



Air Conditioning, Heating, Refrigeration & New Jersey Sales Tax

Publication ANJ-8

Introduction

This bulletin explains the New Jersey Sales and Use Tax rules for air conditioning, heating, and refrigeration contractors.

Contractors

A contractor is an individual or business entity engaged in the business of improving, altering, or repairing land, buildings, or other real property. Under this definition, a person who installs, repairs, or maintains central air conditioning, heating, or refrigeration systems or units is considered to be a contractor. A retailer who sells tangible personal property such as air conditioning units is considered to be a contractor if the retailer also installs the units in such a way that they are permanently attached to and become a component part of real property.

The work performed by a contractor can be a capital improvement, a repair, or a maintenance service. Contractors working in New Jersey are required to be registered with the State for tax purposes and to collect New Jersey Sales Tax on charges for labor when required. For more information, see Tax Topic Bulletin [S&U-3](#), *Contractors and New Jersey Taxes*.

Purchases

Contractors are required to pay Sales Tax on all purchases of materials and supplies, including air conditioning, heating, and refrigeration units. When materials are purchased in New Jersey, the contractor is required to pay the tax to the supplier. When materials are purchased out of state for use in New Jersey, the contractor is required to pay **Use Tax** based on the cost of the materials. For more information on Use Tax, see publication [ANJ-7](#), *Use Tax in New Jersey*.

Materials that are purchased from a New Jersey supplier for use outside New Jersey and are delivered by the supplier to the out-of-state job site are not taxable. However, if the contractor accepts delivery of the materials in New Jersey, Sales Tax is due regardless of where the materials are being used.

Installation

The installation of a central heating, air conditioning, or refrigeration system that is permanently attached to and becomes a component part of real property is considered an exempt capital improvement. Charges for installation that result in an exempt capital improvement are not taxable as long as the property owner gives the contractor a completed **New Jersey Certificate of Exempt Capital Improvement** ([Form ST-8](#)).

The purchase and installation of an air conditioner is taxable when the unit is placed into an existing space or metal casing that is part of a structure. An air conditioner that can be removed from its casing by the owner is not a capital improvement and remains tangible personal property. The purchase and installation of tangible personal property are taxable to the purchaser.

Movable or removable air conditioning or refrigeration units such as window air conditioners and refrigerated display cases remain tangible personal property after installation. The installation of such a unit does not result in a capital improvement. Both the cost of the equipment and the installation are taxable to the property owner.

Duct Work Installation

A person who fabricates and installs duct work is considered to be a fabricator/contractor. A fabricator/contractor registered with the State for tax purposes may purchase materials for resale without paying Sales Tax by issuing a completed **New Jersey Resale Certificate** ([Form ST-3](#)) or **Streamlined Sales and Use Tax Agreement Certificate of Exemption** ([Form ST-SST](#)) to the supplier.

When a fabricator/contractor sells the fabricated product and does not install the item, the fabricator/contractor must charge the purchaser Sales Tax based on the sales price of the fabricated product.

When fabricated items are installed at a New Jersey location and the installation results in an exempt capital improvement, the fabricator/contractor must pay Use Tax to this State based on:

- The value at which the fabricator/contractor offers items of the same kind for sale; or
- If the fabricator/contractor makes no sales of items of the same kind, the cost of all materials used in the fabrication.

If the installation does not result in an exempt capital improvement (e.g., a section of existing duct work is replaced), the fabricator/contractor must remit Use Tax on the fabricated item as indicated above **and** collect Sales Tax from the property owner on the installation charges.

When fabricated items are installed at a location outside New Jersey, the fabricator/contractor does not collect New Jersey Sales Tax on the installation charges, nor is Use Tax due on the fabricated items.

Maintenance, Service, and Repair

Heating Units: Charges for maintaining or repairing residential heating system units serving no more than three families are specifically exempt from Sales Tax as long as the families live independently of each other and do their own cooking on the premises. Cleaning and servicing of residential gas, oil, coal, or wood-burning stoves, furnaces, or fireplaces and their chimneys are also exempt. A New Jersey Sales Tax exemption certificate is **not** required for services performed on an exempt residential heating system.

The labor charges for maintaining, servicing, or repairing a central heating system in any other kind of structure are taxable to the property owner. When a contractor supplies parts for servicing any central heating system, the contractor is required to pay Sales Tax on the parts. A customer should never be charged Sales Tax on parts for a central heating system that are installed by a contractor. Labor charges are exempt only when work is performed on an exempt residential heating system.

Air Conditioning and Refrigeration Units: Although the installation may result in an exempt capital improvement, labor charges for repairing, maintaining, or servicing air conditioning and refrigeration units are taxable to the property owner. A contractor supplying parts for these services is required to pay Sales Tax on the cost of the parts.

Charges for maintaining, servicing, or repairing tangible personal property such as window air conditioners and movable refrigeration units are taxable to the customer. Repair or replacement parts are also taxable.

Maintenance Contracts: Service contracts purchased for maintaining qualified residential heating systems are exempt from Sales Tax. All other maintenance contracts are taxable to the purchaser.

Registration

New Jersey law requires all businesses to register with the State for tax purposes at least 15 business days before starting business. To fulfill the registration obligation, you can print out, then file a **Business Registration Application (Form NJ-REG)** by mail. You can file [online](#) through the Division of Revenue and Enterprise Services' NJ Business Gateway Services website. If your application indicates that the business will collect Sales Tax or purchase materials for resale, the Division of Revenue and Enterprise Services will send you a **New Jersey Certificate of Authority (Form CA-1)**. This is your authorization to collect New Jersey Sales Tax and accept exemption certificates for tax-exempt sales.

You **must** be registered with New Jersey to accept exemption certificates. You also may be required to make a public records filing depending on the type of business ownership. More information on public records filing is available in the New Jersey Complete Business Registration Package (NJ REG) or by calling 609-292-9292.

For More Information

For more information, contact the Division's Customer Service Center at 609-292-6400 or [email](#) us. Many State tax forms and publications are available on our [website](#).