the procedures employed (flow charts, diagrams, etc.);
- the controls used to insure accuracy.

Document important changes in the system and their effective dates.

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The normal hours of operation are 8:30 a.m. to 4:30 p.m. Monday through Friday. Offices are closed on weekends and legal holidays.

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