



Vending Machines & New Jersey Sales Tax

Publication ANJ-16

Introduction

Several factors determine the taxability of sales made through coin-operated vending machines. This bulletin will clarify the different tax treatments required on a variety of vending transactions. Effective January 1, 2018, the New Jersey Sales and Use Tax rate decreases from 6.875% to 6.625%. The tax rate was reduced from 7% to 6.875% in 2017. Additional information about the rate change is available [online](#). The examples in this publication use the 2018 rate.

Nonfood Items

The gross receipts from all sales of tangible personal property (other than food and drink) such as laundry detergent, cigarettes, nail clippers, barrettes, and bobby pins sold through coin-operated vending machines are taxable. Sales of items that are exempt by law, such as clothing and footwear (e.g., shoe laces and bathing caps), as well as any items sold for 25 cents or less, are not taxable and should be deducted from gross receipts before calculating tax.

Postage stamps purchased for mailing purposes **only** are exempt from tax. Stamps (postage and other) purchased as collector's items are taxable.

To calculate the tax due on receipts from the sale of taxable nonfood items, multiply the total gross receipts (less exempt sales if any) by the current Sales Tax rate. Follow the example below.

Example:

Receipts from sales of nonfood items	\$	1,000
Tax due ($\$1,000 \times 6.625\%$ Sales Tax rate)	\$	66.25

Food and Drink

Sales of food and drink for 26 cents or more through coin-operated vending machines are taxable. Milk sales are exempt from taxation. Sales of all food and drink sold in vending machines located in cafeterias or other eating facilities in elementary or secondary schools, and institutions of higher education are also exempt. Student lounges, dormitories, gymnasiums, libraries, etc., are *not* considered to be eating facilities.

Operators of vending machines that dispense taxable food and drink must report and pay Sales Tax on the wholesale price of these items. The wholesale price is defined as 70% of the retail vending machine selling price. The receipts from the sales of exempt items should be deducted from gross receipts prior to calculating the tax. To calculate the tax due on sales of food and drink, subtract sales of milk and 30% of sales of food and beverages from total vending machine sales. Then multiply this amount by the current Sales Tax rate.

Example:

Receipts from sales of milk	\$ 1,000
Receipts from sales of food and beverages (other than milk)	\$ 8,000
Total vending machine sales	\$ 9,000
Less deductions:	
Milk	\$ 1,000
30% of sales of food and beverages (other than milk)	
(\$8,000 x 30%)	\$ 2,400
Total deductions	\$ 3,400
Sales subject to tax	\$ 5,600
Tax due (\$5,600 x 6.625% Sales Tax rate)	\$ 371

Registration

New Jersey law requires vendors operating coin-operated vending machines to register with the State for tax purposes at least 15 business days before starting business. To fulfill the registration obligation, you must file a **Business Registration Application** ([Form NJ-REG](#)). You can file Form NJ-REG [online](#) through the Division of Revenue and Enterprise Services' NJ Business Gateway Services website. One Sales Tax registration number will be given to each vendor for all machines. On each machine there must be the following statement: "This vending machine is operated by Name of Vendor at Place of Business of Vendor" and "New Jersey Sales Tax Registration Number _____."

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.

Resale

A vendor may purchase all items to be sold through coin-operated vending machines without paying New Jersey Sales Tax by issuing a **Resale Certificate (Form ST-3)** to a supplier. If the vendor purchases the items out-of-state, the vendor may have to pay the other state's sales tax. For further information on out-of-state purchases and on the use of exemption certificates, see publications [ANJ-10, Out-of-State Sales & New Jersey Sales Tax](#), and Tax Topic Bulletin [S&U-6, Sales Tax Exemption Administration](#).

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](#).