



TAX ALERT

New Jersey Use Tax Reminder

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Use tax can be thought of as a mirror image of sales tax. The underlying items subject to tax are the same. However, whereas sales tax is imposed on the seller, use tax is imposed on the purchaser. A taxable purchase is only subject to tax once under either system.

The New Jersey Sales & Use Tax Act imposes a 7% tax on the receipts (or purchases in the case of use tax) from every retail sale of tangible personal property, except as otherwise provided in the Act. In addition, certain services are subject to sales and use tax.

For a purchase made in or outside of New Jersey where the merchant does not charge sales tax for a taxable item or service, the purchaser is responsible for paying the use tax, regardless of whether or not the merchant was supposed to collect sales tax.

For example, if a New Jersey business purchases office supplies from an out-of-state supplier and that supplier does not charge New Jersey sales tax, the purchaser must pay New Jersey use tax. Another example would be a New Jersey contractor who fails to charge sales tax on a taxable repair service. The failure of the contractor

to charge sales tax does not relieve the purchaser of paying use tax for that service.

Following are some items that are subject to sales or use tax:

- Repairs and maintenance (i.e., repair of office equipment, machinery, electrical repair or other maintenance services)
- Machinery or equipment (computer, copier, etc.)
- Cleaning services
- Landscaping services (i.e., mowing, mulching, snow plowing)
- Office supplies

Compliance Recommendation

It is recommended that a business file a sales and use tax return, even if it is not required. The filing of this return, even if it is unnecessary, starts the statute of limitations on tax assessments which restricts the time period that the State can retroactively audit and assess the taxpayer for tax obligations, as well as interest and penalties.

For taxpayers who do not sell taxable goods or services and have a nominal (or no) use tax liability, we recommend that Form ST-18B, Annual Business Use Tax Return be



filed. The form is due on May 1 and can be found at:
http://www.state.nj.us/treasury/taxation/pdf/other_forms/sales/st18b.pdf. The instructions for this form outline the limitations associated with this simplified filing method.

The above is general information on the New Jersey Sales & Use Tax Act. This Act is very multi-faceted and contains many exceptions. For further

information on this subject, please feel free to contact your W&G Advisor at 732-846-3000.

Any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.