



State of New Jersey

DEPARTMENT OF THE TREASURY

DIVISION OF TAXATION

PO Box 269

TRENTON NJ 08695-0269

JON S. CORZINE
Governor

BRADLEY I. ABELow
State Treasurer

**NOTICE TO ALL VENDORS REGARDING CHANGES TO THE SALES AND USE TAX ACT
EFFECTIVE OCTOBER 1, 2006**

The Division will be posting additional information on its website specific to these categories of services and property. If your business will be affected by the new law, please review the website frequently for the latest information.

Public Law 2006, c. 44 increased the sales and use tax rate from 6% to 7%, beginning July 15, 2006. Beginning October 1, 2006, the law also extends the base of the sales and use tax by extending the tax to new services, and limiting some exclusions and exemptions.

AS OF 10/1/06, THE LAW IMPOSES THE SALES AND USE TAX ON THE FOLLOWING SERVICES:

Space for Storage (N.J.S.A. 54:32B-3(b)(3))

Furnishing of space for storage of tangible personal property, by a person engaged in the business of furnishing space for such storage.

The law defines "Space for Storage" as secure areas, such as rooms, units, compartments or containers, whether accessible from outside or from within a building, ~~that are designated for the use of a customer, where the customer has free access within reasonable business hours, or upon reasonable notice to the furnisher of the space, to store and retrieve property.~~ Space for storage does not include the lease or rental of an entire building, such as a warehouse or airplane hanger. N.J.S.A. 54:32B-3(b)(3).

Tanning Services (N.J.S.A. 54:32B-3(b)(8))

Tanning services, including the application of a temporary tan provided by any means.

Massage Services (N.J.S.A. 54:32B-3(b)(9))

Massage, bodywork or somatic services, except such services provided pursuant to a doctor's prescription.

Tattooing (N.J.S.A. 54:32B-3(b)(10))

Tattooing, including all permanent body art and permanent cosmetic make-up applications.

Investigation and Security Services (N.J.S.A. 54:32B-3(b)(11))

The law defines "Investigation and Security Services" as:

- (1) Investigation and Detective Services, including detective agencies and private investigators, and fingerprint, polygraph; missing person tracing and skip tracing services;
- (2) Security Guard and Patrol Services, including bodyguard and personal protection, guard dog, guard, patrol, and security services;
- (3) Armored Car Services; and
- (4) Security Systems Services, including security, burglar, and fire alarm installation, repair or monitoring services. N.J.S.A. 54:32B-2(xx).

(NOTE: Alarm monitoring service has been subject to tax since July 1, 1990, as a telecommunications service.)

Information Services (N.J.S.A. 54:32B-3(b)(12))

The law defines "Information Services" as the furnishing of information of any kind, which has been collected, compiled, or analyzed by the seller, and provided through any means or method, other than personal or individual information which is not incorporated into reports furnished to other people. N.J.S.A. 54:32B-2(yy).

Limousine Services N.J.S.A. 54:32B-3(b)(13)

Transportation services originating in this State and provided by a limousine operator, as permitted by law, except such services provided in connection with funeral services. N.J.S.A. 54:32B-3(b)(13).

Membership Fees (N.J.S.A. 54:32B-3(h))

Initiation fees, membership fees or dues for access to or use of the property or facilities of a health and fitness, athletic, sporting or shopping club or organization in this State, except for membership in a club or organization whose members are predominantly age 18 or under.

Parking (N.J.S.A. 54:32B-3(ii))

The receipts from parking, storing or garaging a motor vehicle, excluding charges for the following types of parking: residential parking; employee parking, when provided by an employer or at a facility owned or operated by the employer; municipal metered parking; and parking receipts subject to tax imposed by any other law or ordinance (e.g., municipal parking taxes).

AS OF 10/1/06, THE LAW EXTENDS THE SALES AND USE TAX TO THE FOLLOWING PROPERTY:

Magazines and Periodicals (N.J.S.A. 54:32B-8.5(a))

Magazines and periodicals, whether or not accessed by electronic means, are subject to tax. However, the law retains the exemption for newspapers; and magazines and periodicals sold by subscription; and membership periodicals. The law defines a "Membership Periodical" as any periodical distributed by a nonprofit organization to its members as a benefit of membership in the organization. N.J.S.A. 54:32B-8.5(b).

AS OF 10/1/06, THE LAW ESTABLISHES THE NEW CATEGORY OF "DIGITAL PROPERTY"

Digital Property (N.J.S.A. 54:32B-3(a))

The law defines "Digital Property" as electronically delivered music, ringtones, movies, books, audio and video works and similar products, where the customer is granted a right or license to use, retain or make a copy of such item. Digital property does not include video programming services, including video on demand television services, and broadcasting services, including content to provide such services. N.J.S.A. 54:32B-2(vv)

AS OF 10/1/06, THE LAW CHANGES THE TAXABILITY OF THE FOLLOWING:

Prewritten Computer Software Delivered Electronically (N.J.S.A. 54:32B-8.56)

The law limits the current exemption for prewritten computer software delivered electronically to electronically delivered computer software that is used directly and exclusively in the conduct of the purchaser's business, trade or occupation. Thus, electronically delivered software sold to individuals is subject to tax.

Laundering/Dry Cleaning/Tailoring/Pressing (N.J.S.A. 54:32B-3(b)(2))

The law specifically limits the sales tax exemption for laundering, dry cleaning, tailoring, weaving, and ~~pressing to providing these services to clothing~~. As a result, all of these services will be taxable when performed on property such as draperies, carpets, blankets, comforters, slipcovers, tablecloths, napkins, dust cloths, mats, mops, industrial wiper cloths, fender covers, bed linens, hospital linens, table linens, linen supply towels and other cloths. A business engaged in the rental and laundering of non-clothing items may no longer rely on the regulation allowing an allocation of the charge between each service, since the entire receipt is taxable.

Installing Floor Coverings (N.J.S.A. 54:32B-3(b)(2))

Previously, certain floor covering installation services that resulted in a "capital improvement" were exempt. The law eliminates the exemption for the installation of floor covering, which includes carpeting, linoleum, tile and padding, so now the labor is taxable. Businesses that provide floor covering installations are still treated as contractors under the law.

Landscaping Services (N.J.S.A. 54:32B-3(b)(2))

The law defines "Landscaping Services" as services that result in a capital improvement to land, other than structures of any kind whatsoever, such as: seeding, sodding or grass plugging of new lawns; planting trees, shrubs, hedges, plants; and clearing and filling land. (N.J.S.A. 54:32B-2(ww)). Previously, certain landscaping services that resulted in a capital improvement were exempt. The law eliminates the capital improvement exemption for landscaping services, so now the labor is taxable. Businesses that provide landscaping services are still treated as contractors under the law.

Delivery Charges for Taxable Goods and Services (N.J.S.A. 54:32B-2(oo)(1))

The law modifies the exemption for delivery charges that are separately stated from the purchase price of an item on the invoice, bill or similar document given to the purchaser. The law provides for the taxation of delivery charges on taxable items and retains the exemption for delivery charges on nontaxable items like clothing.

The law defines "Delivery Charges" as charges by the seller for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing. If a shipment includes both exempt and taxable property, the seller should allocate the delivery charge by using: (1) a percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment; or (2) a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment. N.J.S.A. 54:32B-2(rr). Thus, only the portion of the delivery charge that relates to the taxable property or services is subject to tax.

REGISTRATION INFORMATION

If the business currently files New Jersey sales and use tax returns, you do not need to take any additional action as far as registration. If your business does not currently collect sales tax, but will be required to as of October 1, 2006, you must contact the Division of Revenue and revise the business's filing eligibility.

The simplest and most reliable method for making changes to your business registration information is through the online registration change service, available at: https://www1.state.nj.us/TYTR_REGC/jsp/OwnershipLogin.jsp

A paper copy of the change form (REG-C) is available at: <http://www.state.nj.us/treasury/revenue/regrecords.htm> .

FOR MORE INFORMATION

- Visit our Web Site www.state.nj.us/treasury/taxation/
- Call our Customer Service Center at 1- 866-698-9065, Monday through Friday, 8:30 am to 4:30 pm
- E-mail us at nj.taxation@treas.state.nj.us



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NOTICE to all Retail Sellers and Purchasers of Fur Clothing

New Tax Effective July 15, 2006

P.L. 2006, c. 41, enacted July 8, 2006, and effective July 15, 2006, imposes a 6% gross receipts tax on the retail sale of fur clothing in New Jersey. This gross receipts tax is imposed on the **retail seller** of the fur clothing.

Fur Clothing Defined

"Fur clothing" means an item of clothing that satisfies the following criteria:

- it is exempt from sales and use tax pursuant to N.J.S.A. 54:32B-8.4 (the "clothing" exemption);
- it is made of fur on the hide or pelt of an animal; and
- the fur is a chief component of its value.

Retailers' Obligation

The retailer must pay the fur clothing retail gross receipts tax (FCRGRT) on a retail sale of fur clothing if:

- the customer or the customer's agent picks up or takes possession of the fur clothing in New Jersey; or
- the item is being delivered to a New Jersey address.

The retailer is **not** subject to the FCRGRT if:

- the customer is buying the item for resale;
- the seller delivers the item in seller's vehicle to a point outside New Jersey; or
- the item is being shipped and delivered by common carrier to a point outside this state.

Registration and How to Pay the Tax:

Retailers must file a FCRGRT return and pay the tax quarterly. The first FCRGRT remittance and return will be due October 20, 2006.

All existing businesses that make retail sales of fur clothing in New Jersey must amend their business registration and add the fur clothing retail gross receipts tax to the list of taxes that they are eligible and required to report and remit. All new fur clothing retailers in New Jersey must register to collect the tax.

Online registration will be available on the Taxation website. www.state.nj.us/treasury/taxation. It will be possible to file the FCRGRT quarterly return (FUR-100), either online or by telephone, through links on the same website or at (877) 829-2866, respectively.

Special Procedure for Receipts:

Effective upon receipt or posting of this notice, written receipts or invoices must be provided with all retail sales of fur clothing subject to the FCRGRT. **Every receipt or invoice for the retail sale of fur clothing must contain a statement that the seller will pay this tax directly to the State of New Jersey and must show the amount of such tax.** For example, on an invoice for the sale of a fur coat with a retail price of \$1,000, the invoice must contain language such as: "*Seller will pay 6% fur clothing retail gross receipts tax in the amount of \$60 directly to the State of New Jersey.*" (If the receipt does not contain a statement that the seller will pay the FCRGRT and specifying the amount it will pay, it will be presumed that the seller has failed to pay this tax.)

At the seller's option, reimbursement of the seller's FCRGRT, separately stated, may then be added to the price of the fur clothing and charged to the customer. In that case, the invoice may state the charges to the customer as:

\$1,000	retail price of fox fur coat
60	reimbursement of FCRGRT to be paid by seller
\$1,060	total due

If the seller chooses not to be reimbursed by the purchaser for the FCRGRT, **it must still state on the invoice that it will pay the fur clothing retail gross receipts tax, and it must state the amount it will pay,** calculated at 6% of the selling price of the fur item.

Fur Clothing Use Tax

If a retail customer purchases fur clothing in New Jersey, or purchases fur clothing in another state or from a remote vendor, for delivery or use in New Jersey, from a seller who is **not** paying the fur clothing retail gross receipts tax, then the **customer** will be obligated to pay fur clothing use tax (FCUT) directly to the State of New Jersey. *Note:* If the purchaser of fur clothing does not have a receipt or invoice containing seller's statement that seller will pay the FCRGRT in a specific, stated amount, the customer will owe use tax on the retail price of the item.

Exceptions - The purchaser will not be subject to the fur clothing use tax in the following situations:

- the purchaser bought the item of fur clothing item when a nonresident of New Jersey; or
- the purchaser paid a sales tax, use tax, gross receipts tax, luxury tax, or other tax (at a rate of at least 6%) on the fur item to another state or to a jurisdiction within another state, and such tax was legally due, and customer has no right to a refund from the other jurisdiction.

How to pay the use tax:

A fur use tax return (FUR-18) and instructions will be available for downloading from the Division of Taxation website. www.state.nj.us/treasury/taxation.

Note: The Fur Clothing Retail Gross Receipts Tax and Fur Clothing Use Tax are Not the Same as Sales and Use Tax

The fur clothing retail gross receipts tax and fur clothing use tax are imposed by a new law, P.L. 2006, c. 41. This law is entirely separate and distinct from the sales and use tax imposed by N.J.S.A. 54:32B-1 et seq. Therefore the exemptions and partial rate reductions that are part of the Sales and Use Tax Act do not apply. For example:

- retail sales to exempt organizations are not exempt from the FCRGRT;
- sales by "qualified urban enterprise businesses" are not subject to a 50% reduction in tax rate; and
- there is no "casual sale" exemption.

For More Information

- Visit our website at www.state.nj.us/treasury/taxation, and watch for new or revised notices, new technical bulletins, and articles in State Tax News.
- Call our Customer Service Center at (609) 292-6400.
- E-mail us at nj.taxation@treas.state.nj.us.