

## **Tax Notes - Space for Storage**

Effective 10/1/06, amendments to the New Jersey Sales and Use Tax Act (P.L. 2006, c. 44) impose tax on the furnishing of space for storage of tangible personal property by a person engaged in the business of furnishing space for such storage. Charges for the service of storing all tangible personal property not held for sale in the regular course of business and the rental of safe deposit boxes or similar space remains subject to tax. N.J.S.A. 54:32B - 3(b) (3). The distinction is that the new law extends the tax to transactions where the facility merely provides the space, but not any services.

"Space for storage" means secure areas, such as rooms, units, compartments or containers, whether accessible from outside or from within a building, that are designated for the use of a customer and wherein the customer has free access within reasonable business hours, or upon reasonable notice to the furnisher of space for storage, to store and retrieve property. Space for storage does not include the lease or rental of an entire building, such as a warehouse or airplane hanger.

### **Transitional Rule**

On and after October 1, 2006 the charges for a "self- storage "or "miniwarehouse "unit are subject to sales tax. Rental payments made prior to October 1, 2006 are not subject to sales tax with respect to rental periods that end on or before September 30, 2006.

### **Goods Held for Sale**

Charges for storage space which is used to store property that is held for sale is not subject to sales tax, e.g. storage of a business 's inventory. A New Jersey Resale Certificate (ST- 3) or the Streamlined Sales and Use Tax Exemption Certificate (ST - SST) must be provided by the purchaser of the space as documentation that the goods being stored are the purchaser's inventory.

### **Rental of Open Space in a Building or Structure**

In order to be taxable as "furnishing space for storage, "the space must be a secure unit, room, compartment, container, or similar space. The rental of open and allocated space, such as designated areas in a hangar which are available for the use of many aircraft, is not subject to tax under this provision.

**Last Updated:** Tuesday, 11/11/08