



Sales Tax and Home Improvements

Tax Topic Bulletin S&U-2

Introduction

When you have work done on your real property (building or land), this work can be a capital improvement, a repair, or maintenance service. Sales Tax rules differ for each type of work done to your real property. This bulletin explains the Sales Tax rules that apply in each case.

This document is designed to provide guidance to taxpayers and is accurate as of the date issued. Subsequent changes in tax law or its interpretation may affect the accuracy of this publication.

General Information

A *contractor* is an individual or business entity engaged in the business of improving, altering, or repairing land, buildings, or other real property of others. Sales of materials and supplies to contractors are taxable because the contractor is considered the final consumer (or end user) of these items. Some examples of persons who are considered contractors for New Jersey Sales Tax purposes are: builders, plumbers, electricians, carpenters, painters, paper hangers, roofers, masons, and landscapers.

The term *contractor* also includes those who manufacture, sell, and install items that become part of real property (e.g., manufacturers and sellers of kitchen cabinets and vanities who also install those items). Such contractors are known as *fabricator/contractors*.

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 of New Jersey for tax purposes and to collect New Jersey Sales Tax on charges for labor when required. For more information on contractors, see Tax Topic Bulletin [S&U-3, Contractors and New Jersey Taxes](#).

Real property means land and buildings and any property permanently attached to the land and/or buildings in such a way that its removal would result in substantial damage to the real property.

Tangible personal property is property that is not classified as real property. It has physical mass and can be touched (e.g., furniture, automobiles, tools, appliances).

Construction materials are items purchased by a contractor that will become part of the real property. For example, a 2×4 used as a stud will become part of the wall and is considered construction material.

Capital improvement means an installation of tangible personal property that increases the capital value or useful life of the real property (land or buildings). The item(s) installed must be permanently attached to the real property.

Capital improvements are exempt from tax with the exception of the following: certain landscaping services, carpet and other floor covering installations, and hard-wired alarm or security system installations.

Examples of *exempt capital improvements* include:

All new construction*	Rewiring
Porch enclosure	Electronic garage door opener
New siding	New elevators
New heating system	Barbecue pit
New kitchen cabinets	New hot water heater
New electrical outlets	Solar energy window film
New kitchen fixtures	New door locks
Storm doors and windows	In-ground swimming pool
Paving driveway	New bathroom fixtures
New doors	New awnings
New central air conditioner	New tiled bath
Flagpole (in concrete)	Fireplace
Clearing land for construction	New deck
New roof	Shed/gazebo (cement footings)
New attic ventilation fan	Initial painting of new construction system
New gutters	Underground water sprinkler system
New fence	

*Other than the exceptions listed below.

Examples of *taxable capital improvements* include:

Planting shrubbery, trees, hedges, plants, etc.

Seeding, sodding, grass plugging of new lawn

Clearing and filling land associated with seeding, sodding, etc. of new lawn or planting shrubbery, trees, etc., including tree and/or stump removal

Installing hard-wired security, burglar, or fire system

Installing carpeting and other flooring

Repair (to real property) means work that restores property to working condition; it does not add to the value or prolong the life of the property. **Maintenance services** preserve the existing condition of real property.

Examples of *repairs* include:

Fixing loose bath tiles

Repairing gutters

Fixing faulty plumbing

Pointing bricks

Patching driveway potholes

Replacing torn screen

Repairing cracked patio floor

Fixing leaks in cellar

Fixing faulty electrical outlets

Fixing leaky roof

In some situations, the difference between a repair and a capital improvement is the extent of the work that is done. For example, replacing a few loose bath tiles or a portion of a leaky roof is a repair to the existing real property. However, replacing all of the tiles or the entire roof with upgraded or improved materials would be an exempt capital improvement.

Examples of *maintenance services* include:

Mowing lawns

Snow shoveling

Trimming trees

Powerwashing exterior

Painting interior or exterior of house

Paying Sales Tax on Home Improvements

Taxable Services. A contractor's bill should separately state the charges for materials and for labor. The contractor charges Sales Tax on the labor portion of the bill only when he/she performs a taxable capital improvement, repair, maintenance, or installation service. (There is no Sales Tax due on the charge for labor when the contractor's work results in an exempt capital improvement. See [Exempt Capital Improvement Services](#).) The contractor may not charge you Sales Tax on the cost of the materials and supplies used for the job. However, if the contractor charges you a lump sum for the taxable capital improvement, repair, maintenance, or installation service without separating the charge for materials from the charge for labor, you are required to pay the Sales Tax on the total amount of the bill.

Certain service providers that work on, but do not *alter*, real property (e.g., janitorial or cleaning services, pest control services) are not considered to be "contractors" for New

Jersey Sales Tax purposes. These businesses must charge you Sales Tax on the total amount of your bill.

Repairs or services to tangible personal property (e.g., washing machines, television sets, automobiles) are **not repairs to real property**. A tradesperson such as a TV repairperson is not a "contractor" for New Jersey Sales Tax purposes because the work is not being done to the land or buildings of others. The repairperson is required to charge you Sales Tax on both the labor and the parts used for the repair.

Exempt Capital Improvement Services. When the work performed on your real property results in an exempt capital improvement, the contractor may not collect Sales Tax from you on any charges (materials or labor) if you give the contractor a completed Certificate of Exempt Capital Improvement ([Form ST-8](#)). You must complete all fields on the exemption certificate in order to claim the exemption.

Residential Heating Systems

The contractor may not charge you Sales Tax for either parts or labor when maintaining, servicing, or repairing a residential heating system unit if the heating system serves no more than three families who live independently of each other and do their own cooking on the premises.

Do-It-Yourself Work

When you work on real property yourself, you are required to pay Sales Tax on the materials and supplies that you purchase. *Anyone* purchasing construction materials from a supplier, whether a contractor or property owner, must pay Sales Tax, regardless of the nature of the job (repair or capital improvement). The capital improvement exemption applies only to the contractor's *labor charges* billed to the homeowner when the work results in an exempt capital improvement.

Floor Covering

The retail sale of floor covering is always subject to Sales Tax. Anyone (contractor, developer, or property owner) purchasing floor covering (carpeting, linoleum, tile, hardwood, marble, and padding, etc.) from a dealer (retailer) pays Sales Tax on the purchase price of the floor covering. This is true whether or not the dealer does the installation. When a dealer sells *and* installs floor covering, the sale of the floor covering and the sale of the installation are

always treated as two separate transactions, and tax is collected on both the sales price of the floor covering and the installation charge.

For more information on floor covering dealers and New Jersey Sales Tax, see publication [ANJ-5](#), *Floor Covering Dealers & New Jersey Sales Tax*.

Landscaping

Landscapers are considered contractors because they work on the land or buildings of others. They follow the same New Jersey Sales Tax rules as other contractors. If the landscaper's work results in an exempt capital improvement (e.g., clearing land for new construction, installing decks, patios, fountains, low voltage lighting), there will be no Sales Tax. If the work is a taxable landscaping service (e.g., planting trees, shrubs, plants; laying sod; seeding a lawn) the landscaper charges Sales Tax on the labor portion of the bill. If the work performed by the landscaper is a repair or maintenance service (e.g., pruning, fertilizing, mowing), the landscaper charges Sales Tax on the labor portion of the bill.

For more information on landscapers, see publication [ANJ-4](#), *Landscapers & New Jersey Sales Tax*.

For More Information

Online

- Division of Taxation [website](#);
- [Email](#) general State tax questions.
Do not include confidential information such as Social Security or federal tax identification numbers, liability or payment amounts, dates of birth, or bank account numbers in your email;
- Subscribe to [NJ Tax E-News](#), the Division of Taxation's online information service.

By Phone

- Call the Division of Taxation's Customer Service Center at **609-292-6400**;
- Text Telephone Service (TTY/TDD) for Hearing-Impaired Users: **1-800-286-6613** (toll-free within NJ, NY, PA, DE, and MD) or **609-984-7300**. These numbers are accessible *only* from TTY devices. Submit a text message on any New Jersey tax matter and receive a reply through NJ Relay Services (711).

In Person

Visit a New Jersey Division of Taxation Regional Information Center. For the address of the center nearest you, visit our [website](#) or call the Automated Tax Information System at 1-800-323-4400.

Forms and Publications

- Visit the Division of Taxation's website for [forms](#) and [publications](#);
- Call the Forms Request System at **1-800-323-4400** (within NJ, NY, PA, DE, and MD) or **609-826-4400** (touch-tone phones only) to have printed forms or publications mailed to you. **NOTE:** Due to budgetary constraints, supplies are limited and only certain forms and publications can be ordered through this system.