
2011 Annual Report

State of New Jersey
Department of the Treasury
Division of Taxation

September 2012

The Honorable Chris Christie
Governor

Members of the New Jersey Legislature

Dear Governor Christie and Legislators:

I am pleased to present the *Annual Report of the Division of Taxation* for the fiscal year ended June 30, 2011.

The Division strives to efficiently administer New Jersey's tax laws while making continual efforts to improve our service to the public, encourage voluntary compliance, and maximize State revenues in spite of the difficult economic times. During this period we expanded our staff to both improve collection efforts and enhance customer service, created the Office of the Taxpayer Advocate (OTA) to assist with problems taxpayers have been unable to resolve on their own, and formed the New Jersey Tax Director's Advisory Council as a forum for communication on New Jersey tax policy.

We remain committed to providing taxpayers with the information and assistance they need to meet their tax obligations. Through the expansion of technical guidance on our Web site, including Letter Rulings and Technical Advisory Memorandums, additional resources are available to further assist taxpayers with their tax responsibilities. The Division will continue to focus on cost-effective ways to encourage voluntary compliance and to generate revenue. I am confident that the Taxation team is committed to meeting our goals and will continue to demonstrate the highest level of professionalism and dedication in all our activities.

I trust that this report will provide an overview of both the Division's operations and our accomplishments for the fiscal year.

Respectfully submitted,



Michael J. Bryan
Acting Director

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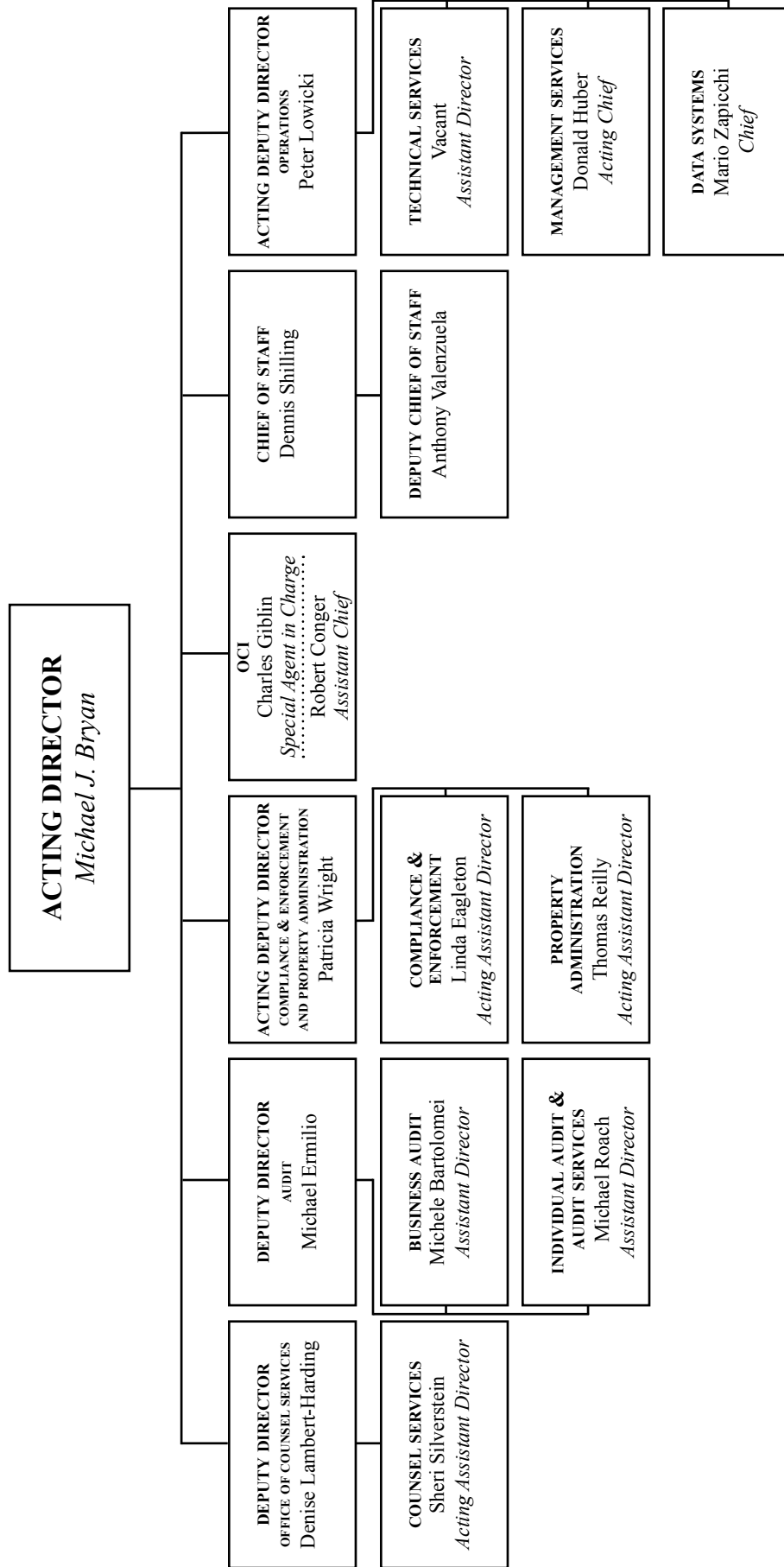
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New Jersey Division of Taxation

ORGANIZATION AND ACTIVITIES

DIVISION OF TAXATION ORGANIZATION

(CURRENT AS OF 9/1/12)



AUDIT

This Activity is responsible for ensuring tax compliance with all New Jersey tax statutes through the audit of tax returns, examination of taxpayer records, and through the collection of outstanding tax liabilities. The Division's voluntary disclosure and nexus programs and various State tax credit programs are also administered by Audit Activity. This Activity is divided into two areas: Business Audit and Individual Audit & Audit Services.

BUSINESS AUDIT

In-State Field Audit

The In-State Field Audit Branch performs audits on resident and other local businesses to ensure compliance with existing tax statutes. Examinations of the taxpayer's accounting records are comprehensive and include all taxes administered by the Division, with special emphasis on Corporation Business Tax and Sales Tax. Audits are typically performed on-site at the taxpayer's place of business.

The Branch is comprised of 20 groups strategically located throughout the State. Field Audit district offices are located in Trenton (Hamilton Township), Neptune, Camden, Northfield, Hackensack, and Newark.

In addition to regular audit activities, the In-State Field Audit Branch continues to pursue its cash audit initiative. This program is designed to strengthen compliance and collection efforts in areas of low compliance as well as level the playing field for compliant businesses.

Out-of-State Field Audit

The Out-of-State Field Audit Branch is responsible for performing field audits for all New Jersey taxes on all taxpayers whose accounting records are maintained outside of the State. Currently the Division has regional offices in Des Plaines, Illinois and Anaheim, California, with field auditors based in Atlanta, Dallas, and Denver.

Excise Tax

The Excise Tax Branch administers the Alcoholic Beverage Tax, Cigarette Tax, Motor Fuel Tax, Petroleum Products Gross Receipts Tax, Public Utility Excise, Franchise and Gross Receipts Taxes, Radiation Emergency Response Assessments, Sales and Use Energy Tax, Spill Compensation and Control Tax, Transitional Energy Facility Assessments, Uniform Transitional Utility Assessments, and the Tobacco Products Wholesale Sales and Use Tax.

The Branch is comprised of three groups: the Excise Tax Office Audit Group, the Excise Tax Field Audit Group, and the Excise Tax Cigarette Group. The Excise Tax Office Audit Group administers the Motor Fuel Tax, the Petroleum Products Gross Receipts Tax, the Public Utility Excise, Franchise, and Gross Receipts Taxes, the Radiation Emergency Response Assessments, the Sales and Use Energy Tax, the Transitional Energy Facility Assessments, and the Uniform Transitional Utility Assessments. They are responsible for the licensing and bonding of all motor fuel businesses, and they maintain the list of all licensed motor fuel businesses published on the Division's Web site. The group issues all Direct Payment Permits for the Petroleum Products Gross Receipts Tax and they process and issue all Motor Fuel Tax and Petroleum Products Gross Receipts Tax refunds. The group performs audit and investigative functions related to the taxes they administer. The Field Audit Group performs field audits on businesses to ensure compliance with existing tax statutes. Audits of the taxpayer's accounting records are extensive and include the taxes administered by the Branch. The Field Audit Group also performs compliance inspections relating to the motor fuel, cigarette, and tobacco taxes. The Cigarette Group administers the Cigarette Tax, the Tobacco Products Wholesale Sales and Use Tax, the Alcoholic Beverage Tax, and the Spill Compensation and Control Tax. They are responsible for maintaining pricing requirements along with audit and investigation functions. The group also performs various duties including reviewing and maintaining records relating to the Master Settlement Agreement.

Office Audit

The primary responsibility of the Office Audit Branch is the audit and refund of Corporation Business Tax. Other taxes audited include the Financial Business Tax, Insurance Premiums Tax, Ocean Marine Tax, Retaliatory Tax, various Sanitary Landfill Taxes, and Spill Compensation and Control Tax.

The Branch is comprised of eight audit groups. Two groups are assigned general corporate desk audits, and two groups issue tax clearance certificates. The Special Audit Group is responsible for administering the smaller taxes as well as reviewing Internal Revenue audit changes. The Nexus Audit Group has the responsibility to discover and examine out-of-State entities to determine whether they have unreported tax filing and paying obligations. The Corporate Billing Group is responsible for reviewing all deficiencies generated by Corporation Business Tax filings. The Corporate Refund Audit Group is responsible for auditing and approving all Corporation Business Tax refund claims.

INDIVIDUAL AUDIT & AUDIT SERVICES

Individual Tax Audit

The Individual Tax Audit Branch is comprised of the Gross Income Tax Audit Section and the Transfer Inheritance and Estate Tax Section.

Gross Income Tax Audit Section. The Gross Income Tax Audit Section, which is comprised of seven audit teams, is responsible for auditing Gross Income Tax returns filed with the State of New Jersey. The audits are done using a variety of criteria developed within the Branch, utilizing information from the Internal Revenue Service, neighboring states, and other New Jersey agencies, where applicable. The section provides technical support to Taxation's Data Warehouse unit on the development of its Gross Income Tax direct billing and other audit support projects as well as answering taxpayer correspondence generated by these projects. The section is also responsible for approving Business Employment Incentive Program (BEIP) grants, film tax credits and refunds, authorizing partnership refunds, and pursuing delinquent resident and nonresident taxpayers both separately and in joint projects with other Division branches.

Transfer Inheritance and Estate Tax Section. The Transfer Inheritance and Estate Tax Section, which is comprised of six audit teams and one service team, is responsible for all phases of the administration of both the inheritance and estate taxes. Among its responsibilities are the promulgation of regulations, preparation of tax forms and instructional materials, tax compliance and collection functions, tax audits, and the issuance of assessment notices. The section also conducts seminars, conferences, assists in Court proceedings, and issues all required tax waivers.

Audit Services

The Audit Services Branch provides audit, technical, and clerical support for every aspect of Audit Activity. In addition, the Branch administers Sales and Use Tax refunds and Urban Enterprise Zone Sales and Use Tax refunds.

This Branch is comprised of six groups. The Audit Selection and Technical Support Group provides other Audit Activity branches with audit candidates. The Audit Billing Group provides billing and collection support for Audit Activity. The Word Processing Group provides centralized word processing and other clerical support for Audit Activity. The two Sales and Use Tax refund groups located in Hamilton Township, Mercer County are responsible for auditing and processing all Sales and Use Tax refund

claims as well as many other types of refunds such as the Hotel/Motel State Occupancy Fee and Municipal Occupancy Tax, Cosmetic Medical Procedures Gross Receipts Tax, Atlantic City Luxury Sales Tax, Cape May County Tourism Sales Tax, Domestic Security Fee, 9-1-1 System and Emergency Response Fee, Motor Vehicle Tire Fee, Sales and Use Energy Tax, Transitional Energy Facility Assessment, Recycling Tax, and the Nursing Home Assessment. The Urban Enterprise Zone (UEZ) Sales and Use Tax Refund Group located in Newark is responsible for auditing and processing Sales and Use Tax UEZ refund claims filed by UEZ certified businesses for property and services used exclusively in a zone.

Data Warehouse

The Taxation Data Warehouse (TDW) utilizes data from various Federal and State agencies to develop Defined Business Intelligence Applications (DBIA) which identify both nonfiling and underreporting taxpayers. Once the DBIA is created, TDW mails notices of liability to taxpayers while working closely with staff from Audit, Compliance, and Technical Services to realize increased collections and process payments.

TDW has accomplished multiple objectives of the Division of Taxation including revenue enhancements, operating cost reductions, improved data integrity and validation, standardization of analytical processes, and greater flexibility in the use of multiple data sources. TDW has implemented a Scoring and Ranking Model which utilizes actual response data to score and prioritize the leads allowing the Division to focus on the most productive cases. TDW implemented a Business Objects reporting and analytical tool that allows users to access specific data to assist in the completion of their unit's goals.

TDW provides data to support many initiatives within the Division and throughout the State, including providing data for the recently implemented Return Evaluation Case Selection System (RECSS) project, providing the Department of Community Affairs (DCA) with data on Urban Enterprise Zone (UEZ) applicants, providing the Division of Revenue, Commercial Recording with information on the status of corporate taxpayers, and providing the Office of the Chief Economist with information on taxpayers.

OPERATIONS

Customer Services

The Customer Services Branch encourages voluntary compliance with New Jersey tax laws by providing taxpayers with the information and assistance they need to meet their tax responsibilities. It also provides similar services to New Jersey residents in applying for and obtaining property tax relief benefits. Information and assistance is delivered via the Internet and telephone as described below.

The **Customer Service Center** is a state-of-the-art telephone facility which handles thousands of calls each day. Customers speak to live representatives who provide general information and answer account-specific inquiries regarding property tax relief benefits and most taxes administered by the Division.

NJ WebFile provides taxpayers the means to prepare and file their income tax returns on a personal computer using the Division's secure Internet site. There is nothing to buy and there are no filing fees.

NJ Homestead Benefit Telefile is an automated telephone service which allows homeowners to file their homestead benefit applications by phone 24 hours a day/7 days a week during the benefit filing season.

Business Taxes Telefile is an automated telephone service which allows for the filing of various business taxes and fees.

Automated Tax Information System offers prerecorded general and account-specific information to callers regarding personal income tax, property tax relief programs, and business taxes. It also allows callers to order tax returns and informational publications.

Taxpayer Accounting

The Taxpayer Accounting Branch provides assistance to taxpayers by resolving discrepancies with their accounts, including those relating to the various property tax relief programs administered by the Division. In some cases, this consists of reviewing tax returns to verify the correctness of processing before issuing a refund or bill. In other cases, this means reviewing correspondence submitted by taxpayers who disagree with the processing of their returns. A Correspondence Tracking System (CTS) is now employed which allows correspondence to be processed and tracked electronically through the use of imaging technology. The Branch consists of the following units:

The **Correspondence and Review Units** review tax returns and correspondence to correct errors in processing. The units adjust accounts and issue refunds or bills along with letters explaining the nature of any adjustments.

The **EITC Eligibility Unit** reviews tax returns that may have been filed fraudulently. The unit issues letters requesting documentation and adjusts accounts. The unit works closely with the Division's Office of Criminal Investigation and often refers accounts to that office for additional action.

The **Property Tax Relief Programs Unit** resolves problems related to the State's Homestead Benefit and Property Tax Reimbursement Programs. The unit assists New Jersey legislators seeking to resolve constituents' problems, and responds directly to taxpayer correspondence related to these property tax relief programs. The unit reviews pending homestead benefit and property tax reimbursement applications, adjusts accounts, and approves payments for eligible applicants. The unit contacts homeowners to obtain information that was missing from the original applications, and resolves account errors and omissions based on the documentation provided.

The **Homestead Benefit Eligibility Unit** evaluates the eligibility of selected homestead benefit applications, reviews pending applications, and resolves problems related to the State's Homestead Benefit Program. The unit responds to correspondence; contacts tenants, homeowners, and municipal tax offices to obtain missing information or to verify eligibility; and adjusts accounts and approves payments for eligible applicants. The unit also processes returned homestead benefit and property tax reimbursement checks.

Technical Information

The Technical Information Branch produces informational publications and tax return instructions; responds to taxpayer e-mail and correspondence; and provides information to the public at Regional Information Centers, at outreach events, and via the Division's Web site.

The **Publications Unit** is responsible for most of the Division's informational publications, including the instructions for individual income tax returns and applications for the property tax relief programs administered by the Division; the quarterly newsletter for tax practitioners, the *New Jersey State Tax News*; the Annual Report of the Division of Taxation; and brochures and notices. This unit also provides technical tax material for the Division's Web site.

Regional Information Centers are available in each of the Division's public offices and provide in-person assistance to taxpayers regarding their account issues or other related tax matters. Tax filings and payments are accepted by these centers.

The **Training and Outreach Unit** provides instruction to personnel across the Division regarding technical tax topics, employee development, and desktop software applications. It also provides speakers to external groups on tax-related matters.

The **E-Mail Unit** receives and reviews hundreds of e-mails each day. The majority of these e-mails are general requests for information or assistance, which are replied to directly by unit staff. Specific requests may be forwarded to other areas for handling.

Management Services

Management Services is responsible for providing support in the following areas:

Facilities Management. Responsible for coordinating building maintenance and management services for 12 office locations throughout New Jersey and for the Division's out-of-State locations. Facilities Management monitors all construction projects and coordinates physical moves for all Taxation locations. In addition, Facilities Management is responsible for security and providing employees with photo identification and building access cards.

Records Management. Responsible for the Division's records management and storage. The unit maintains a records placement and tracking system that enables Division personnel to retrieve documents and files quickly and efficiently. Also responsible for managing taxpayer requests for copies of personal and business tax returns.

Mail Services/Property & Forms. Responsible for the pickup, sorting, recording, and delivery of mail, forms, and supplies for the Division, including field offices and other State agencies. The unit manages and maintains the Division's surplus property, equipment, and forms inventories.

Taxpayer Forms Services. Responsible for mailing forms and publications in response to taxpayers' requests, and bulk mailing for special projects from various branches of the Division.

Data Systems

Data Systems provides the Division with the technological assistance required to administer the tax laws of New Jersey. These services include the development

and management of the Division's tax systems and the design and procurement of tax forms and applications. Data Systems coordinates their efforts with the Office of Information Technology (OIT) in order to ensure that the operational needs of the Division are met. The Branch provides technical assistance to Division personnel, aids in problem resolution with respect to the various systems, and also acts as liaison for the Division with other State, Federal, and local agencies as required.

The responsibilities of this Branch are divided into the following major areas:

Individual Tax Systems. Analysts determine systemic needs and provide data processing support including the development, monitoring, and maintenance of the individual income tax system and the various property tax relief programs. They have the ultimate responsibility of ensuring that the income tax and property tax relief systems conform to all statutes, policies, and procedures of the Division. Individual Tax Systems analysts also design all income tax forms and applications for the property tax relief programs.

Business Tax Systems. Analysts maintain and enhance existing tax systems and develop new business tax systems. They provide data processing support including the development, monitoring, and maintenance of the over 30 business tax systems administered by the Division. They have the ultimate responsibility of ensuring that the business tax systems conform to all statutes, policies, and procedures of the Division.

TULIPS & TAXNET Help Desk. Personnel possess expertise in the various tax and data systems used within the Division. They assist Division personnel on a daily basis in resolving problems encountered using these systems. This group creates, maintains, and terminates employee access and authority levels for TAXNET systems. They also manage automated case flow for collection activities within the Division and perform numerous complex maintenance functions for the many systems in place throughout Taxation.

Forms. Personnel coordinate the design and specifications of New Jersey tax forms, applications, and many related publications. The analysts work in conjunction with the Division of Revenue to ensure that all of the form requirements are met for the processing of the documents. They also coordinate with the Division of Purchase and Property and printing contractors to provide quality products consistent with these requirements. In addition, the analysts perform site inspections of vendor production facilities and supervise the production process to ensure quality control.

COMPLIANCE & ENFORCEMENT

This Activity is comprised of two branches: the Compliance Services Branch (merged with the former Special Procedures Branch) and the Field Investigations Branch. A description of each of the branches follows.

Compliance Services Branch

The Compliance Services Branch is responsible for the collection of overdue tax liabilities via correspondence and telephone, provides services for the taxpaying public and for other sections of the Division of Taxation, and works with other State agencies such as the Motor Vehicle Commission, Division of Consumer Affairs, and the Lottery Commission. A brief description of the various functions performed by the Compliance Services Branch follows.

ABC Licensing. Responsible for examining the tax records of each business holding a valid New Jersey Retail Liquor License that disposes of its assets either by sale, transfer, or assignment, other than in the normal course of business, and issues Tax Clearance Certificates for the transfer of the licenses. This section also issues Tax Clearance Certificates to the municipalities for compliant licensees for the annual renewal of Retail Alcoholic Beverage Licenses.

Bankruptcy. Responsible for collecting delinquent taxes from debtors who have filed for protection under Federal or State Insolvency Statutes by submitting Proofs of Claim to the appropriate courts of jurisdiction. This section works closely with the Attorney General's Office to represent the State's interests in Bankruptcy Court proceedings.

Bulk Sales. Responsible for examining the tax records of each business, except those holding a New Jersey Retail Liquor License, that disposes of its assets either by sale, transfer, or assignment, other than in the normal course of business. A Tax Clearance Certificate is issued when all conditions are satisfied.

Judgments. Collects overdue liabilities from taxpayers who neglected or refused to pay taxes and/or file returns. The primary collection instrument is the Certificate of Debt, which is filed with the Clerk of the New Jersey Superior Court. A Certificate of Debt has the same force and effect as a Docketed Judgment adjudicated in any court of law.

License Verification Section. Reviews the tax records of businesses that are licensed by State agencies to confirm that the business is complying with all required laws. If this review reveals unsatisfied tax liabilities or filing obligations, the taxpayer's business license may be subject to suspension.

Delinquency Section. Issues delinquency notices when taxpayers fail to file required tax returns when due, and secures delinquent returns and payments. The program covers most taxes administered by the Division. This unit is also responsible for reviewing the tax accounts of businesses seeking certification as eligible for Urban Enterprise Zone benefits and/or obtaining Cigarette and Motor Fuel Licenses.

Deferred Payment Section. Provides a method for taxpayers to pay deficient taxes under a formal payment plan and monitors active payment plans to ensure compliance. Recent enhancements provide more sophisticated monitoring of payment plans and allow taxpayers to make payments using electronic funds transfer.

Casual Sales Section. Verifies and collects the appropriate Sales and Use Tax on purchases of motor vehicles, boats, and aircraft. Purchases by nonresident taxpayers are also examined and taxpayers are notified when there is a discrepancy between the amount of Sales and Use Tax due and the amount paid.

Set-Off Programs. The Compliance Services Branch administers or participates in four set-off programs: **Vendor Set-Off**, that holds payments due to State vendors and applies the payments toward deficient taxes; **SOIL**, Set-Off of Individual Liability, that withholds gross income tax refunds and property tax relief benefit payments from taxpayers who have outstanding tax debts; **FOIL**, Federal Offset of Individual Liabilities, that withholds Federal income tax refunds and applies them against State tax liabilities; and **TOP**, Treasury Offset Program, that withholds Federal payments due to businesses and applies the payments toward State tax deficiencies.

CATCH (Citizens Against Tax CHeats). Receives and reviews reports of possible noncompliance and refers them to the appropriate Division branch or State agency for evaluation and action.

Contract Liaison Unit. Provides quality assurance, administrative, and technical support to outside vendors which have been awarded public contracts to pursue delinquent and deficient taxes for the Division.

Business Assistance and Grant Clearance Unit. Reviews the tax records of businesses that are applying for grants, loans, or other incentives from other State agencies. A Tax Clearance Certificate is a precondition to the award by any State agency of assistance or incentive to a business.

Attorney General Referrals. Whenever the Division has exhausted its collection remedies without success, the case may be referred to the Office of the Attorney General for additional collection actions. Such actions may include domesticating the Division of Taxation's lien in another state where assets of the debtor may have been located and/or instituting wage garnishment proceedings.

Field Investigations Branch

The Field Investigations Branch performs the tax collection, enforcement, and civil investigation work for the Division. Field Investigators are assigned to seven field offices around the State. A brief description of the various functions performed by the Field Investigations Branch follows.

Out-of-State Businesses. Investigators work with the New Jersey State Police, the Motor Vehicle Commission, and local law enforcement agencies at weigh stations and other inspection sites to check out-of-State commercial vehicles. Investigators also visit locations such as construction sites and warehouses to identify nonregistered or noncompliant out-of-State vendors. When necessary, investigators utilize the authority granted in N.J.S.A. 54:49-5 and N.J.S.A. 54:49-7 to make a jeopardy assessment and demand immediate payment. Failure to satisfy the jeopardy assessment may result in immediate seizure of available assets.

Canvassing/Educating. Investigators visit new businesses to verify that they are registered and that the owners understand their tax responsibilities. Transient vendors at flea markets, art and craft shows, entertainment venues, and special events are also canvassed regularly. To combat the underground cash economy, investigators issue on-the-spot jeopardy assessments against uncooperative transient vendors if necessary.

Boat Program. Investigators involved in the Boat Program conduct investigations by canvassing marinas, patrolling the New Jersey intercostal waterways, and gathering information from other state and local agencies in pursuit of individuals or corporations that have avoided New Jersey Sales and Use Tax on their vessel purchase.

Tax Enforcement involves personal contact with businesses and individuals to secure delinquent tax returns, collect outstanding taxes, and enforce registration and licensing requirements. If necessary to protect the State's interest, a Certificate of Debt, which is an administrative judgment, is filed with the New Jersey Superior Court, followed by the issuance of a Warrant of Execution to collect the tax debt. Before assets are seized, the taxpayer is given a final warning and encouraged to make payment arrangements. Thereafter, the personal and business assets of the noncompliant tax debtor are subject to seizure and sale at public auction. Investigators utilize data matching to identify assets of tax debtors. One example is the matching of bank accounts of individuals that the Division has filed a Certificate of Debt (COD) against. This information provides a ready source of funds to levy.

PROPERTY ADMINISTRATION

Property Administration consists of two sections: Policy & Planning and Valuation & Mapping. The activities of these two sections concern the valuation of real and certain personal property.

Property Administration personnel review and prepare comments on proposed legislation concerning property tax issues; review and approve reassessment and revaluation programs and contracts; develop procedures for uniform application of senior citizens' and veterans' deductions and certify the deduction amounts for State reimbursement to local taxing districts; oversee the administration of the Farmland Assessment Act of 1964; defend the Table of Equalized Valuations; review, classify, assess, and tax railroad properties; assess and compute Railroad Franchise Tax; support Property Administration's data processing systems (MOD IV and Sales Ratio); review and approve municipal tax maps; administer biannual Tax Assessors' Certification Exams; prepare written guidelines on property tax programs and statutes for assessors and county tax board members; and respond to general taxpayer inquiries, reply to correspondence and legislative referrals regarding property tax matters, and provide services to the public or other Local Government Entities. They also monitor county board of taxation members' statutory education requirements, serve on the Continuing Education Eligibility Board awarding credit for classes relevant to the recertification process for assessors, and often take leading roles in training, education seminars, and courses providing knowledge on local property administration issues aimed at improving the performance of county board of taxation members, administrators, and municipal assessors.

Local Property

Policy and Planning Section

Legislative Analysis/Deductions, Exemptions, Abatements/Correspondence Unit reviews and prepares comments on proposed legislation concerning property tax matters; reviews and develops policies and practices for property tax deduction, exemption, abatement programs, and preferential reduced farmland assessment; responds to inquiries of the general public, State and local tax officials, and members of the Legislature with respect to property tax issues; prepares correspondence, written guidelines, regulations, and educational materials, including the Handbook for New Jersey Assessors, regarding local property taxation.

Revaluations/Reassessments/Continuing Education Unit reviews and approves revaluation and reassessment programs, applications, and contracts; reviews and certifies the dollar amounts for State reimbursement to local taxing districts for senior citizens' and veterans' property tax deductions; compiles the annual Farmland Data Report and Farmland Rollback Report; and administers assessors' continuing education and recertification programs.

County Board of Taxation Assistance/Compliance/Certified Assessor Exam/Realty Transfer Fee Unit responds to inquiries on the Realty Transfer Fee and monitors the dollar amount collected and refunded; provides assistance and checks compliance for the 21 county boards of taxation; coordinates and administers biannual Tax Assessor Certification Exams; prepares written information and instructions on various property tax statutes and programs for use by county tax board members and administrators.

Local Assessor Compliance Unit audits municipalities that the State reimburses for granting qualified \$250 senior citizens' and \$250 veterans' annual property tax deductions and assists with the State administration of municipal property tax deduction reimbursements; conducts investigations of cooperative and continuing care ownerships for homeowners' benefit updates; conducts periodic inspections of municipal tax assessors' offices for compliance with statutory responsibilities.

Valuation and Mapping Section

Field Unit provides direct assistance in solving problems to 550 municipal tax assessors' offices, 1 county assessor's office, and 21 county boards of taxation; investigates SR-1As for sales ratio purposes; gathers and verifies data for the Table of Equalized Valuations; in cooperation with the Deputy Attorney General assigned to Division of Taxation defends the Table of Equalized Valuations at appeal.

Sales Ratio Unit oversees the Assessment-Sales Ratio Program and ensures that assessors receive and send timely electronic transmission of sales data; performs investigations of sales ratio methodologies and appraises real property; and develops the annual Table of Equalized Valuations from the data analyzed. The Table is used in the calculation and distribution of State School Aid, to apportion county and regional school district taxes, and to measure debt limits of local government units. The Table of Equalized Valuations shows the average ratio of assessed to true value of real estate for each municipality in the State.

Equalization and Tax Map Unit reviews and corrects county equalization and county abstract of ratables for all 21 counties; prepares the State Abstract of Ratables

and annual State Equalization Table and answers all equalization questions; develops and maintains the Handbook for County Boards of Taxation; reviews and approves municipal tax maps for conformance to current specifications and, as required, for municipal revaluations or formal certification.

Valuation and Railroad Property Unit values real property for Inheritance Tax purposes to assist the Transfer Inheritance and Estate Tax Section; maintains the Real Property Appraisal Manual for New Jersey Assessors; conducts special appraisal studies and investigations as required to meet unusual or unique circumstances; reviews, classifies, assesses, and taxes railroad properties; assesses and computes Railroad Franchise Tax; determines railroad replacement revenues for municipalities in which railroad property is located; and collects, reviews, and maintains employment information that pertains to municipal assessors, such as tenure and term of office.

Information Services Unit supports Property Administration in all aspects of information processing and new technologies; applies new technologies to current operations, develops relational databases, and ensures the efficiency of Property Administration systems; assists in determining the operating policies, procedures, and priorities for all of Property Administration's data processing systems (MOD IV and Sales Ratio); ensures that MOD IV vendors are approved, monitored, and advised on new legislation or policies that affect Local Property; handles secure file transfers to data centers; maintains Property Administration Web pages and the portal area for municipal assessors and county boards of taxation; acts as liaison for OPRA (Open Public Records Act) requests that pertain to local property tax data.

CHIEF OF STAFF

The Office of the Chief of Staff is responsible for representing the Division throughout State government in administrative matters. The Office of the Chief of Staff works in conjunction with the Department of Treasury's Fiscal Office, Office of Treasury Technology, and Human Resources to provide internal controls and facilitate requests regarding budgetary needs, IT services, and to coordinate personnel matters, including disciplinary and grievance actions concerning Division employees.

OFFICE OF COUNSEL SERVICES

Conference and Appeals

The Conference and Appeals Branch provides taxpayers with a forum in which disputed tax matters can be reviewed and resolved. The Branch processes taxpayer protests related to most State taxes, conducts informal administrative conferences, and issues final determinations on behalf of the Director. These conferences may be conducted via correspondence, telephone, or in person. The Branch also interacts with the Office of the Attorney General on the litigation of most State taxes as well as property tax rebate programs.

All incoming protests are separated into two tracks: an individual tax track and a business tax track. The Review Section within each particular tax track evaluates all protests for compliance with the statutory and regulatory provisions governing protests and appeals. At this time, a determination is also made as to whether or not the State is at risk relative to the collection of protested business tax assessments. Taxpayers may be asked to pay the outstanding assessment, furnish a surety bond, or furnish a letter of credit to stay collection. Absent adequate surety, a Certificate of Debt will be filed and, where appropriate, a "Finding of Responsible Person" will be issued. The Review Section within each particular tax track also pursues collection of any unprotested components of an assessment during the pendency of the protested components.

The mission of the Conferences Section is to provide informal administrative conferences to taxpayers who receive an adverse tax determination. The conferees hold a fair and efficient informal administrative conference seeking a resolution of all tax matters before them. After the conference process, the conferee issues a Final Determination on tax assessments and/or refund denials, as well as miscellaneous and nonmonetary issues.

Final Determinations may be appealed to the Tax Court of New Jersey. Once a case is appealed, our Appeals Section manages the case forward, acting as the Division's liaison and working in unison with the Deputy Attorney General assigned to defend the Division of Taxation. The Appeals Section is proactive to ensure that the Director's position is well presented and clearly understood.

Office of Legislative Analysis and Disclosure

The Office of Legislative Analysis and Disclosure (OLAD) coordinates the Division of Taxation's legislative response and review, monitors the use of confidential Federal and State tax information through the Disclosure Officer, serves as the contact point for all agency responses to inquiries made through the Open Public Records Act, provides administrative and professional support for the Sales and Use Tax Review Commission, and produces the State's annual Tax Expenditure Report in collaboration with the Office of the Chief Economist.

OLAD is responsible for reviewing all tax bills introduced in the legislature. It evaluates the potential administrative, fiscal, and policy implications of proposals which are scheduled or pending legislative action; proposes amendments to ensure that a bill can be effectively implemented; prepares bill comments and fiscal notes; and recommends positions to be taken by the State Treasurer. This function also includes monitoring of legislative activity. The unit maintains a close working relationship with the Treasurer's Office and often initiates and participates in the implementation process when a tax bill is enacted.

A member of the unit serves as the Executive Secretary to the Sales and Use Tax Review Commission and is responsible for providing administrative and professional support to the Commission. The Commission is statutorily charged with reviewing proposed legislation that would either expand or contract the base of the New Jersey Sales and Use Tax Act. The Executive Secretary is responsible for researching and drafting bill comments, scheduling and facilitating Commission meetings, and issuing an annual report on behalf of the Commission.

The Disclosure Officer is responsible for responding to internal and external requests for tax records and recommending and implementing exchange agreements with state and Federal agencies. The unit interfaces with the Internal Revenue Service, the New Jersey State Police, the Division of Criminal Justice, the Division of Gaming Enforcement, and the tax and revenue divisions of other states. This interaction has resulted in identifying and locating tax evaders who cross state lines.

The unit is the Division's central point for receipt of public requests for information made pursuant to the Open Public Records Act (OPRA). The Disclosure Group reviews, researches, and prepares the Division's responses to all OPRA requests.

Finally, OLAD provides narrative support and tax expenditure data which is included in the annual State Tax Expenditure Report.

Regulatory Services

The Regulatory Services Branch provides and publishes advice, information, and written guidance to the public in order to promote voluntary compliance with New Jersey tax laws. The Branch handles technical and regulatory issues; provides administrative and enforcement advice to Division management and staff on all tax laws under the jurisdiction of the Division; drafts new legislation; reviews proposed legislation; provides technical assistance in the implementation of new tax laws; analyzes, researches, and responds to taxpayers' inquiries and requests for technical advice or letter rulings; and issues guidance for the public in the form of Technical Bulletins, Technical Advisory Memorandums (TAMs), notices, *New Jersey State Tax News* articles, and Web pages. Members of the Branch act as the Division's liaisons with the Division of Revenue, the Economic Development Authority, the Urban Enterprise Zone Authority, and other State agencies with respect to various tax issues.

Regulatory Services is responsible for coordinating the processing of all Division administrative rules and notices through the Administrative Practice Officer (APO). The APO maintains contact with the Office of Administrative Law in order to oversee the promulgation of Division rules and their official publication in the *New Jersey Register*.

The Exempt Organization Unit processes and makes determinations on applications for Sales and Use Tax Exempt Organization Certificates.

Office of the Taxpayer Advocate

The Office of the Taxpayer Advocate (OTA) provides an avenue of independent review for taxpayers with State tax problems that they have been unable to resolve through normal channels or who are facing "undue hardship" as a result of action or inaction by the Division of Taxation. The OTA can only assist taxpayers whose problems fall within the Division of Taxation's jurisdiction. The OTA cannot assist with problems that result from a determination or action of another State department or agency.

The OTA is also tasked with identifying and proposing solutions and changes for systemic problems that increase the burden on, or create problems for taxpayers. Where appropriate, the OTA will recommend administrative or legislative changes to resolve, alleviate, and/or mitigate identified problems.

OFFICE OF CRIMINAL INVESTIGATION (OCI)

The Office of Criminal Investigation (OCI) is the Division's law enforcement and criminal investigation arm. Its primary mission is to conduct investigations concerning alleged violations of the State tax code and to enforce the statutes and regulations administered by the Division of Taxation. OCI works closely with other law enforcement and criminal justice agencies, particularly the New Jersey Attorney General's Office and the 21 County Prosecutors' Offices, including Federal, State, and local criminal investigators focusing on economic and financial crimes that have tax compliance consequences. OCI also provides homeland security and emergency management support to the Divisions of Taxation and Revenue.

OCI consists of four units:

The Special Investigations Unit (SIU) consists of sworn special agents who detect, investigate, and arrest violators of the Cigarette Tax Act, Motor Fuel Tax Act, and the Tobacco Products Wholesale Sales and Use Tax. Contraband smuggling, counterfeiting of tax indicia and goods are priority investigations. The seizure and forfeiture of currency, vehicles, and related equipment are tools used by OCI to deter violators. Investigators assigned to SIU conduct regulatory enforcement actions at licensed premises citing violators for local court proceedings.

The Financial Investigations Unit (FIU) is staffed by "forensic" auditors who investigate criminal violations involving the various taxes administered by the Division with a focus on Sales and Use Tax, Gross Income Tax, and Corporation Business Tax. Entrusted fund investigations receive particular attention. Auditors assigned to FIU receive extensive criminal investigative training to augment their financial skills. Within FIU is the Special Frauds Activity that works to identify refund fraud, false filings, and other criminal schemes designed to defraud the State. It assists in implementing systems and methods to prevent unlawful refunds in an ever-changing environment.

The Internal Security Unit (ISU) handles confidential and sensitive matters, including internal investigations regarding professional responsibility; background investigations of prospective employees; and acts of threats, harassment, or intimidation made by persons attempting to impede the functions of the Divisions of Taxation and Revenue. ISU provides training for new employees on confidentiality statutes, rules and policies, and bribery awareness issues.

The Technical Enforcement Unit (TEU) is composed of trained investigators whose primary responsibility is to protect the revenues of the State of New Jersey. They review internal records of the Division of Taxation related to payments made that are dishonored by financial institutions. Criminal prosecution is initiated for violators who fail to replace dishonored checks and failed electronic funds transfers.

OFFICE OF REVENUE AND ECONOMIC ANALYSIS

Effective November 2010, the Office of Revenue and Economic Analysis became part of the Office of the Chief Economist within the Department of the Treasury.

New Jersey Division of Taxation

TAXES AND PROGRAMS ADMINISTERED

Table 1—Major State Revenue Collections (Net) Fiscal Years 2009–2011

Revenue Source	2011 ¹	% of Total	2010	% of Total	2009	% of Total	% Change 2010–11
Collected by the Division:							
Admissions Surcharge	\$ 265,299	0.0%	\$ 0	0.0%	\$ 0	0.0%	NA%
Alcoholic Beverage Tax (total revenue)	131,442,883	0.5	126,367,349	0.5	105,487,892	0.4	4.0
Casino Parking Fee ²	24,203,185	0.1	25,746,497	0.1	27,237,285	0.1	-6.0
Cigarette Tax (total revenue)	769,244,577	2.9	741,765,675	2.9	731,410,043	2.7	3.7
Corporation Taxes:							
Corporation Business ³	2,344,428,939	8.8	2,144,566,605	8.3	2,665,161,794	9.9	9.3
CBT Banks & Financials	118,280,750	0.4	130,405,775	0.5	144,741,199	0.5	-9.3
Cosmetic Medical Procedures Tax	10,763,333	0.0	9,928,232	0.0	9,816,088	0.0	8.4
Domestic Security Fee	30,758,399	0.1	29,202,597	0.1	29,987,345	0.1	5.3
Environmental Taxes:							
Landfill Closure and Contingency	1,676,116	0.0	1,651,728	0.0	1,702,010	0.0	1.5
Litter Control	18,258,091	0.1	16,946,428	0.1	18,725,410	0.1	7.7
Public Community Water Systems	2,509,838	0.0	2,422,770	0.0	3,274,187	0.0	3.6
Recycling	25,402,318	0.1	23,239,262	0.1	23,261,186	0.1	9.3
Spill Compensation	22,447,010	0.1	20,436,208	0.1	23,837,238	0.1	9.8
Fur Clothing Retail Gross Receipts/Use Tax ⁴	0	0.0	(276)	0.0	825,954	0.0	-100.0
Gross Income Tax	10,617,034,179	39.7	10,322,942,702	39.8	10,476,267,266	38.7	2.8
Hotel/Motel Occupancy Fee/Tax	78,238,345	0.3	72,808,464	0.3	74,261,839	0.3	7.5
Insurance Premiums Tax	465,081,765	1.7	509,305,514	2.0	456,810,226	1.7	-8.7
Miscellaneous Revenues	9,885,212	0.0	17,248,983	0.1	28,836,070	0.1	-42.7
Mobile Telecommunications (9-1-1) Fee	125,952,063	0.5	128,069,604	0.5	130,635,997	0.5	-1.7
Motor Fuel Tax	524,166,890	2.0	535,281,605	2.1	538,166,711	2.0	-2.1
Motor Vehicle Tire Fee	9,006,719	0.0	8,622,475	0.0	8,327,744	0.0	4.5
Nursing Home Provider Assessment (tot. rev.)	125,382,539	0.5	130,168,286	0.5	129,360,736	0.5	-3.7
Petroleum Products Tax	216,396,080	0.8	216,279,752	0.8	222,513,056	0.8	0.1
Public Utility Excise Tax	14,791,773	0.1	13,235,199	0.1	12,255,206	0.0	11.8
Railroad Franchise Tax	5,883,460	0.0	4,172,716	0.0	6,277,198	0.0	41.0
Railroad Property Tax	4,228,055	0.0	3,908,809	0.0	33,009,561	0.1	8.2
Sales Taxes:							
Sales and Use ³	8,144,397,344	30.5	7,898,166,015	30.4	8,264,162,457	30.6	3.1
Atlantic City Lux & Promo (Loc. Use)	31,237,764	0.1	26,552,304	0.1	27,242,018	0.1	17.6
Tobacco Products Wholesale	19,235,963	0.1	17,977,198	0.1	16,367,295	0.1	7.0
Cape May County Tourism (Loc. Use)	5,519,801	0.0	5,203,910	0.0	5,169,150	0.0	6.1
Savings Institution Tax ⁵	0	0.0	(1,617)	0.0	125	0.0	-100.0
Transfer Inheritance and Estate Taxes	642,182,390	2.4	581,624,419	2.2	653,439,759	2.4	10.4
Revenue Collected by the Division	\$24,538,035,781	91.8%	\$23,764,245,188	91.6%	\$24,868,570,045	92.0%	3.3%
Collected Outside the Division:							
State Athletic Control Board (tot. rev.)	\$ 1,044,974	0.0%	\$ 634,887	0.0%	\$ 542,409	0.0%	64.6%
Casino Revenue ⁶	266,263,583	1.0	296,125,408	1.1	351,039,029	1.3	-10.1
Casino Control	60,804,606	0.2	64,084,023	0.2	64,467,684	0.2	-5.1
Lottery	930,000,111	3.5	924,009,031	3.6	887,208,916	3.3	0.6
Motor Vehicle Fees (total revenue)	638,613,147	2.4	629,311,804	2.4	548,451,280	2.0	1.5
Outdoor Advertising (total revenue) ⁷	1,680,105	0.0	1,929,694	0.0	1,747,306	0.0	-12.9
Realty Transfer (total revenue)	283,209,703	1.1	275,969,472	1.1	316,129,519	1.2	2.6
Revenue Collected Outside the Division	\$ 2,181,616,229	8.2%	\$ 2,192,064,319	8.4%	\$ 2,169,586,143	8.0%	-0.5%
Total Major State Revenue Collections	\$26,719,652,010	100.0%	\$25,956,309,507	100.0%	\$27,038,156,188	100.0%	2.9%

¹ The 2011 figures are subject to adjustment.² 16.7% of the Casino Parking Fee was deposited into the Casino Revenue Fund for Fiscal Years 2009 – 2011 (P.L. 2003, C. 116).³ Includes the on-budget amount of energy tax for sales tax and CBT.⁴ Imposed effective July 15, 2006. Repealed effective January 1, 2009.⁵ Repealed for privilege periods/taxable years beginning after 2001; entries reflect prior-year adjustments.⁶ Figure includes Atlantic City Casino Taxes and Fees, including 16.7% of the Casino Parking Fee for Fiscal Years 2009 – 2011.⁷ Rate reduced from 6% to 4% on July 1, 2006. No fee imposed as of July 1, 2007.

Note: Some entries for prior years may be revised from earlier versions.

Totals may not add due to independent rounding.

Statutory Responsibilities

Responsibilities of the Division of Taxation arise under the following statutory provisions:

Tax	N.J.S.A. Citation	Tax	N.J.S.A. Citation
Admissions Surcharge.....	40:48G-1 <i>et seq.</i>	Motor Vehicle Tire Fee	54:32F-1 <i>et seq.</i>
Alcoholic Beverage Tax.....	54:41-1 <i>et seq.</i>	9-1-1 System and Emergency Response Assessment.....	52:17C-17 <i>et seq.</i>
Atlantic City Casino Taxes and Fees	5:12-148.1 to 5:12-148.3 5:12-148.8 5:12-173.2	Nursing Home Assessment	26:2H-92 <i>et seq.</i>
Atlantic City Luxury Sales Tax.....	40:48-8.15 <i>et seq.</i> 54:32B-24.1 <i>et seq.</i>	Outdoor Advertising Fee.....	54:4-11.1 <i>et seq.</i>
Atlantic City Tourism Promotion Fee.....	40:48-8.45 <i>et seq.</i>	Petroleum Products Gross Receipts Tax.....	54:15B-1 <i>et seq.</i>
Cape May County Tourism Sales Tax.....	40:54D-1 to 10	Property Tax Relief Programs.....	54:4-8.67 <i>et seq.</i> Homestead Rebate
Cigarette Tax	54:40A-1 <i>et seq.</i> 56:7-18 <i>et seq.</i>	NJ SAVER Rebate	54:4-8.58a and 54:4-8.58b
Controlling Interest Transfer Tax.....	54:15C-1	Property Tax Reimbursement.....	54:4-8.67 <i>et seq.</i>
Corporation Business (Net Income and Net Worth) Tax	54:10A-1 <i>et seq.</i> CBT Banking Corporation	Public Community Water System Tax.....	58:12A-1 <i>et seq.</i>
CBT Financial Corporation	54:10A-1 <i>et seq.</i>	Public Utility Taxes: Public Utility Excise, Franchise, and Gross Receipts Taxes.....	54:30A-49 <i>et seq.</i>
Cosmetic Medical Procedures Gross Receipts Tax.....	54:32E-1 <i>et seq.</i>	Railroad Franchise Tax.....	54:29A-1 <i>et seq.</i>
Domestic Security Fee.....	App.A:9-78	Railroad Property Tax.....	54:29A-1 <i>et seq.</i>
Fur Clothing Retail Gross Receipts Tax and Use Tax.....	54:32G-1 <i>et seq.</i>	Realty Transfer Fee.....	46:15-5 <i>et seq.</i>
Gross Income Tax	54A:1-1 <i>et seq.</i>	Recycling Tax	13:1E-96 <i>et seq.</i>
Hotel/Motel Occupancy Fee and Municipal Occupancy Tax	54:32D-1 <i>et seq.</i>	Sales and Use Tax	54:32B-1 <i>et seq.</i>
Insurance Premiums Tax	54:16-1 <i>et seq.</i> 54:17-4 <i>et seq.</i> 54:18A-1 <i>et seq.</i>	Savings Institution Tax.....	54:10D-1 <i>et seq.</i>
Landfill Closure and Contingency Tax	13:1E-100 <i>et seq.</i>	Spill Compensation And Control Tax	58:10-23.11 <i>et seq.</i>
Litter Control Fee.....	13:1E-213 <i>et seq.</i>	Tobacco Products Wholesale Sales and Use Tax	54:40B-1 to 14
Local Property Tax.....	54:4-1 <i>et seq.</i>	Transfer Inheritance and Estate Taxes: Transfer Inheritance.....	54:33-1 <i>et seq.</i> Estate
Motor Fuel Tax.....	54:39-1 <i>et seq.</i>	Transitional Energy Facility Assessment.....	54:38-1 <i>et seq.</i> 54:30A-100 <i>et seq.</i>
		Uniform Transitional Utility Assessment.....	54:30A-114 <i>et seq.</i>

Admissions Surcharge

Description

Municipalities are authorized under P.L. 2007, C. 302, to adopt an ordinance imposing a surcharge on admission charges to a major place of amusement located in the municipality. The surcharge is to be paid by customers and may be imposed only on admissions to places of amusement at which admission charges are regularly paid and which contain fixed seats or bleacher capacity for not less than 10,000 patrons. The surcharge may not be imposed at major places of amusement owned by or located on property that is owned by the State or an independent State authority, or at motion picture theaters or amusement parks. At present, only the City of Newark has adopted an ordinance imposing the surcharge.

Rate

The surcharge is 5% of any admission charge that is taxable under the Sales and Use Tax Act. The surcharge must be separately stated on any bill or receipt provided to the customer and is not to be added to the price on which Sales Tax is imposed.

Disposition of Revenues

Revenues are collected by the Division of Taxation, certified to the State Treasurer, and distributed to each municipality from which they are collected. The revenue, if any, received by a municipality shall be appropriated as a special item of local revenue subject to approval by the Director of the Division of Local Government Services in the Department of Community Affairs and shall be offset by a municipal appropriation of an equal amount for public safety purposes.

Alcoholic Beverage Tax

Description

The Alcoholic Beverage Tax is applied to the first sale or delivery of alcohol to retailers in New Jersey and is based upon the number of gallons sold or otherwise disposed of in the State. The tax is collected from licensed manufacturers, wholesalers, State beverage distributors, breweries, wineries, and distilleries.

Sales to organizations of armed forces personnel are exempt; so are sales for medicinal, dental, industrial, and other nonbeverage uses.

Rate

<i>Type of Beverage</i>	<i>Rate per Gallon</i>
Beer	\$0.12
Liquor	\$5.50
Still Wine, Vermouth, Sparkling Wine	\$0.875
Hard Apple Ciders:	
3.2% – 7% alcohol by volume	\$0.15
Over 7% alcohol by volume	\$0.70

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use, except that beginning on July 1, 1992, \$11 million of the tax revenue is deposited annually into the Alcohol Education, Rehabilitation and Enforcement Fund. A small percentage also goes to the New Jersey Wine Promotion Account.

Atlantic City Casino Taxes and Fees

Description

P.L. 2003, C. 116, imposes various taxes and fees on: the value of rooms, food, beverages, or entertainment given away for free or at a reduced price as a “complimentary”; multi-casino progressive slot machine revenue; the adjusted net income of casino licensees; casino hotel room occupancies; and casino hotel parking.

P.L. 2004, C. 128, provides for the gradual phase-out of the tax on the above casino “complimentaries” until the tax expires on June 30, 2009. It also transfers from the Division of Taxation to the Casino Control Commission the responsibility for administering the Casino Complimentaries Tax, the Casino Adjusted Net Income Tax, the Multi-Casino Slot Machine Revenue Tax, the Casino Parking Fee, and the \$3 Casino Hotel Room Occupancy Fee. The Division of Taxation will not be collecting these taxes and fees effective September 2004.

P.L. 2011, C. 19, returned administration and collection responsibilities for several taxes and fees that had previously been administered and collected by the New Jersey Casino Control Commission to the Division of Taxation. These include the Gross Revenue Tax, the Casino Hotel Room Occupancy Fee, and the Multi-Casino Slot Machine Revenue Tax.

Rate

Taxes and fees are assessed at the following rates:

- 8.0% on multi-casino progressive slot machine revenue.
- 8.0% on the gross revenue of casino licensees.
- \$3-per-day fee on each hotel room occupied by a guest in a casino hotel.
- \$3-per-day minimum casino hotel parking charge.
- 25% on expired gaming-related obligations.

Disposition of Revenues

The Atlantic City Casino Taxes and Fees are deposited into the Casino Revenue Fund and certain revenues from the Casino Parking and Casino Hotel Room Occupancy Fees are allocated to the Casino Reinvestment Development Authority (CRDA). All revenues from the Multi-Casino Slot Machine Revenue Tax, the Gross Revenue Tax, and the tax levied on expired gaming-related obligations are deposited into the Casino Revenue Fund. Revenues from the \$3.00 Casino Parking Fee are allocated to the Casino Revenue Fund (\$0.50) and the CRDA (\$2.50). Revenues from the \$3.00 Casino Hotel Room Occupancy Fee are allocated to the Casino Revenue Fund (\$2.00) and the CRDA (\$1.00).

Atlantic City Luxury Sales Tax**Description**

The Atlantic City Luxury Sales Tax applies to the receipts from specified retail sales within Atlantic City, including sales of alcoholic beverages for on-premises consumption; cover, minimum, or entertainment charges; room rental in hotels, inns, rooming, or boarding houses; hiring of rolling chairs, beach chairs, and cabanas; and tickets of admission within Atlantic City.

Casual sales, sales to New Jersey or its political subdivisions, sales exempt under Federal law, and sales by a church or nonprofit charitable organization are exempt.

Rate

The rate of tax is 3% on sales of alcoholic beverages sold by the drink and 9% on other taxable sales. The State sales tax rate is reduced to the extent that the city rate exceeds 6%, and the maximum combined Atlantic City rate and New Jersey rate (excluding the State occupancy fee) may not exceed 13%.

Disposition of Revenues

Revenues are forwarded to the Sports and Exposition Authority for funding and operating Atlantic City Convention facilities.

Atlantic City Tourism Promotion Fee**Description**

Municipalities with convention center facilities supported by a local retail sales tax are authorized under P.L. 1991, C. 376, to collect fees for the promotion of tourism, conventions, resorts, and casino gaming. The fee is imposed upon and is payable by all hotels, motels, rooming houses, etc., in such municipalities. Atlantic City is the only New Jersey municipality that currently qualifies under the law. For filing purposes, the tourism promotional fee is reported and paid by the taxpayer on the Combined Atlantic City Luxury Tax/State Sales Tax Return.

Rate

The rate is \$2 per day for each occupied room in the case of hotels that provide casino gambling and \$1 per day for each occupied room in other hotels. The fee also applies to “no charge” occupancies.

Disposition of Revenues

Fees are collected by the Director, certified to the State Treasurer, and distributed to the Atlantic City Convention Center Operating Authority.

Cape May County Tourism Sales Tax**Description**

The Tourism Improvement and Development District Act, P.L. 1992, C. 165, authorized municipalities in Cape May County to require certain businesses to collect an additional 2% retail sales tax on tourism-related retail sales and/or pay a tourism development fee. At present, businesses in Wildwood, North Wildwood, and Wildwood Crest are affected.

Tourism-related sales include the following items (if also taxable under the Sales and Use Tax Act): room rental in hotels, motels, or boarding houses; food and drink sold by restaurants, taverns, and other similar establishments,

or by caterers (but not including vending machine sales); and admission charges to amusements (amusement rides, movie theaters, sporting, drama, or musical events) and cover charges in nightclubs and cabarets.

Rate

The tax rate is 2% on tourism-related retail sales. The tax is in addition to the 7% State sales tax. Thus, sales subject to the Cape May Tourism and the State sales tax are taxable at 9%.

“The Phase 2 Tourism Funding Act” imposes a 1.85% tourism assessment on the rent for any occupancy of a room in a hotel, motel, or other transient accommodation. The assessment is effective for all room rentals on or after April 1, 2003.

Disposition of Revenues

Revenues are collected by the State Treasurer and are placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for tourism promotion projects and activities. The 1.85% tourism assessment is administered by the Division of Taxation, and revenues collected are deposited in a tourism assessment fund.

Cigarette Tax

Description

The Cigarette Tax is collected primarily from licensed distributors who receive cigarettes directly from out-of-State manufacturers. Unless otherwise provided by law, every package of cigarettes must be stamped before being transferred from the original acquirer in New Jersey. This tax is not imposed on other tobacco products.

Sales to the United States Government or the Veterans Administration, and sales in interstate commerce are exempt.

Rate

The tax rate is \$2.70 per pack of 20 cigarettes and \$3.375 per pack of 25 cigarettes effective July 1, 2009.

A distributor is allowed a .00174757% discount on the purchase of 1,000 or more stamps or meter impressions.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 2009, C. 70, initial collections of \$391.5 million are deposited in the Health Care Subsidy Fund.

Corporation Business Tax

Description

The Corporation Business Tax Act imposes a franchise tax on a domestic corporation for the privilege of existing as a corporation under New Jersey law, and on a foreign corporation for the privilege of having or exercising its corporate charter in this State or doing business, employing or owning capital or property, maintaining an office, deriving receipts, or engaging in contracts in New Jersey.

The tax applies to all domestic corporations and all foreign corporations having a taxable status unless specifically exempt. The tax also applies to joint-stock companies or associations, business trusts, limited partnership associations, financial business corporations, and banking corporations, including national banks. Also, a corporation is defined as any other entity classified as a corporation for Federal income tax purposes and any state or Federally chartered building and loan association or savings and loan association.

Taxpayers must pay the greater of their liability under the net income tax or the alternative minimum assessment. The income-based tax is measured by that portion of the net income allocable to New Jersey. The tax applies to net income for the firm’s accounting period (calendar year or fiscal year), or any part thereof during which the corporation has a taxable status within New Jersey. The alternative minimum assessment is based on apportioned gross receipts or gross profits.

Exempt from the tax are certain agricultural cooperative associations; Federal corporations which are exempt from state taxation; corporations created under the limited-dividend housing corporation law; nonprofit cemetery corporations; nonprofit corporations without capital stock; nonstock mutual housing corporations; railroad and canal corporations; sewerage and water corporations; insurance companies subject to premiums tax; and certain municipal electric corporations.

Rate

The tax rate is 9% upon entire net income, or the portion of entire net income allocated to New Jersey. For corporations with entire net income greater than \$50,000 and less than or equal to \$100,000, the rate is 7.5%; and for corporations with entire net income of \$50,000 or less, the rate is 6.5%.

For calendar years beginning in 2006 and thereafter, the minimum tax is based on New Jersey gross receipts as defined in the Business Tax Reform Act (P.L. 2002, C. 40) as follows:

<i>New Jersey Gross Receipts</i>	<i>Minimum Tax*</i>
Less than \$100,000	\$ 500
\$100,000 or more, but less than \$250,000	750
\$250,000 or more, but less than \$500,000	1,000
\$500,000 or more, but less than \$1,000,000	1,500
\$1,000,000 or more	2,000

*The minimum tax for affiliated or controlled groups is \$2,000 for each member of a group that has a total payroll of \$5,000,000 or more for a privilege period.

For periods ending on or after July 1, 2007, the rate is 0% for New Jersey S corporations with entire net income that is not subject to Federal income taxation, as allocable to New Jersey. However, New Jersey S corporations remain subject to the minimum tax.

For privilege periods ending on or after July 1, 2006, but before July 1, 2009, each taxpayer shall be assessed and must pay a surtax equal to 4% of the amount of tax liability remaining after applying credits against liability, other than credits for installment payments, estimated payments made with a request for extension to file a return, or overpayments from a prior privilege period.

Disposition of Revenues

Revenues collected from general business corporations are deposited in the State Treasury for general State use. Revenues collected from banking and financial corporations are distributed 25% to counties, 25% to municipalities, and 50% to the State.

Article 8, Section 2, paragraph 6 of the State Constitution was amended to dedicate 4% of Corporation Business Tax revenue to fund hazardous discharge cleanup, underground storage tank improvements, and surface water quality projects.

Chapter 40, P.L. 2002, Section 32 created within the General Fund a restricted reserve fund to be known as the "Corporation Business Tax Excess Revenue Fund."

History

Corporation Business Taxes date back to 1884 when a franchise tax was imposed upon all domestic corporations. Between 1884 and 1946, the franchise tax was based upon the total amount of capital stock issued by the taxpayer and outstanding as of January 1 of each year (C. 159, P.L. 1884).

There was no franchise tax on foreign corporations prior to 1936, when provision was made for an annual tax (C. 264, P.L. 1936). This tax was replaced in 1937 (C. 25, P.L. 1937) with a new franchise tax providing for allocation of capital stock of foreign corporations.

Effective January 1, 1946 (C. 162, P.L. 1945), the tax became a net worth tax applicable to both domestic and foreign corporations and measured by net worth allocated to New Jersey. Allocation was measured by the greater of an assets factor or a three-part business factor (property, sales, and payroll).

Chapter 88, Laws of 1954, increased the tax on allocable net worth from $\frac{8}{10}$ mills per \$1 to 2 mills per \$1.

Chapter 63, Laws of 1958, amended the Corporation Business Tax Act by adding a tax at 1 $\frac{3}{4}$ % based upon allocated net income to the tax based upon allocated net worth. The 1958 amendment also changed the tax year from a calendar year for all corporations to a privilege period coinciding with the accounting year for each taxpayer.

In 1975, the Corporation Business Tax was imposed on banking corporations and incorporated financial businesses.

In 1982, there was enacted into law a measure phasing out the Corporation Business Tax on net worth. The tax was phased out at 25% per year over a four-year period with taxpayers whose accounting or privilege periods began on or after April 1, 1983 (C. 55, P.L. 1982). The net worth tax has been eliminated for periods beginning after June 30, 1986.

Net Income Tax rates have changed as follows:

<i>Effective Date</i>	<i>Rate</i>
January 1, 1959 (C. 63, P.L. 1958)	1 $\frac{3}{4}$ %
January 1, 1967 (C. 134, P.L. 1966)	3 $\frac{1}{4}$ %
January 1, 1968 (C. 112, P.L. 1968)	4 $\frac{1}{4}$ %
January 1, 1972 (C. 25, P.L. 1972)	5 $\frac{1}{2}$ %
January 1, 1975 (C. 162, P.L. 1975)	7 $\frac{1}{2}$ %
January 1, 1980 (C. 280, P.L. 1980)	9

For taxable years ending after June 30, 1984, a carryover of net operating loss was allowed as a deduction from

entire net income for seven years following the year of the loss (C. 143, P.L. 1985, approved April 22, 1985).

A surtax of 0.417% was invoked for privilege periods ending between July 1, 1990, and June 30, 1991; and 0.375% for privilege periods ending between July 1, 1989, and June 30, 1990, and July 1, 1991, through June 30, 1993. The 0.375% surtax on corporate net income was repealed effective January 1, 1994. The surtax had been scheduled to end July 1, 1994 (C. 3, P.L. 1994).

A new jobs investment tax credit, enacted in 1993 (C. 170), allows corporations to take a credit against Corporation Business Tax and property taxes for qualified investments in new or expanded business facilities resulting in new jobs in the State. The credit against Corporation Business Tax is for up to 50% of the portion of the tax that results from investment in new or expanded facilities. The credit was extended to midsize businesses by P.L. 2002, C. 40. P.L. 1993, Chapter 171, allows for a credit against Corporation Business Tax for investment in qualified equipment. The credit is 2% of the cost of qualified machinery purchased (the investment credit base). Taxpayers taking the 2% equipment credit may also take an employment credit of \$1,000 per new employee (up to a maximum of 3% of the investment credit base). A small business benefit was added by P.L. 2004, C. 65. Chapter 175, P.L. 1993, allows for a credit for increased research activities.

Two changes in 1993 brought New Jersey corporation tax law into closer alignment with Federal corporation tax law. Chapter 172 allows corporations to use the Federal modified accelerated cost recovery system for depreciation of property under the New Jersey Corporation Business Tax for property placed in service for accounting years beginning after July 7, 1993. Chapter 173 allows, for the first time, an S election to be made under New Jersey law. As noted above, a New Jersey S corporation pays a reduced tax rate on that portion of entire net income not subject to Federal corporate income tax. The shareholder is taxed on net pro rata share of S corporation income under the Gross Income Tax.

The allocation formula for multistate corporations was changed in 1995. Under prior law, multistate corporation income was allocated to New Jersey based on equally weighted New Jersey property, payroll, and sales compared to total property, payroll, and sales. The new formula counts sales twice, so that sales account for half the allocation formula (C. 245, P.L. 1995).

The legislature continued to provide additional tax benefits for corporation business taxpayers. These include a tax benefit certificate transfer program to assist certain

emerging companies (C. 334, P.L. 1997), later modified by P.L. 1999, C. 140 and P.L. 2004, C. 65, and supplemented by a credit transfer program P.L. 2004, C. 65, the Small New Jersey Based High Technology Business Investment Tax Credit Act (C. 349, P.L. 1997), the carry-forward of net operating losses under the Corporation Business Tax for certain taxpayers (C. 350, P.L. 1997), the extension of the carryforward of the research and development tax credit (C. 351, P.L. 1997), and the Neighborhood and Business Child Care Tax Incentive Program (C. 102, P.L. 1999).

Other credits against Corporate Business Tax liability have also been enacted for effluent equipment (P.L. 2001, C. 321), neighborhood revitalization (P.L. 2001, C. 415), HMO credit (P.L. 2000, C. 12), the economic recovery tax credit (P.L. 2002, C. 43), and the remediation tax credit (P.L. 2003, C. 296).

Electric and telephone companies were subjected to the Corporation Business Tax effective January 1, 1999.

Chapter 369, P.L. 1999, excludes certain hedge fund activity income of corporations of foreign nations from taxation under the Corporation Business Tax.

Chapter 12, P.L. 2000, provides that holders and former holders of a certificate of authority to operate a health maintenance organization are allowed a Corporation Business Tax credit for certain payments they are required to make.

Chapter 23, P.L. 2001, provides for a three-year phase-out of the corporate taxation of the regular income of S corporations with annual income in excess of \$100,000, and for S corporations whose net income is under \$100,000 whose privilege periods end on or after July 1, 2001. Also, the bill provides for the adjusted minimum tax amount to be rounded to the next highest multiple of \$10.

Chapter 136, P.L. 2001, provides for the Corporation Business Tax payment obligations of certain partnerships and limited liability companies for privilege periods beginning on and after January 1, 2001.

Chapter 40, P.L. 2002, among other things, effects the most extensive changes in the Corporation Business Tax since 1945. This law provides for a partnership filing fee, an alternative minimum assessment, nonresident partner withholding, a "throwout rule" on corporations apportioning income outside New Jersey, and new rules for related-party transactions. It also increases the minimum tax and broadens the definition of corporations that are subject to this tax.

Chapter 43, P.L. 2002, includes some provisions for incentives in the form of Corporation Business Tax credits to qualifying taxpayers engaged in a business in the qualified municipality during the municipality's "period of rehabilitation and economic recovery."

P.L. 2004, C. 47, limits the Corporation Business Tax application of net operating losses to 50% of taxable income for tax years 2004 and 2005.

P.L. 2004, C. 65, decouples Corporation Business Tax from changes in Federal bonus depreciation and certain expensing principles under IRC section 179.

P.L. 2005, C. 127, uncouples Corporation Business Tax from many provisions of the IRC Section 199 deduction for certain qualified production activities income.

P.L. 2005, C. 318, allows Corporation Business Tax credit to businesses providing employment to qualified handicapped persons at sheltered workshops.

P.L. 2005, C. 345, provides a credit under the Corporation Business Tax for film production expenses incurred in New Jersey and provides for the transfer of those tax credits to other taxpayers.

P.L. 2006, C. 38, imposes a 4% surcharge on the Corporation Business Tax liability and increases the minimum tax. The surcharge was in effect between July 1, 2006, and June 30, 2010.

P.L. 2007, C. 89, increases the amount of State tax credits granted to businesses providing funding to qualified neighborhood revitalization projects.

P.L. 2007, C. 257, establishes a corporation business tax credit for 20% of the expenses of producing certain digital media content in New Jersey.

P.L. 2007, C. 346, provides that a business that makes \$75 million of qualified capital investment in a business facility in an urban transit hub and employs at least 250 full-time employees at that facility may qualify for tax credits equal to 100% of the qualified capital investment.

P.L. 2008, C. 102, provides that a net operating loss for any privilege period ending after June 30, 2009, shall be a net operating loss carryover to each of the 20 privilege periods following the period of the loss. This 20-year carryover applies only to net operating losses accruing for privilege periods ending after June 30, 2009.

P.L. 2008, C. 120, applicable to privilege periods beginning on or after July 1, 2010, eliminates the throwout provision of the apportionment formula for corporation

business tax and removes the "regular place of business" requirement for allocation of income.

P.L. 2009, C. 72, provides a one-year extension of the 4% surcharge on Corporation Business Tax liability and decouples Corporation Business Tax from Federal Internal Revenue Code deferral of certain discharge of indebtedness income.

P.L. 2009, C. 90, provides that a business that makes \$50 million of qualified capital investment in a business facility in an urban transit hub and, with at most three tenants, employs at least 250 full-time employees at that facility may qualify for tax credits equal to 100% of the qualified capital investment.

P.L. 2009, C. 120, extends the Neighborhood Revitalization State Tax Credit Program eligibility to areas that are adjacent to current qualifying neighborhoods and that share similar socioeconomic characteristics with those eligible neighborhoods.

P.L. 2010, C. 20, temporarily reduces the annual cap imposed on the corporation business tax benefit certificate transfer program available to certain technology and biotechnology companies, temporarily suspends the tax credits provided for qualified film and qualified digital media content production expenses, proportionally reduces the current set-aside for innovation zone-located companies under the program, and requires the State Treasurer to make and file a report regarding the effectiveness of the transfer program and the ability of the tax credits to meet their statutory goals and objectives.

P.L. 2010, C. 57, creates the Offshore Wind Economic Development Act, establishes an offshore wind renewable energy certificate program, and authorizes the Economic Development Authority (EDA) to provide tax credits for qualified wind energy facilities in wind energy zones.

P.L. 2011, C. 30, provides for the creation of benefit corporations, the purpose of which is to create a "general public benefit."

Installment Payments of Estimated Tax

Taxpayers are required to make installment payments of estimated tax. The requirement for making these payments is based on the amount of the total tax liability shown on the most recent return.

- (a) If the total tax liability is \$500 or more, the taxpayer must make installment payments. These payments are due on or before the 15th day of the 4th, 6th, 9th, and 12th month of the tax year.

- (b) If the total tax liability is less than \$500, installment payments may be made as shown in (a) on page 22 or, in lieu of making installment payments, the taxpayer may make a payment of 50% of the total tax liability.

The Business Tax Reform Act (C. 40, P.L. 2002) provides for two significant changes regarding corporate estimated tax. First, for the tax year beginning on or after January 1, 2002, all corporations must base their fourth quarter payment on 25% of the actual 2002 tax computed under the changes to avoid penalty. This one-time change supercedes the prior rules for estimated returns. The fourth quarter payment must be 25% of the year 2002 liability even if the corporation may have already satisfied all or substantially all of its year 2002 corporation tax liability through prior year's overpayments or quarterly estimated payments in the first three quarters. The corporation must nonetheless remit 25% of the year 2002 tax to avoid penalties.

Secondly, for large corporations with sales of over \$50 million, beginning with the year 2003, the second and third quarter payments, normally due on the 15th day of the 6th and 9th months, will be combined into a single 50% payment due on the 15th day of the 6th month. No payments will be due for such corporations on the 15th day of the 9th month, and normal 25% payments will be due in the 4th and 12th months.

Partnerships

Chapter 40, P.L. 2002, establishes a \$150 per partner filing fee for partnerships, LLPs, and LLCs deriving income from New Jersey sources. In general, the \$150 per partner fee is based on the number of K-1s issued. For professional service corporations, the \$150 fee applies for each registered professional who owns or is employed by the enterprise and is calculated using a quarterly average. In addition to the filing fee for the year, an installment payment equal to 50% of the filing fee is also required with the New Jersey partnership return. The annual fee is capped at \$250,000.

New Jersey partnership payments made on behalf of out-of-State corporate and noncorporate partners are based on taxable income whether the income is distributed or undistributed and are designated as a tax at a rate of 9% for nonresident corporate partners and 6.37% for noncorporate partners. Qualified investment partnerships and partnerships listed on a U.S. national stock exchange are not subject to the tax. The calculation is based on the partnership's "entire net income" multiplied by the partnership's New Jersey apportionment percentages computed under the Corporation Business Tax, not under Gross Income Tax.

Chapter 40, P.L. 2002, subjects savings banks and savings and loan associations to the Corporation Business Tax and repeals the Savings Institution Tax and the Corporation Income Tax.

Effective beginning with the 2002 tax year, P.L. 2003, C. 256, exempts investment clubs from the \$150 per owner annual partnership filing fee and from the requirement that partnerships remit Gross Income Tax payments on behalf of their nonresident noncorporate partners. To meet the definition of "investment club," the partnership must have income below \$35,000 per individual (up to a total of \$250,000) and satisfy other limitations and criteria.

P.L. 2005, C. 288, requires partners and other owners of pass-through entities to credit payments made on their behalf against estimated taxes to end double withholding. In addition, for privilege periods beginning on or after January 1, 2007, partnerships that are required to make tax payments on behalf of nonresident partners must make installment payments of 25% of that tax on or before the 15th day of the 4th, 6th, and 9th months of the privilege period, and on or before the 15th day of the 1st month following the close of the privilege period.

Banking and Financial Corporations

Banking and financial corporations are subject to the Corporation Business Tax Act at the rate of 9% on net income or to the lesser rates stated above if their income meets those thresholds.

Chapter 170, P.L. 1975, provides that during each of privilege years 1976, 1977, and 1978, the amount paid by each banking corporation as taxes shall be the greater of (1) the amount which such banking corporation paid in calendar year 1975 as Bank Stock Tax, or (2) a sum equal to total of taxes paid by such banking corporation as Corporation Business Tax and Business Personal Property Tax.

Formerly, banks were subject to a tax of 1.5% on net worth under the Bank Stock Tax Act. Bank Stock Tax was formerly administered by the Division of Taxation and the 21 separate County Boards of Taxation. The corporate tax upon banks is now administered solely by the Division.

Financial business corporations were formerly subject to the Financial Business Tax. These included such corporations as small loan companies and mortgage finance companies which are now subject to Corporation Business Tax.

Chapter 171, P.L. 1975, provides that during each of the years 1976, 1977, and 1978, each financial business

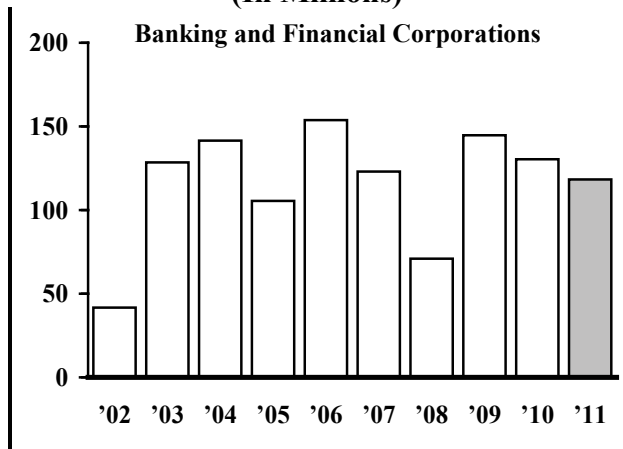
corporation shall pay as taxes, the greater of (1) a sum equal to the amount such financial business corporation paid under the Financial Business Tax Act in the calendar year 1975, or (2) a sum equal to the total of the taxes payable by such financial business corporation pursuant to the Corporation Business Tax Act. Chapter 40, P.L. 1978, extended the save harmless provision through 1979. It expired in 1980. As a result of changes in the Federal and State banking laws, interstate banking is now permitted (C. 17, P.L. 1996). An administrative rule adopted by the Division of Taxation (N.J.A.C. 18:7-1.14, effective June 16, 1997) sets forth certain conditions under which foreign banks and certain domestic banks will be taxed in New Jersey.

Regulated Investment Company means any corporation which, for a period covered by its reports, is registered and regulated under the Investment Company Act of 1940 (54 Stat. 789), as amended.

The Corporation Business Tax on regulated investment companies was eliminated (P.L. 1983, C. 75), approved on February 24, 1983. Regulated investment companies in New Jersey were formerly taxed on both entire net worth and entire net income. These taxes were eliminated and a flat tax of \$500 per year is imposed.

Real estate investment trusts qualifying and electing to be taxed as such under Federal law are taxed at 4% of entire net income.

Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
2002	\$ 41,649,356
2003	128,451,019
2004	141,432,025
2005	105,380,894
2006	153,839,428
2007	123,007,092
2008	70,850,577
2009	144,741,199
2010	130,405,775
2011	118,280,750

Deferred Predissolution Payment

Chapter 367, P.L. 1973, approved in 1974, eliminated the requirement for a certificate to be obtained in the case of merger or consolidation involving a domestic or foreign corporation qualified to transact business in New Jersey. It also provided alternatives to actual payment of taxes, or payment on account of such taxes by providing in lieu thereof, for a written undertaking to be given by a domestic corporation, or a foreign corporation authorized to transact business in New Jersey, to pay all taxes when payable on behalf of a corporation which otherwise would have to pay all taxes prior to taking certain corporate actions.

Allocation Factor

If a taxpayer has a regular place of business outside New Jersey, its tax liability is measured by net income allocated to New Jersey, according to a three-fraction formula based on an average of property, payroll, and sales, which is counted twice. The factor is computed by adding the percentage of the property and payroll fractions, and a fraction representing two times the sales receipts, and dividing the total by four.

The Business Tax Reform Act (P.L. 2002, C. 40) imposes a “throwout rule” on corporations apportioning income outside the State. The tax effect of the throwout rule on an affiliated or controlled group having \$20 million or more in net income is capped at \$5 million.

Investment Companies

A taxpayer qualifying and electing to be taxed as an investment company is subject to an allocation percentage of 40% of the net income base. Investment companies are subject to a minimum tax of \$500.

Chapter 40, P.L. 2002, also introduced an alternative minimum assessment (AMA) on apportioned gross receipts or gross profits of C corporations when the AMA exceeds the normal Corporation Business Tax. The assessment is based on either gross receipts or gross profits, with the taxpayer electing which formula to use. This formula must also be used for the next four tax periods. S corporations,

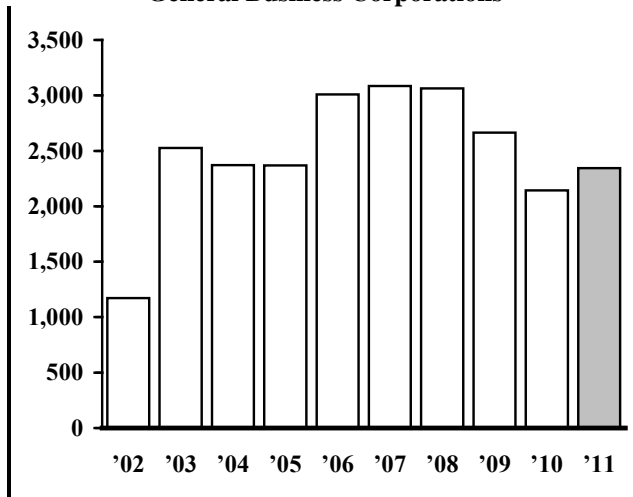
professional corporations, investment companies, and unincorporated businesses are exempt from the AMA. The AMA also applies to non-New Jersey businesses deriving income from New Jersey sources with or without physical presence in the State that are not currently subject to the Corporation Business Tax.

For privilege periods beginning after June 30, 2006, the AMA is \$0, except for taxpayers claiming exemption under Pub. L. 86-272, for whom the previously prescribed rate will continue. For privilege periods beginning after December 31, 2006, the AMA for taxpayers otherwise subject to the AMA that consent to jurisdiction and pay the Corporation Business Tax will be \$0.

The use of net operating losses was suspended for tax years 2002 and 2003. For 2004 and 2005 net operating losses were limited to 50% of taxable income.

Corporation Business Tax Collections (In Millions)

General Business Corporations



Fiscal Year	Collections
2002	\$1,171,456,857
2003	2,525,446,781
2004	2,370,169,715
2005	2,368,105,017
2006	3,007,830,476
2007	3,084,921,689
2008	3,062,378,874
2009	2,665,161,794
2010	2,144,566,605
2011	2,344,428,939

Cosmetic Medical Procedures Gross Receipts Tax

Description

P.L. 2004, C. 53, imposes a gross receipts tax on the purchase of certain “cosmetic medical procedures.” Cosmetic medical procedures are medical procedures performed in order to improve the human subject’s appearance without significantly serving to prevent or treat illness or disease or to promote proper functioning of the body. The law provides that such procedures include, for example, cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peels, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry. They do not include reconstructive surgery or dentistry to correct or minimize abnormal structures caused by congenital defects, developmental abnormalities, trauma, infection, tumors, or disease, including procedures performed in order to improve function or give the person a more normal appearance. The tax also applies to amounts charged for goods or facility occupancies, such as hospitalization or clinic stays, required for or directly associated with the cosmetic medical procedure.

Rate

The rate is 6% on gross receipts from cosmetic medical procedures and related goods and occupancies.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use.

Domestic Security Fee

Description

A statutory assessment designated as the “Domestic Security Fee” is imposed under P.L. 2002, C. 34, on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented under rental agreements of not more than 28 days. This fee applies with respect to rental agreements in New Jersey entered into on or after August 1, 2002.

Rate

The fee is assessed at the rate of \$5 per day on all motor vehicle rental companies doing business in this State for each rental day a motor vehicle is rented under

agreements of 28 days or less. The fee applies only to the first 28 days of a rental agreement with the same renter. Thus, the maximum rental fee in the aggregate is \$140 even if the actual rental extends beyond 28 days.

Disposition of Revenues

The fee is paid to the Division of Taxation for deposit in the New Jersey Domestic Security Account established in the General Fund.

Fur Clothing Retail Gross Receipts Tax and Use Tax

Description

P.L. 2006, C. 41, imposed a gross receipts tax, payable by retailers, on the retail sale of fur clothing in New Jersey. The law also imposed use tax on the retail price of fur clothing on which the seller did not pay gross receipts tax. The Fur Clothing Retail Gross Receipts Tax and Use Tax was repealed effective January 1, 2009 (P.L. 2008, C. 123).

Gross Income Tax

Description

This graduated tax is levied on gross income earned or received after June 30, 1976, by New Jersey resident and nonresident individuals, estates, and trusts.

Rate

Rates for tax years beginning on or after January 1, 2010, range from 1.4% – 8.97%.

Filing Threshold

For tax years beginning before January 1, 1994, filers with incomes of \$3,000 or less for the entire year (\$1,500 or less for married persons filing separately) paid no tax. For the 1994 to 1998 tax years, filers with incomes of \$7,500 or less for the entire year (\$3,750 or less for married persons filing separately) paid no tax. The income levels were raised for the 1999 tax year as part of a three-year phase-in of higher filing thresholds, and filers with incomes of \$10,000 or less for the entire year (\$5,000 or less for married persons filing separately) paid no tax. For tax year 2000, the filing threshold was \$10,000 or less for the entire year (single filers and estates and trusts), \$15,000 or less for the entire year (married couples filing jointly, heads of household, and surviving spouses), and

\$7,500 or less for the entire year (married persons filing separately). For tax year 2001 and thereafter, the filing threshold is \$10,000 or less for the entire year (single filers, married persons filing separately, and estates and trusts), and \$20,000 or less for the entire year (married couples filing jointly, heads of household, and surviving spouses).

Effective for tax years beginning on or after January 1, 2007, any reference to a spouse also refers to a partner in a civil union recognized under New Jersey law.

Exemptions

- Taxpayer, \$1,000.
- Taxpayer's spouse/civil union partner or domestic partner who does not file separately, \$1,000.
- Taxpayer 65 years old or more, additional \$1,000; same for spouse/civil union partner age 65 or older who does not file separately.
- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse/civil union partner who does not file separately.
- Taxpayer's dependent, \$1,500.
- Taxpayer's dependent under age 22 and attending college full time, additional \$1,000.

Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee.
- Unreimbursed medical expenses in excess of 2% of gross income; qualified medical savings account contributions; and for the "self-employed," qualified health insurance costs.
- Property tax deduction (or credit).
- Qualified conservation contribution.
- Deduction for eligible taxpayers who provide primary care medical and/or dental services at a qualified practice located in or within five miles of a Health Enterprise Zone.

Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This shall not exceed the proportion of tax otherwise due that the amount of the taxpayer's income subject to tax by the other jurisdiction bears to the taxpayer's entire New Jersey income.

- Amounts withheld by an employer and payments of estimated tax, including any payments made in connection with the sale or transfer of real property by a nonresident, estate, or trust.
- Amounts paid by an S corporation on behalf of a shareholder.
- Amounts paid by a partnership on behalf of a nonresident partner.
- New Jersey Earned Income Tax Credit.
- Excess unemployment insurance, disability insurance, and family leave insurance contributions withheld.
- Property tax credit (or deduction).
- Sheltered Workshop Tax Credit.

Withholding Requirement

All employers and others who withhold New Jersey income tax are required to file quarterly returns of tax withheld and to remit tax on a monthly, quarterly, or weekly basis.

Those with prior year withholdings of \$10,000 or more are required to remit the income tax withheld by means of Electronic Funds Transfer (EFT) on or before the Wednesday of the week following the week containing the payday(s) on which taxes were withheld.

Effective for wages paid on and after January 1, 2000, certain employers of household workers may report and remit Gross Income Tax withheld on an annual basis.

Disposition of Revenues

Revenues are deposited in the Property Tax Relief Fund to be used for the purpose of reducing or offsetting property taxes.

History

The Gross Income Tax was enacted July 8, 1976, retroactive to July 1, 1976 (C. 47, P.L. 1976).

For tax years beginning before January 1, 2000, pension income for those eligible for Social Security by reason of age (62 years or over) or disability was exempt as follows: first \$10,000 for a married couple filing jointly; \$5,000 for a married person filing separately; and \$7,500 for a single taxpayer (C. 40, P.L. 1977). Chapter 273, P.L. 1977, extended the exclusion allowed for pensions to other types of retirement income. The exclusion applies to taxpayers who are 62 years of age or older and whose earned income is not more than \$3,000. An additional exclusion was provided for taxpayers age 62 or

older who are not covered by either Social Security or Railroad Retirement benefits.

Chapter 229, P.L. 1982, increased the rate from 2½% to 3½% on amounts in excess of \$50,000 effective January 1, 1983.

Property taxes paid on the taxpayer's homestead became deductible from taxable income effective for taxes paid after 1984 (C. 304, P.L. 1985).

Chapter 219, P.L. 1989, exempted pension and annuity income of nonresidents from the Gross Income Tax.

The Gross Income Tax Act was amended in 1990 to include new graduated rates (from 2% to 7%) and two new filing statuses (head of household and surviving spouse). The legislation also increased the amount of the exemption for dependents from \$1,000 to \$1,500. In addition to these amendments, the legislation instituted a new Homestead Rebate Program and repealed the residential property tax deduction and credit and tenant credit. The legislation extended to heads of household and surviving spouses the exclusion of up to \$7,500 of pension and annuity income. These changes took effect in 1990, except for the new tax rates, which became effective January 1, 1991 (C. 61, P.L. 1990).

Chapter 108, P.L. 1993, permitted an exemption from an employee's gross income for employer-provided commuter transportation benefits.

State benefits received for a family member with a developmental disability were removed from the definition of income for State tax purposes in 1993 (C. 98, P.L. 1993).

Chapter 173, P.L. 1993, included subchapter S corporation income in the New Jersey Gross Income Tax base, effective with taxable years beginning after July 7, 1993.

Chapter 178, P.L. 1993, changed the method of computing the income of nonresidents for purposes of New Jersey Gross Income Tax. For tax years beginning in 1993 and thereafter, a nonresident with income from New Jersey must compute Gross Income Tax liability as though a resident, and then prorate the liability by the proportion of New Jersey source income to total income. Formerly, the calculation was based only on New Jersey source income.

A 5% reduction in the Gross Income Tax rates (to 1.9% – 6.650%) was enacted for tax year 1994 (C. 2, P.L. 1994).

The gross income filing threshold was increased to \$7,500 from \$3,000 for individuals, heads of household, surviving spouses, married persons filing jointly and estates and

trusts (\$3,750 for married persons filing separately). (C. 8, P.L. 1994.)

The State reduced the Gross Income Tax rates for taxable years 1995 and thereafter. These rate reductions, combined with the 5% rate reductions for all brackets enacted as P.L. 1994, C. 2, resulted in cumulative decreases from the 1993 taxable year levels of 15%, 7.5%, and 6% for certain income brackets (C. 69, P.L. 1994).

Gross income tax rates were reduced again for taxable years 1996 and thereafter. In combination with the prior two rate reductions, the cumulative decrease from the 1993 taxable year was 30% for the lowest, 15% for the middle, and 9% for the highest income brackets. Tax rates range from 1.4% to 6.37% (C. 165, P.L. 1995).

A property tax deduction/credit is provided on State income tax returns for resident homeowners and tenants who pay property taxes, either directly or through rent, on their principal residence in New Jersey. Benefits were phased in over a three-year period, beginning with 1996 returns (C. 60, P.L. 1996). For tax years 1998 and thereafter, taxpayers may take the larger of either a \$50 tax credit or a deduction of up to \$10,000 for property taxes paid.

Chapter 237, P.L. 1997, exempts New Jersey Better Educational Savings Trust account earnings and qualified distributions.

Chapter 414, P.L. 1997, exempts contributions to medical savings accounts that are excludable under section 220 of the Federal Internal Revenue Code, effective for tax years beginning on or after January 1, 1998.

Chapter 3, P.L. 1998, amended the Gross Income Tax Act to adopt the new Federal exclusions of up to \$500,000 in gain from the sale of a principal residence.

Chapter 57, P.L. 1998, provides a Roth IRA exclusion from taxable income that follows the Federal treatment of Roth IRAs and certain rollovers to IRAs.

Chapter 409, P.L. 1998, exempts military pensions or military survivors' benefits paid to those 62 years of age or older, or disabled under the Federal Social Security Act, effective beginning with tax year 1998.

Chapter 106, P.L. 1998, raised from \$100 to \$400 the threshold at which quarterly estimated tax payments are required, effective for the 1999 tax year.

Effective for the 1999 through 2001 tax years, certain deductions may be available to qualified childcare consortium members (C. 102, P.L. 1999).

Chapter 116, P.L. 1999, exempts qualified distributions from qualified State tuition program accounts.

Chapter 260, P.L. 1999, increased the Gross Income Tax filing threshold to \$10,000 (\$5,000 for married persons filing separately) for the 1999 tax year. For married persons filing jointly, heads of household, and surviving spouses, the threshold increased to \$15,000 (\$7,500 for married persons filing separately) for tax year 2000, and increased to \$20,000 for tax year 2001 and later (\$10,000 for married persons filing separately).

Chapter 94, P.L. 1999, allows certain employers of domestic helpers to file the withholding tax return annually, instead of quarterly or more frequently, for wages paid on or after January 1, 2000.

Chapter 177, P.L. 1999, increased the pension exclusion and "other retirement income exclusion." For tax year 2000, the exclusions were \$12,500 for a married couple filing jointly, \$6,250 for a married person filing separately, and \$9,375 for a single filer, head of household, or surviving spouse. For tax year 2001, the exclusions were \$15,000, \$7,500 and \$11,250 respectively; for tax year 2002, the amounts were \$17,500, \$8,750, and \$13,125. For tax year 2003 and later, the exclusion amounts are \$20,000 for a married couple filing jointly, \$10,000 for a married person filing separately, and \$15,000 for a single filer, head of household, or surviving spouse.

Chapter 222, P.L. 1999, allows self-employed taxpayers, including more-than-2% shareholders of S corporations, to deduct the cost of health insurance for the taxpayer and the taxpayer's spouse and dependents (subject to certain limitations) effective for the 2000 and later tax years.

Beginning with the 2000 tax year, C. 372, P.L. 1999, provides a deduction for a qualified conservation contribution.

Chapter 80, P.L. 2001, established a New Jersey Earned Income Tax Credit, which is a percentage of a person's Federal Earned Income Credit. To be eligible for the New Jersey credit, a person must have had at least one "qualifying child" for purposes of the Federal Earned Income Credit and must have had no more than \$20,000 in New Jersey gross income.

Chapter 84, P.L. 2001, amended the military pension or survivor's benefit exclusion by eliminating the requirement that the taxpayer be at least 62 years old or disabled.

Under P.L. 2001, C. 93, qualified deposits into or withdrawals from an “individual development account” (established under the New Jersey Individual Development Account Program and 42 U.S.C. s. 604(h) for an “eligible individual”), including interest earned on such accounts, are exempt from Gross Income Tax.

Effective beginning with the 2002 tax year, C. 162. P.L. 2001, increased the exclusion for commuter transportation benefits to \$1,200 and authorizes an annual inflation adjustment.

P.L. 2002, C. 40, effective beginning with the 2002 tax year, requires partnerships to pay a \$150 filing fee per owner (up to \$250,000) and a tax prepayment made on behalf of nonresident partners.

P.L. 2002, C. 43, effective beginning with the 2003 tax year, created a tax credit for qualifying first-time home-buyer-occupants who have purchased residential property in a qualifying municipality during the municipality’s “period of economic recovery.”

P.L. 2003, C. 9, created an exclusion for the income of victims who died as a result of the September 11, 2001, terrorist attacks. The exclusion applies for tax year 2000 and all later years up to and including the year of death.

P.L. 2003, C. 246, allows a \$1,000 personal exemption for a domestic partner who does not file separately.

Chapter 40, P.L. 2004, imposes a tax rate of 8.97% on income over \$500,000, effective beginning with the 2004 tax year.

Chapter 55, P.L. 2004, requires that nonresident individuals, estates, or trusts pay estimated tax on gain from the sale or transfer of real property in New Jersey as a condition for recording the deed. The law is effective for sales or transfers occurring on and after August 1, 2004.

Effective beginning with the 2004 tax year, section 26 of P.L. 2004, C. 65, “decouples” the calculation of depreciation and section 179 expenses from recent Federal income tax provisions. Under these amendments, the expenses must be calculated by applying Federal code provisions as they were in effect on December 31, 2001 (or December 31, 2002, for section 179 expenses).

P.L. 2004, C. 139, effective for tax years beginning on or after January 1, 2005, allows a limited Gross Income Tax deduction to qualified primary care physicians and dentists practicing in or within 5 miles of a Health Enterprise Zone.

Effective for tax years beginning on or after January 1, 2004, Chapter 63, P.L. 2005, provides a gross income exclusion for housing and subsistence allowances received by members of the active and reserve components of the U.S. Armed Forces and by members of the New Jersey National Guard while on State active duty.

P.L. 2005, C. 125, authorized a multistate reciprocal refund set-off program under which the New Jersey Division of Taxation may “withhold” a taxpayer’s Gross Income Tax refund to forward to another state for an income tax debt if the other state withholds New Jersey gross income tax claims from its personal income tax refunds.

P.L. 2005, C. 127, uncoupled New Jersey income tax law from many provisions of the IRC Section 199 deduction for certain qualified production activities income.

P.L. 2005, C. 130, limits the pension and other retirement income exclusions to taxpayers with gross income of \$100,000 or less, effective for tax years beginning on or after January 1, 2005.

Chapter 210, P.L. 2005, requires employers to provide certain employees with written notification of the availability of both the Federal and New Jersey earned income tax credits.

P.L. 2005, C. 288, requires partners and other owners of pass-through entities to credit payments made on their behalf against estimated taxes to end “double withholding.”

P.L. 2005, C. 318, allows Gross Income Tax credits to businesses providing employment to qualified handicapped persons at sheltered workshops.

P.L. 2005, C. 345, provides Gross Income Tax credits for film production expenses incurred in New Jersey and provides for the transfer of those tax credits to other taxpayers.

P.L. 2006, C. 36, authorizes the Director of the Division of Taxation to permit or mandate reasonable methods for filing and paying, which may include electronic methods of filing and paying. The law further requires tax practitioners who prepared or filed 100 or more 2005 New Jersey resident income tax returns to electronically file all 2006 New Jersey resident income tax returns. This requirement was extended, for tax year 2007, to preparers who filed 50 or more 2006 Gross Income Tax returns. The law imposes a \$50 per return penalty for noncompliance with this mandate, which may be abated, in full or in part, at the Director’s discretion.

P.L. 2006, C. 85, requires any person (other than a governmental entity, a homeowner, or a tenant) who maintains an office or transacts business in New Jersey to withhold New Jersey gross income tax at the rate of 7% from payments made to unregistered, unincorporated contractors for services performed in this State.

P.L. 2006, C. 103, establishes the legal relationship of “civil union” under the State’s marriage laws. A civil union is “the legally recognized union of two eligible individuals of the same sex established pursuant to this act.” Parties to a civil union will have the same legal benefits, protections, and responsibilities as parties to a marriage, including those based on tax laws, such as those governing local property tax, homestead rebates, realty transfer fees, gross income tax, and transfer inheritance taxes.

P.L. 2007, C. 109, extends the eligibility of the State earned income tax credit to any individual who is eligible for the Federal earned income tax credit and enhances the benefit amount.

P.L. 2007, C. 114, establishes penalties for employers who misclassify construction work employees as “independent contractors.”

P.L. 2009, C. 69, temporarily adjusted the New Jersey Gross Income Tax rates for taxpayers with taxable income exceeding \$400,000 in taxable years beginning on or after January 1, 2009, but before January 1, 2010. The law provided for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 was adjusted from 6.37% to 8%; over \$500,000 but not over \$1,000,000 was adjusted from 8.97% to 10.25%; and over \$1,000,000 was adjusted from 8.97% to 10.75%.

The law provided that for the 2009 taxable year, taxpayers who had gross income of more than \$250,000 and were not (1) 65 years of age or older or (2) allowed a personal exemption as a blind or disabled individual, were not eligible for the property tax deduction.

Additionally, the maximum property tax deduction was capped at \$5,000 for taxpayers who had gross income of more than \$150,000 but not more than \$250,000 and were not (1) 65 years of age or older or (2) allowed a personal exemption as a blind or disabled individual.

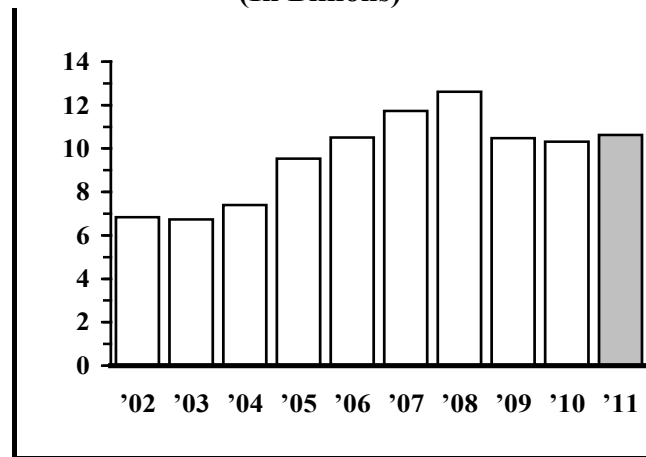
The law also provides that for tax years beginning on or after January 1, 2009, New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable for New Jersey Gross Income Tax purposes and that the New Jersey State

Lottery is required to withhold income tax on such taxable winnings at the rate of 3%.

P.L. 2010, C. 20, temporarily suspends the tax credits provided for qualified film and qualified digital media content production expenses and requires the State Treasurer to make and file a report regarding the ability of the tax credits to meet their statutory goals and objectives.

P.L. 2010, C. 27, reduces the New Jersey earned income tax credit from 25% of the Federal amount to 20% of the Federal amount, effective beginning with the 2010 tax year.

**Gross Income Tax Collections
(In Billions)**



Fiscal Year	Collections
2002	\$ 6,836,992,402
2003	6,735,282,357
2004	7,400,732,606
2005	9,537,938,903 ¹
2006	10,506,564,988
2007	11,727,192,312
2008	12,605,545,164
2009	10,476,267,266 ²
2010	10,322,942,702 ²
2011	10,617,034,179

¹Rate on income over \$500,000 increased from 6.37% to 8.97% effective January 1, 2004.

²Rates on income over \$400,000 temporarily increased from 6.37% – 8.97% to 8% – 10.75% for tax years beginning on or after January 1, 2009, but before January 1, 2010.

Hotel/Motel Occupancy Fee/ Municipal Occupancy Tax

Description

P.L. 2003, C. 114, imposes a State Occupancy Fee and authorizes the imposition of a Municipal Occupancy Tax on charges for the rental of a room in a hotel, motel, or similar facility in most New Jersey municipalities.

Rate

The State Occupancy Fee rate is 7% for occupancies from August 1, 2003, through June 30, 2004, and 5% for occupancies on and after July 1, 2004, or at a lower rate in cities in which such occupancies are already subject to tax:

Atlantic City—1%

Newark and Jersey City—1%

The Wildwoods—3.15%

The majority of the municipalities that have enacted a municipal occupancy tax have authorized the tax rate to increase to 3% as of July 1, 2004; however, Cape May City (Cape May County), Glassboro Borough (Gloucester County), Berkeley Township (Ocean County), and Somers Point City (Atlantic County) impose the tax at the rate of 2%.

Disposition of Revenues

The monies collected from the State Occupancy Fee are deposited to the General Fund and are statutorily allocated, in varying percentages, to the New Jersey State Council on the Arts for cultural projects; the New Jersey Historical Commission; the New Jersey Division of Travel and Tourism for tourism advertising and promotion; and the New Jersey Cultural Trust. Any amount over the dedication is allocated to the General Fund. Collections from the Municipal Occupancy Tax are distributed back to the municipality.

Insurance Premiums Tax

Description

The Insurance Premiums Tax applies to premiums collected on insurance risks by every insurance company transacting business in New Jersey, inclusive of stocks, mutual and assessment insurance, and health insurance. The tax base is gross contract premiums less specified deductions. Annuity considerations and reinsurance premiums are not taxed.

Rate

The tax rate is 1.4% on group accident, health or legal insurance policies; 2.1% on life and non-life insurance companies; 5% on surplus lines coverage; 5.25% on marine insurance companies; and 2% on foreign fire insurance companies. If, for any insurance company, the ratio of New Jersey business to total business is greater than 12.5%, the tax is imposed on only 12.5% of that company's total premiums. Accident and health insurance premiums are excluded from the taxable premium cap. Another 1.05% is imposed on accident and health premiums.

P.L. 2011, C. 25, imposed a new tax rate on captive insurance companies which primarily insure the risks of businesses which are related to those entities through common ownership. The annual minimum aggregate tax calculated for both direct premiums and assumed reinsurance premiums for captive insurance companies to be paid is \$7,500 and the annual maximum aggregate tax is \$200,000. Tax is imposed on direct premiums at rates ranging from 0.38% – 0.072%. For assumed reinsurance premiums, rates range from 0.214% – 0.024%.

Disposition of Revenues

The tax is prepaid based on the previous year's premiums, with payments due March 1 and June 1. Revenues, with the exception of some domestic revenues, are deposited in the State Treasury for general State use.

Municipalities and counties continue to receive payments to replace the revenue from the repealed insurance franchise tax on domestic insurance corporations. The State Treasurer pays an annual amount to each county and municipality in which the principal office of a domestic insurance company is located. Payments are made so long as the principal office of a domestic insurance company remains at the location established on January 1, 1981.

The recently enacted tax (P.L. 2011, C. 25) on captive insurers is collected by the Division of Taxation and the revenues are directed to the Department of Insurance to support regulation of the captive insurance industry.

Landfill Closure and Contingency Tax

Description

This tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. In addition, the owner or operator must make a monthly

payment of \$1 per ton or \$0.30 per cubic yard for the host community benefit surcharge for all solid waste accepted for disposal.

Rate

The tax rate is \$0.50 per ton or \$0.15 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form is \$0.002 per gallon.

Disposition of Revenues

All tax revenues are credited to the Sanitary Landfill Facility Contingency Fund, administered by the New Jersey Department of Environmental Protection, established to insure the proper closure and operation of sanitary landfill facilities in this State.

Litter Control Fee

Description

The Litter Control Fee is imposed on all gross receipts from sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor, or retailer of such products. Any retailer with less than \$500,000 in annual retail sales of litter-generating products is exempt from this fee. Restaurants are exempt if more than 50% of their food and beverage sales are for on-premises consumption.

Litter-generating products include beer, cigarettes, cleaning agents and toiletries, distilled spirits, food, glass containers, metal containers, groceries, tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products, plastic and fiber containers, soft drinks, and wine.

Rate

Manufacturers, wholesalers, and distributors of litter-generating products pay a fee of $\frac{3}{100}$ of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are charged at the rate of $\frac{2.25}{100}$ of 1% (.0225%) on all gross receipts from retail sales of litter-generating products. The fee is paid annually on March 15th of each year.

Disposition of Revenues

Revenues are deposited in the Clean Communities Program Fund and are used for litter pickup and removal and to provide recycling grants to New Jersey counties and municipalities.

Local Property Tax

Description

An *ad valorem* tax—The local property tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned by each taxpayer. The tax applies to real estate and tangible personal property of telephone, telegraph, and messenger systems companies, and certain personal property of petroleum refineries.

A *local tax*—The property tax is a local tax assessed and collected by municipalities for the support of municipal and county governments and local school districts. No part of it is used for support of State government.

Amount of tax (a residual tax)—The amount of local property tax is determined each year, in each municipality, to supply whatever revenue is required to meet budgeted expenditures not covered by monies available from all other sources. School districts and counties notify municipalities of their property tax requirements. Municipalities add their own requirements and levy taxes to raise the entire amount. As a residual local tax, the total property tax is determined by local budgets and not by property valuations or tax rates.

Property assessment (the tax base)—All taxable property is assessed (valued for taxation) by local assessors in each municipality. Assessments are expressed in terms of “taxable value,” except for qualified farm land, which is specially valued.

Rate

The local property tax rate is determined each year in each municipality by relating the total amount of tax levy to the total of all assessed valuations taxable. Expressed in \$1 per \$100 of taxable assessed value, the tax rate is a multiplier for use in determining the amount of tax levied upon each property. See Appendix A for the 2010 general and effective property tax rates in each municipality.

Disposition of Revenues

This tax is assessed and collected locally by the taxing districts for support of county and municipal governments and local school district purposes.

History

It may be said that the property tax originated in 1670 with a levy of one half penny per acre of land to support the central government. Through the middle of the 19th century property taxes were levied upon real estate and

upon certain personal property at arbitrary rates within certain limits called “certainties.” In 1851 the concepts of a general property tax and uniform assessments according to actual value were developed (Public Laws 1851, p. 273).

For almost a century following the 1851 legislation, a continuing effort was made to accomplish uniform taxation under a general property tax. In 1875 a constitutional amendment provided that “property shall be assessed for taxes under general laws and by uniform rules according to its true value” (Article 4, Section 7, paragraph 12). Courts held that the 1875 amendment permitted classification of property for tax purposes and also exemption of certain classes from taxation, or the substitution of other kinds of tax “in lieu.” Thus began a long period of erosion of the “general property tax” concept. In 1884 a State Board of Assessors was created and given responsibility for assessment of railroad and canal property, thus setting the pattern for State assessment of certain classes of property.

Intangible personal property was eliminated from the “general property tax base” in 1945 (replaced with a corporation net worth tax). Such elimination shifted the emphasis for tax reform to tangible personal property.

The New Jersey State Constitution adopted in 1947 provided that “property shall be assessed for taxation under general law and by uniform rules. All real property assessed and taxed locally or by the State for allotment and payment to taxing districts shall be assessed according to the same standard of value, except as otherwise permitted herein, and such property shall be taxed at the general tax rate of the taxing district in which the property is situated, for the use of such taxing district” (Article 8, Section 1).

This Article was interpreted to preclude any classification of real estate but to leave the door open for classified taxes upon personal property. In 1963 the Constitution was amended to permit assessment of farm property according to its value for agricultural use only. Chapter 51, Laws of 1960 (effective for tax year 1965) provided for such classification and also provided other significant modifications.

Personal property provisions of Chapter 51, Laws of 1960, were replaced by Chapter 136, Laws of 1966. For taxes payable in 1968 and until 1993, personal property used in business (other than the businesses of local exchange telephone, telegraph, and messenger system companies and other public utilities) was subject to the

Business Personal Property Tax instead of the local tax. Personal property is no longer subject to any property tax and inventories of all businesses are excluded from property taxation.

The 1966 law also provided for replacement of local personal property tax revenues from four tax sources: (1) Retail Gross Receipts Tax, (2) Corporation Business (Net Income) Tax, (3) Business Personal Property Tax and (4) Unincorporated Business Tax. This revenue replacement program was terminated (C. 3, P.L. 1977). Legislation was passed providing for an annual appropriation of not less than \$158.7 million.

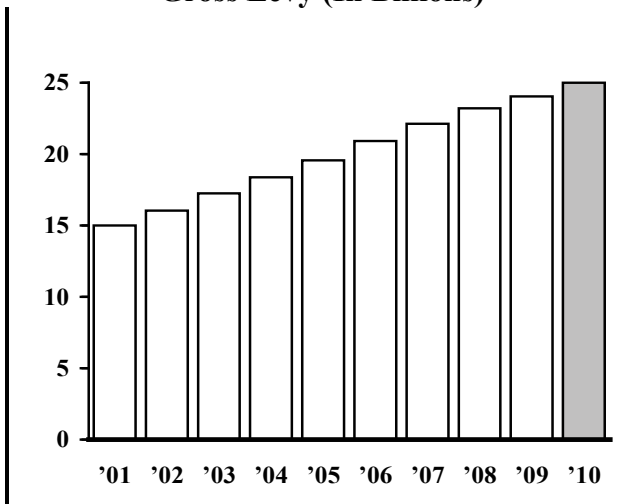
The decision in *Switz v. Middletown Township, et al.*, 23 N.J. 580 (1957) required that all taxable property be assessed at “true value” (100% assessment). This was the beginning of a series of New Jersey court decisions which have been a major factor in the development of uniform real estate tax assessment. R.S. 54:4-23 was amended to provide that when an assessor believes that all or part of a taxing district’s property is assessed lower or higher than is consistent with uniform taxable valuation or is not in substantial compliance with the law, and that the public’s interest will be promoted by a reassessment of such property, the assessor shall make a reassessment of the property not in compliance.

Prior to making this reassessment, the assessor shall first notify in writing: the mayor, the municipal governing body, the Division of Taxation, the county tax board, and the county tax administrator of the basis for the reassessment and shall submit a compliance plan to the county board of taxation and the Division of Taxation for approval. After reassessment of a portion of a taxing district, the assessor shall certify to the county board of taxation, through adequate sampling as determined by the board, that the reassessed portion of the taxing district is in compliance with those portions of the district which were not reassessed.

A long period of legislative history has developed numerous exemptions and special property tax treatments. These are found principally in R.S. 54:4-3.3 and in R.S. 54:4-3.6. Generally exempt are government-owned property; and property of religious, educational, charitable, and various types of nonprofit organizations. R.S. 54:4-3.6 was amended to permit a religious or charitable organization to lease property to another exempt entity for a different exempt use without the loss of its property tax exemption. An amendment to R.S. 54:4-3.10 provided

that property owned by any exempt firefighter's association, firefighter's relief association, or volunteer fire company would retain its tax-exempt status although the organization owning the property used the property for an income-producing purpose on an auxiliary basis provided that the auxiliary activity does not exceed 120 days annually and the net proceeds from the auxiliary activity are used to further the primary purpose of the organization or for other charitable purposes. Qualified senior citizens and disabled persons are permitted a tax deduction of \$250 annually as per N.J.S.A. 54:4-8.40 et seq. The veterans' deduction was increased from \$50 to \$100 for tax year 2000, \$150 for 2001, \$200 for 2002, and \$250 for 2003 and thereafter pursuant to N.J.S.A. 54:4-8.10 et seq. War-time service periods were also expanded.

**Local Property Tax
Gross Levy (In Billions)**



Fiscal Year	Gross Tax Levy
2001	\$14,992,785,135
2002	16,053,021,123
2003	17,254,024,652
2004	18,377,494,023
2005	19,567,777,307
2006	20,914,761,932
2007	22,130,902,055
2008	23,213,741,007
2009	24,048,643,407
2010	25,010,905,690

Motor Fuel Tax

Description

A tax on motor fuel is applied to gasoline, diesel fuel, or liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways.

Rate

The general motor fuel tax rate is \$0.105 per gallon of gasoline. A tax of \$0.0525 per gallon is imposed on petroleum gas and liquefied or compressed natural gas sold or used to propel motor vehicles on public highways.

The diesel fuel tax rate is \$0.135 per gallon, of which \$0.03 per gallon is refundable for fuel used in passenger automobiles and motor vehicles of less than 5,000 pounds gross weight (C. 73, P.L. 1984, effective September 1, 1985).

No tax is due from sales of motor fuel to the United States or the State of New Jersey; between licensed distributors; between licensed gasoline jobbers; and for export.

Disposition of Revenues

Certain revenues are credited to a special account in the General Fund and are dedicated from the gasoline tax, the petroleum products tax, and the Sales and Use Tax to the Transportation Trust Fund for maintenance of the State's transportation system. See the New Jersey Constitution, Article 8, Section 2, paragraph 4.

Motor Vehicle Tire Fee

Description

P.L. 2004, C. 46, imposes a fee on the sale of new motor vehicle tires, including new tires sold as a component part of a motor vehicle, either sold or leased, that are subject to New Jersey sales tax. The tire fee is imposed per tire, including the spare tire sold as part of a motor vehicle. The tire fee also applies to sales of new tires in connection with a repair or maintenance service.

Rate

The Motor Vehicle Tire Fee is \$1.50 per tire.

Disposition of Revenues

The revenue collected from the Motor Vehicle Tire Fee is deposited in the Tire Management and Cleanup Fund established in the Department of Environmental Protection. Any additional revenue collected is available for appropriation to the Department of Transportation to support snow removal operations.

9-1-1 System and Emergency Response Assessment

Description

P.L. 2004, C. 48, enacted June 29, 2004, for certain services, imposes a fee on periodic billings to mobile telecommunications and telephone exchange customers. This fee is charged by:

- Mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State; and
- Telephone exchange companies for each telephone voice grade access service line provided as part of that telephone exchange service.

The fee is not applicable to the Federal government, its agencies, or instrumentalities. On and after January 1, 2005, the law provides an exemption for State, county and municipal governments, and school districts from the fee imposed on telephone exchange services.

Rate

The 9-1-1 System and Emergency Response Fee is \$.90 for each voice grade access service number and line to mobile telecommunications and telephone exchange customers.

Disposition of Revenues

The revenue collected pursuant to the fee will serve to replace the current 9-1-1 infrastructure Statewide with a state-of-the-art enhanced 9-1-1 system. Revenue collected is also applied to pay for costs of funding the State's capital equipment, facilities, and operating expenses that arise from emergency preparedness, emergency response training, counterterrorism measures, security at State facilities including transportation infrastructure, preparation

for first responders to chemical or biohazard emergencies, and any expenses of the Office of Emergency Management in the Division of State Police in the Department of Law and Public Safety.

Nursing Home Assessment

Description

The New Jersey "Nursing Home Quality of Care Improvement Fund Act" was signed into law on July 1, 2003, as P.L. 2003, C. 105, and was subsequently amended on June 29, 2004, as P.L. 2004, C. 41. The Act establishes a quarterly assessment on nursing homes in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes. The law was made effective as of July 1, 2004.

Rate

The current rate is \$11.89 per non-Medicare day to applicable nursing homes. The annual assessment rate is calculated by the Department of Health and Senior Services, and may be up to a maximum of 6% of the aggregate amount of annual revenues received by applicable nursing homes.

Disposition of Revenues

The monies collected from the nursing home provider assessment are statutorily transferred, through appropriation, to the General Fund and allocated for the support of nursing home programs designated by the Commissioner of Health and Senior Services. The remaining monies, after the transfer to the General Fund, along with any Federal Medicaid funds received by the Commissioner, are distributed directly to qualifying nursing homes.

Outdoor Advertising Fee

Description

Pursuant to N.J.S.A. 54:4-11.1, an Outdoor Advertising Fee is imposed on the gross amounts collected by a retail seller from an end user, whether payment is received in money or otherwise, for the sale of space on an outdoor advertising sign (billboard). The retail seller is the licensee or permit holder authorized by the New Jersey Department of Transportation to engage in the business of outdoor advertising and selling the space to the end user.

The end user is the person purchasing the space for the person's own use in order to place his/her advertisement on the sign.

Although the fee is imposed on the retail seller, the law provides that the seller is not subject to the fee on gross amounts collected from a purchaser/end user that is exempt from New Jersey Sales and Use Tax pursuant to N.J.S.A. 54:32B-9(a) or (b). There is also an exemption for "fees received by an advertising agency that is not a related party of the retail seller and that are not received from the retail seller."

Rate

The Outdoor Advertising Fee was originally imposed at a rate of 6% on the gross amounts collected by a retail seller for outdoor advertising space. P.L. 2004, C. 42, amended the section of the law which affects payment of the fee on amounts collected after June 30, 2006. From July 1, 2006, through June 30, 2007, the rate was reduced from 6% to 4%. For the period July 1, 2007, and thereafter, no fee is imposed.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use.

Petroleum Products Gross Receipts Tax

Description

The Petroleum Products Gross Receipts Tax is imposed on all companies engaged in refining and/or distributing petroleum products for distribution in this State. It applies to the first sale, not for export, of petroleum products within New Jersey.

Home heating oil (including #2, #4, and #6 heating oils) and propane gas and kerosene used for residential heating are exempt from tax. Also exempt from tax are receipts from sales of petroleum products used by marine vessels engaged in interstate or foreign commerce; receipts from sales of aviation fuels used by airplanes in interstate or foreign commerce other than burnout portion; receipts from sales of asphalt and polymer grade propylene used in the manufacture of polypropylene; receipts from sales to nonprofit entities qualifying for exemption under the Sales and Use Tax Act; and receipts from sales to the United States or the State of New Jersey.

Effective January 1, 2001, P.L. 2000, C. 156, phased out, over a three-year period, the Petroleum Products Gross Receipts Tax for fuel used by any utility, co-generation facility, or wholesale generation facility to generate electricity sold at wholesale or through certain retail channels.

Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. In the case of fuel oils, aviation fuels, and motor fuels, this rate is converted to \$0.04 per gallon pursuant to C. 48, P.L. 2000, adopted on June 30, 2000. Eligible taxpayers may claim the Neighborhood Revitalization State Tax Credit against the petroleum products gross receipts tax pursuant to P.L. 2001, C. 415.

Disposition of Revenues

Certain revenues are credited to a special account in the General Fund and dedicated to the Transportation Trust Fund under the New Jersey Constitution, Article 8, Section 2, paragraph 4.

Property Tax Relief Programs

The State provides property tax relief benefits to resident homeowners and tenants through a variety of programs. Eligibility and filing requirements differ for each program.

Beginning with benefits paid for tax year 2008, the total amount of all property tax relief benefits received (homestead benefit (rebate), property tax reimbursement, property tax deduction for senior citizens/disabled persons, and property tax deduction for veterans) cannot exceed the amount of property taxes (or rent constituting property taxes) paid on the applicant's principal residence for the same year.

Homestead Rebate Program

Chapter 61, P.L. 1990, created a new Homestead Property Tax Rebate Program to provide rebates for both homeowners and tenants. The new program replaced certain other direct property tax relief programs: (1) the original Homestead Rebate Program (C. 72, P.L. 1976) which provided rebates to homeowners; (2) the residential property tax deduction and credit provided to both homeowners and tenants on their income tax returns under C. 304, P.L. 1985; and (3) the tenant credit program (C. 47, P.L. 1976, as amended).

The application for the new homestead property tax rebate was combined with the resident income tax return beginning with the tax return for 1990, and benefits were linked to income level and amount of property taxes paid. Under this program rebates ranged from \$100 to \$500 for homeowners, and \$35 to \$500 for tenants, depending on the applicant's filing status, gross income, and the amount of property taxes paid, either directly or through rent. Those with incomes over \$100,000 were not eligible for a rebate.

Beginning in 1992, the State Budget limited the amount of the homestead rebate paid to some taxpayers. Under the budget restrictions, only taxpayers who were 65 years of age or older or blind or disabled were eligible to receive rebates of \$100 to \$500 (homeowners) or \$35 to \$500 (tenants), provided that their gross income did not exceed \$100,000. For other taxpayers, rebates were limited to those with a gross income of \$40,000 or less, with a standard rebate amount of \$90 for homeowners and \$30 for tenants. Those with gross incomes over \$40,000 were no longer eligible for a rebate.

In November 1992 the New Jersey Tax Court ruled that anyone who resides in a dwelling which is not subject to local property tax is not entitled to a homestead property tax rebate. This includes tenants living in subsidized housing or other dwellings owned by the State, County, Municipal, or Federal government; students living in on-campus apartments at State colleges and universities; and tenants living in dwellings owned by religious, charitable, or other nonprofit organizations, including on-campus apartments at private nonprofit colleges and universities, if the property is exempt from local property taxes. Permanently and totally disabled veterans and their surviving spouses who do not pay property taxes are also ineligible for rebates.

Chapter 63, P.L. 1999, the NJ SAVER and Homestead Rebate Act, created the NJ SAVER Rebate Program, another new, direct property tax relief program to be phased in over five years beginning in 1999. Under the provisions of this Act, homeowners who qualified for both the homestead rebate and the NJ SAVER rebate received either the homestead rebate or the NJ SAVER rebate, depending which program provided the greater benefit. (See *NJ SAVER Rebate Program* on page 39 for a description of that program.) This same legislation increased the homestead rebate income threshold for tenants to \$100,000 and set the income threshold at \$40,000 for homeowners who were not 65 or older or blind or disabled. For 1998, tenants who were under 65, not blind or disabled, and who had income between \$40,000 and \$100,000 were eligible to receive a \$30 homestead rebate provided they filed a

Homestead Rebate Application by June 15, 1999. The legislation increased this amount to \$40 for the 1999 tax year, \$60 for the 2000 tax year, \$80 for the 2001 tax year, and \$100 for 2002 and thereafter.

Chapter 159, P.L. 2001, increased the maximum benefit under the Homestead Rebate Program for homeowners and tenants who were 65 or older or disabled from \$500 to \$750 beginning with homestead rebates paid in calendar year 2001. For homestead rebates paid in 2002 and thereafter, the maximum amount would be indexed annually to the cost of living. This legislation also increased the maximum tenant homestead rebate paid in 2001 and thereafter to tenants who are not 65 or disabled to \$100, eliminating the three-year phase-in which, under the prior legislation (C. 63, P.L. 1999), was scheduled to end with rebates paid in 2003. It also increased the minimum rebate for tenants who were 65 or disabled to \$100.

Under State Budget provisions for fiscal year 2004, homestead rebates paid in 2003 were not adjusted by the cost-of-living increase.

From 1999 until 2004, both the Homestead Rebate and the NJ Saver Rebate Programs provided property tax relief benefits to qualified homeowners. Chapter 40, P.L. 2004, the 2004 Homestead Property Tax Rebate Act, folded the NJ SAVER Rebate Program into the existing Homestead Rebate Program, and combined certain aspects of each, eliminating the NJ SAVER rebate for tax years 2004 and thereafter. The new program was given the acronym "FAIR" which stood for Fair and Immediate Relief. The Act also provided that the NJ SAVER and homestead rebates for 2003 were to be calculated the same way, taking into account the applicant's filing status, gross income, and the amount of property taxes paid, either directly or through rent. Eligible applicants received either the homestead rebate or the NJ SAVER rebate. The rebates ranged from \$500 to \$1,200 for homeowners, and from \$150 to \$825 for tenants. Homeowners with incomes over \$200,000 or tenants with incomes over \$100,000 were not eligible for a 2003 rebate.

For tax year 2004, rebate amounts were determined by income, filing status, whether a taxpayer was age 65 or older or eligible to claim an exemption as blind or disabled for the tax year, and whether the taxpayer was a homeowner or a tenant on October 1 of the tax year. Gross income could not exceed \$200,000 for eligible homeowners or \$100,000 for eligible tenants. Beginning with tax year 2004, tenants applied for the rebate on Form TR-1040, found in the income tax return booklet. A separate rebate application was mailed to homeowners. Only

New Jersey residents who were either homeowners or tenants on October 1 and met the other requirements were eligible for a rebate for that year.

\$100,000 or less	—	20%
\$100,001 – \$150,000	—	10%

The State Budget for fiscal year 2006 limited rebate amounts paid for tax year 2004. Homeowners age 65 or older or disabled received rebates of \$500 to \$1,200. Homeowners under age 65 and not disabled received \$300 to \$350. Tenants age 65 or older or disabled received \$150 to \$825; and the rebate amount for tenants under age 65 and not disabled was \$75.

Eligible homeowners who were age 65 or older or disabled received the larger of either the applicable percentage of property taxes paid (see above) or the amount by which the property taxes paid exceeded 5% of gross income, but within the range specified based on income:

\$70,000 or less	—	\$1,200 – \$1,000
\$70,001 – \$125,000	—	\$800 – \$600
\$125,001 – \$150,000	—	\$500

For tax year 2005 eligible homeowners who were age 65 or older or disabled received rebates ranging from \$500 to \$1,200. The State Budget for fiscal year 2007 limited rebate amounts for 2005 for eligible homeowners under age 65 and not disabled. Rebates for these homeowners ranged from \$200 to \$350. Tenants age 65 or older or disabled received from \$150 to \$825; and the rebate amount for tenants under age 65 and not disabled was \$75.

Eligible tenants age 65 or older or disabled received rebates ranging from \$160 up to a maximum of \$860. Tenants under age 65 and not disabled received \$80.

Chapter 62, P.L. 2007, established a new system for calculating benefits. For tax year 2006 eligible homeowners received 10%–20% of the first \$10,000 of property taxes paid, depending on their income level:

The State Budget for fiscal years 2010 – 2012 limited eligibility and benefit amounts for tax years 2008 – 2010 for homeowners based on income (homeowners age 65 or older or disabled with gross income over \$150,000 and homeowners under age 65 with gross income over \$75,000 were not eligible). The Budget also required that the benefits for homeowners be based on 2006 property taxes. For tax year 2008, rebates for tenants were limited to those age 65 or older or disabled. No rebates were issued to tenants for tax years 2009 and 2010.

\$100,000 or less	—	20%
\$100,001 – \$150,000	—	15%
\$150,001 – \$250,000	—	10%

Eligible homeowners who were age 65 or older or disabled received the larger of either the applicable percentage of property taxes paid (see above) or the amount by which the property taxes paid exceeded 5% of gross income, but within the range specified based on income:

For tax year 2008, eligible homeowners who were age 65 or older or disabled received the larger of either the applicable percentage of the first \$10,000 of property taxes paid for 2006 (20% for applicants with gross income up to \$100,000 or 10% for applicants with gross income over \$100,000 but not over \$150,000) or the amount by which property taxes paid exceeded 5% of New Jersey gross income, but within the following ranges:

\$70,000 or less	—	\$1,200 – \$1,000
\$70,001 – \$125,000	—	\$800 – \$600
\$125,001 – \$200,000	—	\$500

\$70,000 or less	—	\$1,200 – \$1,000
\$70,001 – \$125,000	—	\$800 – \$600
\$125,001 – \$150,000	—	\$500

Under the State Budget for fiscal year 2008, eligible tenants age 65 or older or disabled received rebates ranging from \$160 to \$860, and tenants under age 65 and not disabled received from \$80 to \$350.

Eligible homeowners who were under age 65 and not disabled received either 20% or 13.34% of the first \$10,000 of property taxes paid for 2006, depending on their income level:

The State Budget for fiscal year 2009 limited rebate amounts for tax year 2007 for both homeowners and tenants. The Budget also limited eligibility for homeowners to those with income of \$150,000 or less and required that the rebates for homeowners be based on 2006 property taxes.

\$50,000 or less	—	20%
\$50,001 – \$75,000	—	13.34%

For tax year 2007, eligible homeowners received either 10% or 20% of the first \$10,000 of property taxes paid in 2006, depending on their income level:

Eligible tenants age 65 or older or disabled received rebates ranging from \$160 up to a maximum of \$860.

For tax year 2009, eligible homeowners who were age 65 or older or disabled received one-quarter of the applicable percentage of the first \$10,000 of property taxes paid for 2006 (20% for applicants with gross income up

to \$100,000 or 10% for applicants with gross income over \$100,000 but not over \$150,000).

Eligible homeowners who were under age 65 and not disabled received one-quarter of the applicable percentage of the first \$10,000 of property taxes paid for 2006 (20% for applicants with gross income up to \$50,000 or 13.34% for applicants with gross income over \$50,000 but not over \$75,000).

Benefits for 2009 were applied to property tax bills for the second quarter of 2011.

For tax year 2010, eligible homeowners who were age 65 or older or disabled are to receive either 10% or 5% of the first \$10,000 of property taxes paid for 2006, depending on their income level:

\$100,000 or less	—	10%
\$100,001 – \$150,000	—	5%

Eligible homeowners who were under age 65 and not disabled are to receive either 10% or 6.67% of the first \$10,000 of property taxes paid for 2006, depending on their income level:

\$50,000 or less	—	10%
\$50,001 – \$75,000	—	6.67%

Benefits for 2010 are to be applied to property tax bills for the first quarter of 2012.

NJ SAVER Rebate Program

Chapter 63, P.L. 1999, the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act), created the NJ SAVER Rebate Program. Under this program New Jersey residents, regardless of age or income, who owned, occupied, and paid property taxes on a home in New Jersey that was their principal residence on October 1 of any year were eligible to receive an NJ SAVER rebate for that year.

Rebates were calculated by multiplying the equalized value of a home by the effective school tax rate for the municipality in which the home was located. The equalized value for the calculation could not exceed \$45,000. Since school tax rates varied among municipalities, NJ SAVER rebate amounts varied. The legislation provided for a five-year phase-in period beginning in 1999. The first rebate checks mailed in 1999 represented 20% of the maximum NJ SAVER rebate and homeowners received 40% of the maximum rebate in 2000.

Chapter 106, P.L. 2001, amended the original legislation (P.L. 1999, C. 63) to accelerate the phase-in period of the NJ SAVER Rebate Program from five years to four years. The legislation increased the amount to be paid in 2001 from 60% to 83⅓% of the full amount and provided for the full benefit amount to be paid in 2002.

The State Budget for fiscal year 2003 limited NJ SAVER rebates for 2001 to homeowners earning \$200,000 or less and limited rebates to the amounts paid for 2000.

As part of the State Budget for fiscal year 2004, NJ SAVER rebates for 2002 were not paid to any individual or married couple with gross income in excess of \$200,000. Additionally, the amount paid was limited to 50% of the prior year's NJ SAVER rebate check.

The 2004 Homestead Property Tax Rebate Act (P.L. 2004, C. 40) folded the NJ SAVER Rebate Program into the existing Homestead Rebate Program, and combined certain aspects of each, eliminating the NJ SAVER rebate for tax years 2004 and thereafter. See *Homestead Rebate Program* on page 36 for more information.

Property Tax Reimbursement Program

Chapter 348, P.L. 1997, created the Property Tax Reimbursement (“Senior Freeze”) Program, which effectively freezes property taxes for eligible New Jersey senior citizens and disabled persons by reimbursing them for property tax increases. The first year a resident satisfies all the eligibility requirements becomes their base year. Residents who remain eligible in succeeding years will be reimbursed for any increase in the amount of property taxes paid over the base year amount.

Residents are eligible if they (1) are age 65 or older or receiving Federal Social Security disability benefits; (2) owned and lived in a homestead (or mobile home which is on a leased site in a mobile home park) for at least the last three years; (3) lived in New Jersey and paid property taxes either directly or through rent for at least ten consecutive years; (4) paid the full amount of property taxes (or site fees if a mobile home owner) due on the home for both their base year and the year for which they are claiming the reimbursement; and (5) meet certain income eligibility limits for both the base year and the year for which they are claiming a reimbursement.

The income limits will increase in subsequent years by the amount of the maximum Social Security benefit cost-of-living increase for that year. Applicants must meet all requirements for both their base year and the year for which they are claiming a reimbursement. Once an applicant's

base year is established, it remains the same as long as they remain eligible in succeeding years. If a homeowner (or mobile home owner) does not satisfy the requirements in one year, then their base year will become the next year that they satisfy all the requirements.

P.L. 2009, C. 129 modified the residency requirements for reimbursement recipients who lose their eligibility temporarily when they move to a new home. The legislation shortened to two full years the period of time these residents must occupy their new home before they can again qualify to resume applying for the property tax reimbursement. The new residency rules apply to applications filed for 2010 and after.

Under the provisions of the State Budget for fiscal year 2004, only applicants who received a reimbursement for tax year 2001 and who met all the eligibility requirements, including the income limits for 2002, were eligible to receive a reimbursement for 2002. The amount applicants received for tax year 2002 could not exceed the amount they received for 2001. For 2003, reimbursements were issued to all eligible applicants for the difference between their 2003 property taxes and their base year property taxes. For eligible applicants who filed applications for the first time for 2002 but did not receive checks, the 2003 reimbursement represented the difference between the amount of their 2003 property taxes paid and the amount of their 2001 (base year) taxes. For 2004, 2005, 2006, 2007, and 2008 reimbursements were issued to all eligible applicants for the difference between their 2004, 2005, 2006, 2007, and/or 2008 property taxes and their base year property taxes.

The State Budget for fiscal year 2011 limited 2009 reimbursement payments to those applicants who received reimbursements for 2008 and whose income for 2009 did not exceed the 2008 income limit. It also limited 2009 benefit amounts to the 2008 level.

The State Budget for fiscal year 2012 limited 2010 reimbursement payments to those applicants whose income for 2009 did not exceed \$80,000, and whose 2010 income did not exceed \$70,000. (The original limit was \$80,000).

Other Benefits

Property Tax Deduction/Credit: Annual deduction or refundable credit given on the New Jersey resident income tax return. Qualified residents may deduct 100% of their property taxes due and paid or \$10,000, whichever is less. For tenants, 18% of rent paid during the year is considered property taxes paid. The minimum benefit is a refundable credit of \$50.

The State Budget for fiscal year 2010 limited the property tax deduction for tax year 2009 to \$5,000 for homeowners under age 65 and not disabled whose gross income was over \$150,000 but not over \$250,000. The Budget also suspended the property tax deduction for homeowners under age 65 and not disabled with gross income over \$250,000. Homeowners who were not eligible for a deduction because their gross income was over \$250,000 were still able to receive a property tax credit.

Senior Citizens' or Disabled Persons' Property Tax Deduction: Annual deduction of up to \$250 from property taxes for homeowners age 65 or older or disabled who meet certain income and residency requirements.

Veterans' Deduction: Annual deduction of up to \$250 from taxes due on the real or personal property of qualified war veterans and their surviving spouses/civil union partners/domestic partners.

Property Tax Exemption for Disabled Veterans: Full exemption from property taxes on a principal residence for certain totally and permanently disabled war veterans and their surviving spouses/civil union partners/domestic partners. Surviving spouses/civil union partners/domestic partners of servicepersons who died on wartime active duty or whose disability declaration was granted after death may also qualify.

Public Community Water System Tax

Description

The Public Community Water System Tax is levied upon the owner or operator of every public community water system in New Jersey based upon water delivered to consumers, not including water purchased for resale, on or after April 1, 1984.

Rate

The tax rate is \$0.01 per 1,000 gallons of water delivered to a consumer.

Disposition of Revenues

Revenues are deposited in the Safe Drinking Water Fund administered by the New Jersey Department of Environmental Protection and used to ensure clean drinking water in New Jersey.

Public Utility Franchise Tax

Description

Public Utility Franchise Tax applies to all sewerage and water companies having lines and mains along, in, on, or over any public thoroughfare.

The rate is either 2% or 5% of a proportion of the gross receipts of the taxpayer for the preceding calendar year. The proportion of gross receipts subject to tax is the ratio of the taxpayer's total length of lines or mains which are located along, in, on, or over any street, highway, road, or other public place to the whole length of lines or mains. Measurements of lengths of lines or mains exclude service connections.

Administration

The Franchise Tax levied against the sewerage and water companies is payable to the State in three installments: 35% due May 15, 35% due August 15, and 30% due November 15.

Rate

The rate is 2% for taxpayers with calendar year gross receipts of \$50,000 or less and 5% for taxpayers with calendar year gross receipts exceeding \$50,000.

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with P.L. 1997, C. 167.

Public Utility Gross Receipts Tax

Description

Public Utility Gross Receipts Tax is in addition to the Franchise Tax and is in lieu of the local taxation of certain properties of sewerage and water companies in New Jersey.

Administration

The Gross Receipts Tax levied against the sewerage and water companies is payable to the State in three installments: 35% due May 15, 35% due August 15, and 30% due November 15.

Rate

7.5% is applied to the gross receipts for the preceding calendar year.

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with P.L. 1997, C. 167.

Public Utility Excise Tax

Description

Public Utility Excise Tax is an additional tax on sewerage and water public utilities.

Administration

The Public Utility Excise Tax levied against the sewerage and water companies is payable to the State in full on May 1.

Rate (Calendar Year Basis)

0.625% —upon gross receipts subject to the franchise tax (0.25% for taxpayers with gross receipts not in excess of \$50,000 annually);

0.9375% —upon gross receipts of all sewerage and water public utilities.

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with P.L. 1997, C. 167.

Railroad Franchise Tax

Description

The Railroad Franchise Tax is levied upon railroads (or systems of railroads) operating within New Jersey. The tax base is that portion of the road's (or system's) net railway operating income of the preceding year allocated to New Jersey. The allocating factor is the ratio of the number of miles of all track in this State to the total number of miles of all track over which the railroad or system operates.

Rate

Railroad Franchise Tax is assessed at the rate of 10% upon the net railway operating income of the preceding year allocated to New Jersey. The minimum is \$100 for taxpayers having total railway operating revenues in the preceding year of \$1 million or less and \$4,000 for taxpayers with operating revenues in excess of \$1 million in the preceding year.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use.

Railroad Property Tax**Description**

Railroad Tax Law of 1948 as amended distinguishes three classes of property:

Class I: “Main stem” roadbed—that not exceeding 100 feet in width.

Class II: All other real estate used for railroad purposes including roadbed other than “main stem” (Class I), tracks, buildings, water tanks, riparian rights, docks, wharves, piers. Excluded is “tangible personal property”: rolling stock, cars, locomotives, ferryboats, all machinery, tools. Facilities used in passenger service are also excluded, being defined as Class III property.

Class III: Facilities used in passenger service: land, stations, terminals, roadbeds, tracks, appurtenances, ballast, and all structures used in connection with rendering passenger service, including signal systems, power systems, equipment storage, repair, and service facilities (N.J.S.A. 54:20A-2).

The Railroad Property Tax is a State tax on Class II property.

Exemptions

Main stem (Class I), tangible personal property, and facilities used in passenger service (Class III) are exempt from tax.

Rate

\$4.75 for each \$100 of true value of Class II railroad property.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. However, under legislation adopted in 1966, the municipalities where railroad property is located are guaranteed the return of certain replacement revenues. No State aid has been paid since calendar year 1982, except for 1984–1994 payments to those municipalities in which Class II railroad property owned by New Jersey Transit Corporation is located (P.L. 1984, C. 58). Since 1995, payments have been paid on Class II railroad properties owned by New Jersey Transit Corporation through the Consolidated Municipal Tax Relief Aid Program administered by the Department of Community Affairs.

Realty Transfer Fee**Description**

The Realty Transfer Fee is imposed upon the recording of deeds evidencing transfers of title to real property in the State of New Jersey. The Realty Transfer Fee is calculated based on the amount of consideration recited in the deed.

The Realty Transfer Fee does not apply to a deed: for a consideration of less than \$100; by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; solely in order to provide or release security for a debt or obligation; which confirms or corrects a deed previously recorded; on a sale for delinquent taxes or assessments; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as an “ancient deed” pursuant to R.S. 46:16-7; acknowledged or proved on or before July 3, 1968; between husband and wife, or parent and child; conveying a cemetery lot or plot; in specific performance of a final judgment; releasing a right of reversion; previously recorded in another county and full Realty Transfer Fee paid or accounted for, as evidenced by written instrument, attested by the grantee, and acknowledged by the county recording officer; by an executor or administrator of a decedent to a devisee or heir to effect distribution of the decedent’s estate in accordance with the provisions of the decedent’s will or the intestate laws of this State; recorded within 90 days following the entry of a divorce decree which dissolves the marriage between grantor and grantee; issued by a cooperative corporation, as part of a conversion of all of the assets of the cooperative corporation into a condominium, to a shareholder upon the surrender by the shareholder of all of the shareholder’s stock in the cooperative corporation and the proprietary lease entitling the shareholder to

exclusive occupancy of a portion of the property owned by the corporation.

Chapter 103, P.L. 2007, the Civil Union Act, became effective on February 19, 2007. This law grants civil union couples the same benefits, protections, and responsibilities under law as are granted to spouses in marriage. The law required amendatory language pertaining to partial and total exemptions from the Realty Transfer Fee to be included on the Affidavit forms (RTF-1 and RTF-1EE) and other Property Administration forms.

Rate

In accordance with Chapter 66, Laws of 2004, as amended by Chapter 19, Laws of 2005, the level or rate of the Realty Transfer Fee is as follows:

Standard Transactions and New Construction

Total Consideration Not Over \$350,000

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 2.00
150,000	200,000	3.35
200,000	350,000	3.90

Total Consideration Over \$350,000

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 2.90
150,000	200,000	4.25
200,000	550,000	4.80
550,000	850,000	5.30
850,000	1,000,000	5.80
1,000,000*		6.05

Senior Citizens or Blind or Disabled Persons; Low and Moderate Income Housing

Total Consideration Not Over \$350,000

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 0.50
150,000	350,000	1.25

Total Consideration Over \$350,000

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 1.40
150,000	550,000	2.15
550,000	850,000	2.65
850,000	1,000,000	3.15
1,000,000*		3.40

***Additional fee where consideration is over \$1 million**
 Effective February 1, 2005, a 1% fee is imposed upon grantees (buyers) on property transfers for consideration in excess of \$1 million for property class 2 “residential”; class 3A “farm property (regular)” if

effectively transferred with other property to the same grantee; and cooperative units, which are class 4C. The 1% fee is imposed on the entire amount of such consideration recited in the deed. The 1% fee is not imposed upon organizations determined by the Federal Internal Revenue Service to be exempt from Federal income taxation that are the buyers in deeds for a consideration in excess of \$1 million.

Chapter 33, P.L. 2006, effective on August 1, 2006, provides that:

- A fee of 1% is imposed on Class 4A “commercial properties” for an entire consideration in excess of \$1 million as well as the classes already incurring the 1% fee.
- The 1% fee does not apply if real property transfer is incidental to a corporate merger or acquisition and the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition.
- Buyers (grantees) in deeds involving Class 4A sales recorded on or before November 15, 2006, that were transferred pursuant to a contract fully executed before July 1, 2006, who remit the 1% fee shall have it refunded by filing a Claim for Refund with the Division within one year following the recording date of the deed.
- Affidavit of Consideration for Use by Seller (Form RTF-1) is required for all Class 4 property deed recordings.
- A fee of 1% is imposed on nondeed transfers of a controlling interest in an entity which possesses, directly or indirectly, a controlling interest in classified real property, payable to the Director, by the purchaser of the controlling interest.

Disposition of Revenues

The Realty Transfer Fees per \$500 of consideration will be allocated according to the type of transaction as follows:

Standard (no exemption)

Total Consideration Not Over \$350,000

Consideration		County Treasurer ¹	State Treasurer ²	New Jersey AHTF
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.75	\$ 1.25	\$ 0.00
150,000	200,000	0.75	1.85	0.75
200,000	350,000	0.75	2.40	0.75

Division of Taxation

Total Consideration Over \$350,000

Consideration		County Treasurer ¹	State Treasurer ²	New Jersey AHTF
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.75	\$ 2.15	\$ 0.00
150,000	200,000	0.75	2.75	0.75
200,000	550,000	0.75	3.30	0.75
550,000	850,000	0.75	3.80	0.75
850,000	1,000,000	0.75	4.30	0.75
1,000,000		0.75	4.55	0.75

**Senior Citizens or Blind or Disabled Persons;
Low and Moderate Income Housing**

Total Consideration Not Over \$350,000

Consideration		County Treasurer	State Treasurer	New Jersey AHTF
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.50	\$ 0.00	\$ 0.00
150,000	350,000	0.50	0	0.75

Total Consideration Over \$350,000

Consideration		County Treasurer	State Treasurer ³	New Jersey AHTF
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.50	\$ 0.90	\$ 0.00
150,000	550,000	0.50	0.90	0.75
550,000	850,000	0.50	1.40	0.75
850,000	1,000,000	0.50	1.90	0.75
1,000,000		0.50	2.15	0.75

New Construction

Total Consideration Not Over \$350,000

Consideration		County Treasurer ¹	State Treasurer ²	New Jersey AHTF
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.75	\$ 1.00 ³	\$ 0.25
150,000	200,000	0.75	0.60	2.00
200,000	350,000	0.75	1.15	2.00

Total Consideration Over \$350,000

Consideration		County Treasurer ¹	State Treasurer ²	New Jersey AHTF
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.75	\$ 1.90	\$ 0.25
150,000	200,000	0.75	1.50	2.00
200,000	550,000	0.75	2.05	2.00
550,000	850,000	0.75	2.55	2.00
850,000	1,000,000	0.75	3.05	2.00
1,000,000		0.75	3.30	2.00

¹Under the Public Health Priority Funding Act of 1977, \$0.25 per \$500 of consideration is deposited into a special fund.

²Amount per \$500 of consideration is deposited as follows:

Extraordinary Aid Account

Standard Transactions

Not over \$150,000	\$ 0
Over \$150,000 but not over \$200,000	0.60
Over \$200,000	1.15

New Construction

Not over \$150,000	\$ 1.00
Over \$150,000 but not over \$200,000	0.60
Over \$200,000	1.15

State General Fund

Where the **total consideration is over \$350,000** a General Purpose Fee is imposed as follows:

Not over \$150,000	\$ 0.90
Over \$150,000 but not over \$550,000	0.90
Over \$550,000 but not over \$850,000	1.40
Over \$850,000 but not over \$1,000,000	1.90
Over \$1,000,000	2.15

³Entire amount is deposited into the State General Fund.

The proceeds of the Realty Transfer Fees collected by the county recording officer are accounted for and remitted to the county treasurer. In Fiscal Year 2011, a total of \$280,562,684 was paid to the State Treasurer in Realty Transfer Fees and deposited into the State General Fund.

Amounts not in excess of \$25,000,000 paid during the State fiscal year to the State Treasurer from the State portion of the basic fee are credited to the Shore Protection Fund.

In Fiscal Year 2011, \$40,799,924 was paid to the State Treasurer and credited to the New Jersey Affordable Housing Trust Fund.

A "supplemental fee" is allocated between the county Public Health Priority Fund and the State Extraordinary Aid Account. In Fiscal Year 2011, the Extraordinary Aid Account received \$46,088,258.

Recycling Tax

Description

Effective April 1, 2008, P.L. 2007, C. 311, imposes a Recycling Tax on every ton of solid waste accepted for disposal or transfer at a solid waste facility. Every owner or operator of a solid waste facility in New Jersey is subject to this tax. The tax is also imposed on every ton of solid waste collected by a solid waste collector that transports solid waste for transshipment or direct transportation to an out-of-State disposal site.

Rate

The Recycling Tax is imposed at the rate of \$3.00 per ton.

Disposition of Revenues

The revenue collected from the Recycling Tax is deposited in the nonlapsing, revolving Recycling Fund and administered by the New Jersey Department of Environmental Protection. Moneys in the fund are appropriated solely for the following purposes and no other: (1) 60% for the annual expenses of a program for direct recycling grants to municipalities or counties in those instances where a county, at its own expense, provides for the collection, processing and marketing of recyclable materials on a regional basis; (2) 5% for State recycling program planning and program funding; (3) 25% to provide State aid to counties for preparing, revising, and implementing solid waste management plans; (4) 5% to be used by counties for public information and education programs concerning recycling activities; and (5) 5% to provide grants to institutions of higher education to conduct research in recycling.

Sales and Use Tax**Description**

Sales and Use Tax applies to receipts from retail sale, rental, or use of tangible personal property or digital property; retail sale of producing, fabricating, processing, installing, maintaining, repairing, and servicing tangible personal property or digital property; maintaining, servicing, or repairing real property; certain direct-mail services; tattooing, tanning, and massage services; investigation and security services; information services; limousine services; sales of restaurant meals and prepared food; rental of hotel and motel rooms; certain admission charges; certain membership fees; parking charges; storage services; sales of magazines and periodicals; delivery charges; and telecommunications services, except as otherwise provided in the Sales and Use Tax Act.

A compensating use tax is also imposed when taxable goods and services are purchased and New Jersey sales tax is either not collected or is collected at a rate less than New Jersey's sales tax rate. The use tax is due when such goods, or the goods on which taxable services are performed, come into New Jersey. If sales tax was paid to another state, the use tax is only due if the tax was paid at a rate less than New Jersey's rate.

All persons required to collect the tax must file a Business Registration Application (Form NJ-REG). Each registrant's authority to collect the sales tax is certified by a Certificate of Authority issued by the Division, which must be prominently displayed at each place of business to which it applies.

Major exemptions include: sales of newspapers; magazines and periodicals sold by subscription and membership periodicals; casual sales except motor vehicles and registered boats; clothing; farm supplies and equipment; flags of New Jersey and the United States; unprepared food and food ingredients purchased for human consumption; food sold in school cafeterias; prescription and certain nonprescription drugs and other medical aids; motor fuels; textbooks; professional and personal services unless otherwise taxable under the Act; real estate sales; tangible personal property used in research and development; production machinery and equipment.

The Sales and Use Tax Act was amended, effective October 1, 2005, to conform New Jersey's law to the requirements of the Streamlined Sales and Use Tax Agreement (SSUTA), which is a multistate effort to simplify and modernize the collection and administration of sales and use taxes. The adoption of the SSUTA resulted in significant changes in New Jersey's tax policy and administration, including uniform product definitions and changes in the taxability of specific items. In addition, the SSUTA provided for the creation of a new central registration system, certain amnesty provisions, and minor changes in the treatment of exemption certificates.

Rate

The rate of tax is 7% on taxable sales.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use.

History

New Jersey's first sales tax became effective on July 1, 1935. The tax rate was set at 2%. Chapter 268, P.L. 1935, provided that sales taxation would cease as of June 13, 1938.

Sales and Use Tax next became effective July 1, 1966. Rate of tax was set at 3% (C. 30, P.L. 1966).

Additional exemptions from the tax were provided by C. 25, P.L. 1967. Chapter 7, P.L. 1970, increased the tax rate to 5% effective March 1, 1970. This Act and C. 25, P.L. 1970, contained certain transitional provisions relating to this increased rate.

Effective July 1, 1972, sales of alcoholic beverages, except draught beer sold by the barrel, to any retail licensee were made subject to Sales and Use Tax (C. 27, P.L. 1972). The 1972 amendment repealed taxation of sales of packaged liquor by retailer to consumer. The tax applied at the wholesale-retail level. Its base was the minimum consumer retail price as filed with the Board of Alcoholic Beverage Control.

Sale, rental, or lease of commercial motor vehicles weighing more than 18,000 pounds became exempt from Sales and Use Tax effective January 1, 1978 (C. 217, P.L. 1977).

Production machinery and equipment became exempt from Sales and Use Tax effective January 1, 1978.

The Division took over administration of the Atlantic City Luxury Sales Tax (C. 60, P.L. 1980).

A new tax imposed on wholesale receipts of alcoholic beverage licensees at 6.5% of the wholesale price superseded the prior tax imposed under the Sales and Use Tax law at 5% of the minimum consumer resale price (C. 62, P.L. 1980).

Recycling equipment was exempted from Sales and Use Tax effective January 12, 1982 (C. 546, P.L. 1981).

The Sales and Use Tax rate increased to 6% effective January 3, 1983 (C. 227, P.L. 1982).

Nonprescription drugs, household paper products, and soaps and detergents were exempted from Sales and Use Tax effective July 1, 1983.

The Sales and Use Tax rate increased to 7% effective July 1, 1990. Several major exempt items and services became taxable July 1, 1990, e.g., cigarettes; alcoholic beverages; household soap and paper products; janitorial services; telecommunications services; and sales, rentals, leasing, parts, and services for certain commercial motor vehicles (C. 40, P.L. 1990).

Chapter 115, P.L. 1990, approved November 19, 1990, reinstated, with modifications, the exemption for certain sales, rentals, leases, and repair and replacement parts for commercial motor vehicles, retroactive to July 1, 1990.

Household paper products became exempt again September 1, 1991 (C. 209, P.L. 1991).

The Sales and Use Tax rate decreased to 6% effective July 1, 1992 (C. 11, P.L. 1992).

Local public pay-phone calls were exempted from the tax under a law passed January 15, 1993, and retroactive to July 1, 1990 (C. 10, P.L. 1993).

Effective July 1, 1994, retail sales of certain tangible personal property in Salem County were taxed at 3% (C. 373, P.L. 1993).

Sales and Use Tax was repealed on advertising space in a telecommunications user or provider directory or index distributed in New Jersey effective April 1, 1996 (C. 184, P.L. 1995).

Certain radio and television broadcast production equipment was exempted from Sales and Use Tax effective April 1, 1996 (C. 317, P.L. 1995).

Sales and Use Tax was imposed on sales of energy (C. 162, P.L. 1997).

Effective January 8, 1998, the farm use exemption was amended to apply to tangible personal property (except automobiles, and except property incorporated into a building or structure) used "directly and primarily" in the production for sale of tangible personal property for sale on farms, ranches, nurseries, greenhouses, and orchards (C. 293, P.L. 1997).

Imprinting services performed on manufacturing equipment that is exempt under N.J.S.A. 54:32B-8.13 were exempted from Sales and Use Tax effective March 1, 1998 (C. 333, P.L. 1997).

Sales and Use Tax was repealed on sales of advertising services, other than direct-mail services performed in New Jersey, on and after November 1, 1998 (C. 99, P.L. 1998).

Chapter 221, P.L. 1999, provides for expanded Sales and Use Tax exemptions for film and video industries.

Chapter 246, P.L. 1999, exempts repairs to certain aircraft from Sales and Use Tax.

Chapter 248, P.L. 1999, clarifies the imposition of New Jersey Sales and Use Tax on the retail sale of prepaid telephone calling arrangements. The statute shifts the incidence of the tax from the point of use to the point at which the arrangement is sold to the consumer.

Sales and Use Tax exemption for the amount of sales through coin-operated vending machines was increased from \$0.10 to \$0.25 (C. 249, P.L. 1999).

“The Firearm Accident Prevention Act” (C. 253, P.L. 1999) exempts sales of firearm trigger locks from Sales and Use Tax.

“The Secure Firearm Storage Act” exempts sales of firearm vaults from Sales and Use Tax (C. 254, P.L. 1999).

Chapter 273, P.L. 1999, provides for general exemption from Sales and Use Tax of costs of purchase and repair of commuter ferryboats.

“Farm use” exemption was revised through C. 314, P.L. 1999.

Chapter 365, P.L. 1999, provides Sales and Use Tax exemptions for certain purchases by flood victims of Hurricane Floyd.

Chapter 416, P.L. 1999, grants exempt organization status under the New Jersey Sales and Use Tax Act to the National Guard, Marine Corps League, and war veterans’ posts or associations. This law also creates a Sales and Use Tax Review Commission.

Chapter 90, P.L. 2001, provides for a Sales and Use Tax exemption for the sale and repair of limousines.

The Uniform Sales and Use Tax Administration Act (C. 431, P.L. 2001) authorizes New Jersey to participate in discussions of the Streamlined Sales Tax Project in an effort to simplify and modernize Sales and Use Tax collection and administration.

Chapter 45, P.L. 2002, brings the Sales and Use Tax Act into compliance with the Federal Mobile Telecommunications Sourcing Act.

Chapter 136, P.L. 2003, provides that the receipts from rentals of tangible personal property between “related persons” are exempt from Sales and Use Tax.

Chapter 266, P.L. 2003, provides a Sales and Use Tax exemption for the sale of zero emission motor vehicles.

Through the enactment of P.L. 2005, C. 126, New Jersey joined a national coalition of states in conforming the New Jersey Sales and Use Tax Act to the provisions of the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA was developed over the course of several years through the joint effort of over 40 states participating in the Streamlined Sales and Use Tax Project. The underlying purpose of the Agreement is to simplify and modernize the administration of the sales and use tax laws of the member states in order to facilitate multistate tax administration and compliance. The provisions of the new law took effect on October 1, 2005.

Chapter 44, P.L. 2006, increased the Sales and Use Tax rate from 6% to 7%, effective July 15, 2006. The law also expanded the Sales and Use Tax base effective October 1, 2006, by imposing tax on various products and services that were not previously taxed as well as by limiting existing exemptions for other products and services.

P.L. 2007, C. 94, provides an exemption from Sales and Use Tax on energy and utility services and from the Transitional Energy Facility Assessment unit rate surcharge for manufacturing facilities producing products using recycled materials and satisfying several precise and complex criteria (initially applicable only to one manufacturing facility in the State). The exemption will be in effect for seven years, and during that time the economic effect of allowing the facility’s exemption will be reviewed annually.

P.L. 2007, C. 105, effective July 1, 2007, carves out certain exceptions to two new impositions of tax that were part of the expansion of Sales and Use Tax. The Act amends N.J.S.A. 54:32B-3(h), which imposes tax on fees and dues for use of the facilities of health and fitness, athletic, sporting, and shopping clubs and organizations. The amendment exempts such fees and dues if the club or organization is either an exempt private organization or an exempt public entity. The Act also amends N.J.S.A. 54:32B-3(i), which imposes tax on receipts for parking or garaging a motor vehicle, with certain exceptions. The amendment carved out additional exceptions: municipal parking and garaging, even when not “metered,” and certain parking fees at Atlantic City casinos.

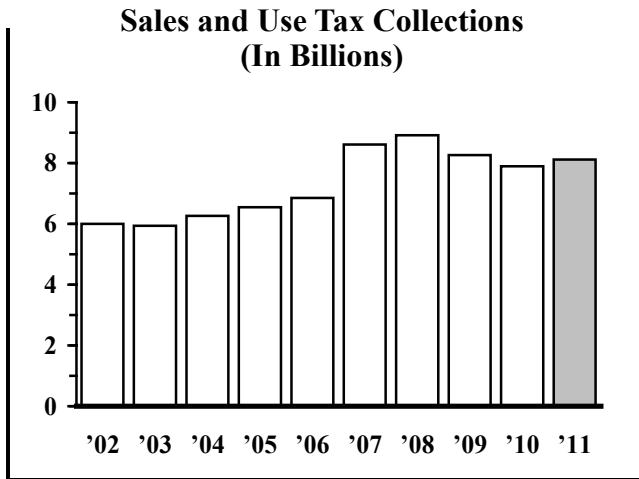
P.L. 2008, C. 123, effective January 1, 2009, repeals the Fur Clothing Retail Gross Receipts Tax and Use Tax and replaces it by adding “fur clothing” as taxable tangible personal property under the Sales and Use Tax Act (N.J.S.A.54:32B-1 et. seq.).

P.L. 2009, C. 90, broadens the exemption provided by P.L. 2007, C. 94 to include any postconsumer material manufacturing facility instead of only including manufacturing facilities producing products using recycled materials.

P.L. 2009, C. 240, clarifies the meaning of “contiguous property” and removes limitations on exemption for natural gas and utility service used for cogeneration.

P.L. 2011, C. 49, makes various technical changes in the sales tax law to maintain compliance with the Streamlined Sales and Use Tax Agreement (SSUTA). The bill replaces “digital property” with “specified digital product” and makes other ancillary changes; provides new compliance provisions that incorporate SSUTA provisions relieving

certain sellers from liability due to changes in the sales and use tax rate; removes remaining references to the term “vendor,” replacing them with “seller”; and removes charges for installation as part of the enumerated charges included in the definition of “sales price.”



Fiscal Year	Collections
2002	\$5,996,839,407
2003	5,936,057,141
2004	6,261,700,380
2005	6,552,199,925
2006	6,853,417,869
2007	8,609,639,460 ¹
2008	8,915,515,422
2009	8,264,162,457
2010	7,898,166,015
2011	8,144,397,344

¹Rate increased to 7% effective July 15, 2006.

Urban Enterprise Zones

The New Jersey Urban Enterprise Zones Act (C. 303, P.L. 1983), approved August 15, 1983, provides tax advantages and other business tools to enhance development efforts in the State’s economically distressed urban centers. The statute was amended in 2002 to add Urban Enterprise Zone-impacted business districts. Urban Enterprise Zone-impacted business districts are areas that have been negatively impacted by the presence of 2 or more adjacent Urban Enterprise Zones. Under the program, qualified municipalities apply to the Urban Enterprise Zone Authority to have a portion of the municipality designated as an Urban Enterprise Zone or Urban Enterprise Zone-impacted business district. Businesses must apply to the local municipal zone coordinator to be certified as

a “qualified business” before they can take advantage of these benefits.

Initially 10 zones (the maximum number provided under the statute) were established in: Bridgeton, Camden, Elizabeth, Jersey City, Kearny, Millville/Vineland, Newark, Orange, Plainfield, and Trenton. Chapter 367, P.L. 1993, approved January 5, 1994, allowed for the designation of 10 additional enterprise zones. This increased the number of zones from 10 to 20, adding Asbury Park/Long Branch, Carteret, Lakewood, Mount Holly, Passaic, Paterson, Perth Amboy, Phillipsburg, Pleasantville, and Union City. In 1996, 7 new zones were added: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton, and West New York. In 2002, 3 additional zones were designated: Bayonne City, Roselle Borough, and a joint zone consisting of North Wildwood City, Wildwood City, Wildwood Crest Borough, and West Wildwood Borough (P.L. 2001 C. 347). Gloucester City was added effective April 1, 2004 (P.L. 2003, C. 285). New Brunswick was added as the 32nd zone effective July 1, 2004 (P.L. 2004, C. 75).

In 2002, legislation was passed which requires the Urban Enterprise Zone Authority to extend a zone’s initial designation as an Urban Enterprise Zone if the particular enterprise zone meets certain requirements. The same legislation provides for the replacement of the final 5-year period of the 20-year Urban Enterprise Zone designation for the eligible zones with a new 16-year period.

The possible tax benefits conferred on qualified businesses within a designated Urban Enterprise Zone include:

- Corporation Business Tax credits for hiring new employees;
- Sales and Use Tax exemption for purchases of building materials, most tangible personal property, and most services for business use;
- Unemployment tax rebates;
- Authorization to impose State sales tax at 50% of the regular rate.

The only benefit conferred on qualified businesses within a designated Urban Enterprise Zone-impacted business district is the authorization to impose State sales tax at 50% of the regular rate.

Sales Tax Benefits

A vendor within an Urban Enterprise Zone or Urban Enterprise Zone-impacted business district wishing to collect sales tax at the reduced rate must first be certified as

a “qualified business,” and then apply to the Division of Taxation for authority to collect tax at the reduced rate. No business may collect sales tax at the reduced rate without the proper certification. The certification is valid for one year. Recertification is automatic unless the business changes or loses its qualified status.

A qualified business may collect sales tax at the reduced rate only on a face-to-face retail sale of tangible property to a buyer who comes to its business location within the zone or district and accepts delivery from the location. Thus, telephone, mail order, or catalog sales do not qualify for the reduced rate. Sales of certain items are not eligible for the reduced sales tax rate. Tax must be collected at the full regular rate on sales of: restaurant meals and prepared food, cigarettes, alcoholic beverages, energy, and the sale, rental, or lease of motor vehicles. The reduced rate does not apply to sales of any services by a qualified business.

A qualified business may purchase items of tangible personal property (office and business equipment, supplies, furnishings, fixtures, etc.), and taxable services (construction work, repair, and installation services, etc.) which are for the exclusive use of the business at its location in the zone without paying sales tax. Building materials used at the zone location are also exempt from tax, whether purchased by the qualified business or the contractor. The exemption from sales tax does not apply to purchases or repairs of motor vehicles, or purchases of telecommunications services and energy. Qualified businesses located within Urban Enterprise Zone-impacted business districts are not entitled to this benefit.

Public Law 2004, C. 65, amended the Urban Enterprise Zones Act to include a Sales and Use Tax exemption for energy and utility service sold to certain qualified urban enterprise zone businesses. In order to be eligible, a qualified business, or a group of vertically integrated qualified businesses within a single redevelopment area, must employ at least 500 people within an enterprise zone, at least 50% of whom are directly employed in a manufacturing process.

P.L. 2005, C. 374, amended the exemption for energy and utility service sold to certain qualified urban enterprise zone businesses by changing “500 people” to “250 people.” It also extended the exemption to qualifying Salem County businesses that employ at least 50 people.

P.L. 2006, C. 34, effective July 15, 2006, amended the Urban Enterprise Zones Act to require that to qualify as a UEZ business an applicant must meet all outstanding tax obligations. The law also requires that UEZ qualified

businesses having annual gross receipts of \$1,000,000 or more obtain exemption from Sales and Use Tax on purchases by filing a claim for refund of tax, rather than by using a point-of-purchase exemption certificate.

P.L. 2007, C. 328, effective January 13, 2008, institutes a new filing procedure for qualified urban enterprise zone (UEZ) businesses claiming a refund of sales tax paid. Documentation is no longer required to be submitted with a refund claim form. In addition, the definition of “small business” applicable to the UEZ sales tax rebate program is amended by raising the maximum annual gross receipts threshold from less than \$1 million to less than \$3 million.

P.L. 2008, C. 118, broadens the small qualified business definition under the Urban Enterprise Zone Sales Tax Rebate Program by raising the maximum annual gross receipts threshold from less than \$3 million to less than \$10 million.

P.L. 2011, C. 28, effective for sales or services made or rendered on or after April 1, 2011, allows all qualified urban enterprise zone (UEZ) businesses to be eligible to receive the sales tax exemption at the point of purchase regardless of annual gross receipts.

Savings Institution Tax

Description

The Savings Institution Tax is applicable to every savings institution doing a financial business in New Jersey. The Act defines Savings Institution as any state or Federally chartered building and loan association, savings and loan association, or savings bank.

Excluded from tax are:

- (1) 100% of dividends of an owned and qualified subsidiary; and
- (2) 50% of other dividends included in taxable income for Federal tax purposes.

Rate

The Savings Institution Tax was repealed applicable to privilege periods or taxable years beginning after 2001 (Chapter 40, P.L. 2002). Previously, the tax was imposed at the rate of 3% of net income.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use.

Spill Compensation and Control Tax

Description

The Spill Compensation and Control Tax is imposed on owners or operators of one or more major facilities used to refine, store, produce, handle, transfer, process, or transport hazardous substances, including petroleum products, to ensure compensation for cleanup costs and damages due to discharge of hazardous substances.

The tax is also imposed on owners of a hazardous substance which is transferred to a public storage terminal, and to any transferor of a previously untaxed nonpetroleum hazardous substance from a major facility to one which is a nonmajor facility.

Rate

1. Nonpetroleum hazardous substances—1.53% of fair market value;
2. Petroleum products—\$0.023 per barrel;
3. Precious metals—\$0.023 per barrel;
4. Elemental phosphorus—\$0.023 per barrel; and
5. Elemental antimony or antimony trioxide—\$0.023 per barrel, with annual approval.

The tax rate may be increased in the case of a major discharge or series of discharges of petroleum products to a rate not to exceed \$0.04 per barrel until the revenue produced by the increased rate equals 150% of the total dollar amount of all pending reasonable claims resulting from the discharge.

The tax for an individual taxpayer facility which paid the tax in 1986 is capped at a certain percentage of the taxpayer's 1986 liability. Other tax cap benefits may apply.

Disposition of Revenues

The proceeds constitute a fund (New Jersey Spill Compensation Fund) to ensure compensation for cleanup costs and damage associated with the discharge of petroleum products and other hazardous substances.

Tobacco Products Wholesale Sales and Use Tax

Description

The Tobacco Products Wholesale Sales and Use Tax is imposed on the receipts from every sale of tobacco products, other than cigarettes, by a distributor or a wholesaler to a retail dealer or consumer. Cigarettes are exempt from this tax.

Chapter 448, P.L. 2001, effective March 1, 2002, converted the Tobacco Products Wholesale Sales and Use Tax from one imposed on the price that a distributor receives from the sale of tobacco products to a vendor or consumer to one imposed upon the (lower) price that the distributor pays to buy the products from the manufacturer.

Chapter 37, P.L. 2006, amended the Tobacco Products Wholesale Sales and Use Tax to impose a separate weight-based tax on moist snuff effective August 1, 2006. Previously, moist snuff had been taxed based on price with other tobacco products.

Rate

The Tobacco Products Wholesale Sales and Use Tax is imposed at the rate of 30% on the invoice price the distributor pays to buy the tobacco products, excluding moist snuff, from the manufacturer.

The Tobacco Products Wholesale Sales and Use Tax is imposed on moist snuff at the rate of \$0.75 per ounce on the net weight as listed by the manufacturer and a proportionate rate on all fractional parts of an ounce of the net weight of moist snuff.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax of 30% measured by the sales price of a similar tobacco product, excluding moist snuff, to a distributor. Moist snuff is taxed at the rate of \$0.75 per ounce.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 1997, C.264, initial collections of \$5 million are deposited in the Health Care Subsidy Fund.

Transfer Inheritance and Estate Taxes

Description

The Transfer Inheritance Tax applies to the transfer of all real and tangible personal property located in New Jersey and intangible personal property wherever situated in estates of resident decedents. In estates of nonresident decedents, the tax applies to real property and tangible personal property located in the State of New Jersey.

The Estate Tax is imposed in addition to the Transfer Inheritance Tax on the estates of resident decedents. An Estate Tax is payable if the Inheritance Tax paid to New Jersey is less than the portion of the Federal credit for state death taxes which is attributable to New Jersey property.

Rate

The Transfer Inheritance Tax rates depend on the amount received and the relationship between the decedent and the beneficiary. No tax is imposed on class A beneficiaries (father, mother, grandparents, descendants, spouses, civil union partners, or domestic partners). Class C beneficiaries (brother or sister of decedent; husband, wife, or widow(er) of a child of decedent; civil union partner or surviving civil union partner of a child of decedent) are taxed at 11%–16%, with the first \$25,000 exempt. Class D beneficiaries (not otherwise classified) are taxed at 15%–16%, with no tax on transfers having an aggregate value of less than \$500. Charitable institutions are exempt from tax.

For decedents dying on or before December 31, 2001, the Estate Tax is based upon the credit for state inheritance, estate, succession, or legacy taxes allowable under the provisions of the Internal Revenue Code in effect on the decedent's date of death. For decedents dying after December 31, 2001, the Estate Tax is based upon the credit for state inheritance, estate, succession, or legacy taxes allowable under the provisions of the Internal Revenue Code in effect on December 31, 2001.

During 2001 there was no Federal estate tax due on Federal estates of less than \$675,000. Under the provisions of the Federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the applicable Federal exclusion amounts were increased to:

2002 and 2003	\$1.0 Million
2004 and 2005	1.5 Million
2006, 2007, and 2008	2.0 Million
2009	3.5 Million
2010	Tax Repealed

The New Jersey Estate Tax exclusion was frozen at the 2001 level for decedents dying in 2002 and thereafter. The Estate Tax is an amount equal to the Federal credit for inheritance, estate, succession, and legacy taxes allowable under provisions of the Internal Revenue Code in effect on December 31, 2001. A reduction is permitted for that portion of the credit which is attributable to property located outside New Jersey plus any Inheritance Tax paid to New Jersey.

Exemptions From Transfer Inheritance Tax

- All transfers having an aggregate value under \$500;
- Life insurance proceeds paid to a named beneficiary;
- Charitable transfers for the use of any educational institution, church, hospital, orphan asylum, public library, etc.;
- Transfers for public purposes made to New Jersey or any political subdivision thereof;
- Federal civil service retirement benefits payable to a beneficiary other than the estate, executor, or administrator;
- Annuities payable to survivors of military retirees; and
- Qualified employment annuities paid to a surviving spouse, civil union partner, or domestic partner.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use.

History

New Jersey first imposed an inheritance tax in 1892 at a rate of 5% on property transferred from a decedent to a beneficiary.

In 1909, legislation was enacted which formed the basis of the present Transfer Inheritance Tax (N.J.S.A. 54:33-1 et seq.).

In 1934, legislation was enacted which formed the basis of the Estate Tax (N.J.S.A. 54:38-1 et seq.). On June 30, 1992, the filing date for estate taxes for decedents dying after March 1, 1992, was shortened. The due date had been the later of 18 months after the date of death or 60 days after the Federal notification of Federal estate tax due. The new due date is 9 months after date of death (C. 39, P.L. 1992). Estate taxes are paid by the estate to the extent that inheritance taxes are below the Federal credit for State taxes.

On February 27, 1985, an amendment to the Transfer Inheritance Tax Act (C. 57, P.L. 1985) eliminated from taxation transfers from decedents to surviving spouses (retroactive to January 1, 1985) and to other Class A beneficiaries on a phased-out basis through July 1, 1988. On July 1, 1988, other Class A beneficiaries became totally exempt from the tax. Class C beneficiaries were granted a \$25,000 exemption effective on July 1, 1988.

In July 2002, legislation (C. 31, P.L. 2002) was enacted changing the manner in which Estate Tax is computed for the estates of decedents dying after December 31, 2001. Under the changes made to the Federal estate tax law, New Jersey's Estate Tax would have been phased out over a three-year period.

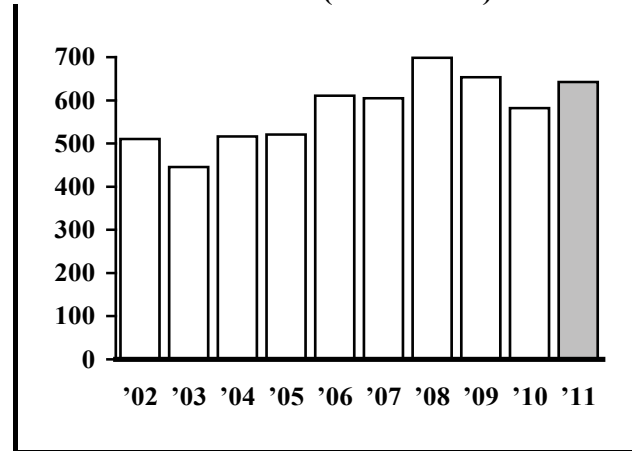
P.L. 2003, C. 246, the Domestic Partnership Act, recognized domestic partnerships and provided certain rights and benefits to individuals participating in them. The Act made significant changes to the New Jersey Inheritance Tax for individuals dying on or after July 10, 2004. Transfers made to a surviving domestic partner were made exempt from the Inheritance Tax.

P.L. 2004, C. 132, enacted August 31, 2004, and effective on the 180th day following enactment, makes important changes in the way estates and trusts must be administered. This change would indirectly affect both Inheritance and Estate Tax.

P.L. 2005, C. 331, provides a surviving domestic partner with the same intestacy rights as a surviving spouse. Additionally, a surviving domestic partner now has the right to take an elective share in a deceased partner's estate, be appointed administrator of the estate, and make funeral arrangements.

P.L. 2006, C. 103, provides a civil union partner with the same rights as a spouse. Surviving civil union partners are exempt from the Inheritance Tax and are entitled to the same New Jersey Estate Tax marital deduction as a surviving spouse.

Transfer Inheritance and Estate Tax Collections (In Millions)



Fiscal Year	Collections
2002	\$510,367,419
2003	445,310,855
2004	516,007,975
2005	520,775,959
2006	610,847,697
2007	604,700,439
2008	698,694,013
2009	653,439,759
2010	581,624,419
2011	642,182,390

Transitional Energy Facility Assessment

Description

The Transitional Energy Facility Assessment is a temporary, partial substitute for the Public Utility Energy Unit Tax previously assessed against public utilities engaged in the sale and/or transmission of energy (therms of natural gas or kilowatt-hours of electricity).

Administration

The Transitional Energy Facility Assessment is assessed against the public utility energy companies, or their successors or assignees, and is due May 15.

Rate

The rates of taxation for each class and category of natural gas and electricity are established by the New Jersey Board of Public Utilities.

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with C. 167, P.L. 1997.

Uniform Transitional Utility Assessment**Description**

The Uniform Transitional Utility Assessment is assessed against public utilities engaged in the sale and/or transmission of energy (therms of natural gas or kilowatt-hours of electricity) which were subject to the Public Utility Energy Unit Tax prior to January 1, 1998, and against telecommunication providers previously subject to the Public Utility Franchise and Gross Receipts Tax assessed under C. 4, P.L. 1940.

Administration

The Uniform Transitional Utility Assessment is assessed against the public utility energy companies and the public utility telecommunications companies, or their successors or assignees, and is due May 15. Any amount paid by a taxpayer shall be available only as a nonrefundable credit against the tax in which the estimation is made, and shall not be claimed until after August 1 of the year the assessment is paid.

Rate

For energy taxpayers, the assessment shall be equal to 50% of the total of the taxpayer's estimate of Sales and Use Tax on energy (natural gas or electricity) and utility service (transportation or transmission of natural gas or electricity by means of mains, wires, lines, or pipes to users or customers) remittance for the calendar year and Corporation Business Tax liability for the calendar year.

For telecommunication taxpayers, the assessment shall be equal to 50% of the taxpayer's estimate of its Corporation Business Tax liability for the calendar year.

Disposition of Revenues

Revenues are deposited into accounts that are used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with C. 167, P.L. 1997.

New Jersey Division of Taxation

LEGISLATION AND COURT DECISIONS

LEGISLATION

Casino Taxes and Fees

P.L. 2011, C. 19 — Division of Taxation to Administer and Collect Casino Taxes and Fees

Signed into law on February 1, 2011, and effective immediately, provides for an orderly transition of responsibilities and functions from the Casino Control Commission to the Division of Gaming Enforcement by May 1, 2011.

The Division of Taxation now administers and collects several taxes that were previously administered and collected by the New Jersey Casino Control Commission. These taxes include the gross revenue tax, the casino hotel room fee, and the multi-casino progressive slot machine revenue tax.

The gross revenue tax is an 8% tax on the gross revenues of a casino licensee as defined by Section 24 of this law. N.J.S.A. 5:12-144. The casino hotel room fee is a \$3-per-day fee on each hotel room in a casino hotel facility that is occupied by a guest. N.J.S.A. 5:12-145.8. The multi-casino progressive slot machine revenue tax is an 8% tax on the casino service industry multi-casino progressive slot machine revenue. N.J.S.A. 5:12-148.2.

Taxpayers that were required to file and remit tax returns under the prior version of the Casino Control Act must now file tax returns and make payment to the Division of Taxation. This requirement is applicable to returns for the above-listed taxes that are due after April 30, 2011.

Cigarette Tax

P.L. 2011, C. 80 — Forfeiture of Contraband Tobacco Products and Cigarettes

See Tobacco Products Tax.

Corporation Business Tax

P.L. 2010, C. 57 — Offshore Wind Economic Development Act

Signed into law on August 19, 2010, and effective immediately, creates the Offshore Wind Economic Development Act and establishes an offshore wind renewable energy certificate program. The Act also authorizes the Economic Development Authority (EDA) to provide tax credits for qualified wind energy facilities in wind energy zones.

The new law provides corporation business tax credit support of offshore wind energy programs with an expected power generation capacity of 20 to 25 megawatts. The tax credit program would finance 100% of capital costs for such programs in an amount not to exceed \$100 million in the same manner that tax credits are to be provided under the Urban Transit Hub Tax Credit Act (N.J.S.A. 34:1B-208 as amended by P.L. 2007, C. 346).

The Act does, however, allow the EDA to exceed the \$100 million cap if “a business demonstrates to the authority, at the time of application, that the State’s financial support of the proposed capital investment in a qualified wind energy facility will yield a net positive benefit to the State.”

The Division must also ensure that the aggregate amount of these credits, in addition to any other urban transit hub tax credit certificates approved in the future, do not exceed statutory maximums. It is anticipated that the Division of Taxation will administer this measure in the same manner as it expects to administer any actual approved credit under the Urban Transit Hub Tax Credit Program.

P.L. 2011, C. 30 — Benefit Corporations

Signed into law on March 1, 2011, and effective immediately, amends and/or supplements the New Jersey Business Corporation Act (N.J.S.A. 14A:1-1, et seq.) by providing for the creation of a benefit corporation, which is a corporation organized and subject to the provisions of the New Jersey Business Corporation Act. The purpose of a benefit corporation is to create a “general public benefit,” defined as a material positive impact on society and the environment through activities that promote some combination of specific public benefits.

These benefit corporations are subject to corporation business tax since they are formed under N.J.S.A. 14A:1-1, et seq. (as opposed to N.J.S.A. 15A:1-1, et seq., the New Jersey Nonprofit Corporation Act). Finally, the benefit corporations must file a benefit report with the Department of the Treasury through the Division of Revenue.

P.L. 2011, C. 59 — Single Sales Fraction Formula for Income Allocation

Signed into law on April 28, 2011, and effective immediately, except section 2, which will apply to privilege periods beginning on or after January 1, 2012, modifies the formula used to determine the portion of the income of a corporation subject to tax by New Jersey from a three-factor formula to a single (sales) factor formula and establishes a specialized sales fraction formula for airlines that are subject to taxation.

Under the old law, New Jersey employed a formula that apportioned a share of a corporation's income to the State based on: (1) a weighted average of a corporation's property in the State over the corporation's total property, representing 25% of the apportionment; (2) a corporation's sales in the State over the corporation's total sales, representing 50% of the apportionment; and (3) the corporation's payroll in the State over the corporation's total payroll, accounting for the remaining 25% of the apportionment.

Pursuant to the new law, this change is phased in over three years, commencing with privilege periods beginning on or after January 1, 2012, but before January 1, 2013. For that year, the sales fraction will account for 70% of the apportionment and the property and payroll fractions will each account for 15% of the apportionment. For privilege periods beginning on or after January 1, 2013, but before January 1, 2014, the sales fraction will increase to 90% and the property and payroll fractions will each account for 5% of the apportionment. For privilege periods beginning on or after January 1, 2014, the sales fraction will account for 100% of the apportionment.

The new law institutes a sales fraction for airlines determined as the ratio of an airline's revenue miles in this State divided by an airline's total revenue miles. Previously, the sales fraction for airlines was determined based on the ratio of departures from New Jersey to total departures, weighted as to cost and value of aircraft by type.

P.L. 2011, C. 83 — Research and Development Tax Credit

Signed into law on June 30, 2011, effective immediately, and applicable to privilege periods beginning on or after January 1, 2012, removes a restriction on the application of the research and development tax credit. The credit had been limited to 50% of the liability otherwise due for the tax period.

The research and development tax credit remains equal to 10% of the increase in "qualified research expenses" (research performed by or for the taxpayer) in a tax year over a base amount, plus 10% of the "basic research payments" (university research funded by the taxpayer) in a tax period. The credit is limited to expenditures made in New Jersey. The new law does not affect the allowance of the credit.

The new law retains the restriction that the credit may not reduce the tax liability to less than the statutory minimum and retains the Director's prerogative as to prioritization of corporation business tax credits.

P.L. 2011, C. 84 — Minimum Tax

Signed into law on June 30, 2011, and effective immediately, decreases the minimum tax on New Jersey subchapter S corporations by 25% for taxable periods beginning on or after January 1, 2012, as follows:

<i>New Jersey Gross Receipts</i>	<i>Minimum Tax*</i>
Less than \$100,000	\$ 500
\$100,000 or more, but less than \$250,000	750
\$250,000 or more, but less than \$500,000	1,000
\$500,000 or more, but less than \$1,000,000	1,500
\$1,000,000 or more	2,000

*The minimum tax for affiliated or controlled groups is \$2,000 for each member of a group that has a total payroll of \$5,000,000 or more for a privilege period.

Gross Income Tax

P.L. 2011, C. 57 — Checkoff for Boys and Girls Clubs in New Jersey Fund

Signed into law on April 20, 2011, effective immediately, and applicable to taxable years beginning on or after January 1, 2012, establishes the Boys and Girls Clubs in New Jersey Fund. It gives New Jersey taxpayers the opportunity to make voluntary contributions on their State gross income tax returns in support of New Jersey's Boys and Girls Clubs.

P.L. 2011, C. 60 — Alternative Business Income or Loss Calculation

Signed into law on April 28, 2011, effective immediately, and applicable to taxable years beginning on or after January 1, 2012, establishes an alternative calculation that permits taxpayers who generate income from different types of business entities to offset gains from one type of business with losses from another, and permits taxpayers to carry forward business-related losses for a period of up to 20 taxable years.

Gains and losses derived from one or more of the following business-related categories of gross income may be netted: net profits from business; net gains or net income derived from or in the form of rents, royalties, patents, and copyrights; distributive share of partnership income; and net pro rata share of S corporation income. Thus, a taxpayer who sustains a loss from a sole proprietorship may apply that loss against income derived from a partnership, subchapter S corporation, or rents and royalties, but is prohibited from applying those losses from those categories of income to income that is not related to the taxpayer's conduct of the taxpayer's own business,

including salaries and wages, disposition of property, and interest and dividends.

The law provides that net losses from business-related categories of income may be carried forward and applied against income in future taxable years. The law limits the application of net losses which are carried forward to gains and losses from the same business-related categories of income from which the net loss is derived, and allows the losses to be carried forward for a period of up to 20 taxable years following the year the net loss occurs.

The changes are phased in over five years beginning with tax year 2012.

Hotel/Motel Occupancy Tax

P.L. 2010, C. 55 — Revisions to the Hotel/Motel Occupancy Tax Imposed by Municipalities

Signed into law on August 18, 2010, and effective immediately, revises the hotel/motel occupancy tax permitted to be imposed by municipalities under P.L. 2003, C. 114.

The Act amends section 7 of P.L. 2003, C. 114 (N.J.S.A. 40:48F-5) to require the State Treasurer to include with the periodic distribution of tax revenue to each subject municipality a list of all of the hotels and motels therein that submitted municipal occupancy tax revenue to the State for the reporting period.

The new law also requires every municipality that has adopted an ordinance imposing the occupancy tax to annually provide to the State Treasurer on or before January 1 of each year a list of the names and addresses of all of the hotels and motels located in the municipality, and also the name and address of any hotel or motel that commences operation after January 1 of any year. This additional reporting requirement will aid in more effective tax administration.

Finally, the Act makes unpaid occupancy taxes a municipal lien on the real property comprising the delinquent hotel or motel. This requires the State Treasurer to provide to a subject municipality written notification of nonpayment of local hotel/motel taxes. The municipality would then be authorized to act as the collection agent for the outstanding balance of taxes due and owing to it in place of the State Treasurer.

Insurance Premiums Tax

P.L. 2011, C. 25 — Captive Insurance Companies

Enacted February 21, 2011, permits a captive insurance company to be licensed by the Department of Banking and Insurance to do business in the State in any of the lines of insurance in N.J.S. 17B:17-1 et seq., generally including contracts or policies of life insurance, health insurance, annuities, indemnity, property and casualty, fidelity, guaranty and title insurance, and reinsurance, provided the captive meets certain requirements. The law regulates captive insurance companies and creates a “Captive Insurance Regulation and Supervision Fund” to provide the financial means for the Commissioner of Banking and Insurance to administer the law’s requirements. The annual minimum aggregate tax to be paid by captive insurance companies calculated for both premiums and assumed reinsurance premiums is \$7,500, and the annual maximum aggregate tax is \$200,000. Tax is imposed on direct premiums at rates ranging from 0.38% – 0.072%. For assumed reinsurance premiums, rates range from 0.214% – 0.024%.

Local Property Tax

P.L. 2011, C. 35 — Urban Gardens

Signed into law on March 1, 2011, and effective immediately, encourages nonprofit corporations and associations to help transform vacant properties located in older urban areas into gardens for growing fresh fruits and vegetables. Existing provisions of law authorize municipalities and counties to lease or sell public property not needed for a public use to nonprofit entities for them to perform specified laudatory public purposes thereon. This law affects lands in cities of the first, second, third, and fourth classes.

The cultivation and sale of fresh fruits and vegetables is now among the purposes for which municipalities may lease or sell public land for nominal consideration. Previously, the law allowed for the long-term lease of excess public land, but not the sale thereof, to nonprofits for gardening purposes. Now, the transformation of excess vacant public lands into urban farms is a public purpose and the law affords these lands exemptions from property taxation.

P.L. 2011, C. 38 — Dedicated Library Purposes Tax

Signed into law on March 21, 2011, and effective immediately, requires municipalities in which a free public library is located or that belong to a joint municipal library to

provide for a dedicated library purposes tax on the property tax bill.

Specifically, a municipality must pay over to the library or the joint municipal library funds due to the library on a quarterly basis. The law further assures that there will be no net impact on a municipality's nonlibrary purposes adjusted tax levy for the purposes of the cap law. The Director, Division of Local Government Services, Department of Community Affairs is now required to proportionately decrease the adjusted tax levy of affected municipalities to ensure that any statutorily required municipal support of free public libraries is exempt from the calculation of a municipality's adjusted tax levy for the purposes of the 2% levy cap.

The Division is required to segregate the municipal library tax on the local property tax bill/abstract of ratables. All system-related changes will be performed by the Office of Information Technology.

Miscellaneous

P.L. 2010, C. 123 — Business Retention and Relocation Assistance Grant Program Broadened

Signed into law on January 6, 2011, broadens the availability and revises the terms of financial assistance under New Jersey's Business Retention and Relocation Assistance Grant (BRRAG) Program. This program, administered by the New Jersey Economic Development Authority (NJEDA), helps businesses preserve jobs, expand operations, and reinvest in the State through the award of tax credits against corporation business tax and various taxes on insurers. The amount of the credits awarded is based upon the business's investment or its expansion or preservation of jobs in the State.

The Act eliminates the requirement that the amount of an individual grant of tax credits is limited to no more than 80 percent of projected State tax revenues from the retained full-time jobs.

The current annual cap of \$20 million on the issuance of BRRAG credits is converted to a cap on the total amount of such credits that may be applied against tax liability in a fiscal year. Also, a new annual cap of \$10 million is imposed on the total value of credits that a single business may apply against liability in a fiscal year.

The value of BRRAG credits for a business retaining more than 250 jobs is increased by authorizing awards in multiples of up to six times the current rate of \$1,500 per employee, with the size of the multiple depending on the

number of retained jobs. The bill requires such multiple-rate awards to be taken in equal amounts over the appropriate number of years.

The law now requires that, as a precondition for the business's ability to apply the credits against tax liability, the amount of State tax revenue resulting from retention of the business must at least equal the value of the credits. The class of businesses to which, as a "designated industry," consideration may be given in determining the amount of a BRRAG award is broadened to include not only high technology businesses, but any business deemed desirable by the NJEDA to be maintained in the State.

Based upon this certification, the NJEDA issues a certificate indicating the amount of credits that the business may use in a tax period. If a business fails to meet its jobs retention commitment, its credit award is reduced proportionately and it forfeits the unused credits.

The statute now authorizes the sale of BRRAG tax credits between "affiliated" businesses, and a requirement that a study be conducted to determine the minimum funding level needed for successful implementation of the BRRAG program is repealed.

Motor Fuel Tax

P.L. 2010, C. 79 — Technical Amendments

Signed into law on October 1, 2010, and effective immediately, makes a number of purely technical corrections, clarifies licensing requirements and fees, assures that heating oil dealers are not required to be licensed as motor fuel tax dealers, and clarifies that fuel transporters are not among those required to precollect the tax. These changes were critical in the implementation of the Motor Fuel Tax Act, P.L. 2010, C. 22.

Sales and Use Tax

P.L. 2010, C. 51 — Fort Monmouth Economic Revitalization Authority Act

Signed into law on August 17, 2010, became effective 45 days after its enactment, except that section 25 takes effect on the date that the authority assumes all of the powers, rights, assets, and duties of the predecessor authority.

This Act creates a new redevelopment agency, the Fort Monmouth Economic Revitalization Authority (FMERA), requires the New Jersey Economic Development

Authority (EDA) to engage in new duties, and creates several special-purpose districts. FMERA, which is in but not of the New Jersey Department of the Treasury, is responsible for the implementation of the revitalization effort. The new law expands the powers of the EDA as the appropriate State agency to assist in plans for that redevelopment.

The Act provides for the creation of special improvement districts, transportation districts, and infrastructure districts. Within the district, at the discretion of the EDA, there may be a 50% reduction to the State's sales and use tax on the receipts of retail sales. However, the sales of motor vehicles, alcoholic beverages, cigarettes, and energy (natural gas and electricity) are excluded from the 50% reduction so the tax is at the 7% rate.

The law further provides that the authority may adopt a resolution to levy and collect a franchise assessment within an infrastructure district not to exceed an amount equivalent to 50% of the tax imposed under the Sales and Use Tax Act with the intention of devoting the proceeds from those assessments to purposes of the district.

P.L. 2011, C. 28 — UEZ Point of Purchase Exemption
Signed into law on March 1, 2011, applies to sales or services made or rendered on or after April 1, 2011. The law amends section 20 of P.L. 1983, C. 303 (N.J.S.A. 52:27H-79) and allows all qualified urban enterprise zone (UEZ) businesses to be eligible to receive the sales tax exemption at the point of purchase regardless of annual gross receipts. Previously, P.L. 2006, C. 34, (amended by P.L. 2007, C. 328 and P.L. 2008, C. 118) restricted the point-of-purchase exemption from sales and use tax on eligible purchases made by certain small qualified businesses for exclusive use or consumption of such business in the enterprise zone. Larger UEZ businesses had to pay sales tax at the time of purchase and then file for refunds.

P.L. 2011, C. 49 — Streamlined Sales and Use Tax Agreement Technical Changes

Signed into law on April 8, 2011, became effective immediately, except for sections 1 through 15, that became operative on May 1, 2011. The law makes various technical changes in sales tax law to maintain compliance with the Streamlined Sales and Use Tax Agreement (SSUTA), which was adopted by New Jersey in 2005.

For purposes of compliance, the bill removes the current definition of, and eliminates references to, "digital property" under sales tax law and replaces it with "specified digital product," the defined term for electronically transferred digital products under the SSUTA. This change technically modifies but does not substantively affect the

taxability of digitally downloaded music, movies, books, and certain other goods currently subject to sales and use tax.

To conform the State's current tax treatment of digital goods within the parameters of the defined term under the Agreement, the law makes certain other ancillary changes that were required in addition to the adoption of the new SSUTA definition. Specifically, it (1) revises the definition of "retail sale" to reiterate that sales of specified digital products are only taxable to end users (sales for resale are excluded from tax); (2) specifies that a digital code which provides a purchaser the right to obtain the product is treated as a specified digital product for purposes of taxation; (3) stipulates that specified digital products are subject to tax regardless of whether the sale of the product is for permanent or less than permanent use and regardless of whether continued payment for the product is required; and (4) carves out a specific statutory exemption for all video programming services, including video-on-demand television services, and broadcasting services, including content to provide such services, to ensure that sales of those services are not taxable as specified digital products. The former digital property definition excluded these services; therefore, this exemption is necessary to maintain treatment under prior law.

The law also provides a separate statutory exemption for specified digital products that are accessed but not delivered electronically to the consumer. Previously, New Jersey excluded from tax digital property that was temporarily streamed or uploaded to a consumer to access certain digital content. However, "specified digital products" includes electronically transferred digital audiovisual works, digital audio works, and digital books, where "transferred electronically" means obtained by the purchaser by means other than tangible storage media. Since "transferred electronically" includes instances where specified digital products are streamed or uploaded, the exemption ensures that access alone is not used to determine the taxability of specified digital products. This exemption is necessary to maintain treatment under prior law.

New compliance provisions incorporate SSUTA provisions that relieve certain sellers from liability due to changes in the sales and use tax rate. The Director of the Division of Taxation may not hold a seller liable for failure to collect tax that may be due at a new tax rate if the Director provides less than 30 days between the date a change in rate is enacted and the date that change takes effect. However, the relief from liability is limited and further described in the new statute.

The law makes technical changes and clarifications to the tax by removing remaining references to the previously defined term “vendor,” replacing them with “seller,” and removing charges for installation as part of the enumerated charges included in the definition of “sales price.”

The elimination of installation charges from the definition of “sales price” clarifies the imposition of tax on charges for installation. A separate statutory provision specifies that installation charges are an enumerated service subject to the sales and use tax regardless of how “sales price” is defined. This revision is necessary to clarify treatment of installation charges, which have always been statutorily subject to tax.

NOTE: This bill represents the fifth time the State has amended the Sales and Use Tax Act to comply with the SSUTA.

All unstamped cigarettes forfeited to the State under this law will be destroyed. However, the Director may, prior to the destruction of cigarettes, permit the true holder of the trademark rights in the cigarette brand to inspect such cigarettes in order to assist the Director in any investigation regarding such cigarettes.

The seizure of any unstamped or illegally stamped cigarettes or any other contraband cigarettes under the provisions of the law does not relieve any person from a fine, imprisonment, or other penalty for violation of any of the provisions of the law. The Director, the Director’s agents or employees, or any peace officer of the State, when directed to do so, will not be responsible in any court for the seizure or the confiscation of unstamped or illegally stamped packages of cigarettes.

Tobacco Products Tax

P.L. 2011, C. 80 — Forfeiture of Contraband Tobacco Products and Cigarettes

Signed into law on June 29, 2011, and effective immediately, amends the Tobacco Products Wholesale Sales and Use Tax Act, Cigarette Tax Act, and related criminal statutes. The new law supplements and makes a number of changes to P.L. 1990, C. 39 (N.J.S.A. 54:40B-1, et seq.), and P.L. 1948, C. 65 (N.J.S.A. 2C:64-1), respectively.

The law provides that all tobacco products subject to the tax imposed under P.L. 1990, C. 39, on which the tax has not been paid as required found in any place in the State are declared to be, prima facie, contraband goods and may be seized by the Director, Division of Taxation, the Director’s agents or employees, or by any peace officer of the State, when so ordered by the Director, without a warrant. The Director may authorize the use for law enforcement purposes of any untaxed tobacco products forfeited.

In addition, the Director may order the return of any seized tobacco product where there is reason to believe, upon the presentation of satisfactory proof, that the owner has not willfully or intentionally evaded any tax imposed under P.L. 1990, C. 39.

Although the Director may order the destruction of any tobacco product, as an alternative to destruction the Director may resell any untaxed tobacco product to the manufacturer of that tobacco product, but such tobacco product shall be resold only for export or destruction.

COURT DECISIONS

Corporation Business Tax

Throwout Rule

Pfizer, Inc., Whirlpool Properties, Inc. v. Director, Division of Taxation, New Jersey Superior Court, Appellate Division, decided July 12, 2010. The Superior Court of New Jersey, Appellate Division, affirmed that the throwout rule is facially constitutional in that it does not offend the due process, commerce, or supremacy clauses of the United States Constitution.

In 2002, the Legislature added the throwout rule to N.J.S.A. 54:10A-6(B). This rule affects the computation of the New Jersey sales factor by excluding or throwing out from the denominator receipts attributable to a state “in which the taxpayer is not subject to a tax on or measured by profits or income, or business presence or business activity.” Note that the throwout rule was repealed for tax periods beginning after June 30, 2010.

Plaintiffs’ contention was that the throwout rule was unconstitutional because it allowed New Jersey to tax income unrelated to the taxpayers’ activities in the State which resulted in a tax that was not fairly apportioned or related to the services provided by the State.

Plaintiffs’ motions were consolidated by the Tax Court to hear the constitutional challenge. The “as applied” portion has yet to be addressed.

The Appellate Division denied plaintiffs’ motions for leave to file interlocutory appeals; however, the Supreme Court granted the motions and remanded for consideration on the merits. Plaintiffs have now filed motions for leave to appeal with the Supreme Court.

Interest Add-Back and Depreciation

Beneficial New Jersey, Inc. v. Director, Division of Taxation, decided August 31, 2010; Tax Court No. 009886-2007.

Interest Add-Back. HSBC Finance Corporation (HSBC) was the parent of Beneficial New Jersey, Inc. (BNJ), a Delaware corporation. BNJ was a consumer finance operating lending company that held a sales finance license and a New Jersey lender license to make consumer loans as well as first and second mortgage loans to New Jersey customers. BNJ’s retail branch lending operations were located in New Jersey. In order to finance these loans, BNJ borrowed money from HSBC, which borrowed funds from unrelated third parties. HSBC charged interest on the

loans to BNJ at the maximum Applicable Federal Rate. BNJ deducted the interest payments associated with these loans to arrive at New Jersey entire net income on its corporation business tax returns.

HSBC did not file New Jersey corporation business tax returns for tax years 2002–2004. After auditing BNJ, the Division effectively disallowed BNJ’s interest deductions for tax years 2002–2004 by adding them back pursuant to N.J.S.A. 54:10A-4(k)(2)(I). This statute provides that entire net income will be determined without excluding, deducting, or providing a credit for interest paid, accrued, or incurred to a related member; however, the statute also provides for five exceptions to this rule. BNJ claimed that they were entitled to the “three percent” exception, the “guarantee” exception, and the “unreasonable” exception.

Under the three percent exception, BNJ must prove, among other things, that “the rate of tax applied to the interest received by the related member is equal to or greater than a rate three percentage points less than the rate of tax applied to taxable interest by this State.” The Court first determined that the phrase “rate of tax” does not mean the tax rate as BNJ claimed, but is the effective tax rate, which is the “allocation factor times the tax rate percentage” as per the Division’s regulation. As BNJ was a 100% New Jersey allocator, its effective New Jersey tax rate was 9% (1H 9%). Therefore, HSBC’s effective tax rate in another jurisdiction must be at least 6% (9% less 3%) for the exception to apply. It was undisputed that HSBC’s effective tax rate in any other state was below 6% even though some of the other states’ tax rates were above 6%. Consequently, the Court ruled that BNJ did not qualify for the three percent exception.

BNJ offered a funding agreement dated December 30, 2005, as proof that it met the guarantee exception, where the taxpayer guarantees the debt on which the interest is required and interest is directly paid, accrued, or incurred to an independent lender. In denying BNJ the guarantee exception, the Court determined that: (1) the agreement did not explicitly contain the word “guarantee”; (2) either BNJ or HSBC could withdraw from the agreement at any time for any reason; (3) BNJ did not produce documents evidencing its role as guarantor of HSBC loans to third parties; and (4) the agreement was between HSBC and BNJ and did not include any third-party lenders as parties.

Finally, the Court addressed the unreasonable exception which required that BNJ prove that the disallowance of the interest deduction was unreasonable. Although the Court found that the term “unreasonable” was undefined, the Court ruled that BNJ qualified for the unreasonable exception based upon common sense and an analysis of

the totality of the circumstances. The Court found that the related party loans had economic substance and that the transactions had business purpose. HSBC received more favorable interest rates from third-party lenders than could its subsidiaries. In practice, the money HSBC borrowed was lent to its subsidiaries, not just to BNJ. HSBC paid taxes on income, including BNJ's interest payments, in 17 jurisdictions. Consequently, BNJ was not required to add back the interest deductions it paid to HSBC.

Depreciation. The Division determined that during tax years 2000 and 2001 BNJ should have used the accelerated method rather than the straight-line method of depreciation for assets placed in service after 1993. The Court ruled that the statute clearly required the accelerated method. BNJ argued that the Division's failure to correct depreciation deductions prior to 2000 was a tacit affirmation of the same. The Court ruled that "[e]ach tax year stands on its own, and the Director is not estopped from making adjustments (for one year) that were negligently permitted in previous years."

Entire Net Income

International Business Machines Corporation & Crestron Electronics, Inc. v. Director, Division of Taxation, decided January 26, 2011; Tax Court Nos. 011630-2008 and 011795-2009. At issue is whether a corporation's entire net income includes Internal Revenue Code (IRC) §114 extraterritorial income during the tax years 2002–2005. In 2000, IRC §114 was enacted to provide that extraterritorial income was not included in gross income for Federal income tax purposes. Extraterritorial income was defined by IRC §114 as "gross income of the taxpayer attributable to foreign trading gross receipts." Under Federal law, both plaintiffs first reported their extraterritorial income on Line 1 of their Federal returns (Form 1120). Thereafter, the extraterritorial income was excluded pursuant to IRC §114(a) to arrive at taxable income before net operating loss deduction and special deductions (Line 28 of Federal Form 1120).

In calculating New Jersey entire net income, the Division determined that IRC §114 income was not excludable because income from sources outside the United States that was not included in Federal taxable income must be added back to Federal taxable income to calculate the corporation's entire net income. N.J.S.A. 54:10A-4(k) defined entire net income as follows:

"Entire net income" shall mean total net income from all sources, whether within or without the United States, and shall include the gain derived from the employment of capital or labor, or from

both combined, as well as profit gained through a sale or conversion of capital assets.

For the purpose of this act, the amount of a taxpayer's entire net income shall be deemed prima facie to be equal in amount to the taxable income, before net operating loss deduction and special deductions, which the taxpayer is required to report ... to the United States Treasury Department for the purpose of computing its Federal income tax.

This statute continues and thereafter states that the determination of entire net income shall be without the exclusion, deduction or credit of numerous items that are both additions and subtractions to Federal taxable income. These items are listed in N.J.S.A. 54:10A-4(k)(2)(A) through (J). However, the extraterritorial income exclusion from Federal taxable income is not contained therein as an adjustment.

Interpreting the plain meaning of the statute, the Court determined that the broad definition of entire net income in the statute's first paragraph is limited by the second paragraph. If the first paragraph stood alone, then the Court noted that extraterritorial income would be included in entire net income and the Division would prevail. However, the first paragraph must be read in conjunction with the second paragraph that couples entire net income under the Corporation Business Tax Act with Line 28 of Federal Form 1120, "taxable income before net operating loss deduction and special deductions." Therefore, the starting point is Line 28, which is then adjusted for items that are detailed in N.J.S.A. §54:10A-4(k)(2)(A) through (J) to arrive at entire net income. As extraterritorial income was not included as an adjustment, the Court concluded that extraterritorial income was therefore not included in entire net income for corporation business tax purposes. The Court noted that the Legislature could have amended the statute.

Untimely Refund Claim

General Motors Acceptance Corporation v. Director, Division of Taxation, decided April 1, 2011; Docket No. A-3505-09T3. On September 14, 2001, General Motors Acceptance Corporation (GMAC) filed its 2000 corporation business tax return and paid the tax due. On the return, GMAC mistakenly reported a 50% dividends received deduction rather than a 100% dividends received deduction for dividends received from its 100% owned foreign subsidiary.

The Internal Revenue Service audited GMAC's 2000 consolidated return and determined that GMAC owed more tax due to Federal adjustments, unrelated to the dividends

received deduction, for that year. When GMAC prepared the revenue agent report (RAR) disclosing to New Jersey the Federal adjustments, which resulted in its owing additional corporation business tax, GMAC discovered the mischaracterization of its percentage ownership in the subject foreign subsidiary at less than 80% rather than 100% and reporting a 50% dividends received deduction rather than a 100% dividends received deduction.

On November 10, 2005, GMAC filed a 2000 amended corporation business tax return incorporating the RAR and at the same time offsetting \$992,280 attributable to the additional dividends received deduction from the amount of additional tax due attributable to the RAR. On January 26, 2006, the Division issued a notice of assessment that denied the proposed offset.

GMAC claimed that it should be allowed to adjust its tax liability for the dividends received deduction because: (1) it is entitled to an offset under N.J.S.A. 54:49-16(b); (2) it is entitled to an offset under the doctrine of equitable recoupment; and (3) equity and justice permit an offset.

The Appellate Division determined that the refund claim was untimely under N.J.S.A. 54:49-14(a) because the November 10, 2005, amended return was beyond four years from the September 14, 2001, payment. The Appellate Division found that where there is a Federal adjustment, N.J.S.A. 54:10A-13 grants the taxpayer an extension of four years to file a refund claim attributable to the Federal adjustment. GMAC did not suggest that the dividends received deduction was related to the Federal adjustment, and the overpayment occurred from GMAC's mistake in the percentage of ownership. Therefore, GMAC was not entitled to an N.J.S.A. 54:10A-13 extended four-year period to file a refund claim.

Addressing GMAC's offset claim pursuant to N.J.S.A. 54:49-16(b), the Appellate Division found that, in general, this statute permits an offset of a deficiency assessment for taxes erroneously or illegally collected or paid under mistake of fact or law in certain circumstances that did not exist in this case. This offset provision is applicable during the time period that a corporation business tax deficiency assessment may be made, which is generally four years under N.J.S.A. 54:49-6(b). The Appellate Division determined that the claim was beyond the four-year statute of limitations for assessments, the four-year extension of N.J.S.A. 54:10A-13 was inapplicable, and noted that the complaint was not filed during the time that a deficiency assessment of tax could be made. Therefore, N.J.S.A. 54:49-16(b) provided no basis to permit an offset. In addition, the Appellate Division noted that the Federal audit resulted in an increase of corporation business

tax rather than a finding that the State erroneously or illegally collected taxes from GMAC.

The Appellate Division determined that GMAC was not entitled to an offset under the doctrine of equitable recoupment. There are three elements of equitable recoupment: (1) there must be a single transaction; (2) there must be an identity of interest among parties; and (3) a need to balance the equities must exist. The first element of equitable recoupment was not satisfied because recoupment was not a result of the audit of GMAC and therefore did not result from the same transaction. As to the third element, the equities were neutral at best. The fact that GMAC was a sophisticated taxpayer and that statutes of limitations are associated with fairness weighed against GMAC.

In affirming the Tax Court's decision, the Appellate Division did not discuss other contentions presented by GMAC stating that they were without sufficient merit to warrant a discussion in a written opinion.

Gross Income Tax

Nonbusiness Bad Debt

Harlan W. Waksal and Carol Waksal v. Director, Division of Taxation, Docket No. 001191-2009, decided July 1, 2010. Judge DeAlmeida granted the Director's summary judgment motion.

This case involved the taxpayers' taking a nonbusiness bad debt as a loss on their NJ-1040 return based on an unpaid loan of \$14 million that Mr. Waksal had made to his brother. Several New Jersey Court decisions have previously supported the premise that New Jersey gross income tax (unlike the IRC) does not allow nonbusiness bad debts.

Judge DeAlmeida stated:

The question presented here is whether a non-business bad debt is a "net loss, derived from the sale, exchange or other disposition of property.... As determined in accordance with the method of accounting used for federal tax purposes" within the meaning of N.J.S.A. 54A:5-1(c). The Court's analysis of this question is guided by the controlling Appellate Division decisions in *Walsh v. Director, Div. of Taxation*, 15 N.J. Tax 180, 183-186 (App. Div. 1995) and *King v. Director, Division of Taxation*, 22 N.J. Tax 627 (App. Div. 2005). The facts of those two cases are on point with those before the Court in all significant aspects. In each case, the Court

upheld the Director's determination that a loss from non-business bad debt does not fall within N.J.S.A. 54A:5-1(c) and cannot be used to offset gains from the sale, exchange or other disposition of property.

The Gross Income Tax Act provides that taxable income shall consist of sixteen distinct categories, N.J.S.A. 54A:5-1. One of those categories is "net gains or income from disposition of property." N.J.S.A. 54A:5-1(c). The category is defined as Net gains or net income, less net losses, derived from the sale, exchange or other disposition of property, including real or personal, whether tangible or intangible as determined in accordance with the method of accounting used for federal income tax purposes.

The Appellate Division (in *Walsh v. Director*) flatly rejected the notion that a non-business bad debt constituted a loss that could be offset from gains from the sale, exchange or other disposition of property under N.J.S.A. 54A:5-1(c).

Plaintiffs would have us read N.J.S.A. 54A:5-1(c) broadly so that the language "losses, derived from the sale, exchange or other disposition of property", would include losses from non-business bad debt. The legislative history weighs against such a broad interpretation. The Legislature determined that the New Jersey Gross Income Tax Act should contain fewer deductions from income than the federal income tax. This was seen as a way of making the Gross Income Tax fairer. The Legislature did not explicitly provide for a deduction of a non-business bad debt. Thus, in view of legislative history, it would appear that the Legislature did not intend for N.J.S.A. 54A:5-1(c) to be read broadly to include a deduction for non-business bad debts.

The appellate panel rejected the argument that the Gross Income Tax Act allows gains from the sale, exchange or other disposition of property to be offset by a deduction for non-business bad debt.

Domicile

Masami Tawara & Kimiko Tawara v. Director, Division of Taxation, Docket No. 002061-2009, decided July 7, 2010. Judge Hayser granted the Director's motion to dismiss the complaint.

In this case, the taxpayer claimed that he was not a New Jersey domiciliary for 2004 and had abandoned his New Jersey domicile in 2001 for a new domicile in Japan

where his primary business was located and where he occupied a home owned by the company.

Judge Hayser stated in his opinion that the taxpayer had not abandoned his New Jersey domicile based on several factors:

- The taxpayer maintained his clothing, goods, and personal effects in his New Jersey residence;
- Although the taxpayer lived "separate and apart" from his spouse, he still owned the house with his wife;
- The taxpayer maintained a New Jersey phone number until 2008;
- The taxpayer was a member of the Old Tappan Lions Club through 2004;
- In 2004, the taxpayer filed Federal and New York tax returns listing his New Jersey address as his address of record;
- The taxpayer maintained a current New Jersey driver's license that did not expire until 2013, which stated the taxpayer's New Jersey address as his residence; and
- The taxpayer also maintained an equity loan on his pre-existing marital residence and a joint bank account in New Jersey.

Judge Hayser concluded:

The burden rests with the taxpayer asserting the abandonment of an old domicile for a new one to prove same, to enable the conclusion that the objective factors evidencing that clear intent show that the taxpayer no longer has a "sufficiency of relationship" with the old domicile.

Interest on Late Payment of Gross Income Tax

Alexander and Gloria Szymanski v. Director, Division of Taxation, Docket No. 000449-2009, decided July 8, 2010. Judge DeAlmeida granted the Director's summary judgment motion.

In this case, the taxpayers, residents of Pennsylvania, sold rental real estate in New Jersey. Claiming that they were not aware of tax in New Jersey and filing an amended Pennsylvania resident return too late to receive a credit for taxes paid to New Jersey, the taxpayers sought the abatement of all penalty and interest.

In his decision, Judge DeAlmeida stated:

Plaintiffs do not dispute that the gain they realized from the sale of the Ocean City property was subject to New Jersey Gross Income tax. They contend that they should not be subject to interest on the taxes due from the sale for a variety of reasons, none of which the court finds availing to plaintiffs.

The Szymanskis believed that all of their interest should be abated because:

1. They were unaware of their obligation to pay nonresident New Jersey gross income tax;
2. Their accountant practices in Pennsylvania, not New Jersey;
3. They should have received amnesty treatment (50% interest relief) even though they paid the balance due in full on January 8, 2009, several months before the amnesty program began; and
4. A Division employee orally informed the taxpayers that no interest was due. (However, as the Judge states in his opinion, this conversation occurred three years after the sale of the Ocean City property and the Division employee “recognized his error soon after this conversation...and advised them by telephone that interest was due.”).

Judge DeAlmeida stated that “these facts are insufficient to warrant relief under N.J.S.A. 54:49-11b.”

S Corporation Shareholder Deductions

Schulmann, Daniel et al. v. Director, Division of Taxation, decided November 9, 2010; Tax Court Docket No. 007221-2005. Daniel Schulmann, known as Tiger Schulmann, owns, operates, and franchises karate schools. Schulmann is a 100% shareholder in some of his karate schools and a controlling shareholder in all of the schools. Schulmann encouraged the instructors at his schools to open new schools and thereupon Schulmann would pay these instructors a commission or referral fee for operating a Tiger Schulmann Karate School. Schulmann would place all the income he received from his karate schools as either a 100% shareholder or controlling shareholder into a bank account from which he would write checks for commissions/referral fees to the instructors who opened new schools.

On his New Jersey gross income tax returns for tax years 2000–2002, Schulmann took the deductions for commissions/referral fees that he made to individuals who ran his karate schools as a deduction to net pro rata share of S corporation income. The auditor had denied the losses since they were not valid expenses of an S corporation.

Judge Narayanan stated:

For each tax year 2000 to 2002, the Director issued a notice of deficiency for GIT against Schulmann denying an offset of the commissions against the passed through S corporation income. The Director explained that the commissions “paid by Schulmann to the various Karate schools” were “[p]ersonal expenses” and hence “not deductible.” An offset was denied because “[a]lthough the expenses are related from the S Corporations, they were not incurred by the S corporation.” The denial of this deduction resulted in an increase to Schulmann’s passed through pro-rata share of S corporation income. This in turn led to an assessment of additional GIT (plus interest and penalties).

After an administrative conference, the Director issued a final determination upholding the audit. The Director reasoned that a deduction for commissions would ordinarily constitute an acceptable corporate business expense however, since they were paid by Schulmann and not the S corporations, such a deduction could not be used by Schulmann to offset the passed through S corporation income. Having made a business decision to choose a corporate form of business undertaking, a taxpayer could not avoid the corporate form when the same resulted in unfavorable tax consequences.

Thus, the issue before the court is whether Schulmann’s payment of commissions from his pro-rata share of S corporation income from the various karate schools, allows him to offset or reduce such income because the commissions were the contractual obligations of the corporate school/UAK/TSK. Schulmann contends he must be allowed to do so because (a) he is a 100% shareholder of UAK/TSK, thus, he and the corporation are one and the same, or (b) he made the payments on behalf of the corporate entities, thus, they qualify as business expenses, entitled to a deduction.

Judge Narayanan stated in her decision that Schulmann could not take an S corporation deduction for the commission/referral fees because S corporations and partnerships are different entities. While partners are taxed as if they are sole proprietors, an S corporation has a separate and distinct legal identity. Therefore, an expense that may be allowed for a partner in a partnership may not be allowed for a shareholder in an S corporation. If Schulmann were to take a deduction for the commissions/referral fee payments in the category net profits from business, then net

pro rata share of S corporation income could not be reduced due to the disallowance of intercategory netting.

The New Jersey Gross Income Tax Act is not patterned after the Internal Revenue Code (IRC) and deductions allowable Federally are not automatically allowable for New Jersey gross income tax purposes. Even if the Federal income tax principles on ordinary and necessary business expenses as mentioned in IRC 1366 were applicable to the Gross Income Tax Act, a deduction for commission/referral fees is not allowed at the individual level; and in this case Judge Narayanan stated:

Schulmann did not have a business or sole proprietorship which is separate or independent from that of the karate schools.... Rather he seeks (to) ignore the corporate form of business specifically undertaken to operate the karate schools, and in order to justify a deduction under N.J.S.A. 54A:5-1(b), have this court treat those corporate schools as his sole proprietorship. This result is impermissible.

Sales and Use Tax

Proper Party to File for Refund Claim

RCN Telecom Services, Inc. f/k/a Freedom New York, LLC v. Director, Division of Taxation, decided June 14, 2010; Tax Court No. 000161-2007. In 2001, Freedom New York, LLC (Freedom) filed a timely sales tax refund claim pertaining to sales tax paid from December 1998 through December 1999 on purchases of machinery, equipment, and apparatus (MEA) claiming exemption from sales and use tax under N.J.S.A. 54:32B-8.13(c). Prior to 2000, Freedom was doing business as RCN Telecom Services, Inc. (RCN Telecom) and RCN Telecom was the purchaser of the MEA. At issue was whether Freedom or RCN Telecom was the proper party to file the refund claim and whether the requirements for exemption under N.J.S.A. 54:32B-8.13(c) were met.

Initially, Freedom purchased real estate and MEA because it planned to set up a telecommunications network in northern New Jersey. In 2000, RCN and its affiliates filed for Chapter 11 bankruptcy and Freedom abandoned the New Jersey project. Subsequently, Freedom installed all the MEA at issue in its New York telecommunications system.

Copies of the MEA purchase invoices and checks revealed that RCN Operating Services, Inc. (RCN Operating) paid the vendors and that the purchases were billed and shipped to various RCN affiliates, subsidiaries, and

locations. Freedom, RCN Telecom, and RCN Operating were wholly owned subsidiaries of RCN Corporation (RCN).

RCN Operating was found by the Court to be the special purpose payment agent for RCN as well as its affiliates and subsidiaries. The Court ruled that a customer who paid the tax is eligible for a refund. A customer is one who purchases property. The Court concluded that Freedom/RCN Telecom was a customer and may file the refund claim even though the vendors were paid by the related corporate entity, RCN Operating Services.

In order to qualify for exemption, N.J.S.A. 54:32B-8.13(c) requires that the MEA be sold to a service provider who is subject to the jurisdiction of the Board of Public Utilities or the Federal Communications Commission (FCC) for use directly and primarily in receiving at destination or initiating, transmitting, and switching telephone, telegraph, or interactive telecommunications service for sale to the general public. Although the Court ruled that RCN Telecom was a service provider subject to the jurisdiction of the FCC, the Court determined that neither the certification of RCN Telecom's vice president nor the invoices provided an indication or description of the primary and nonprimary uses of the MEA sufficient for the Court to determine whether the MEA qualifies for the exemption. Therefore, the Court concluded there was a genuine issue of material fact that would require a hearing and evidence.

Definition of Newspaper

ADVO, Inc. v. Director, Division of Taxation, decided October 28, 2010; Tax Court Docket No. 000131-2008. The Tax Court granted plaintiff's motion for summary judgment and denied the Director's cross-motion, finding that plaintiff's "Shop Wise" publication constituted a newspaper within the meaning of N.J.S.A. 54:32B-8.30. Therefore, receipts from the sale of advertising in the publication were exempt from sales tax. The Division's regulation N.J.A.C. 18:24-1.2 (2007) was controlling, and the Director's refund denial was reversed.

At issue was whether plaintiff's weekly distributed, four-page publication entitled "Shop Wise" met the definition of a newspaper and whether the advertising revenue was entitled to an exemption. The Director concluded that although "Shop Wise" contained articles on one page of its four-page publication, it was a direct-mail advertising publication and not a newspaper as contemplated under the statute. The Director argued that plaintiff's publication did not contain "information of general interest/current events" which comprises a bona fide newspaper. The Director did not dispute that plaintiff satisfied the

requirement under N.J.A.C. 18:24-1.2(a) that no more than 90% of the printed area of the publication consist of advertising.

The Court concluded that plaintiff satisfied the pertinent elements of N.J.A.C. 18:24-1.2 with its publication of “Shop Wise” and must only have “generally conformed” to qualify as a newspaper. N.J.A.C.18:24-1.2 was amended (effective in 2009) to change the definition of a newspaper in regard to the exemption statute.

Lack of Urban Enterprise Zone Certification

River Front Recycling and Aggregate, LLC v. Director, Division of Taxation, decided December 16, 2010; Tax Court Docket No. 001393-2009. The Tax Court granted the Director’s motion for summary judgment and denied the plaintiff’s cross-motion. The Director’s refund denial was upheld.

Plaintiff is located in an urban enterprise zone. When applying for a Certificate of Authority to collect sales and use tax at a reduced rate due to its location in the urban enterprise zone, the applicant mistakenly checked a box which indicated that it did not operate a retail location within the zone. The record contained a letter from the local urban enterprise zone office which indicated that the application was approved and was being forwarded to the Division for final approval and issuance of a Certificate of Authority for sales and use tax. Plaintiff never received a certificate and never made inquiries as to why it was not issued. Plaintiff subsequently filed another application and was issued a certificate as of the date of the correct application.

Plaintiff failed to file monthly urban enterprise zone returns (or any sales and use tax returns) for almost two years until the Division filed judgments and initiated collection on the business accounts and the personal accounts of the business principals. At that time, the principals paid the estimates, and in the months that followed, filed the missing reports. Plaintiff then filed a claim for refund on the basis of its claim that it was entitled to collect sales and use tax at the reduced rate for the periods at issue. The Division denied that portion of the refund claim, but did refund that portion of the tax paid on the estimated liability which exceeded the actual liability as filed.

Although Judge DeAlmeida found no dispute that plaintiff met the qualifications for urban enterprise zone certification, he was nonetheless unmoved by plaintiff’s arguments that it substantially complied with the requirements of the Urban Enterprise Zone Act and the Sales and Use Tax Act under the facts of this case. The Judge rejected the substantial compliance argument with particular focus

on the fact that plaintiff never filed and paid sales and use tax during the period in question and, although it was notified that its application was pending final approval, it never followed up and never received a Certificate of Authority for the period at issue.

Justiciable Controversy

Labor Ready Northeast, Inc. v. Director, Division of Taxation, decided January 4, 2011; Tax Court Docket No. 000359-2010. The Tax Court denied the plaintiff’s motion for summary judgment and the Director’s cross-motion. The Court found that declaratory relief is appropriate because the Director’s notice created a justiciable controversy between the parties. However, the Court found that such relief was inappropriate in this case because material facts need to be established as to the nature of Labor Ready’s business activities after the 2008 calendar year.

Labor Ready moved for summary judgment seeking declaratory relief from the Director’s notice that Labor Ready’s business activities would generally be subject to sales and use tax unless Labor Ready received sales tax exemption certificates or the services were nontaxable or nonenumerated. Labor Ready claimed it provides temporary labor service, which is not an enumerated category of service subject to sales and use tax. The Director opposed and cross-moved for summary judgment on grounds that: (a) the complaint was premature since the Director has neither audited nor issued a final appealable determination against Labor Ready; (b) if the notice to Labor Ready is deemed a determination by the Director, then Labor Ready’s complaint is untimely since it was not filed within 90 days of the date of the notice; (c) the facts of Labor Ready’s business activities need to be fully established, therefore a summary judgment in its favor is inappropriate; and (d) based upon facts gathered in a prior litigation on an identical issue, Labor Ready provides taxable services, therefore the Director’s summary judgment motion should be granted.

Ultimately, the Court ruled that the need to establish material facts was overriding and the matter will go to trial.

Charges for Transportation and Disposal of Septic Waste

English Sewage Disposal, Inc. v. Director, Division of Taxation, decided April 11, 2011; Docket No. 007870-2008. The Tax Court granted the Director’s motion for summary judgment, concluding that plaintiff’s invoices for per-gallon charges to its customers, said to represent charges for the transportation and disposal of septic waste, are subject to sales tax and therefore not exempt under N.J.S.A. 54:32B-8.11.

The Court found that: (a) the transportation costs were not separately stated; (b) under the “predominant purpose test” the transportation is incidental to the service being rendered and the service for which the customer employed plaintiff to perform; i.e., pumping the septic tank, servicing the tank itself (though not mentioned in the opinion), and removal of septic waste from the premises; and (c) plaintiff is not excused by N.J.S.A. 54:49-11(b) from payment of penalty and interest on the assessment, as the advice rendered by the Division was issued to a completely separate entity, even though plaintiff was a successor to the entity to which the advice was rendered and the accountant was the same for both entities. Furthermore, copies of the letters requesting the Division’s advice were unavailable, so there is no frame of reference for the basis of the Division’s advice.

Books and Records

Ellgen Landscape & Construction, Inc. v. Director, Division of Taxation, decided June 17, 2011; Tax Court No. 011636-2008. Ellgen Landscaping and Construction, Inc. is a retail garden center located in Bernardsville, New Jersey. It sells fruits, vegetables, and construction/landscaping materials and also provides landscaping services.

At issue is whether the taxpayer maintained adequate books and records and whether the Division’s auditor erred in disregarding the taxpayer’s records.

The auditor determined that the gross receipts on Ellgen’s sales and use tax and corporation business tax returns did not match. In addition, the taxpayer acknowledged that its bank deposit receipts did not match the amounts on either its sales and use tax or corporation business tax returns. The auditor therefore determined that a markup analysis was appropriate.

The taxpayer countered that the auditor used a markup analysis that deviates from what is normal or expected and that the auditor ignored Ellgen’s annual summaries, improperly used sale prices instead of purchase prices when calculating use tax, arbitrarily categorized sales as taxable or nontaxable, used an inflated markup figure, and incorrectly allocated income to Ellgen’s different lines of business.

In *Yilmaz, Inc. v. Director, Division of Taxation*, 22 N.J. Tax 204, 236 (Tax 2005), aff’d, 390 N.J. Super, 440 (App. Div. 2007) the taxpayer is charged with providing “cogent evidence that is definitive, positive and certain in quality and quantity to overcome the presumption” of the Director. “Naked assertions of the taxpayer, without supporting records or documentation, are insufficient to rebut the Director’s presumption.”

Although N.J.A.C. 18:24-2.4(a) states “where summary records are maintained... the seller may dispose of individual sales slips... or cash register tapes”, the court in *Charley O’s, Inc. v. Director, Division of Taxation*, 23 N.J. Tax 171, 187 (Tax 2006) found that, “if an auditor has reason to believe that a taxpayer’s summary records are inaccurate, and no cash register tapes are available, the use of the markup analysis is appropriate.”

Judge Bianco opined, “Accordingly, the court concludes that Ellgen failed to meet its burden since it did not provide any cogent evidence, in the form of cash register receipts, purchase journals, general ledgers, or paid bills, and it did not provide documentation demonstrating that its two part-time workers were independent contractors, rather than employees. Although Ellgen provided the Director with summary records of cash receipts, the court is satisfied with the Director’s determination that these records were unreliable thereby warranting a markup analysis. Likewise Ellgen’s tax return, which contains a deduction labeled ‘outside casual labor’, is unsubstantiated and does not prove that Ellgen remitted withholdings.”

Judge Bianco granted summary judgment in favor of the Director.

New Jersey Division of Taxation

APPENDICES

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2010 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Atlantic			Englewood Cliffs Bor.	0.795	0.785
Absecon City	1.960	2.059	Fair Lawn Borough	2.283	2.243
Atlantic City	1.809	1.839	Fairview Borough	4.240	1.810
Brigantine City	1.091	1.170	Fort Lee Borough	1.947	1.802
Buena Borough	2.335	2.289	Franklin Lakes Borough	1.246	1.310
Buena Vista Township	1.866	1.846	Garfield City	4.206	1.894
Corbin City	3.216	1.855	Glen Rock Borough	2.519	2.225
Egg Harbor City	2.716	2.602	Hackensack City	2.328	2.283
Egg Harbor Township	3.980	2.022	Harrington Park Borough	1.978	1.934
Estell Manor City	2.892	1.608	Hasbrouck Heights Bor.	2.169	2.105
Folsom Borough	2.779	1.409	Haworth Borough	2.447	1.847
Galloway Township	1.969	1.909	Hillsdale Borough	2.040	1.969
Hamilton Township	4.149	2.055	Ho Ho Kus Borough	1.510	1.474
Hammonton Town	3.365	1.912	Leonia Borough	2.287	2.108
Linwood City	3.652	2.261	Little Ferry Borough	2.340	2.263
Longport Borough	0.867	0.604	Lodi Borough	2.939	2.410
Margate City	1.278	1.076	Lyndhurst Township	1.813	1.813
Mullica Township	3.947	1.802	Mahwah Township	2.124	1.287
Northfield City	2.570	2.324	Maywood Borough	2.047	2.126
Pleasantville City	2.783	2.342	Midland Park Borough	3.057	2.011
Port Republic City	3.188	1.634	Montvale Borough	1.629	1.724
Somers Point City	4.155	1.941	Moonachie Borough	1.805	1.760
Ventnor City	1.727	1.643	New Milford Borough	2.296	2.205
Weymouth Township	3.229	1.740	North Arlington Borough	4.742	2.201
Bergen			Northvale Borough	1.970	1.920
Allendale Borough	2.642	1.894	Norwood Borough	1.725	1.698
Alpine Borough	0.670	0.547	Oakland Borough	2.098	1.997
Bergenfield Borough	2.867	2.531	Old Tappan Borough	2.171	1.480
Bogota Borough	2.549	2.320	Oradell Borough	2.238	2.008
Carlstadt Borough	4.001	1.406	Palisades Park Borough	1.698	1.414
Cliffside Park Borough	2.282	1.609	Paramus Borough	1.637	1.407
Closter Borough	2.013	1.866	Park Ridge Borough	1.988	1.756
Cresskill Borough	2.300	1.636	Ramsey Borough	2.494	1.846
Demarest Borough	2.220	1.835	Ridgefield Borough	1.615	1.402
Dumont Borough	2.463	2.273	Ridgefield Park Village	2.509	2.666
Elmwood Park Borough	2.440	2.010	Ridgewood Village	1.887	1.881
East Rutherford Borough	1.552	1.336	River Edge Borough	2.565	2.276
Edgewater Borough	1.225	1.253	River Vale Township	2.001	1.940
Emerson Borough	1.994	2.026	Rochelle Park Township	1.947	1.810
Englewood City	2.023	1.915	Rockleigh Borough	0.938	1.139
			Rutherford Borough	2.212	2.045

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Bergen (continued)			Southampton Township	3.366	1.902
Saddle Brook Township	2.022	1.920	Springfield Township	2.211	2.043
Saddle River Borough	0.940	0.750	Tabernacle Township	2.244	2.033
South Hackensack Twp.	2.157	1.899	Washington Township	1.089	1.168
Teaneck Township	2.328	2.314	Westampton Township	3.348	1.890
Tenafly Borough	2.752	1.975	Willingboro Township	3.201	2.853
Teterboro Borough	1.284	0.922	Woodland Township	1.724	1.780
Upper Saddle River Bor.	2.057	1.463	Wrightstown Borough	3.300	2.027
Waldwick Borough	2.325	2.157			
Wallington Borough	1.837	1.883	Camden		
Washington Township	1.811	1.791	Audubon Borough	2.758	2.697
Westwood Borough	2.231	1.861	Audubon Park Borough	3.885	3.841
Woodcliff Lake Borough	2.159	1.577	Barrington Borough	3.015	2.941
Wood-Ridge Borough	3.349	1.996	Bellmawr Borough	2.982	2.913
Wyckoff Township	1.474	1.480	Berlin Borough	4.838	2.431
			Berlin Township	4.794	2.805
Burlington			Brooklawn Borough	4.689	2.480
Bass River Township	1.526	1.473	Camden City	4.593	2.449
Beverly City	5.488	2.848	Cherry Hill Township	5.450	2.605
Bordentown City	2.484	2.517	Chesilhurst Borough	2.631	3.010
Bordentown Township	2.077	2.136	Clementon Borough	5.174	3.006
Burlington City	4.285	2.368	Collingswood Borough	2.852	2.683
Burlington Township	2.378	2.071	Gibbsboro Borough	4.249	2.725
Chesterfield Township	1.835	1.926	Gloucester City	5.004	2.496
Cinnaminson Township	2.295	2.245	Gloucester Township	2.990	2.860
Delanco Township	2.167	2.174	Haddon Township	5.543	2.639
Delran Township	2.797	2.371	Haddonfield Borough	2.451	2.483
Eastampton Township	2.337	2.365	Haddon Heights Borough	2.543	2.582
Edgewater Park Township	4.541	2.189	Hi-Nella Borough	4.918	3.162
Evesham Township	2.431	2.271	Laurel Springs Borough	6.464	3.496
Fieldsboro Borough	2.502	2.467	Lawnside Borough	5.097	3.140
Florence Township	2.106	1.925	Lindenwold Borough	6.027	3.159
Hainesport Township	3.486	1.738	Magnolia Borough	5.717	3.061
Lumberton Township	2.041	1.941	Merchantville Borough	5.273	2.780
Mansfield Township	1.939	1.898	Mount Ephraim Borough	6.055	3.307
Maple Shade Township	2.394	2.239	Oaklyn Borough	5.737	2.890
Medford Township	4.407	2.295	Pennsauken Township	4.750	2.662
Medford Lakes Borough	2.757	2.558	Pine Hill Borough	3.364	3.261
Moorestown Township	1.925	1.969	Pine Valley Borough	1.397	1.394
Mount Holly Township	4.878	2.300	Runnemede Borough	5.104	2.910
Mount Laurel Township	4.017	1.970	Somerdale Borough	3.211	3.165
New Hanover Township	2.369	1.500	Stratford Borough	5.470	3.016
North Hanover Township	3.220	1.532	Tavistock Borough	1.356	1.341
Palmyra Borough	4.968	2.603	Voorhees Township	2.595	2.586
Pemberton Borough	2.780	1.429	Waterford Township	5.111	2.591
Pemberton Township	3.465	1.788	Winslow Township	4.911	2.469
Riverside Township	2.872	2.374	Woodlynne Borough	8.207	3.961
Riverton Borough	2.572	2.422			
Shamong Township	3.943	2.030			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Cape May			North Caldwell Borough	1.925	1.720
Avalon Borough	0.409	0.415	Nutley Township	2.777	2.387
Cape May City	0.740	0.738	Orange City	3.079	2.721
Cape May Point Borough	0.464	0.477	Roseland Borough	1.833	1.681
Dennis Township	1.164	1.199	S. Orange Village Twp.	2.629	2.641
Lower Township	1.299	1.202	Verona Township	2.416	2.150
Middle Township	1.306	1.329	West Caldwell Township	4.205	1.863
North Wildwood City	0.845	0.954	West Orange Township	12.983	2.954
Ocean City	0.733	0.716			
Sea Isle City	0.572	0.578	Gloucester		
Stone Harbor Borough	0.472	0.449	Clayton Borough	5.143	2.820
Upper Township	1.207	1.220	Deptford Township	4.057	2.287
West Cape May Borough	0.991	1.042	East Greenwich Township	4.222	2.193
West Wildwood Borough	1.219	1.204	Elk Township	2.358	2.331
Wildwood City	1.834	1.782	Franklin Township	4.145	2.236
Wildwood Crest Borough	1.043	1.019	Glassboro Borough	5.409	2.933
Woodbine Borough	1.156	1.148	Greenwich Township	3.882	2.187
			Harrison Township	2.514	2.196
Cumberland			Logan Township	3.494	1.821
Bridgeton City	5.270	3.181	Mantua Township	4.907	2.403
Commercial Township	2.036	2.219	Monroe Township	2.778	2.654
Deerfield Township	2.980	2.448	National Park Borough	6.157	3.266
Downe Township	1.554	1.589	Newfield Borough	2.449	2.443
Fairfield Township	3.978	2.151	Paulsboro Borough	5.122	2.626
Greenwich Township	3.341	2.901	Pitman Borough	5.398	2.764
Hopewell Township	3.761	2.428	S. Harrison Township	2.105	2.265
Lawrence Township	2.038	2.084	Swedesboro Borough	6.513	3.083
Maurice River Township	2.056	2.026	Washington Township	5.095	2.480
Millville City	3.216	2.264	Wenonah Borough	2.588	2.739
Shiloh Borough	4.273	2.255	West Deptford Township	4.397	2.450
Stow Creek Township	3.495	2.202	Westville Borough	5.524	2.984
Upper Deerfield Twp.	3.716	2.282	Woodbury City	6.391	3.455
Vineland City	3.994	2.053	Woodbury Heights Bor.	4.626	3.047
			Woolwich Township	4.999	2.568
Essex					
Belleville Township	2.707	2.492	Hudson		
Bloomfield Township	3.077	2.606	Bayonne City	6.288	2.335
Caldwell Borough Twp.	2.245	2.052	East Newark Borough	7.948	1.788
Cedar Grove Township	1.845	1.657	Guttenberg Town	6.152	2.194
East Orange City	3.176	3.175	Harrison Town	5.831	2.148
Essex Fells Township	1.721	1.593	Hoboken City	4.745	1.272
Fairfield Township	1.556	1.548	Jersey City	6.903	1.813
Glen Ridge Bor. Twp.	2.907	2.660	Kearny Town	9.171	2.472
Irvington Township	3.284	3.301	North Bergen Township	4.686	2.019
Livingston Township	2.059	1.955	Secaucus Town	3.452	1.703
Maplewood Township	4.877	2.542	Union City	5.930	2.330
Millburn Township	1.794	1.641	Weehawken Township	3.866	1.991
Montclair Township	2.519	2.495	West New York Town	6.413	2.175
Newark City	3.180	1.786			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Hunterdon			East Brunswick Township	8.635	2.114
Alexandria Township	2.046	1.920	Edison Township	4.239	1.921
Bethlehem Township	2.850	2.294	Helmetta Borough	2.033	1.986
Bloomsbury Borough	2.104	1.969	Highland Park Borough	6.642	2.357
Califon Borough	2.419	2.558	Jamesburg Borough	5.038	2.256
Clinton Town	2.453	2.476	Metuchen Borough	4.946	2.054
Clinton Township	2.084	2.106	Middlesex Borough	7.290	2.139
Delaware Township	2.069	1.846	Milltown Borough	4.476	1.996
East Amwell Township	1.820	1.760	Monroe Township	3.510	1.677
Flemington Borough	2.582	2.224	New Brunswick City	5.162	1.898
Franklin Township	2.222	2.050	North Brunswick Twp.	4.619	2.298
Frenchtown Borough	2.646	2.217	Old Bridge Township	4.196	1.814
Glen Gardner Borough	2.817	2.083	Perth Amboy City	2.460	2.228
Hampton Borough	2.328	2.470	Piscataway Township	5.982	1.943
High Bridge Borough	3.150	2.795	Plainsboro Township	2.215	2.148
Holland Township	1.953	1.805	Sayreville Borough	4.249	1.800
Kingwood Township	2.015	1.742	South Amboy City	2.167	1.897
Lambertville City	1.699	1.576	South Brunswick Twp.	4.082	1.889
Lebanon Borough	1.670	1.689	South Plainfield Bor.	4.887	1.677
Lebanon Township	2.661	1.949	South River Borough	6.401	1.681
Milford Borough	3.276	2.400	Spotswood Borough	2.713	2.171
Raritan Township	2.264	2.064	Woodbridge Township	8.357	1.834
Readington Township	2.604	2.033			
Stockton Borough	1.863	1.853	Monmouth		
Tewksbury Township	2.172	1.619	Aberdeen Township	2.199	2.097
Union Township	2.770	2.074	Allenhurst Borough	0.650	0.642
West Amwell Township	1.941	1.837	Allentown Borough	4.726	2.232
			Asbury Park City	5.221	1.662
Mercer			Atlantic Highlands Bor.	2.320	1.759
East Windsor Township	2.741	2.517	Avon-by-the-Sea Bor.	0.956	0.906
Ewing Township	4.934	2.500	Belmar Borough	1.886	1.095
Hamilton Township	4.055	2.009	Bradley Beach Borough	1.249	1.191
Hightstown Borough	3.156	3.051	Brielle Borough	1.298	1.395
Hopewell Borough	2.066	2.280	Colts Neck Township	1.537	1.416
Hopewell Township	2.102	2.913	Deal Borough	0.527	0.494
Lawrence Township	4.244	2.059	Eatontown Borough	2.060	1.745
Pennington Borough	2.267	2.258	Englishtown Borough	1.775	1.839
Princeton Borough	2.026	1.732	Fair Haven Borough	2.289	1.691
Princeton Township	1.937	1.784	Farmingdale Borough	1.678	1.659
Robbinsville Township	2.486	2.515	Freehold Borough	2.246	2.003
Trenton City	5.478	3.519	Freehold Township	1.892	1.784
West Windsor Township	2.289	2.222	Hazlet Township	2.220	2.041
			Highlands Borough	2.823	1.886
Middlesex			Holmdel Township	1.946	1.652
Carteret Borough	5.146	1.862	Howell Township	2.037	2.011
Cranbury Township	1.637	1.628	Interlaken Borough	1.595	1.067
Dunellen Borough	11.297	2.404			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Monmouth (continued)			Kinnelon Borough	2.807	1.941
Keansburg Borough	3.150	2.113	Lincoln Park Borough	2.122	2.080
Keyport Borough	2.141	2.142	Long Hill Township	2.725	1.914
Lake Como Borough	1.633	1.596	Madison Borough	2.639	1.520
Little Silver Borough	2.259	1.682	Mendham Borough	1.899	1.629
Loch Arbour Village	1.408	1.476	Mendham Township	1.887	1.599
Long Branch City	1.877	1.479	Mine Hill Township	1.911	1.939
Manalapan Township	1.986	1.718	Montville Township	3.287	1.708
Manasquan Borough	1.546	1.140	Morris Township	2.322	1.474
Marlboro Township	1.979	1.790	Morris Plains Borough	1.805	1.663
Matawan Borough	2.401	2.325	Morristown Town	2.585	1.780
Middletown Township	1.795	1.712	Mountain Lakes Borough	2.100	1.891
Millstone Township	2.086	1.792	Mount Arlington Borough	2.325	1.816
Monmouth Beach Bor.	1.240	1.097	Mount Olive Township	2.904	2.345
Neptune Township	2.328	1.721	Netcong Borough	2.163	2.286
Neptune City Borough	2.571	1.970	Parsippany-Troy Hills Twp.	2.442	1.880
Ocean Township	2.041	1.579	Pequannock Township	1.714	1.733
Oceanport Borough	1.984	1.576	Randolph Township	3.224	1.968
Red Bank Borough	1.679	1.620	Riverdale Borough	1.467	1.380
Roosevelt Borough	2.770	2.478	Rockaway Borough	2.357	1.924
Rumson Borough	1.490	1.219	Rockaway Township	3.488	2.108
Sea Bright Borough	1.644	1.111	Roxbury Township	3.797	2.087
Sea Girt Borough	0.748	0.727	Victory Gardens Borough	2.227	1.776
Shrewsbury Borough	2.634	1.806	Washington Township	2.318	1.973
Shrewsbury Township	2.278	2.191	Wharton Borough	2.345	2.070
Spring Lake Borough	0.649	0.621			
Spring Lake Heights Bor.	1.206	1.199	Ocean		
Tinton Falls Borough	1.693	1.602	Barneгат Township	1.895	2.065
Union Beach Borough	3.136	2.071	Barneгат Light Borough	0.779	0.689
Upper Freehold Township	1.911	1.909	Bay Head Borough	0.671	0.685
Wall Township	2.603	1.511	Beach Haven Borough	1.054	0.822
West Long Branch Bor.	1.849	1.811	Beachwood Borough	1.635	1.597
			Berkeley Township	1.819	1.510
Morris			Brick Township	1.822	1.535
Boonton Town	2.104	2.113	Eagleswood Township	1.709	1.738
Boonton Township	1.776	1.591	Harvey Cedars Borough	0.856	0.724
Butler Borough	2.881	2.060	Island Heights Borough	1.634	1.300
Chatham Borough	1.684	1.463	Jackson Township	1.830	1.735
Chatham Township	1.601	1.454	Lacey Township	1.434	1.483
Chester Borough	2.361	1.960	Lakehurst Borough	1.925	1.810
Chester Township	2.122	1.812	Lakewood Township	2.251	1.752
Denville Township	2.682	1.798	Lavallette Borough	0.882	0.680
Dover Town	1.838	1.839	Little Egg Harbor Twp.	1.641	1.704
East Hanover Township	2.070	1.261	Long Beach Township	0.838	0.728
Florham Park Borough	1.250	1.246	Manchester Township	1.757	1.586
Hanover Township	2.761	1.324	Mantoloking Borough	0.461	0.505
Harding Township	1.031	0.806	Ocean Township	1.548	1.394
Jefferson Township	2.170	1.931	Ocean Gate Borough	1.945	1.769

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Ocean (continued)			Somerset		
Pine Beach Borough	1.554	1.463	Bedminster Township	1.270	1.084
Plumsted Township	1.436	1.545	Bernards Township	1.828	1.633
Point Pleasant Borough	1.644	1.453	Bernardsville Borough	1.638	1.466
Pt. Pleasant Beach Bor.	1.005	1.039	Bound Brook Borough	2.630	2.408
Seaside Heights Borough	1.432	1.466	Branchburg Township	2.047	1.830
Seaside Park Borough	1.194	1.109	Bridgewater Township	1.845	1.536
Ship Bottom Borough	0.964	0.778	Far Hills Borough	1.151	0.988
South Toms River Bor.	1.899	1.818	Franklin Township	1.947	1.856
Stafford Township	1.846	1.601	Green Brook Township	2.145	2.011
Surf City Borough	0.909	0.772	Hillsborough Township	3.069	1.861
Toms River Township	1.370	1.392	Manville Borough	2.120	2.075
Tuckerton Borough	2.109	1.749	Millstone Borough	2.250	2.336
Passaic			Montgomery Township	2.595	2.014
Bloomington Borough	6.231	2.618	North Plainfield Borough	2.773	2.707
Clifton City	4.650	2.306	Peapack & Gladstone Bor.	1.833	1.468
Haledon Borough	5.758	2.783	Raritan Borough	2.248	1.870
Hawthorne Borough	4.876	2.168	Rocky Hill Borough	3.568	1.640
Little Falls Township	2.062	2.051	Somerville Borough	5.478	2.581
North Haledon Borough	6.528	1.961	South Bound Brook Bor.	2.799	2.712
Passaic City	6.847	2.435	Warren Township	2.045	1.732
Paterson City	2.126	2.208	Watchung Borough	1.921	1.664
Pompton Lakes Borough	6.132	2.655	Sussex		
Prospect Park Borough	6.116	2.815	Andover Borough	3.635	1.917
Ringwood Borough	2.610	2.426	Andover Township	3.214	2.250
Totowa Borough	1.708	1.803	Branchville Borough	1.816	1.789
Wanaque Borough	6.112	2.559	Byram Township	2.547	2.435
Wayne Township	4.516	2.142	Frankford Township	1.804	1.847
West Milford Township	6.117	2.494	Franklin Borough	2.540	2.323
Woodland Park Borough	4.587	2.177	Fredon Township	1.945	2.043
Salem			Green Township	2.296	2.236
Alloway Township	2.502	2.083	Hamburg Borough	4.055	2.374
Carneys Point Township	2.233	2.348	Hampton Township	3.786	1.951
Elmer Borough	2.557	2.322	Hardyston Township	2.150	1.913
Elsinboro Township	2.095	2.267	Hopatcong Borough	1.981	2.139
Lower Alloways Crk. Twp.	1.116	0.882	Lafayette Township	1.857	1.946
Mannington Township	2.260	2.333	Montague Township	3.621	1.824
Oldmans Township	2.232	2.181	Newton Town	2.709	2.694
Penns Grove Borough	3.363	3.334	Ogdensburg Borough	2.509	2.458
Pennsville Township	3.045	2.506	Sandyston Township	1.861	1.839
Pilesgrove Township	2.165	2.174	Sparta Township	3.271	2.215
Pittsgrove Township	2.775	2.368	Stanhope Borough	3.031	2.534
Quinton Township	2.278	2.138	Stillwater Township	4.544	1.961
Salem City	3.592	3.332	Sussex Borough	4.348	2.144
Upper Pittsgrove Twp.	2.134	2.061	Vernon Township	2.505	2.204
Woodstown Borough	2.557	2.565	Walpack Township	0.451	0.355
			Wantage Township	2.036	2.034

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Union			Warren		
Berkeley Heights Twp.	3.317	1.765	Allamuchy Township	2.382	1.859
Clark Township	7.148	1.961	Alpha Borough	2.826	2.581
Cranford Township	5.033	1.958	Belvidere Town	4.776	2.424
Elizabeth City	21.172	2.201	Blairstown Township	1.768	1.747
Fanwood Borough	12.165	2.272	Franklin Township	2.748	2.452
Garwood Borough	7.941	2.102	Frelinghuysen Township	2.097	1.878
Hillside Township	6.882	2.822	Greenwich Township	2.584	1.922
Kenilworth Borough	3.912	1.873	Hackettstown Town	2.458	2.360
Linden City	5.309	2.391	Hardwick Township	2.797	1.890
Mountainside Borough	5.626	1.460	Harmony Township	2.302	1.685
New Providence Borough	4.082	2.029	Hope Township	2.214	2.012
Plainfield City	6.748	2.471	Independence Township	1.987	1.954
Rahway City	5.128	2.163	Knowlton Township	3.247	2.129
Roselle Borough	7.312	3.154	Liberty Township	2.846	2.237
Roselle Park Borough	11.626	2.584	Lopatcong Township	2.039	2.042
Scotch Plains Township	8.997	2.148	Mansfield Township	3.031	2.214
Springfield Township	5.771	2.087	Oxford Township	2.698	2.370
Summit City	3.739	1.610	Phillipsburg Town	2.565	2.319
Union Township	15.887	2.271	Pohatcong Township	3.497	2.713
Westfield Town	7.272	1.807	Washington Borough	4.488	2.876
Winfield Township	196.396	16.428	Washington Township	3.081	2.288
			White Township	2.012	1.572

Abstract of Ratables and Exemptions 2010

	Col. 1	Col. 2	Col. 3	Col. 4
	TAXABLE VALUE			
COUNTY	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)	Total Taxable Value of Land and Improvements (Col. 1(a) + (b))	Net Total Taxable Value of Land and Improvements (Col. 2 - 3)
Atlantic	\$ 21,959,388,995	\$ 25,828,767,400	\$ 47,788,156,395	\$ 47,758,022,095
Bergen	84,454,481,049	74,755,845,206	159,210,326,255	159,201,628,355
Burlington	13,457,580,656	26,994,808,536	40,452,389,192	40,332,533,012
Camden	9,241,935,507	19,752,273,062	28,994,208,569	28,929,168,139
Cape May	37,186,768,800	16,224,125,147	53,410,893,947	53,410,892,947
Cumberland	1,531,387,200	4,622,284,400	6,153,671,600	6,136,281,900
Essex	34,713,649,311	40,705,221,276	75,418,870,587	75,089,255,587
Gloucester	4,778,144,713	12,911,813,722	17,689,958,435	17,611,538,635
Hudson	7,580,446,090	14,531,622,026	22,112,068,116	21,951,680,966
Hunterdon	8,319,079,043	12,574,982,569	20,894,061,612	20,884,569,312
Mercer	14,432,160,906	21,238,708,949	35,670,869,855	35,612,093,875
Middlesex	17,044,414,984	31,378,039,353	48,422,454,337	48,341,622,837
Monmouth	55,356,716,330	52,599,622,600	107,956,338,930	107,882,261,590
Morris	35,882,780,798	40,240,712,242	76,123,493,040	76,116,569,640
Ocean	54,459,688,380	42,694,117,615	97,153,805,995	97,152,711,095
Passaic	15,356,176,289	18,361,318,778	33,717,495,067	33,714,082,467
Salem	1,620,249,660	3,752,314,339	5,372,563,999	5,368,795,999
Somerset	21,747,085,866	31,794,819,394	53,541,905,260	53,533,032,610
Sussex	7,607,149,149	10,075,380,311	17,682,529,460	17,682,529,460
Union	9,614,266,050	14,371,132,800	23,985,398,850	23,958,585,150
Warren	3,788,351,534	7,421,317,239	11,209,668,773	11,196,821,873
TOTALS	\$460,131,901,310	\$522,829,226,964	\$982,961,128,274	\$981,864,677,544

Abstract of Ratables and Exemptions 2010 (continued)

	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
COUNTY	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	TRUE VALUE (a) U.E.Z. Abatement Expired (b) Class II Railroad Property (C.139, L. 1966)	EQUALIZATION (a) Amounts Deducted Under R.S. 54:3-17 to R.S. 54:3-19
Atlantic	\$ 69,507,469	\$ 47,827,529,564				
Bergen	285,137,988	159,486,766,343				
Burlington	109,199,913	40,441,732,925				
Camden	104,675,388	29,033,843,527				
Cape May	39,832,963	53,450,725,910				
Cumberland	26,879,950*	6,158,343,700				\$101,800
Essex	167,175,713	75,256,431,300				
Gloucester	159,535,690	17,771,074,325				
Hudson	38,886,432	21,990,567,398				
Hunterdon	58,189,352	20,942,758,664				
Mercer	101,633,897	35,713,727,772			\$2,073,737	
Middlesex	124,938,949	48,466,561,786				
Monmouth	228,100,957	108,110,362,547				
Morris	148,405,358	76,264,974,998				
Ocean	152,441,299	97,305,152,394				
Passaic	58,024,700	33,772,107,167				
Salem	20,674,686	5,389,470,685				
Somerset	107,004,572	53,640,037,182				
Sussex	34,228,867	17,716,758,327				
Union	36,523,357	23,995,108,507				
Warren	32,138,774	11,228,960,647				
TOTALS	\$2,103,136,274	\$983,962,995,668			\$2,073,737	\$101,800

*Includes Cumberland County, Millville City Revenue Allocation District \$4,818,150

Abstract of Ratables and Exemptions 2010 (continued)

Col. 12—APPORTIONMENT OF TAXES

COUNTY	Section A County Taxes			Section B		
	III Net County Taxes Apportioned	IV Municipal Budget State Aid (R.S. 52:27D-118.40)	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV- Addendum 1(a))	(a) County Library Taxes	(b) County Health Taxes	(c) County Open Space Taxes
Atlantic	\$ 146,224,156.38		\$ 146,224,156.38	\$ 8,063,043.00	\$ 6,194,455.00	\$ 2,776,325.26
Bergen	352,741,117.00		352,741,117.00			4,585,302.50
Burlington	160,172,090.00		160,172,090.00	11,175,000.00		20,757,912.42
Camden	256,577,245.00		256,577,245.00	8,384,057.00		
Cape May	92,412,096.25		92,412,096.25	9,204,212.13		5,353,509.35
Cumberland	82,938,491.00		82,938,491.00		2,163,228.00	963,843.54
Essex	373,755,353.78		373,755,353.78			14,456,525.72
Gloucester	148,020,000.00		148,020,000.00	4,476,556.00		11,626,171.99
Hudson	269,353,339.00		269,353,339.00			695,215.00
Hunterdon	68,826,000.00		68,826,000.00	5,428,637.00		7,173,000.00
Mercer	230,930,019.00		230,930,019.00	12,887,674.00		9,488,951.78
Middlesex	308,640,000.00		308,640,000.00			22,165,430.00
Monmouth	302,475,000.00		302,475,000.00	12,150,000.00	1,755,000.00	18,860,693.68
Morris	209,993,182.63		209,993,182.63			23,024,715.78
Ocean	287,002,464.00		287,002,464.00	32,116,696.00	10,986,000.00	12,661,284.00
Passaic	292,181,887.00		292,181,887.00			5,564,571.73
Salem	50,047,770.41		50,047,770.41			1,167,814.27
Somerset	168,829,100.00		168,829,100.00	13,478,700.00		19,072,340.08
Sussex	75,209,568.00	\$1,523.00	75,208,045.00	4,541,398.00	2,031,935.00	1,354,766.00
Union	277,356,170.00		277,356,170.00			11,334,164.83
Warren	67,400,786.00		67,400,786.00	4,887,450.00		8,081,460.93
TOTALS	\$4,221,085,835.45	\$1,523.00	\$4,221,084,312.45	\$126,793,423.13	\$23,130,618.00	\$201,163,998.86

Abstract of Ratables and Exemptions 2010 (continued)

COUNTY	Col. 12—APPORTIONMENT OF TAXES					
	Section C			Section C		
	Local Taxes to be Raised for			Local Taxes to be Raised for		
	I			II		
	DISTRICT SCHOOL PURPOSES			LOCAL MUNICIPAL PURPOSES		
(a)	(b)	(c)	(a)	(b)	(c)	(a)
District School Budget (Adjusted by Addendum 1(b))	Regional Consolidated and Joint School Budgets	Local School Budget	Local Municipal Budget (Adjusted by Addendum 1(c))	Local Municipal Open Space		
Atlantic	\$ 358,735,803.50	\$ 58,542,171.51	\$ 5,846,588.00	\$ 381,525,030.47	\$ 540,866.00	
Bergen	1,649,093,661.09	233,765,994.79		1,033,606,088.03	4,832,239.09	
Burlington	522,245,111.00	169,665,186.58		211,034,214.69	8,029,983.66	
Camden	527,985,989.54	59,442,999.01		273,526,481.15	2,587,749.73	
Cape May	128,479,646.00	18,860,045.00		178,071,907.78		
Cumberland	59,086,846.00	8,246,562.04		60,192,450.85		
Essex	808,230,326.99	131,208,603.54	31,458,124.90	761,769,210.28	2,696,631.99	
Gloucester	331,638,753.50	55,592,804.16		166,312,721.72	2,284,664.07	
Hudson	374,468,368.50		13,857,260.17	596,633,287.35	607,228.61	
Hunterdon	211,809,637.16	119,090,081.94		59,096,437.77	5,078,892.08	
Mercer	262,253,719.75	269,746,463.57	1,882,187.00	268,733,267.14	6,424,532.99	
Middlesex	1,201,777,878.19	57,682,374.75	882,589.09	557,171,250.94	6,520,953.60	
Monmouth	860,714,576.95	319,619,578.33		468,736,012.33	12,787,783.30	
Morris	849,161,435.50	257,127,750.73		430,664,085.58	10,864,226.95	
Ocean	498,177,251.88	217,881,533.20	5,250,925.00	389,290,441.12	7,721,093.38	
Passaic	499,205,332.00	47,049,597.00		412,447,850.01	1,695,415.00	
Salem	46,377,178.50	18,935,343.02		20,228,506.89	583,015.11	
Somerset	395,190,057.50	321,150,286.43		199,003,825.69	13,500,231.21	
Sussex	196,313,701.01	72,468,829.24		97,638,823.85	825,309.89	
Union	681,808,410.00	75,575,223.64	3,398,886.00	541,651,847.77	231,318.96	
Warren	111,896,635.00	43,210,279.00		49,020,529.92	2,478,343.86	
TOTALS	\$10,574,650,319.56	\$2,554,861,707.48	\$62,576,560.16	\$7,156,354,271.33	\$90,290,479.48	

Abstract of Ratables and Exemptions 2010 (continued)

COUNTY	REAL PROPERTY EXEMPT FROM TAXATION			
	(a) Public School Property	(b) Other School Property	(c) Public Property	(d) Church and Charitable Property
	Section D			
	Total Tax Levy			
	on Which			
	Tax Rate is			
	Computed			
	(Cols. AV + B(a), (b), (c)			
	+ CI(a), (b), (c)			
	+ CH(a), (b))			
Atlantic	\$ 968,448,439.12	\$ 66,778,100	\$ 3,055,613,414	\$ 505,611,890
Bergen	3,278,624,402.50	887,657,200	8,741,374,100	1,659,664,500
Burlington	1,103,079,498.35	130,077,650	2,356,227,449	803,831,250
Camden	1,128,504,521.43	1,391,486,419	1,317,145,363	1,059,832,198
Cape May	432,381,416.51	397,309,200	2,645,074,500	546,652,700
Cumberland	213,591,421.43	295,802,400	850,219,500	166,140,900
Essex	2,123,574,777.20	2,345,130,452	1,367,973,326	1,951,895,556
Gloucester	719,951,671.44	514,085,900	169,037,483	319,882,550
Hudson	1,255,614,698.63	765,119,100	367,566,600	549,527,990
Hunterdon	476,502,685.95	394,056,746	2,085,500	236,920,540
Mercer	1,062,346,815.23	914,315,652	2,176,404,200	715,098,957
Middlesex	2,154,840,476.57	1,454,293,022	1,427,630,600	1,020,392,991
Monmouth	1,997,098,644.59	1,886,168,000	378,909,900	1,162,034,000
Morris	1,780,835,397.17	1,271,474,400	410,807,800	1,024,862,700
Ocean	1,461,087,688.58	1,410,988,800	310,237,800	824,760,659
Passaic	1,258,144,652.74	1,016,469,800	2,466,719,056	829,510,900
Salem	137,339,628.20	203,698,000	1,839,634,036	129,854,921
Somerset	1,130,224,540.91	812,526,496	4,977,186,337	477,941,507
Sussex	450,382,807.99	350,275,676	3,834,858,000	251,238,505
Union	1,591,356,021.20	680,339,000	5,192,024,000	689,218,600
Warren	286,975,484.71	254,079,154	411,321,185	204,060,214
TOTALS	\$25,010,905,690.45	\$21,418,727,437	\$8,592,188,753	\$15,128,934,028

Col. I3

Col. 12

Abstract of Ratables and Exemptions 2010 (continued)

Col. 13

Col. 14

COUNTY	REAL PROPERTY EXEMPT FROM TAXATION			AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation (Cols. a + b + c + d + e + f)	(a) Surplus Revenue Appropriated	(b) Miscellaneous Revenues Anticipated
Atlantic	\$ 22,192,400	\$ 2,806,645,780	\$ 7,426,445,054	\$ 19,964,855.00	\$ 96,067,260.22
Bergen	611,981,400	3,162,418,820	17,922,786,720	83,089,068.83	244,364,528.71
Burlington	23,417,600	930,390,755	5,475,759,754	56,584,082.00	114,502,091.69
Camden	56,476,400	1,424,575,982	5,341,921,262	27,155,489.50	274,331,148.81
Cape May	7,494,500	510,201,600	4,145,146,500	22,829,310.35	68,589,964.60
Cumberland	6,631,700	391,337,900	1,733,035,100	13,659,121.80	62,407,392.24
Essex	258,018,000	2,916,211,565	15,900,869,066	49,447,127.54	738,949,492.13
Gloucester	10,364,700	399,663,854	1,939,326,343	32,128,837.05	70,605,074.84
Hudson	67,642,500	4,694,308,177	8,805,908,547	26,101,419.00	573,372,055.76
Hunterdon	14,505,800	191,527,526	1,847,997,652	20,028,807.00	34,380,256.17
Mercer	35,014,100	823,096,710	7,632,648,675	22,961,534.21	258,163,220.94
Middlesex	128,489,500	1,656,409,808	7,526,849,957	61,348,295.28	306,540,161.89
Monmouth	163,612,200	2,312,510,400	10,880,420,837	85,633,470.60	201,799,687.28
Morris	68,788,800	785,023,600	7,395,815,300	63,500,081.39	146,572,901.68
Ocean	38,919,400	922,824,383	8,699,755,042	58,358,688.03	141,979,282.17
Passaic	141,400,500	950,359,103	5,659,987,883	29,292,735.29	208,892,367.37
Salem	3,943,800	208,745,045	831,447,766	11,419,099.85	32,643,821.23
Somerset	32,279,100	788,618,809	3,728,954,276	53,450,487.50	82,104,181.40
Sussex	7,288,800	218,950,700	1,927,044,857	12,814,052.95	29,278,692.57
Union	114,884,600	852,161,450	4,030,275,250	58,930,666.00	236,468,414.28
Warren	9,704,400	280,085,860	1,255,927,713	14,448,707.00	31,895,778.44
TOTALS	\$1,823,050,200	\$27,226,067,827	\$130,108,323,554	\$823,145,936.17	\$3,953,907,774.42

Abstract of Ratables and Exemptions 2010 (continued)

COUNTY	Col. 14		Col. 15		Col. 16
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET				
	(c) Receipts from Delinquent Tax and Liens	(d) Total of Miscellaneous Revenues (Cols. a + b + c)	(a) Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	(b) Veterans Deductions	Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
Atlantic	\$ 5,466,921.91	\$ 121,499,037.13	\$ 643,875	\$ 2,121,250	\$ 55,351,394,371
Bergen	38,693,780.18	366,147,377.72	1,737,750	6,541,750	181,918,484,657
Burlington	15,749,417.12	186,835,590.81	1,063,000	4,644,250	51,698,523,285
Camden	15,264,849.48	316,751,487.79	1,799,750	3,903,500	41,267,407,515
Cape May	5,812,372.14	97,231,647.09	342,675	1,331,530	53,397,368,375
Cumberland	4,598,662.00	80,665,176.04	706,875	1,094,875	9,458,607,432
Essex	48,531,684.72	836,928,304.39	728,125	2,589,325	94,905,070,726
Gloucester	13,838,950.00	116,572,861.89	951,625	2,752,750	28,983,657,842
Hudson	36,584,472.29	636,057,947.05	804,250	1,345,250	65,585,858,561
Hunterdon	6,819,834.42	61,228,897.59	158,250	971,750	23,817,653,871
Mercer	6,277,737.00	287,402,492.15	752,750	2,428,000	47,226,278,432
Middlesex	13,430,778.00	381,319,235.17	1,627,750	5,534,000	110,873,215,781
Monmouth	25,001,355.02	312,434,512.90	937,250	4,764,250	125,396,057,321
Morris	18,354,551.09	228,427,534.16	660,250	3,576,000	101,949,354,455
Ocean	26,437,967.78	226,775,937.98	2,936,875	8,824,750	106,574,515,015
Passaic	15,059,210.34	253,244,313.00	891,250	2,587,250	55,137,394,847
Salem	4,395,075.00	48,457,996.08	240,500	727,000	5,741,898,044
Somerset	10,834,650.00	146,389,318.90	456,750	1,979,250	63,377,342,133
Sussex	9,251,362.79	51,344,108.31	306,833	1,304,375	20,768,902,249
Union	22,065,265.76	317,464,346.04	1,083,375	3,142,250	74,720,392,278
Warren	6,373,739.91	52,718,225.35	269,750	988,500	13,395,092,436
TOTALS	\$348,842,636.95	\$5,125,896,347.54	\$19,099,508	\$63,151,855	\$1,331,544,469,624

Abstract of Ratables and Exemptions 2010 (continued)

Addendum 1		Addendum 2					
COUNTY	STATE AID ADJUSTMENT FOR BUSINESS PERSONAL PROPERTY TAX			REGIONAL EFFICIENCY AID PROGRAM (R.E.A.P.) DISTRIBUTION SUMMARY			
	(a)	(b)	(c)	(a)	(b)	(c)	
	County Adjustment	School Adjustment	Municipal Adjustment	Eligible Property Assessments	Municipal R.E.A.P. Aid	School R.E.A.P. Aid	County R.E.A.P. Aid
							(e) Total R.E.A.P. Aid
Atlantic							
Bergen		\$ 172,653					
Burlington		96,573					
Camden		403,350		\$ 22,963,088			
Cape May		6,881					
Cumberland		26,125					
Essex		1,272,494					
Gloucester		99,983					
Hudson				677,261,240			
Hunterdon							
Mercer							
Middlesex		43,246					
Monmouth							
Morris		479,212					
Ocean		8,923					
Passaic		38,219					
Salem		53,086					
Somerset		143,212					
Sussex							
Union							
Warren							
TOTALS		\$2,843,957		\$700,224,328			

2010 Assessed Value of Partial Exemptions and Abatements (Summary Addendum to Abstract of Ratables)

COUNTY	Pollution Control	Fire Suppression	Fallout Shelter	Water/		Home Improvement	Multi-Family Dwelling	Class 4 Abatement
				Sewage Facility	UEZ Abatement			
Atlantic	-	-	-	-	-	-	-	-
Bergen	-	\$ 2,264,900	-	-	-	-	-	-
Burlington	\$ 1,500,000	5,987,000	\$ 2,500	-	\$ 2,717,800	-	-	-
Camden	-	769,300	-	-	636,480	-	-	-
Cape May	-	-	1,000	-	-	-	-	-
Cumberland	2,497,300	-	-	-	6,390,500	-	-	-
Essex	458,000	469,400	-	-	317,886,900	-	-	\$721,600
Gloucester	44,571,200	-	204,600	-	-	-	-	-
Hudson	10,000	-	-	\$2,500,000	-	\$30,000	\$6,350,300	-
Hunterdon	-	-	-	-	-	-	-	-
Mercer	-	5,754,200	100,600	-	46,853,240	-	-	-
Middlesex	9,785,100	38,017,800	-	-	-	-	-	-
Monmouth	-	1,820,200	-	2,102,400	-	-	-	-
Morris	198,400	6,061,200	-	151,300	-	-	-	-
Ocean	48,600	425,200	-	-	-	-	-	-
Passaic	-	499,600	-	-	-	-	-	-
Salem	-	-	-	-	-	-	-	-
Somerset	-	1,516,000	-	-	-	25,000	-	-
Sussex	-	-	-	-	-	-	-	-
Union	-	-	-	-	23,693,700	-	-	-
Warren	10,605,000	15,200	-	-	1,525,400	-	-	-
TOTALS	\$69,673,600	\$63,600,000	\$308,700	\$4,753,700	\$399,704,020	\$55,000	\$6,350,300	\$721,600

2010 Assessed Value of Partial Exemptions and Abatements (continued)

(Summary Addendum to Abstract of Ratables)

COUNTY	Dwelling Abatement	Dwelling Exemption	New Dwelling/ Conversion Abatement	New Dwelling/ Conversion Exemption	Multiple Dwelling/ Abatement	Multiple Dwelling/ Exemption	Commercial/ Industrial Exemption	Total Assessed Value (Col. 3 of Abstract)
Atlantic	\$ 30,000	\$ 9,246,400	\$ 2,281,800	\$ 8,099,200	-	-	\$ 10,476,900	\$ 30,134,300
Bergen	215,300	6,069,800	-	-	-	-	147,900	8,697,900
Burlington	4,367,900	10,000,280	-	-	\$ 9,000,000	-	86,280,700	119,856,180
Camden	4,287,700	28,078,950	-	-	-	-	31,268,000	65,040,430
Cape May	-	-	-	-	-	-	-	1,000
Cumberland	-	4,059,700	-	-	-	-	4,442,200	17,389,700
Essex	-	7,481,700	432,600	1,616,900	-	-	547,900	329,615,000
Gloucester	-	5,552,400	-	-	-	-	28,091,600	78,419,800
Hudson	24,254,600	14,628,150	60,135,200	-	8,229,900	\$411,500	43,837,500	160,387,150
Hunterdon	533,400	-	-	-	-	-	8,958,900	9,492,300
Mercer	-	5,629,100	-	-	167,300	-	271,540	58,775,980
Middlesex	11,362,100	21,641,500	-	-	-	-	25,000	80,831,500
Monmouth	2,365,300	10,298,700	3,641,400	6,023,500	-	-	47,825,840	74,077,340
Morris	25,000	291,200	-	-	-	-	196,300	6,923,400
Ocean	-	621,100	-	-	-	-	-	1,094,900
Passaic	2,913,000	-	-	-	-	-	-	3,412,600
Salem	-	24,000	-	-	-	-	3,744,000	3,768,000
Somerset	2,217,500	5,085,650	-	-	-	-	28,500	8,872,650
Sussex	-	-	-	-	-	-	-	-
Union	-	-	-	-	-	-	3,120,000	26,813,700
Warren	-	-	-	-	-	-	701,300	12,846,900
TOTALS	\$52,571,800	\$128,708,630	\$66,491,000	\$15,739,600	\$17,397,200	\$411,500	\$269,964,080	\$1,096,450,730

Summary of 2010 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

Col. 1

DISPOSITIONS

COUNTY	Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Property Tax Deduction Granted	Property Tax Deduction Denied	Farmland Assessment Granted
Atlantic	935	347	4,825	0	523	462	493	1	0	0
Bergen	2,357	441	2,739	0	542	2,481	409	0	1	0
Burlington	235	220	750	0	107	22	124	4	2	1
Camden	118	95	595	0	95	12	298	14	3	0
Cape May	333	95	1,175	0	103	144	71	2	0	0
Cumberland	31	24	448	0	15	9	37	21	0	0
Essex	366	411	3,475	0	681	1,979	320	24	0	0
Gloucester	712	38	466	0	34	11	92	0	0	2
Hudson	1,470	332	3,776	0	224	1,130	817	0	0	0
Hunterdon	46	13	505	0	29	43	54	0	0	0
Mercer	254	167	1,066	0	155	197	252	0	0	0
Middlesex	367	194	3,644	0	168	886	214	6	0	5
Monmouth	524	616	2,613	0	509	812	292	9	2	0
Morris	387	446	1,130	2	299	527	387	10	0	0
Ocean	1,459	261	3,718	0	652	431	1,152	25	8	0
Passaic	364	242	768	1	268	1,370	85	0	2	0
Salem	109	184	114	0	55	2	52	3	0	4
Somerset	106	58	444	0	67	147	45	5	0	0
Sussex	325	188	438	0	144	298	72	0	1	0
Union	61	142	1,348	0	211	1,018	319	0	0	0
Warren	28	425	244	0	47	36	25	0	0	0
TOTALS	10,587	4,939	34,281	3	4,928	12,017	5,610	124	19	12

Summary of 2010 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

COUNTY	Col. 1		Col. 2		Col. 3				
	Farmland Assessment Denied	Classification	R.E.A.P. Credit	Other	Total Number of Appeals	CLASSIFICATION			
						Class 1 Vacant Land	Class 2 Residential	Class 3A Farm Regular	Class 3B Farm Qualified
Atlantic	0	0	0	77	7,663	1,212	5,871	17	0
Bergen	0	0	0	34	9,004	231	7,506	0	1
Burlington	7	14	0	0	1,486	82	1,210	3	8
Camden	0	6	0	2	1,238	58	960	5	0
Cape May	0	0	0	0	1,923	287	1,556	0	0
Cumberland	0	3	0	0	588	83	430	25	0
Essex	0	16	0	0	7,272	514	5,307	1	1
Gloucester	3	2	0	4	1,364	46	1,164	15	4
Hudson	0	14	0	0	7,763	292	5,908	0	0
Hunterdon	0	10	0	1	701	80	533	15	2
Mercer	0	0	0	13	2,104	53	1,733	13	0
Middlesex	0	2	0	0	5,486	244	4,633	10	0
Monmouth	1	5	0	15	5,398	607	4,125	58	150
Morris	0	2	0	0	3,190	543	2,350	12	0
Ocean	0	4	0	0	7,710	1,682	5,691	8	0
Passaic	0	1	0	1,440	4,541	235	3,362	11	0
Salem	1	0	0	2	526	155	309	17	1
Somerset	0	1	0	0	873	55	623	6	0
Sussex	5	2	0	2	1,475	204	1,157	17	7
Union	0	4	0	1	3,104	157	1,927	0	0
Warren	0	7	0	7	819	268	442	18	5
TOTALS	17	93	0	1,598	74,228	7,088	56,797	251	179

Summary of 2010 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

Col. 3

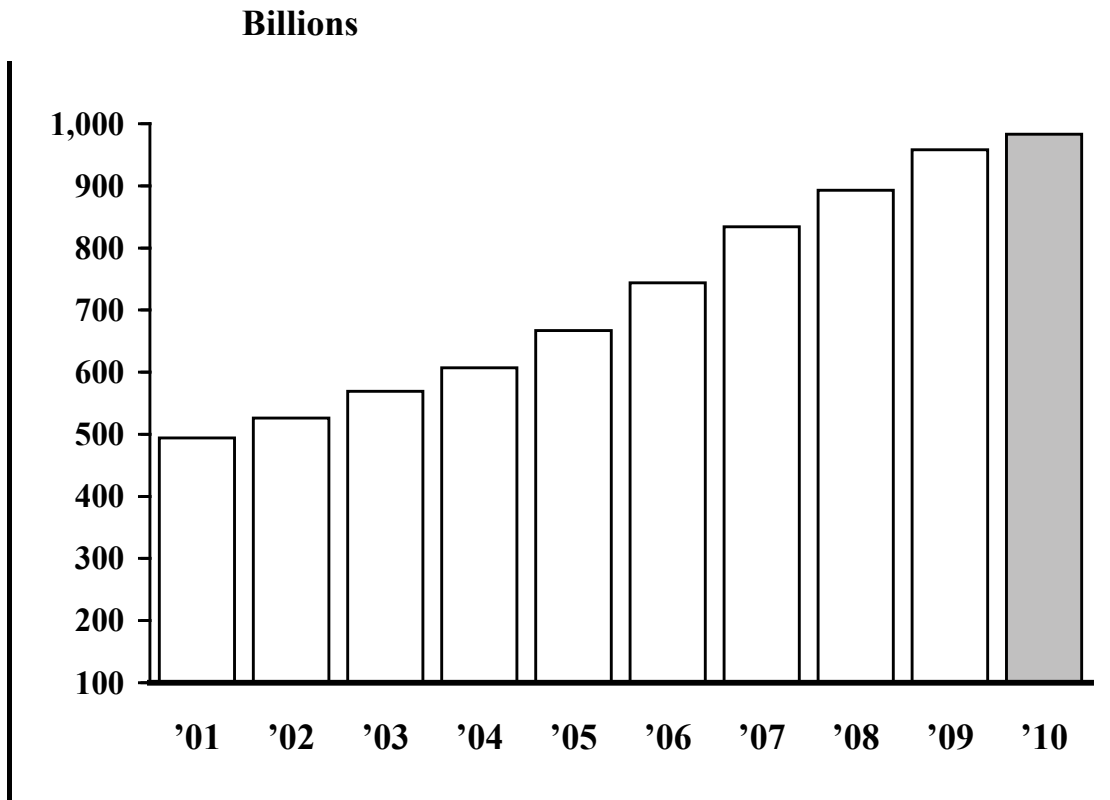
Col. 4

COUNTY	CLASSIFICATION			FILING FEE					Class \$25
	Class 4 Commercial Industrial Apartment	Other	Total Number of Appeals by Class	\$5	\$25	\$100	\$150		
Atlantic	555	8	7,663	1,595	4,536	1,121	335	0	
Bergen	1,260	6	9,004	77	4,060	2,964	1,190	1	
Burlington	173	10	1,486	141	799	271	101	12	
Camden	212	3	1,238	201	680	209	61	7	
Cape May	80	0	1,923	209	858	443	405	0	
Cumberland	48	2	588	170	348	16	8	10	
Essex	1,440	9	7,272	1,856	2,883	1,829	505	0	
Gloucester	133	2	1,364	102	548	85	16	3	
Hudson	1,554	9	7,763	3,022	3,885	424	78	0	
Hunterdon	70	1	701	57	317	269	38	11	
Mercer	295	10	2,104	591	683	457	232	7	
Middlesex	598	1	5,486	2,133	2,818	429	50	1	
Monmouth	456	2	5,398	702	1,708	1,310	510	0	
Morris	283	2	3,190	531	1,515	893	184	2	
Ocean	325	4	7,710	2,153	3,201	1,243	466	186	
Passaic	929	4	4,541	564	3,134	696	68	0	
Salem	43	1	526	217	234	25	10	11	
Somerset	188	1	873	39	376	286	109	1	
Sussex	83	7	1,475	235	750	320	19	0	
Union	1,020	0	3,104	1,281	1,439	341	32	4	
Warren	86	0	819	272	430	73	17	0	
TOTALS	9,831	82	74,228	16,148	35,202	13,704	4,434	256	

Summary of 2010 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

COUNTY	Col. 4		Col. 5		Col. 6		Col. 7		Col. 8	
	Other \$25	No Fee	Total	Original Amount of Assessed Valuation Appealed	ASSESSED VALUATION AMOUNTS		Total Amount of Assessed Valuation Increase	Adjusted Net Assessments (Col. 5 - 6 + 7)		
					Total Amount of Assessed Valuation Reduction	Total Amount of Assessed Valuation Increase				
Atlantic	0	76	7,663	\$ 2,963,891,674	\$ 414,119,522	\$ 1,489,200	\$ 2,551,261,352			
Bergen	0	712	9,004	7,410,234,829	585,166,542	659,255	6,825,727,542			
Burlington	4	158	1,486	803,142,664	74,589,735	1,094,827	729,647,756			
Camden	2	78	1,238	524,961,928	32,758,969	85,200	492,288,159			
Cape May	0	8	1,923	1,401,938,800	192,733,700	986,100	1,210,191,200			
Cumberland	0	36	588	137,102,400	22,642,600	29,400	114,489,200			
Essex	1	198	7,272	3,346,966,948	235,519,103	106,500	3,111,554,345			
Gloucester	1	609	1,364	394,710,000	46,321,278	27,627,700	376,016,422			
Hudson	16	338	7,763	1,775,556,107	218,858,725	575,600	1,557,272,982			
Hunterdon	0	9	701	377,133,850	42,775,800	0	334,358,050			
Mercer	0	134	2,104	1,113,848,000	87,291,700	562,300	1,027,118,600			
Middlesex	0	55	5,486	1,397,968,330	210,507,853	11,168,700	1,198,629,177			
Monmouth	924	244	5,398	3,588,715,400	283,670,177	1,482,440	3,306,527,663			
Morris	0	65	3,190	1,520,816,930	127,421,035	1,133,800	1,394,529,695			
Ocean	1	460	7,710	3,340,011,900	341,349,260	1,244,200	2,999,906,840			
Passaic	0	79	4,541	1,778,641,600	162,151,000	56,900	1,616,547,500			
Salem	0	29	526	125,441,200	9,338,675	3,600	116,106,125			
Somerset	0	62	873	596,130,002	45,075,450	305,700	551,360,252			
Sussex	3	148	1,475	539,574,052	53,491,846	1,359,900	487,442,106			
Union	0	7	3,104	782,365,800	60,692,220	34,300	721,707,880			
Warren	9	18	819	268,252,080	18,196,060	24,300	250,080,320			
TOTALS	961	3,523	74,228	\$34,187,404,494	\$3,264,671,250	\$50,029,922	\$30,972,763,166			

Total Taxable Value Land and Improvements in New Jersey 2001 – 2010



2010 County Values

Atlantic	\$ 47,788,156,395	Middlesex	\$ 48,422,454,337
Bergen	159,210,326,255	Monmouth	107,956,338,930
Burlington	40,452,389,192	Morris	76,123,493,040
Camden	28,994,208,569	Ocean	97,153,805,995
Cape May	53,410,893,947	Passaic	33,717,495,067
Cumberland	6,153,671,600	Salem	5,372,563,999
Essex	75,418,870,587	Somerset	53,541,905,260
Gloucester	17,689,958,435	Sussex	17,682,529,460
Hudson	22,112,068,116	Union	23,985,398,850
Hunterdon	20,894,061,612	Warren	11,209,668,773
Mercer	35,670,869,855	Total	\$982,961,128,274

Taxes Administered by the Public Utility Tax Section for 2011 (Calendar Year Due)

Public Utility Taxes (Excise, Franchise, and Gross Receipts Taxes), Transitional Energy Facility Assessment (TEFA), and Uniform Transitional Utility Assessment (UTUA)

Assessed by the State and Available for Appropriation and Distribution to Municipalities
Distribution Subject to Budgetary and Statutory Limitations and Restrictions

PUBLIC UTILITY TAXES

Classification	No. of Companies	Excise Taxes	Franchise Taxes	Gross Receipts Taxes	TEFA	UTUA (CBT)	UTUA (S&U-EN)
Sewer Companies.....	16	\$ 652,111	\$ 1,821,695	\$ 3,259,735	NA	NA	NA
Water Companies	32	14,132,175	42,235,777	66,996,277	NA	NA	NA
Energy Companies	17	NA	NA	NA	243,387,604	97,787,869	437,210,942
Telephone Companies	3	NA	NA	NA	NA	1,540,148	NA
Totals	68	\$14,784,286	\$44,057,472	\$70,256,012	\$243,387,604	\$99,328,017	\$437,210,942

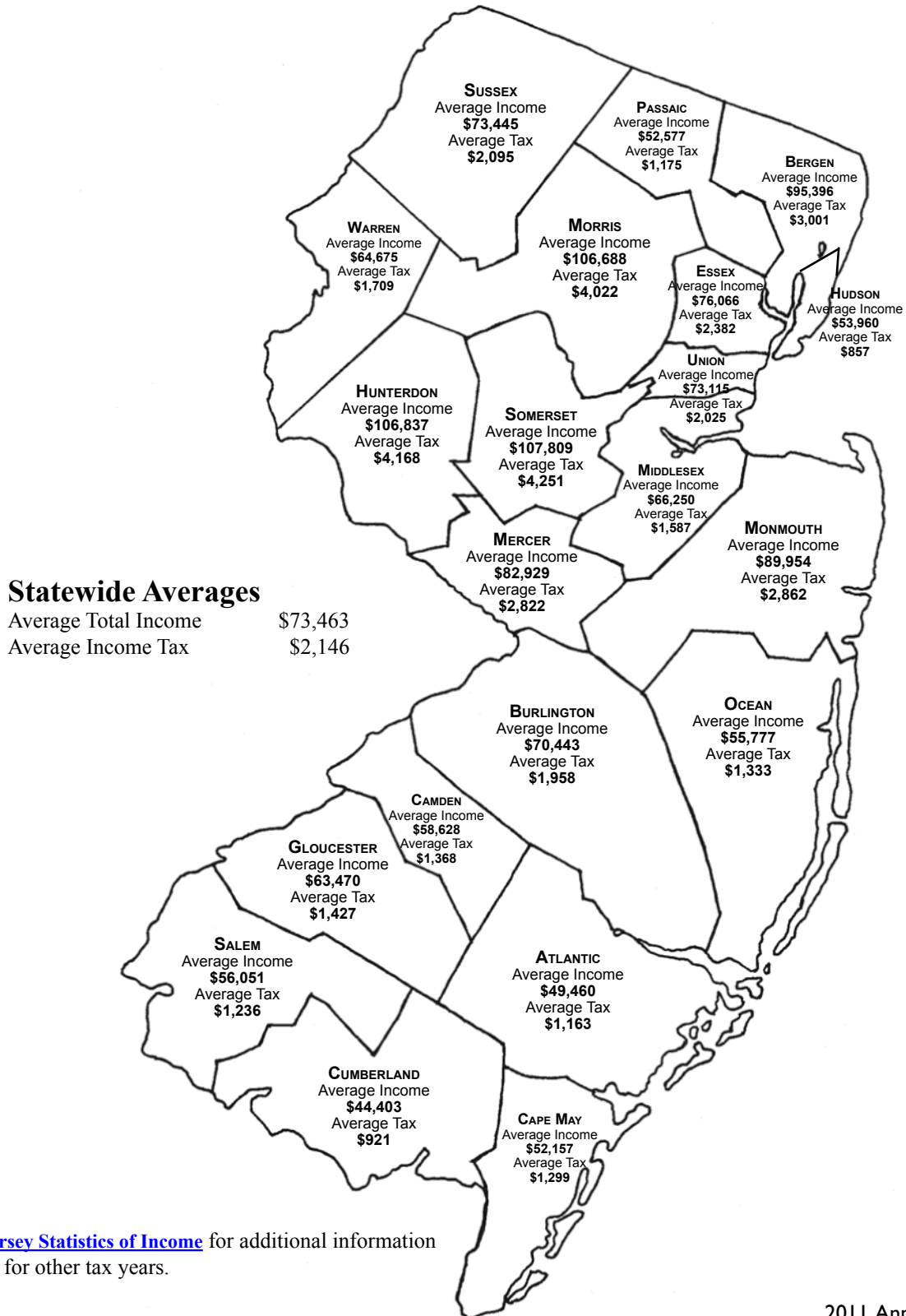
Total Net Tax Assessed.....\$909,024,333

Individual Income Tax Returns County Profile 2009*

County	No. of Returns	NJ Taxable Income	Net Charged Tax
Atlantic	126,563	\$ 5,328,371,879	\$ 147,146,566
Bergen	410,292	35,528,494,829	1,231,261,955
Burlington	197,797	12,218,226,366	387,314,199
Camden	219,690	11,229,475,759	300,637,287
Cape May	45,084	1,968,109,529	58,558,287
Cumberland	63,889	2,417,628,162	58,872,815
Essex	325,672	22,538,945,232	775,749,978
Gloucester	124,661	6,873,650,791	177,857,734
Hudson	277,394	13,667,480,112	237,681,241
Hunterdon	58,609	5,665,222,792	244,263,436
Mercer	154,248	11,524,693,070	435,241,397
Middlesex	357,347	20,857,991,803	567,149,692
Monmouth	285,484	23,056,764,859	817,073,567
Morris	226,478	21,957,064,832	910,814,963
Ocean	252,696	11,636,061,306	336,738,327
Passaic	223,460	10,173,539,378	262,639,178
Salem	28,454	1,367,158,639	35,171,126
Somerset	148,669	14,674,969,969	631,964,069
Sussex	67,358	4,324,211,593	141,147,681
Union	239,408	15,665,158,041	484,886,102
Warren	48,801	2,721,047,375	83,417,618
County Unknown	21,581	2,231,766,882	106,870,374
Totals	3,903,635	\$257,626,033,200	\$8,432,457,592

*See [New Jersey Statistics of Income](#) for additional information and reports for other tax years.

Average Total Income and Average Income Tax By County — Tax Year 2009*



*See [New Jersey Statistics of Income](#) for additional information and reports for other tax years.

**Sales and Use Tax Collections by Business Type
Return Years 2008–2010
(Dollar Amounts in Thousands)**

Business Type	Number of Vendors		Total Collections		% Change			
	2008	2009	2010	2008	2009	2010		
Exempt Organizations	789	779	746	\$ 6,398	\$ 8,396	\$ 8,425	31.2%	0.3%
Manufacturing	21,397	21,433	22,744	499,060	430,016	440,643	-13.8	2.5
Service	90,163	89,202	89,019	2,230,632	2,078,337	2,130,339	-6.8	2.5
Wholesale	11,505	11,216	11,266	343,934	316,796	325,770	-7.9	2.8
Construction	19,189	18,496	18,302	179,720	149,652	154,776	-16.7	3.4
Retail	74,690	71,109	69,922	4,156,832	3,852,874	3,906,814	-7.3	1.4
Government	32	31	29	1,060	2,885	1,498	172.1	-48.1
Not Classified	9,244	10,319	9,317	150,056	128,531	127,670	-14.3	-0.7
Totals	227,009	222,585	221,345	\$7,567,694	\$6,967,488	\$7,095,936	-7.9%	1.8%

2011 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
CORPORATION NET INCOME	7.5%	8.7%	8.25%	8.25%	6.5%, 7.5%, 9%	7.1%	8.85%	None	9.99%
PERSONAL INCOME¹	*3%– 6.7%	*0%– 6.95%	*2%– 5.5%	5.3%	*1.4%– 8.97%	*4%– 8.97%	*2.55%– 3.4%	*0.587%– 5.925%	3.07%
*Graduated Rates ¹ Personal income taxes differ by more than rates. See Individual Income Tax Provisions in the States , prepared by Rick Olin and Sandy Swain, Wisconsin Legislative Fiscal Bureau, January 2011.									
MOTOR FUEL¹									
• Excise Tax/Gal.									
Gasoline	\$0.25	\$0.23	\$0.235	\$0.21	\$0.145 ³	\$0.41	0	\$0.28	\$0.312
Diesel	\$0.396 ²	\$0.22	\$0.2425	\$0.21	\$0.175	\$0.3855	0	\$0.28	\$0.381
• Sales Tax	6.35%	None	6%	6.25%	0	4%	4.875%	5.5%	6%
¹ Sources: International Fuel Tax Association, Inc., 2nd Quarter 2011 Final Fuel Tax Rates , and Federation of Tax Administrators, State Motor Fuel Tax Rates, January 1, 2011. ² Effective July 1, 2010. ³ Liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways is taxed at ½ the general motor fuels tax rate (\$0.0525 per gallon).									
ALCOHOL									
• Excise Tax/Gal.									
Beer	\$0.24	\$0.16	\$0.09	\$0.11	\$0.12	\$0.14	\$0.26 ¹	\$0.18	\$0.08
Wine	\$0.72– \$1.80	\$0.97	\$0.40	\$0.55– \$0.70	\$0.875	\$0.30	\$0.30	\$0.30– \$1.48	See Foot- note 3
Liquor	\$2.46, \$5.40	\$3.64– \$5.46	\$1.50	\$1.10– \$4.05	\$5.50	\$2.54, \$6.44	\$3.54, \$7.44 ¹	See Foot- notes 2 and 3	See Foot- note 3
• Sales Tax	6.35%	None	6%	6.25%	7%	4%	8.875% ¹	5.5%	6%
¹ New York City rate includes New York State rate. ² Ohio Department of Liquor Control must pay the State Treasury \$3.38 for each gallon sold. ³ In these states, the government directly controls all sales. Revenue is generated from various taxes, fees, and net profits.									
TOBACCO									
• Excise Tax									
Cigarettes (20/pack)	\$3.40	\$1.60	\$2.00	\$2.51	\$2.70	\$4.35	\$1.50	\$1.25	\$1.60
Other Tobacco (% of Wholesale Price)	50%	15%	15%	30%	30%	75%	75%	17%	0
• Sales Tax	6.35%	None	6%	6.25%	7%	4%	4.875%	5.5%	6%

2011 Major Taxes Comparison with Nearby States (continued)

SALES AND USE	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
YEAR OF ADOPTION	1947	–	1947	1966	1966	1965	1965	1934	1953
CURRENT RATE	6.35%	None	6%	6.25%	7%	4% ¹	8.875% ²	5.5% ³	6% ⁴

¹ State rate is 4%; counties and municipalities may impose additional tax up to 4.125% plus an additional metropolitan area surcharge of .25%.

² New York City rate includes New York State rate.

³ State rate is 5.5%; each county may impose an additional 1.5%.

⁴ State rate is 6%; City of Philadelphia imposes an additional 1% for a total of 7%.

SALES AND USE TAX EXEMPTIONS

(T—Taxable; E—Exempt)

	CT	DE*	MD	MA	NJ	NY	NYC	OH	PA
Beer On–Premises	T	E	T	T	T	T	T	T	T
Beer Off–Premises	T	E	T	T	T	T	T	T	T
Cigarettes	T	E	T	T	T	T	T	T	T
Clothing	E ¹	E	T	E ²	E	T	T	T	E
Food Off–Premises	E ³	E	E ³	E ³	E ⁴	E ³	E ³	E ³	E ³
Liquor On–Premises	T	E	T	T	T	T	T	T	T
Liquor Off–Premises	T	E	T	T	T	T	T	T	T
Manufacturing Equipment	E	E	E	E	E	E	E	E	E
Motor Fuels	E	E	E	E ⁵	E	T	T	E	E

*Delaware does not impose sales and use taxes. Gross receipts taxes of varying amounts (less than 1%) imposed on different types of sales.

¹ Single article under \$50; however, single article \$50 or over is taxable.

² Single article \$175 and under; however, single article over \$175 is taxed on the amount in excess of \$175.

³ If purchase is in same form and condition as found in supermarket; however, prepared food ready to be eaten and snack food are subject to tax.

⁴ If purchase is of food and food ingredients and dietary supplements; however, prepared food, candy, and soft drinks are subject to tax.

⁵ If fuel is subject to excise tax. If not for “on-road use,” it is not subject to excise tax and, therefore, subject to sales tax. Example: Contractor has a bulldozer for “off-road use” which runs on diesel fuel. The fuel is not subject to excise tax; therefore, it is now subject to sales tax, unless used in performance of a government contract.

Major State Tax Rates (On July 1, 2011)

State	Personal Income ¹ (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels ² (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Alabama	*2%–5%	6.5%	4%	\$0.16	\$0.425
Alaska	None	*1–9.4	None	0.08	2.00
Arizona	*2.59–4.54	6.968	6.6	0.19	2.00
Arkansas	*1–7	*1–6.5	6	0.215	1.15
California	*1–10.3	8.84	7.25	0.357	0.87
Colorado	4.63	4.63	2.9	0.22	0.84
Connecticut	*3–6.7	7.5	6.35	0.25	3.40
Delaware	*0–6.95	8.7	None	0.23	1.60
Dist. of Columbia	*4–8.5	9.975	6	0.235	2.50
Florida	None	5.5	6	0.2987	1.339
Georgia	*1–6	6	4	0.172	0.37
Hawaii	*1.4–11	*4.4–6.4	4	0.17	3.20
Idaho	*1.6–7.8	7.6	6	0.26	0.57
Illinois	5	9.5	6.25	0.34	0.98
Indiana	3.4	8.5	7	0.18	0.995
Iowa	*0.36–8.98	*6–12	6	0.21	1.36
Kansas	*3.5–6.45	4	6.3	0.24	0.79
Kentucky	*2–6	*4–6	6	0.264	0.60
Louisiana	*2–6	*4–8	4	0.20	0.36
Maine	*2–8.5	*3.5–8.93	5	0.30	2.00
Maryland	*2–5.5	8.25	6	0.235	2.00
Massachusetts	5.3, 12 ³	8.25	6.25	0.21	2.51
Michigan	4.35	4.95	6	0.19	2.00
Minnesota	*5.35–7.85	9.8	6.875	0.28	1.57
Mississippi	*3–5	*3–5	7	0.18	0.68

Major State Tax Rates (continued)

(On July 1, 2011)

State	Personal Income ¹ (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuel ² (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Missouri	*1.5%–6%	6.25%	4.225%	\$0.17	\$0.17
Montana	*1–6.9	6.75	None	0.27	1.70
Nebraska	*2.56–6.84	*5.58–7.81	5.5	0.263	0.64
Nevada	None	None	6.85	0.23	0.80
New Hampshire	5 ⁴	8.5	None	0.19625	1.68
New Jersey	*1.4–8.97	6.5, 7.5, 9	7	0.145	2.70
New Mexico	*1.7–4.9	*4.8–7.6	5.125	0.18875	1.66
New York	*4–8.97	7.1	4	0.41	4.35
North Carolina	*6–7.75	6.9	4.75	0.35	0.45
North Dakota	*1.84–4.86	*2.1–6.4	5	0.23	0.44
Ohio	*0.587–5.925	None	5.5	0.28	1.25
Oklahoma	*0.5–5.5	6	4.5	0.16	1.03
Oregon	*5–11	6.6, 7.6	None	0.30	1.18
Pennsylvania	3.07	9.99	6	0.312	1.60
Rhode Island	*3.75–9.9 ⁵	9	7	0.32	3.46
South Carolina	*0–7	5	6	0.16	0.57
South Dakota	None	None	4	0.24	1.53
Tennessee	6 ⁴	6.5	7	0.20	0.62
Texas	None	None	6.25	0.20	1.41
Utah	5	5	4.7	0.245	1.70
Vermont	*3.55–8.95	*6–8.5	6	0.2562	2.62
Virginia	*2–5.75	6	4	0.175	0.30
Washington	None	None	6.5	0.375	3.025
West Virginia	*3–6.5	8.5	6	0.322	0.55
Wisconsin	*4.6–7.75	7.9	5	0.329	2.52
Wyoming	None	None	4	0.14	0.60

*Graduated Rates

¹ Personal income taxes differ by more than rates. See [Individual Income Tax Provisions in the States](#), prepared by Rick Olin and Sandy Swain, Wisconsin Legislative Fiscal Bureau, January 2011.

² Sources: International Fuel Tax Association, Inc., [2nd Quarter 2011 Final Fuel Tax Rates](#), and Federation of Tax Administrators, State Motor Fuel Tax Rates, January 1, 2011.

³ Tax on capital gains.

⁴ Imposed on interest and dividend income only.

⁵ Or 25% of Federal income tax liability.

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