

Qualified Out-of-State Sellers. Qualified out-of-State sellers may make tax-exempt purchases in New Jersey of goods and services purchased for resale. When the qualified out-of-State seller carries the goods away with him from the point of sale, or sends his own vehicle or messenger to pick them up in New Jersey, the qualified out-of-State seller may use the Resale Certificate for Non-New Jersey Vendors (Form ST-3NR). “Qualified out-of-State sellers” are sellers that (1) are not registered with New Jersey, (2) are not required to be registered with New Jersey and (3) are registered with another state. An out-of-State seller may not use an ST-3NR unless the purchase qualifies for exemption under New Jersey law.

Drop Shipments. You might occasionally be instructed by an out-of-State business that is not registered in New Jersey to ship your product directly to the out-of-State business’s customer in New Jersey. This type of transaction is called a drop shipment. Since it is a sale for resale (you are selling your product to the out-of-State business even though you are delivering to the other business’s customer), you may accept any of the following:

- Purchaser’s out-of-State resale certificate (This is the *only* time that New Jersey accepts the exemption certificate of another state as valid.)
- Multijurisdiction Uniform Sales & Use Tax Certificate published by the Multistate Tax Commission
- Resale Certificate for Non-New Jersey Vendors (Form ST-3NR)
- Streamlined Sales and Use Tax Certificate of Exemption (Form ST-SST)

If your customer does not provide you with an exemption certificate, you must charge New Jersey sales tax.

Sales to Exempt Organizations

Some organizations such as churches, hospitals, veterans’ organizations, and fire companies are exempt from sales tax on purchases made for the exclusive use of the organization. The Division of Taxation issues an Exempt Organization Certificate (Form ST-5) only to those organizations that qualify for exempt status with the State of New Jersey. When you sell your product to such an organization, you must obtain a photocopy of its ST-5 certificate to show why sales tax was not collected.

Agencies of the Federal government and the United Nations, as well as the State of New Jersey and its political subdivisions, are also exempt from paying sales tax. However, these organizations do not use ST-5 certificates. Instead, they must provide you with a copy of a valid purchase order or contract, signed by an authorized official. When the amount of the purchase is \$150 or less, you may accept an Exempt Use Certificate (Form ST-4) from these government agencies in place of a purchase order or contract.

Purchases made by Federal employees are exempt when payment is made by Federal check or voucher or with the proper SmartPay credit card. Only Visa or MasterCard credit cards imprinted with “United States of America – SmartPay for Official Government Purchases Only U.S. Government Tax Exempt” or “United States of America – SmartPay for Official Government Use Only” are acceptable for tax-exempt purchases. Such transactions are billed directly to and paid by the U.S. Government. Credit card purchases billed to and paid by a Federal employee who is later reimbursed by the Federal government are subject to sales tax.

Certain purchases by foreign diplomatic and consular personnel residing in the United States are also exempt from sales tax. There are two types of sales

tax exemption cards issued by the U.S. Department of State, Office of Foreign Missions, that are acceptable as proof of the exemption. Personal sales tax exemption cards are issued for the sole benefit of the individual identified on the card. Mission tax exemption cards are issued to embassies, consulates, and international organizations for official purchases only and for the sole benefit of the mission identified on the card. For more information, see Technical Bulletin [TB-53, Diplomat/Consular Sales Tax Exemptions](#).

Sales to Out-of-State Customers

Items that are normally taxable when sold and delivered to a New Jersey location are generally *not* subject to New Jersey sales tax when they are shipped to a destination outside this State. The taxability of the transaction is determined by the laws of the state in which the purchaser or his agent takes possession of the merchandise. Contact the taxing authority of the state into which the items are delivered to find out your responsibilities under their sales tax laws.

If no New Jersey sales tax was charged on a New Jersey taxable item because it was shipped out of State, and the item is subsequently returned to New Jersey for use within this State, use tax may be due if the purchaser was a New Jersey resident.

For more information, see publication [ANJ-10, Out-of-State Sales & New Jersey Sales Tax](#), and Tax Topic Bulletin [S&U-6, Sales Tax Exemption Administration](#).

Paying Sales Tax to Suppliers Inventory and Materials

Products that you buy for resale (inventory) are not taxable. Also exempt are any raw materials that are incorporated into a finished product you make and sell. When you purchase such items, you may issue a Resale Certificate (Form ST-3) or Streamlined Sales and Use Tax Certificate of Exemption (Form ST-SST) to your supplier and not pay sales tax.

Example: You design and print your own greeting cards and sell them through your Internet company, Felicity Greetings. You may issue an ST-3 or ST-SST to your New Jersey supplier when you buy the paper, ink, paint, and glue that ultimately become part of the cards that you sell. You pay no sales tax when you purchase these materials.

If you buy materials or inventory items with a resale certificate and decide to use them for your own purposes (not resell them), you must remit 7% of the wholesale purchase price as use tax.

Tools and Supplies

When you buy tools and supplies, you must pay sales tax. Items such as scissors, knives, brushes, easels, hand tools, detergents, and disposable paper products differ from materials in that they are not resold as part of your final product. Supplies become your personal property; they belong to you and are not entitled to any exemption.

Packaging Materials

Nonreturnable materials used to contain, protect, wrap, and ship property are exempt from New Jersey sales tax. You may issue an Exempt Use Certificate (Form ST-4) or Streamlined Sales and Use Tax Certificate of Exemption (Form ST-SST) to your supplier when purchasing these items and not pay sales tax. The packaging materials must be used in the delivery of property to qualify for the exemption. Inventory storage containers are not considered to be exempt packaging materials, nor are materials used within your business facility. However, containers that are used in a farming enterprise are exempt.

Equipment

When you purchase office equipment (e.g., computers, printers, fax machines, copiers, desks, etc.) for use in your business, you are required to pay sales tax. If you do not pay New Jersey sales tax on such items at the time of purchase, you owe use tax.