



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
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New Jersey Coalition of Automotive Retailers
856 River Road, P.O. Box 7510
Trenton, New Jersey 08628

Attention: James B. Appleton

Dear Mr. Appleton:

This is in response to your inquiry to the Office of the Director of the Division of Taxation concerning the application of the New Jersey Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.) to the sale of Zero Emission Vehicles (ZEVs). Your inquiry was referred to Regulatory Services for response.

You ask for clarification as to whether add-on items included as part of the sale or lease of a fully electric vehicle (EV) are taxable including: aftermarket vehicle parts, documentary fees, GAP insurance, extended warranties, tire and wheel protection, and extended dealer services contract fees.

The sale or lease of tangible personal property is subject to Sales Tax, unless an exemption applies. N.J.S.A. 54:32B-3(a). The Act provides an exemption from Sales Tax on receipts from sales of ZEVs sold on or after May 1, 2004. N.J.S.A. 54:32B-8.55. The exemption applies only to the sales price of the vehicle. The exemption is NOT applicable to partial zero emission vehicles, which includes hybrids such as the Toyota Prius and Honda Civic Hybrid. The exemption is also NOT applicable to labor or parts for qualified vehicles. See *Sales Tax Exemption - Zero Emission Vehicles*.

Aftermarket parts sold as part of the original sale follow the taxability of the vehicle. For example, if a vehicle qualifies for the ZEV exemption, the exemption will also apply to the aftermarket parts. However, any aftermarket parts added to the car after the original sale are subject to Sales Tax. N.J.S.A. 54:32B-3(a).

Documentary fees are considered expenses of the dealer or services necessary to complete the sale, both of which are included in the definition of "sales price" in the law. Sales price is the measure that is subject to tax. N.J.S.A. 54:32B-2(oo)(1). When determining the sales price of a motor vehicle, the seller is not allowed to deduct from the total taxable amount any costs relating

to the sale, such as administrative expenses of the seller and charges by the seller for services that are necessary to complete the sale.

GAP insurance provided by a third-party insurance carrier is not taxable. N.J.S.A. 54:32B-2(e)(4)(A).

The sale of a maintenance contract or warranty service agreement is a prepayment for services to property. As the underlying maintenance, repair or servicing of tangible personal property is taxable, the sale of an extended warranty as an agreement to provide taxable services to tangible personal property is also subject to tax. N.J.S.A. 54:32B-3(b)(2). This is the case whether or not any services are actually performed under the warranty. Because the exemption set forth by N.J.S.A. 54:32B-8.55 does not apply to services or replacement parts, a charge for a warranty or service agreement remains taxable. Assuming the tire/wheel protection program is a type of warranty/service agreement, it is also taxable.

Note that separately stated charges for the actual costs of title and registration fees imposed by the New Jersey Motor Vehicle Commission are not subject to tax.

If you have any additional questions, please contact the Regulatory Services Branch of the Division of Taxation at (609) 292-5995 or Taxation.RegulatoryServices@treas.nj.gov.

Yours truly,

/s

Craig D. Tonic
Tax Services Specialist

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