

NEW JERSEY DIVISION OF TAXATION
TAXPAYER INFORMATION SERVICES

SALES TAX INFORMATION FOR
CONTRACTORS, SUBCONTRACTORS AND REPAIRMEN

1) CONTRACTOR DEFINED

- a) A contractor is defined as anyone in the business of erecting structures for others or building on, or otherwise improving, altering or repairing real property of others (N.J.S.A. 54:32B- 2(e)(2)(A)).
- b) This definition extends to subcontractors and repairmen who also perform work on real property and are subject to the same rules governing prime contractors.

2) REGISTRATION

- a) Contractors are required to register with this Division. After the Application for Registration is processed, the applicant will receive a Certificate of Authority which permits him to charge and collect the New Jersey Sales Tax and to accept and issue valid New Jersey exemption certificates.

3) TOOLS AND MACHINE PARTS

- a) The purchase by contractors of tools and machine parts for use in construction is taxable to the contractor whether or not the items are for use on an exempt job.

4) RENTAL OF EQUIPMENT

- a) The charges made to contractors for the renting or leasing of equipment and other tangible personal property are subject to the sales tax whether or not the work is performed for a governmental agency or an exempt organization.**

- a) Reasonable charges for the operator of leased equipment are exempt from the tax provided they are separately stated on the invoice. If the charges for the rental and the charges for the operator are not separately stated, the entire invoice is subject to tax.
- b) When rental equipment is delivered by the lessor to a job site outside this State, no tax is due New Jersey.

5) MATERIALS AND SUPPLIES

- a) Sales to contractors of materials and supplies for use in erecting structures for others, or building on, or otherwise improving, altering or repairing real property of others are deemed to be retail sales and the contractor is required to pay the tax on such materials (N.J.S.A. 54:32B-2(e)(2)(A)).