

Fur Clothing Retail Gross Receipts Tax and Use Tax **Revised 11/30/06**

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. The statutory provision imposing this tax is N.J.S.A. 54:32G-1.

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 ("clothing" exemption);
- it is made of fur on the hide or pelt of an animal; and
- fur is a chief component of its value.

Examples:

Coats, boots, scarves, hats, and belts are examples of "clothing," and their sale is not subject to sales tax. Sheepskin with the sheep's wool attached is an example of "fur." Therefore beaver coats, boots made of sheepskin with the wool attached, mink hats, and rabbit's fur ear muffs are all examples of "fur clothing," and their retail sale is subject to the fur clothing retail gross receipts tax.

Purses, jewelry, toys, and barrettes are not "clothing." Their retail sale is subject to sales tax. Therefore a mink fur barrette, a toy dog made of rabbit fur, and a fur tote bag would not be "fur clothing," and their sale would not be subject to the fur clothing retail gross receipts tax.

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 is available on the Division of Revenue's website.

https://www.state.nj.us/treasury/revenue/dcr/reg/sos_dcrnew01.prod.htm. It is possible to file the FCRGRT quarterly return (FUR-100) either online at:

<http://www.state.nj.us/treasury/taxation/online.shtml> , or by telephone at (877) 829-2866.

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.)

If, as part of the contractual terms of the sale, the seller chooses to ask the purchaser to reimburse it for the FCGRT, then a separately stated item, clearly identified on the invoice or receipt as reimbursement of the *seller's* FCGRT, may 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
<u> 60</u>	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) with instructions is available for downloading from the Division of Taxation website: www.state.nj.us/treasury/taxation/prntmisc.shtml

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.