2007 Annual Report

State of New Jersey
Department of the Treasury
Division of Taxation

August 2008

The Honorable Jon S. Corzine
Governor

Members of the New Jersey Legislature

Dear Governor Corzine and Legislators:

I am pleased to present the *Annual Report of the Division of Taxation* for the fiscal year ended June 30, 2007.

The Division of Taxation strives to efficiently administer New Jersey's tax laws and regulations, including changes made to existing laws. During fiscal year 2007 we worked hard to implement the increase in the sales and use tax rate and the expansion of the tax base. We also continued to provide up-to-date information to taxpayers about the ongoing changes resulting from the State's participation in the Streamlined Sales and Use Tax Project.

We continue to expand our use of computer technology to enhance enforcement and collection efforts. For example, the Division's Data Warehouse team uses customized applications to identify taxpayers with unmet New Jersey tax obligations. In addition, other software tools assist management in tracking and analyzing progress on projects. One of these tools is ESKORT, an integrated tax audit system used to update and track audit cases in real time.

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

Respectfully submitted,

Maureen Adams

Maureen Adams
Director

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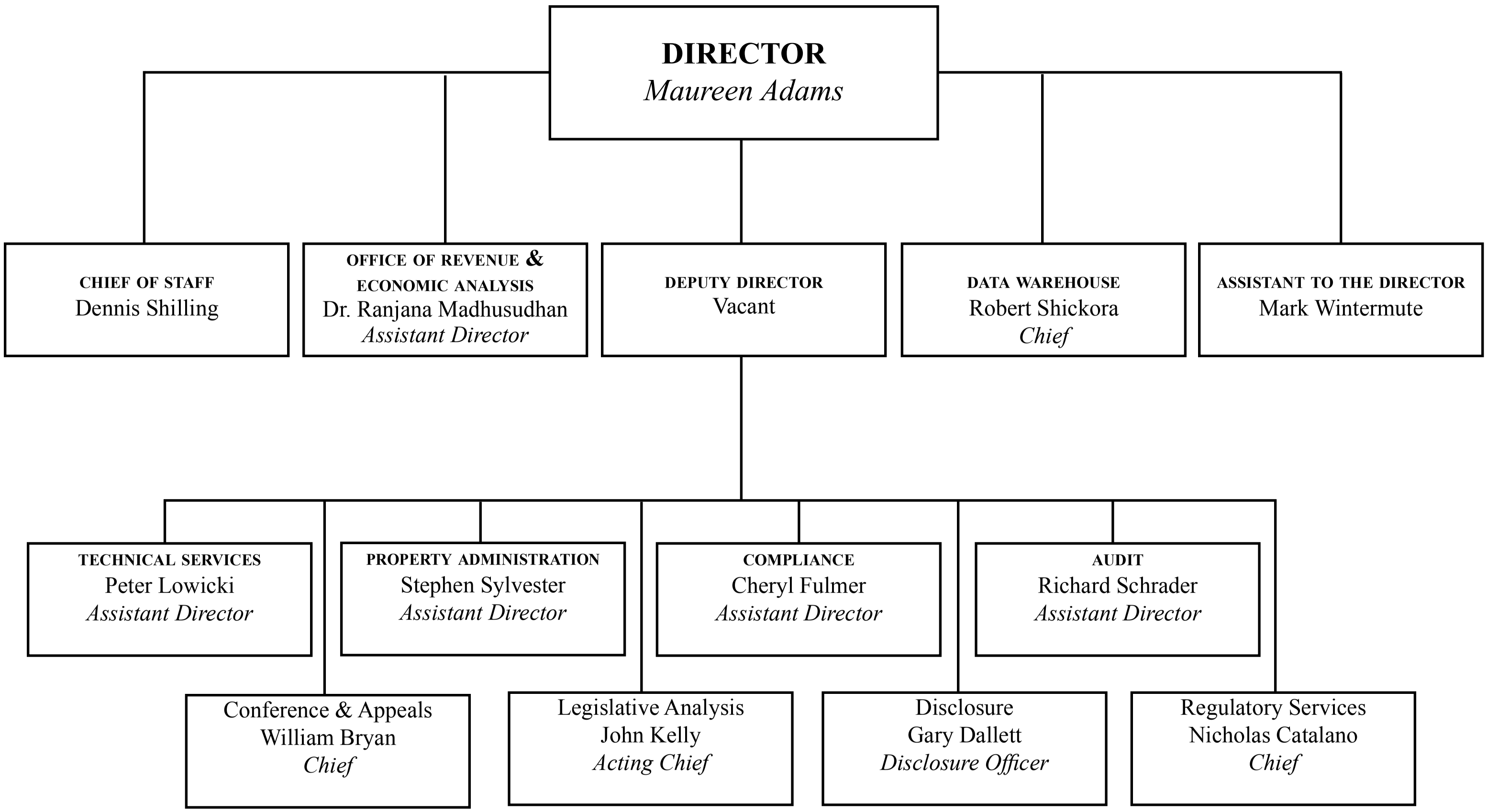
New Jersey Division of Taxation

ORGANIZATION AND ACTIVITIES

DIVISION OF TAXATION ORGANIZATION

(CURRENT AS OF 07/01/08)



AUDIT

This Activity is responsible for ensuring tax compliance with all New Jersey tax statutes through the audit of tax returns and examination of taxpayer records and through the collection of outstanding tax liabilities. The Division's voluntary disclosure and nexus programs are also administered by Audit Activity. This Activity consists of five branches: In-State Field Audit, Out-of-State Field Audit, Audit Services/Office of Criminal Investigation, Office Audit, and Individual Tax 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 24 groups strategically located in five district offices throughout the State. Also included in the Branch's activity are the Sales Tax Refund and UEZ Refund Sections, which are responsible for the review and issuance of all sales tax refund claims. Field Audit district offices are located in Trenton (Hamilton Township), Toms River, Camden, Northfield, 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 Chicago, Illinois and Anaheim, California, with Field telecommuters based in Atlanta, Stamford, Dallas, and Denver.

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 nine audit groups. Three 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 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. The Gross Income Tax Audit Section 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 is also responsible for approving Business Employment Incentive Program (BEIP) grants, as well as pursuing delinquent resident and nonresident taxpayers both separately and in joint projects with other Division branches and the Internal Revenue Service.

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

Audit Services/Office of Criminal Investigation

The Audit Services Branch provides audit, technical, and clerical support for every aspect of the Audit Activity. In addition, the Branch administers the Alcoholic Beverage Tax, Cigarette Tax, Motor Fuels Tax, Petroleum Products Gross Receipts Tax, Public Utility Tax, Spill Compensation and Control Tax, and the Wholesale Tobacco Products Tax. Further, the criminal investigation function is housed in this Branch.

This Branch is comprised of nine groups. The Audit Selection Group provides other Audit Activity Branches with lists of audit candidates. The Audit Billing Group provides billing and collection support for the Activity. The Cooperative Interstate Tax Enforcement Group administers the agreement between New Jersey and New York as it relates to Sales and Use Taxes being charged by vendors doing interstate business. The Motor Fuels Group administers the Motor Fuels Tax, Petroleum Products Gross Receipts Tax, and the Spill Compensation and Control Tax and is responsible for licensing and bonding. The Tobacco and Alcoholic Beverage Tax Group administers the Cigarette Tax, Wholesale Tobacco Products Tax, and the Alcoholic Beverage Tax and is responsible for maintaining pricing requirements along with audit and investigation functions. The Public Utility Tax Unit reviews taxpayer reports and conducts audits. The Word Processing Unit provides centralized word processing and other clerical support for the Branches within Audit Activity.

The Office of Criminal Investigation (OCI) is responsible for the investigation of alleged criminal violations of the State tax code. OCI works closely with prosecutors and investigators at all governmental levels. Liaison activities are encouraged, and joint investigations are conducted in cases dealing with economic and financial crimes that have tax compliance consequences. Based on the findings of the investigation, recommendations for criminal prosecution are made to the State Attorney General's Office or to county prosecutors' offices. OCI is comprised of two groups. The Special Investigations Unit is comprised of investigators and special agents who detect and investigate violations of various New Jersey tax laws with its focus directed toward the violation of the Cigarette Tax and Motor Fuels Tax laws. The Financial Investigations Unit is staffed by auditors who investigate criminal violations involving Sales and Use Tax, Gross Income Tax, Corporation Business Tax, and other State tax laws.

TECHNICAL SERVICES

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 rebates. Information and assistance is delivered via the Internet, e-mail, and telephone as described below.

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.

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.

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

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

NJ TaxFax allows fax machine users to order tax forms and informational publications.

Training Unit provides instruction to personnel across the Division regarding technical tax topics, employee development, and desktop software applications.

Information and Publications

The Information and Publications Branch produces informational publications and tax return instructions; responds to taxpayer correspondence; resolves problems relating to the various property tax relief programs administered by the Division; and provides general technical information via the Web site.

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.

Property Tax Relief Programs Unit responds to correspondence and resolves problems related to the State's Homestead Rebate 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.

Homestead Rebate Eligibility Review Unit is responsible for reviewing the eligibility of selected homestead rebate applications. The unit makes eligibility determinations based on documentation submitted by selected applicants in response to outreach notices.

Property Tax Edit and Review Unit reviews pending homestead rebate and property tax reimbursement applications, adjusts accounts, and approves payments for eligible applicants. The unit contacts homeowners and tenants to obtain information that was missing from the original applications, and resolves errors and omissions based on the documentation provided.

Taxpayer Accounting

The Taxpayer Accounting Branch provides assistance to taxpayers by resolving discrepancies with their accounts. 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. The Branch also oversees the Electronic Filing Mandate Program for tax practitioners and provides speakers to interested groups on tax-related matters.

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.

Income Tax Fraud Detection 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.

Outreach & E-File Mandate Team presents workshops for the public on a variety of topics, provides speakers on New Jersey tax-related matters, and administers the VITA (Volunteer Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs. The team also assists tax practitioners who are subject to the Electronic Filing Mandate.

Walk-In Assistance Units 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 returns and publications are available, and tax filings and payments are accepted by these units.

COMPLIANCE

Special Procedures

The Special Procedures Branch is responsible for the collection of overdue tax liabilities. The specific functions of Special Procedures are as follows:

ABC Licensing. The ABC Licensing Section is 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.

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.

Bankruptcy. The primary function of the Bankruptcy Section is to collect 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. This section is 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.

Closing Agreements. This section processes applications for compromise/settlement of tax debts under provisions of the State Uniform Tax Procedure Law.

Judgments. This section 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.

Compliance Services

The Compliance Services Branch 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 and the Lottery Commission.

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.

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 works with the Motor Vehicle Commission to verify and collect the appropriate sales tax on purchases of motor vehicles, boats, and aircraft. Taxpayers are notified when there is a discrepancy between the amount of sales tax due and the amount paid. Purchases of motor vehicles by out-of-State taxpayers are also examined.

Set-Off Programs. The Compliance Services Branch administers 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 rebates 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 [*sic*]. This unit 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. This unit provides quality assurance, administrative, and technical support in connection with publicly awarded contracts between the Division and private collection companies that pursue delinquent and deficient taxes for the Division.

Business Assistance and Grant Clearance Unit. This unit reviews the tax records of businesses that are applying for grants, loans, or other monetary 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.

Field Investigations

The Field Investigations Branch performs the tax collection and enforcement work for the Division. Field Investigators are assigned to seven field offices around the State.

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.

Municipal Court Program prosecutes some tax violations as disorderly persons (quasi-criminal) offenses in the Trenton Municipal Court. The program focuses on chronic offenders who fail to file and/or pay sales tax or income tax, but the failure to register or to have proper licenses are also grounds for prosecution. A guilty finding or plea will result in an order to make restitution, the assessment of court fines and costs, and a term of probation or jail time.

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.

PROPERTY ADMINISTRATION

Property Administration consists of two branches: Local Property and Unclaimed Property. The activities of the Local Property Branch concern real and certain personal property, and those of Unclaimed Property pertain to intangible personal property and safe deposit box contents.

Unclaimed Property

The Unclaimed Property Branch is responsible for maintaining records of unclaimed property in the protective custody of the State. Unclaimed property consists of financial assets such as savings accounts, wage checks, life insurance policies, dividends, stocks, and bonds. Property is "unclaimed" when it cannot be paid or delivered to the apparent owner and there is no communication between the holder and the apparent owner for a specified abandonment period. Any "Holder" of property belonging to another is required to turn that property over to the State Treasurer when it is presumed to be abandoned.

Audit Section conducts compliance audits of major corporate holders of unclaimed property. Corporate entities audited include insurance companies, banks, brokerage firms, mutual funds, retailers, utilities, etc. The State also contracts with two audit firms for out-of-State holders.

Operations

Holder Reporting Unit receives reports from holders of unclaimed property listing financial assets that meet the abandonment criteria. The report section works with holders to ensure the accuracy of reports and their correct entry into the electronic system. This unit assists holders in complying with unclaimed property laws.

Administration Unit oversees the fiscal activity for Unclaimed Property. Furthermore, the unit is responsible for financial reporting to the Office of Management and Budget for five trust funds, assuring compliance with various statutes. It also does the accounting for the securities portfolio and provides checks and balances of payments for all security- and cash-related claims.

Claims Processing Unit receives all claims for the return of unclaimed property, researches and validates the claims, and processes payments.

Intestate Estates Unit supervises and oversees the administration of intestate (no will, no apparent heir) estates through the court appointment of an administrator. If the search for heirs is unsuccessful, the administrator turns over proceeds to the State, minus estate expenses and statutory fees.

Owner Outreach Unit reunites reported owners with their assets. This is achieved through legal advertisement, Internet listings, attendance at public venues, speaking at professional seminars, and the media. This proactive effort also serves to enforce compliance by creating more awareness of the Unclaimed Property Program.

Safekeeping Unit ensures the timely and accurate inventory, processing, and marshalling of unclaimed tangibles found in safekeeping repositories. Owners' contents are returned to their rightful owners or auctioned.

Local Property

Policy and Planning

Legislative Analyses/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 regarding local property taxation.

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

County Tax Board Compliance/Assessor Exam/Realty Transfer Fee Unit responds to inquiries on realty transfer fees 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 Assessors' 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 reviews certain information that pertains to municipal tax assessors, such as tenure and term of office. The unit also conducts periodic inspections of tax assessors' offices for compliance with statutory responsibilities, in particular, auditing municipalities that are reimbursed by the State for granting qualified senior citizens' and veterans' property tax deductions. It also carries on investigations to facilitate homeowner rebate updates with respect to cooperative and continuing care ownerships.

Field Assistance

Field Assistance and Appraisal Unit provides direct assistance to 566 municipal tax assessors' offices and 21 county tax boards in solving problems. Field staff also investigate SR-1As for sales ratio purposes; gather and verify data for the Table of Equalized Valuations; in cooperation with the Deputy Attorney General assigned to Division of Taxation matters, defend the Table of Equalized Valuations at appeal; perform audits and investigations relating to local property matters; assist the Transfer Inheritance Tax Bureau with appraisals for inheritance tax purposes; and maintain the Real Property Appraisal Manual for New Jersey Assessors. (Special studies and investigations are conducted as required to meet unusual or unique circumstances.)

Sales Ratio oversees the Assessment-Sales Ratio Program 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.

Technical Support provides assistance to county boards of taxation with electronic transmission of sales data, rules and regulations regarding changes in response to legislative changes affecting equalization, preparation of the county abstract of ratables, county equalization tables; and coordinates transmissions of data with data centers and county tax boards.

Railroad Property Unit classifies, assesses, and taxes railroad properties; assesses and computes Railroad Franchise Tax; and determines railroad replacement revenues for municipalities in which railroad property is located.

Tax Maps Unit reviews and approves municipal tax maps for conformance to current specifications and as required for municipal revaluations.

PAMS Initiative. The Property Assessment Management System (PAMS) will be a centralized, Web-based (thin client) .NET system owned and operated by the State that replaces MOD IV and its peripheral systems currently provided by various private firms across the State. PAMS will integrate, streamline, and standardize the property-related business functions at all levels of government for the following property assessment and tax collection-related functions: parcel management; sales information and analysis; appeal scheduling and disposition; computer-assisted mass appraisal (CAMA); tax collection, billing, and reporting. PAMS will first be implemented in three counties (Camden, Hunterdon, Salem) by the end of calendar year 2008. All 21 counties are expected to be online by December 2011.

Information Services Unit is responsible for supporting Property Administration in all aspects of information processing and new technology. The unit researches all pertinent new technologies and applies them to current operations, ensuring the efficiency of Property Administration systems.

Information Services assists management in determining the operating policies, procedures, and priorities for all of Property Administration's data processing systems (MOD IV, PAMS, WAGERS, Sales Ratio, etc.) and Web pages. Information Services researches new technologies and applies them to current operations where applicable.

Information Services is responsible for the system administration of PAMS, which includes the administration of the portal, Web site, roles/security, and secure file transfer.

Information Services develops relational databases for all areas of Property Administration and provides technical support and ongoing maintenance for these databases.

This section also provides support and assistance to the public, media, assessors, county tax boards, and other State agencies for Unclaimed Property, Sales Ratio and MOD IV and PAMS systems data. Information Services acts as liaison for Property Administration Open Public Records Act (OPRA) requests and is responsible for satisfying all Division-approved requests.

Information Services provides technical assistance and advice to the data centers and end users of the MOD IV system.

Property Administration personnel are members of the County Tax Board and Tax Assessors' Educational Committees and take a leadership role in training, education seminars, and courses which provide procedural information on all aspects of local property administration aimed at improving the performance of county boards and assessors.

CHIEF OF STAFF

The Office of the Chief of Staff is responsible for representing the Division throughout State government in administrative matters, as well as providing Division-wide support in the areas of Management Services, Internal Security, and Data Systems. The Office of the Chief of Staff works in conjunction with the Department of Treasury's Fiscal Office, Human Resources, and Department of Personnel to provide internal controls and facilitate requests regarding budgetary needs, and to coordinate personnel matters, including disciplinary and grievance actions concerning Division employees.

Management Services

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

Facilities Management. Responsible for coordinating building maintenance and management services for 13 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.

Mail Services/Property & Forms. Responsible for the pickup, sorting, recording, and delivery of mail, forms, and supplies for the Division, including field offices. 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.

Internal Security Unit

The Internal Security Unit handles confidential and sensitive matters, including internal investigations, background investigations of prospective employees, and acts of threats, harassment, or intimidation made by persons attempting to impede the functions of the Division. The unit also provides training for new employees on confidentiality laws, rules and policies, and bribery awareness issues.

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 rebate 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. 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.

OFFICE OF REVENUE AND ECONOMIC ANALYSIS

The Office of Revenue and Economic Analysis (OREA) is responsible for providing revenue estimates of 12 major revenue sources, which account for 84% of the State Budget, and analyzing alternative revenue options. OREA monitors New Jersey and national economic trends, generates fiscal impact estimates of proposed legislation, evaluates tax policy initiatives, conducts revenue analysis, and prepares economic and revenue outlook reports for: the Governor's Budget message, the State Treasurer's testimony at Budget hearings, and rating agency presentations. OREA assists the Office of Management and Budget and the Office of the State Auditor with the fiscal year-end accrual process, provides assistance to the Office of Public Finance with the updating of bond offering documents, and generates income tax data by municipality to assist the Department of Education in determining the amount of school aid for the State. OREA provides analytical support to the Division Director for various tax study commission reports and also prepares briefing documents for transition teams. OREA also publishes on the Division of Taxation's Web site the Annual New Jersey Statistics of Income from Gross Income Tax Data and edits the Division's Annual Report sections on revenue sources administered by the Division and new laws, and generates Annual Report tables. The Office provides data to Rutgers University for the Legislative District Data Book and Rutgers Regional Reports as well as performing liaison work with REcon Advisory Group. The Office tracks changes in Federal legislation and monitors interstate developments in fiscal policy. In addition, OREA conducts sectoral studies on business tax revenues by business category and/or geography, longitudinal studies on Gross Income Tax, and special studies as requested by the Treasurer's Office. OREA has conducted special studies on the gaming industry, the Business Employment Incentive Program, and other topics. OREA has also conducted studies on property tax and has developed a property tax relief database in order to analyze relief distribution over time and by program classification. OREA provides research support to the Treasurer and the Governor's Office and acts as research liaison with the Federation of Tax Administrators, the National Tax Association, and other national organizations.

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

The Office of Legislative Analysis (OLA) 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 likely to be scheduled for 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.

In addition, OLA monitors legislative activity, tracking committee and house action on each bill as it proceeds through the legislature. OLA works closely with the Treasurer's Office and, when a bill is enacted into law, it often initiates and participates in the implementation process.

Regulatory Services

The Regulatory Services Branch drafts rules, regulations, and notices for publication in the *New Jersey Register* and the *New Jersey State Tax News*. It acts as the Division's liaison with the Deputy Attorney General assigned to handle Division of Taxation technical and regulatory issues; and provides administrative and enforcement advice to Division management and staff on all tax laws under the jurisdiction of the Division. Further, it drafts proposed legislation; reviews legislation and prepares comments; provides technical assistance in the implementation of new tax laws; analyzes, researches, and responds to all taxpayers' inquiries and requests for technical advice or letter rulings; and issues Technical Bulletins.

The Branch is charged with the responsibility of coordinating the processing of all Division rules and notices. The Administrative Practice Officer within the Branch 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 Executive Secretary function for the Sales and Use Tax Review Commission resides in the Branch. Duties involve providing policy analysis concerning proposed legislation that would either expand or contract the base of the New Jersey Sales and Use Tax law, scheduling and holding Commission meetings, and issuing an annual report for the Commission.

As Treasury's Brownfield representative, a member of this Branch interviews and approves all applicants requesting consideration under the Brownfield and Contaminated Site Remediation Act (N.J.S.A. 58:10 B-1) and the Municipal Landfill Site Closure Remediation and Redevelopment Act (N.J.S.A. 13:1E-116.1), and generates all reimbursements permissible under such statutes.

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

Data Warehouse

The Division recently completed the third year of a five-year contract for the development, implementation, and maintenance of a Taxation Data Warehouse (TDW). When fully implemented TDW will advance multiple objectives of the Division of Taxation including revenue enhancement, operating cost reductions, improved data integrity, standardization of analytical processes, and greater flexibility in the use of multiple data sources.

Since August 2005 the TDW team has developed Business Intelligence Applications (BIAs) through a greater use of data received from various Federal and State agencies. The BIAs identify taxpayers with potential tax delinquencies and deficiencies. The TDW mails notices of liability to taxpayers and works closely with staff in Audit, Compliance, and Technical Services to realize collections.

This year TDW will implement Business Objects, a reporting and analytical tool that will allow all users to access data to assist in the completion of their unit's goals. Management will be able to execute reports to track all projects from start to completion regardless of location or status.

Disclosure

The Disclosure Office performs many administrative duties including responding to internal and external requests for tax records and recommending and implementing exchange agreements with state and Federal agencies. Disclosure works with the Internal Revenue Service, New Jersey State Police, Division of Criminal Justice, Division of Gaming Enforcement, and other states through their departments of revenue/taxation. Through this activity the Division of Taxation, as well as other taxing agencies throughout the United States, have been able to locate and identify tax evaders who cross state lines.

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

TAXES AND PROGRAMS ADMINISTERED

Table 1—Major State Revenue Collections (Net) Fiscal Years 2005–2007

Revenue Source	2007[1]	% of Total	2006	% of Total	2005	% of Total	% Change 2006–07
Collected by the Division:							
Alcoholic Beverage Tax (total revenue)	$ 103,293,428	0.4%	$ 101,964,933	0.4%	$ 99,359,042	0.4%	1.3%
Casino Parking Fee[2]	31,260,801	0.1	18,077,080	0.1	16,296,824	0.1	72.9
Cigarette Tax (total revenue)	770,582,903	2.6	787,599,472	3.0	788,627,954	3.3	– 2.2
Corporation Taxes:							
Corporation Business[3]	3,084,921,689	10.5	3,007,830,476	11.4	2,368,105,017	9.8	2.6
CBT Banks & Financials	123,007,092	0.4	153,839,428	0.6	105,380,894	0.4	– 20.0
Cosmetic Medical Procedures Tax	11,193,248	0.0	9,914,307	0.0	7,451,094	0.0	12.9
Domestic Security Fee	19,894,978	0.1	23,352,332	0.1	23,957,566	0.1	– 14.8
Environmental Taxes:							
Landfill Closure and Contingency	1,966,893	0.0	2,060,434	0.0	2,252,637	0.0	– 4.5
Litter Control	17,434,945	0.1	16,069,457	0.1	15,447,061	0.1	8.5
Public Community Water Systems	2,992,211	0.0	2,438,483	0.0	2,508,464	0.0	22.7
Solid Waste Services	6,025,242	0.0	5,679,032	0.0	5,413,611	0.0	6.1
Spill Compensation	23,241,978	0.1	23,687,278	0.1	28,192,067	0.1	– 1.9
Fur Clothing Retail Gross Receipts/Use Tax[4]	1,858,940	0.0	–	–	–	–	N/A
Gross Income Tax	11,727,192,312	40.0	10,506,564,988	39.8	9,537,938,903	39.6	11.6
Hotel/Motel Occupancy Fee/Tax	84,194,930	0.3	78,949,297	0.3	78,023,679	0.3	6.6
Insurance Premiums Tax	478,699,795	1.6	537,118,903	2.0	454,450,566	1.9	– 10.9
Medical Malpractice Fund Assessments[5]	1,989,275	0.0	2,091,421	0.0	1,734,294	0.0	– 4.9
Miscellaneous Revenues	0	0.0	865,717	0.0	752,412	0.0	N/A
Mobile Telecommunications (9-1-1) Fee	128,860,813	0.4	123,778,272	0.5	114,943,508	0.5	4.1
Motor Fuels Tax	561,518,893	1.9	550,908,041	2.1	547,324,724	2.3	1.9
Motor Vehicle Tire Fee	9,817,331	0.0	9,970,498	0.0	9,118,645	0.0	– 1.5
Nursing Home Provider Assessment (tot. rev.)	134,227,449	0.5	135,203,228	0.5	135,374,379	0.6	– 0.7
Petroleum Products Tax	232,441,546	0.8	224,843,155	0.9	248,533,858	1.0	3.4
Public Utility Excise Tax	10,751,530	0.0	10,931,381	0.0	10,366,672	0.0	– 1.6
Railroad Franchise Tax	1,498,008	0.0	1,257,669	0.0	932,170	0.0	19.1
Railroad Property Tax	4,297,470	0.0	3,478,869	0.0	3,483,936	0.0	23.5
Sales Taxes:							
Sales and Use[3]	8,609,639,460	29.4	6,853,417,869	26.0	6,552,199,925	27.2	25.6
Atlantic City Lux & Promo (Loc. Use)	28,346,333	0.1	26,949,448	0.1	26,644,777	0.1	5.2
Tobacco Products Wholesale	13,745,927	0.0	13,840,113	0.1	11,513,882	0.0	– 0.7
Cape May County Tourism (Loc. Use)	4,866,722	0.0	5,697,761	0.0	4,653,211	0.0	– 14.6
Savings Institution Tax[6]	358	0.0	21,909	0.0	(1,671,211)	0.0	N/A
Transfer Inheritance and Estate Taxes	604,700,439	2.1	610,847,697	2.3	520,775,959	2.2	– 1.0
Revenue Collected by the Division	$ 26,834,462,939	91.6%	$23,849,248,948	90.3%	$21,720,086,520	90.2%	12.5%
Collected Outside the Division:							
State Athletic Control Board (tot. rev.)	$ 594,597	0.0%	$ 862,357	0.0%	$ 925,010	0.0%	– 31.0%
Casino Revenue[7]	450,115,070	1.5	502,296,968	1.9	475,661,253	2.0	– 10.4
Casino Control	75,645,709	0.3	68,049,750	0.3	64,361,166	0.3	11.2
Lottery	828,326,155	2.8	844,155,935	3.2	812,046,973	3.4	– 1.9
Motor Vehicle Fees (total revenue)	488,109,457	1.7	478,883,888	1.8	459,760,624	1.9	1.9
Outdoor Advertising (total revenue)	5,710,840	0.0	9,363,048	0.0	5,906,029	0.0	– 39.0
Realty Transfer (total revenue)	615,374,934	2.1	655,488,165	2.5	531,377,732	2.2	– 6.1
Revenue Collected Outside the Division	$ 2,463,876,762	8.4%	$ 2,559,100,111	9.7%	$ 2,350,038,787	9.8%	– 3.7
Total Major State Revenue Collections	**$29,298,339,701**	**100.0%**	**$26,408,349,059**	**100.0%**	**$24,070,125,307**	**100.0%**	**10.9%**

[1] The 2007 figures are subject to adjustment.
[2] 16.7% of the Casino Parking Fee for Fiscal Year 2007 (50% for 2005 and 2006) was deposited into the Casino Revenue Fund (P.L. 2003, C. 116).
[3] Includes the on-budget amount of energy tax for sales tax and CBT.
[4] Initiated on July 8, 2006, and effective on July 15, 2006.
[5] Figure includes only Attorney Fee collections.
[6] Repealed for privilege periods/taxable years beginning after 2001; negative entry reflects refunds paid for prior years.
[7] Figure includes Atlantic City Casino Taxes and Fees, including 16.7% of the Casino Parking Fee for Fiscal Year 2007 (50% for 2005 and 2006).

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
Alcoholic Beverage Tax	54:41-1 *et seq.*
Atlantic City Casino Taxes and Fees	5:12-148.1 to 5:12-148.3 5:12-148.8 5:12-173.2
Atlantic City Luxury Sales Tax	40:48-8-15 *et seq.* 54:32B-24.1 *et seq.*
Atlantic City Tourism Promotion Fee	40:48-8.45 *et seq.*
Cape May County Tourism Sales Tax	40:54D-1 to 10
Cigarette Tax	54:40A-1 *et seq.* 56:7-18 *et seq.*
Corporation Business (Net Income and Net Worth) Tax	54:10A-1 *et seq.*
CBT Banking Corporation	54:10A-1 *et seq.*
CBT Financial Corporation	54:10A-1 *et seq.*
Cosmetic Medical Procedures Gross Receipts Tax	54:32E-1 *et seq.*
Domestic Security Fee	App.A:9-78
Fur Clothing Retail Gross Receipts Tax and Use Tax	54:32G-1 *et seq.*
Gross Income Tax	54A:1-1 *et seq.*
Hotel/Motel Occupancy Fee and Municipal Occupancy Tax	54:32D-1 *et seq.*
Insurance Premiums Tax	54:16-1 *et seq.* 54:16A-1 *et seq.* 54:17-4 *et seq.* 54:18A-1 *et seq.*
Landfill Closure and Contingency Tax	13:1E-100 *et seq.*
Litter Control Fee	13:1E-213 *et seq.*
Local Property Tax	54:4-1 *et seq.*
Medical Malpractice Fund Assessments	17:30D-29
Motor Fuels Tax	54:32F-1 *et seq.*

Tax	N.J.S.A. Citation
Motor Vehicle Tire Fee	54:32F-1 *et seq.*
9-1-1 System and Emergency Response Assessment	52:17C-17 *et seq.*
Nursing Home Assessment	26:2H-92 *et seq.*
Outdoor Advertising Fee	54:4-11.1 *et seq.*
Petroleum Products Gross Receipts Tax	54:15B-1 *et seq.*
Property Tax Relief Programs	54:4-8.67 *et seq.*
Homestead Rebate	54:4-8.57 *et seq.*
NJ SAVER Rebate	54:4-8.58a and 54:4-8.58b
Property Tax Reimbursement	54:4-8.67 *et seq.*
Public Community Water System Tax	58:12A-1 *et seq.*
Public Utility Taxes:	
Public Utility Excise, Franchise, and Gross Receipts Taxes	54:30A-49 *et seq.*
Railroad Franchise Tax	54:29A-1 *et seq.*
Railroad Property Tax	54:29A-1 *et seq.*
Realty Transfer Fee	46:15-5 *et seq.*
Sales and Use Tax	54:32B-1 *et seq.*
Savings Institution Tax	54:10D-1 *et seq.*
Solid Waste Services Tax	13:1E-1 *et seq.*
Spill Compensation And Control Tax	58:10-23.11 *et seq.*
Tobacco Products Wholesale Sales and Use Tax	54:40B-1 to 14
Transfer Inheritance and Estate Taxes:	
Transfer Inheritance	54:33-1 *et seq.*
Estate	54:38-1 *et seq.*
Transitional Energy Facility Assessment	54:30A-100 *et seq.*
Uniform Transitional Utility Assessment	54:30A-114 *et seq.*

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

Type of Beverage	*Rate per Gallon*
Beer	$0.12
Liquor	$4.40
Still Wine, Vermouth, Sparkling Wine	$0.70

P.L. 1997, C. 153, reduced the tax rate on hard apple ciders containing between 3.2% and 7% of alcohol by volume from $0.70/gallon to $0.12/gallon, effective November 1, 1997. Hard apple cider containing over 7% alcohol by volume is taxed at $0.70 per gallon.

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, enacted August 30, 2004, 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 Tax, the Casino Parking Fee, and the $3 Casino Hotel Occupancy Fee. The Division of Taxation will not be collecting these taxes and fees effective September 2004.

Rate

Taxes and fees are assessed at the following rates:

- 4.25% on the value of rooms, food, beverages, or entertainment given away for free or at a reduced price as a "complimentary."
- 8.0% on multi-casino progressive slot machine revenue.
- 7.5% on the adjusted net income 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.

Disposition of Revenues

All revenues from the taxes and fees are deposited into the Casino Revenue Fund with the exception of the Casino Parking Fee, which is collected and held in a special fund by the State Treasurer. The funds are available to the Casino Reinvestment Development Authority to finance public improvements in the Atlantic City area.

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 maximum combined Atlantic City rate and New Jersey State sales tax rate (excluding the State occupancy fee) may not exceed 13% effective July 15, 2006. The State sales tax rate is reduced to the extent that the city rate exceeds 7%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 13%. Formerly, the maximum combined Atlantic City rate and the New Jersey sales tax rate could not exceed 12%.

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 State sales tax (7% effective July 15, 2006). 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

Effective July 15, 2006, the tax rate is $2.575 per pack of 20 cigarettes. Formerly, the tax was $2.40 per pack of 20 cigarettes.

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. 2006, C. 37, initial collections of $365 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 tax years beginning in calendar year 2002 and thereafter, the minimum Corporation Business Tax is $500 or $2,000 for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is $5 million or more. Rates for New Jersey S corporations were also changed in 2002. New Jersey S corporations with an entire net income of $100,000 or less are still subject to the minimum tax, but if entire net income exceeds $100,000, the rate for periods ending on or before June 30, 2006, is 1.33%. For periods ending on or after July 1, 2006, but on or before June 30, 2007, the rate is 0.67%

For accounting years beginning on and after January 1, 2002, the 7.5% Corporation Business Tax rate for corporations with entire net income of $100,000 or less is reduced to 6.5% for corporations with entire net income of $50,000 or less.

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.

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

For New Jersey gross receipts of less than $100,000, the minimum tax is $500. For New Jersey gross receipts equal to or greater than $100,000, but less than $250,000, the minimum tax is $750. For New Jersey gross receipts equal to or greater than $250,000, but less than $500,000, the minimum tax is $1,000. For New Jersey gross receipts equal to or greater than $500,000, but less than $1,000,000, the minimum tax is $1,500. For New Jersey gross receipts equal to or greater than $1,000,000, the minimum tax is $2,000.

The minimum tax for affiliated or controlled groups remains the same, $2,000 for each member of a group that has a total payroll of $5,000,000 or more for a 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 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 1¾% 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:

Effective Date	*Rate*
January 1, 1959 (C. 63, P.L. 1958)	1¾%
January 1, 1967 (C. 134, P.L. 1966)	3¼
January 1, 1968 (C. 112, P.L. 1968)	4¼
January 1, 1972 (C. 25, P.L. 1972)	5½
January 1, 1975 (C. 162, P.L. 1975)	7½
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 carryforward 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.

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

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) above 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 supersedes 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.

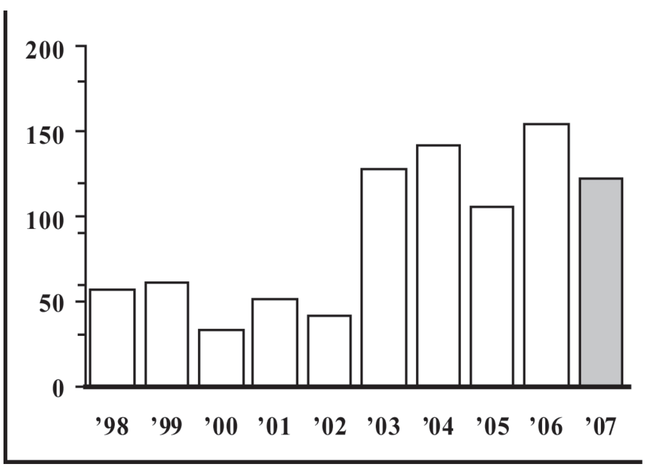
Chapter 170, P.L. 1975, provides that during each of privilege years 1976, 1977, and 1978, the amount paid by each banking corporation as taxes shall be the greater of (1) the amount which such banking corporation paid in calendar year 1975 as Bank Stock Tax, or (2) a sum equal to total of taxes paid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

Corporation Business Tax Collections (In Millions)
Banking and Financial Corporations



Fiscal Year	Collections
1998	56,234,674
1999	61,716,112
2000	33,483,692
2001	51,971,516
2002	41,649,356
2003	128,451,019
2004	141,432,025
2005	105,380,894
2006	153,839,428
2007	**123,007,092**

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.

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.

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.

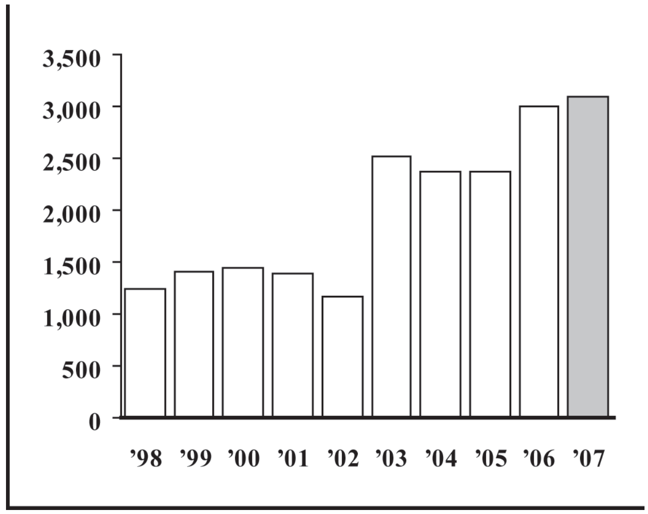
Chapter 40, P.L. 2002, also introduced an alternative minimum assessment (AMA) on apportioned gross receipts or gross profits of C corporations when the AMA exceeds the normal Corporation Business Tax. The assessment is based on either gross receipts or gross profits, with the taxpayer electing which 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 is 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
1998	1,231,629,172
1999	1,402,906,622
2000	1,452,135,808
2001	1,389,486,310
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**

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 effective July 8, 2006, 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. Prior to July 8, 2006, the rate was $2 per day.

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, imposes a gross receipts tax, payable by retailers, on the retail sale of fur clothing in New Jersey. "Fur clothing" means an item that is exempt from sales and use tax as clothing, is made of fur on the hide or pelt of an animal, and has fur as the chief component of its value. The law also imposes a fur clothing use tax. The retail purchaser is liable for fur clothing use tax on fur clothing purchased for delivery or use in New Jersey from a seller who did not pay the fur clothing retail gross receipts tax.

Rate
The rate is 6% on the seller's gross receipts from the retail sales of fur clothing. The use tax rate is 6% on the retail price of fur clothing on which the seller did not pay gross receipts tax.

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

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, 2004, 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) pay 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) pay 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) pay 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 to 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 partner.
- New Jersey Earned Income Tax Credit.
- Excess unemployment and disability 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, increases 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 are $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, establishes 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 at least one "qualifying child" for purposes of the Federal Earned Income Credit and must have 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, increases 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, creates a tax credit for qualifying first-time homebuyer-occupants who have purchased residential property in a qualifying municipality during the municipality's "period of economic recovery."

P.L. 2003, C. 9, creates an exclusion for the income of victims who have 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 of 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, authorizes 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, uncouples 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. 298, provides for voluntary contributions by taxpayers on Gross Income Tax returns for the New Jersey World Trade Center Scholarship Fund.

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 is extended, in 2007, to preparers who filed 50 or more Gross Income Tax returns in 2006. 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.

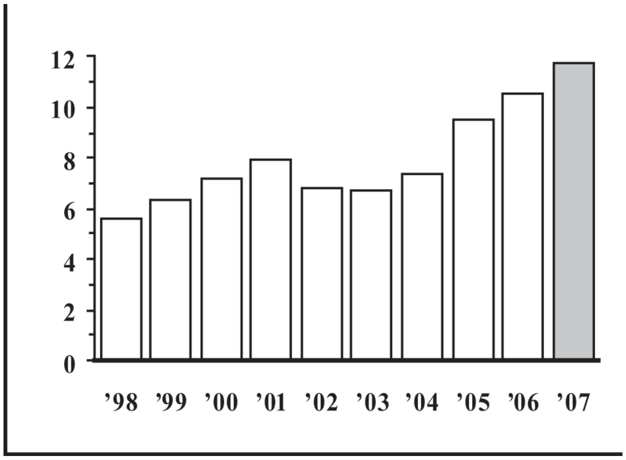
P.L. 2006, C. 85, requires any person (other than a governmental entity, a homeowner, or a tenant) who maintains an office or transacts business in New Jersey to withhold New Jersey gross income tax at the rate of 7% from payments made to unregistered, unincorporated contractors for services performed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

Gross Income Tax Collections (In Billions)



Fiscal Year	Collections
1998	5,590,578,933
1999	6,323,893,129
2000	7,205,260,486
2001	7,989,222,227
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**

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

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 Commerce and Economic Growth Commission 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. The tax base is gross contract premiums less specified deductions. Annuity considerations and reinsurance premiums are not taxed.

Rate
With a few exceptions, the tax rate is 2% of the premiums collected on insurance risks in this State. Major exceptions include group accident and health insurance premiums (1%); ocean marine risks (5% of three-year average of underwriting profits); workers' compensation premiums (2.25%). 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. Another .05% is imposed on

group accident and health premiums and another .1% on all other insurance premiums, the revenues being dedicated to the Department of Insurance.

In 1991 the Life and Health Guaranty Association was formed, supported by assessments of up to 2% each year on defined life insurance, annuity, and health insurance accounts. Each member insurer may offset some portion of its assessment against its Insurance Premiums Tax liability.

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.

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 $^{3}/_{100}$ of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are charged at the rate of $^{2.25}/_{100}$ 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 2006 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.

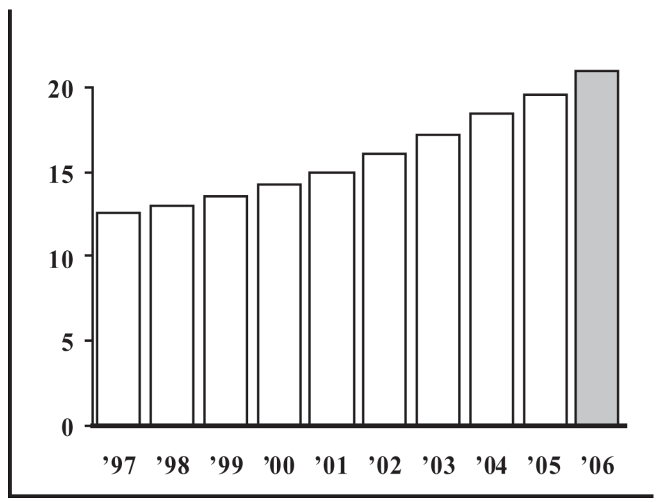
A long period of legislative history has developed numerous exemptions and special property tax treatments. These are found principally in R.S. 54:4-3.3 and in R.S. 54:4-3.6. Generally exempt are government-owned property; and property of religious, educational, charitable, and various types of nonprofit 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. Wartime service periods were also expanded.

P.L. 2004, C. 120, created the Highlands Water Protection and Planning Act. Conservation restrictions imposed by the Act will affect market value of property in the designated areas.

P.L. 2004, C. 139, created Health Enterprise Zones and provided for property tax exemption for medical or dental care facilities in municipalities designated as medically underserved areas.

P.L. 2005, C. 64, expanded wartime service periods to include Operations Northern and Southern Watch for purposes of receiving annual $250 Veterans' Property Tax Deductions and Totally and Permanently Disabled Veterans' Property Tax Exemptions.

Local Property Tax
Gross Levy (In Billions)



Fiscal Year	Gross Tax Levy
1997	12,579,899,717
1998	13,040,191,871
1999	13,558,860,459
2000	14,195,812,735
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**

Medical Malpractice Fund Assessments

Description

The New Jersey Medical Care Access and Responsibility and Patients First Act (P.L. 2004, C. 17) assesses an annual surcharge of $3 per employee for all employers who are subject to the New Jersey unemployment compensation law and annual $75 charges to all State licensed physicians, podiatrists, chiropractors, dentists, optometrists, and attorneys. The New Jersey Division of Taxation is responsible for collection of the annual $75 fee on attorneys only. The fee expires after three years.

The fee applies to all attorneys licensed to practice law in New Jersey except those attorneys: (1) constitutionally or statutorily barred from the practice of law; (2) that can show that they do not maintain a bona fide office in New Jersey for the practice of law; (3) who have retired completely from the practice of law; (4) on full-time duty in the Armed Forces, VISTA, or the Peace Corps and not engaged in the practice of law; (5) ineligible to practice law because they have not made their New Jersey Lawyers' Fund for Client Protection payment; or (6) newly admitted to the bar that have not practiced law for at least one year.

Rate

The Division of Taxation assesses only the annual $75 fee on attorneys. The fees, which have now expired, were collected in the years 2004, 2005, and 2006.

Disposition of Revenues

All revenues from the surcharges and fees are deposited into the Medical Malpractice Liability Insurance Premium Assistance Fund. The fund is administered by the New Jersey Department of Banking and Insurance and is used for a variety of health care purposes, including providing relief towards the payment of medical malpractice liability insurance premiums to certain health care providers in this State and providing payments to hospitals as charity care subsidies.

Motor Fuels Tax

Description

A tax on motor fuels 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 fuels 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 fuels 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, counter-terrorism 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 is 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

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 42 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.

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.

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.

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:

$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:

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

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 41 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.

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, and 2006, reimbursements were issued to all eligible applicants for the difference between their 2004, 2005, and/or 2006 property taxes and their base year property taxes.

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.

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 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 *over*	*but not over*	Rate / $500
$ 0	$ 150,000	$ 2.00
150,000	200,000	3.35
200,000	350,000	3.90

Total Consideration Over $350,000

Consideration *over*	*but not over*	Rate / $500
$ 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 *over*	*but not over*	Rate / $500
$ 0	$ 150,000	$ 0.50
150,000	350,000	1.25

Total Consideration Over $350,000

Consideration *over*	*but not over*	Rate / $500
$ 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 *over*	*but not over*	County Treasurer[1]	State Treasurer[2]	Neighborhood P.N.R. Fund
0	$ 150,000	$ 0.75	$ 1.25	0
$ 150,000	200,000	0.75	1.85	$ 0.75
200,000	350,000	0.75	2.40	0.75

Total Consideration Over $350,000

Consideration over	Consideration but not over	County Treasurer[1]	State Treasurer[2]	Neighborhood P.N.R. Fund
0	$ 150,000	$ 0.75	$ 2.15	0
$ 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 over	Consideration but not over	County Treasurer	State Treasurer	Neighborhood P.N.R. Fund
0	$ 150,000	$ 0.50	0	0
$ 150,000	350,000	0.50	0	$ 0.75

Total Consideration Over $350,000

Consideration over	Consideration but not over	County Treasurer	State Treasurer[3]	Neighborhood P.N.R. Fund
0	$ 150,000	$ 0.50	$ 0.90	0
$ 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 over	Consideration but not over	County Treasurer[1]	State Treasurer[2]	Neighborhood P.N.R. Fund
0	$ 150,000	$ 0.75	$ 1.00	$ 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 over	Consideration but not over	County Treasurer[1]	State Treasurer[2]	Neighborhood P.N.R. Fund
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

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

[2]Amount 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

[3]Entire 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 2007, a total of $422,845,418 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 payment of the State portion of the basic fee are credited to the Shore Protection Fund.

In Fiscal Year 2007, $94,023,301 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

A "supplemental fee" is allocated between the county Public Health Priority Fund and the State Extraordinary Aid Account. In Fiscal Year 2007, the Extraordinary Aid Account received $105,903,326.

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 multi-state 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 occurring on or after July 15, 2006. Formerly, the tax rate was 6%.

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.

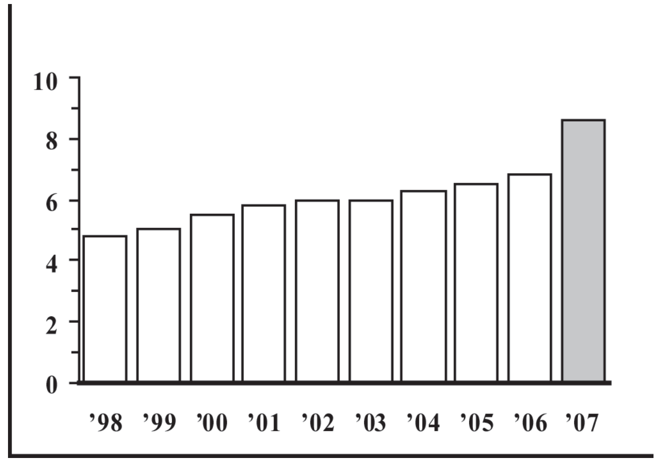
Through the enactment of P.L. 2005, C. 126, New Jersey joined a national coalition of states in conforming the New Jersey Sales and Use Tax Act to the provisions of the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA was developed over the course of several years through the joint effort of 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 (currently 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.

Sales and Use Tax Collections (In Billions)



Fiscal Year	Collections
1998	4,766,194,660
1999	5,054,437,769
2000	5,508,045,603
2001	5,758,670,303
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**

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.

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.

Solid Waste Services Tax

Description

The Solid Waste Services 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 May 1, 1985.

Rate

The tax rate in 2007 was $1.60 per ton or $0.48 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form was $0.002 per gallon. On the first of January annually the tax rate increases on solids by $0.05 per ton or $0.015 per cubic yard.

Disposition of Revenues

The revenue collected from the Solid Waste Services Tax is deposited in the Solid Waste Services Tax Fund administered by the New Jersey Department of Environmental Protection. Monies in the fund are allocated to the counties based on the amount of waste generated and used for implementing county solid waste management plans.

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.

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 products from the manufacturer.

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 to a distributor.

Effective August 1, 2006, the Tobacco Products Wholesale Sales and Use Tax on moist snuff is imposed upon the sale, use, or distribution of moist snuff within this State by a distributor or wholesaler to a retail dealer or consumer 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 moist snuff at retail or otherwise use the moist snuff must pay a compensating use tax at the rate of $0.75 per ounce of moist snuff, with a proportionate tax rate for fractional parts of an ounce of the net weight of moist snuff.

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.

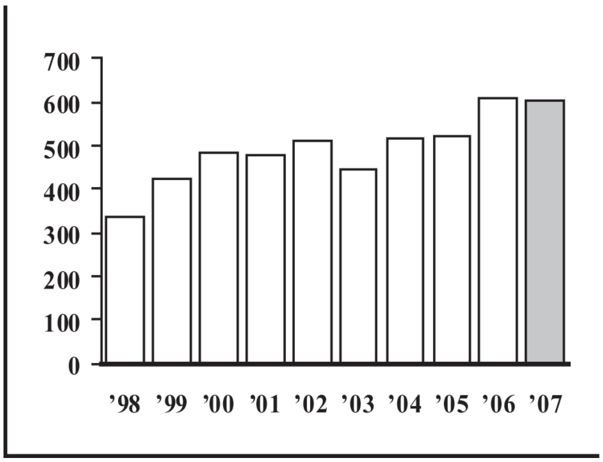
P.L. 2003, C. 246, the Domestic Partnership Act, recognized domestic partnerships and provided certain rights and benefits to individuals participating in them. The Act made significant changes to the New Jersey Inheritance Tax for individuals dying on or after July 10, 2004. Transfers made to a surviving 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
1998	337,679,941
1999	423,015,329
2000	485,948,339
2001	478,061,055
2002	510,367,419
2003	445,310,855
2004	516,007,975
2005	520,775,959
2006	610,847,697
2007	**604,700,439**

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.

LEGISLATION AND COURT DECISIONS

LEGISLATION

Administration

P.L. 2007, C. 100 — Changes in Tax Debt Collection and Compliance Procedures
Enacted June 28, 2007, effective immediately, but with the provision applicable to bulk sales not operative until August 1, 2007, makes several changes in tax compliance procedures in order to enhance tax collection and increase revenue.

P.L. 2007, C. 101 — Tax Clearance Program for Certain Business Assistance and Incentives
Enacted June 28, 2007, effective immediately, and operative July 1, 2007, establishes a tax clearance certificate requirement for awards of certain monetary and financial incentives offered to businesses by State departments, agencies, instrumentalities, and independent authorities. The Act prescribes that as a precondition for obtaining an award of business assistance or incentives, such as grants, loans, and other financial assistance (but not including tax credits or tax exemptions), the applicant must obtain a tax clearance certificate from the Division of Taxation showing that it has filed its required tax returns, and paid any taxes, fees, or penalties and interest due.

Atlantic City Luxury Tax

P.L. 2007, C. 102 — Liability of Fiduciary Agents for Certain Taxes
Enacted June 28, 2007, effective immediately, and operative on October 1, 2007, imposes personal liability on certain individuals and entities that, as the State's fiduciary agents, are required to collect and remit Cape May County tourism sales tax, N.J.S.A. 40:54D-4; Atlantic City luxury tax, N.J.S.A. 40:48-8.15 et seq.; hotel and motel occupancy fee, N.J.S.A. 54:32D-1; 9-1-1 system and emergency response fee, N.J.S.A. 54:17C-18; and cosmetic medical procedures gross receipts tax, N.J.S.A. 54:32E-1.

Cape May County Tourism Sales Tax

P.L. 2007, C. 102 — Liability of Fiduciary Agents for Certain Taxes
See Atlantic City Luxury Tax.

Cigarette Tax

P.L. 2006, C. 98 — Cigarette Tax Technical Changes
Enacted December 11, 2006, effective immediately, made technical changes in the fiscal year timing of various deposits of dedicated cigarette tax revenue.

P.L. 2006, C. 102 — Medical Research Facilities Funded Through Certain Cigarette Tax Bonds
Enacted December 20, 2006, effective immediately, authorizes the financing of certain State capital construction projects for facilities for stem cell, biomedical, and cancer research through cigarette tax securitization bonds.

Cosmetic Medical Procedures Gross Receipts Tax

P.L. 2007, C. 102 — Liability of Fiduciary Agents for Certain Taxes
See Atlantic City Luxury Tax.

Gross Income Tax

P.L. 2006, C. 85 — Withholding Income Tax From Payments to Unregistered Contractors
Enacted August 21, 2006, and applicable to payments made on or after January 1, 2007, makes changes in the requirements regarding withholding gross income tax. It requires all persons and businesses (other than governmental entities or homeowners or residential tenants) maintaining an office or transacting business in New Jersey and making payments for services rendered to an unregistered, unincorporated contractor to deduct and withhold 7% gross income tax from the amount paid.

P.L. 2006, C. 103 — Civil Union
Enacted December 21, 2006, and effective February 19, 2007, 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 — Earned Income Tax Credit
Enacted June 28, 2007, effective immediately, and applicable to tax years beginning on or after January 1, 2007, expands the eligibility for the New Jersey earned income tax credit and enhances the benefit amount. The Act extends eligibility for the State credit to any individual who is eligible for a Federal earned income tax credit.

P.L. 2007, C. 114 — Penalties for Misclassifying Construction Workers as Independent Contractors
Enacted July 13, 2007, and effective immediately, establishes penalties for employers who misclassify construction work employees as “independent contractors,” thereby affecting their rights and obligations under laws affecting State and Federal income tax withholding, social security, unemployment and disability benefits, workers’ compensation, and other benefits. The Act makes it a criminal offense for an employer (or its agent, officer, foreman, employee) to misclassify a construction work employee, with the degree of the offense ranging from disorderly persons offense to second degree, depending on the intent and on the monetary value of the work contract. In addition, such misclassification may be subject to administrative penalties and civil penalties imposed by the Commissioner of Labor and Workforce Development, including suspension of registration, stop-work orders, and fines.

The Act creates a presumption that, for purposes of the Gross Income Tax Act and certain State benefit laws, workers who are remunerated by an employer for services performed in improving real property are deemed to be “employees” unless they meet all the criteria of a three-pronged test set forth in P.L. 2007, C. 114 establishing that the worker is an independent contractor.

Hotel/Motel Occupancy Fee/Municipal Occupancy Tax

P.L. 2007, C. 102 — Liability of Fiduciary Agents for Certain Taxes
See Atlantic City Luxury Tax.

Local Property Tax

P.L. 2006, C. 97 — Local Tax Collection by Certain Cities
Enacted September 13, 2006, effective immediately, authorizes cities of the first class to collect both local property tax and the hotel use or occupancy tax from hotels in their jurisdiction.

P.L. 2006, C. 103 — Civil Union
See Gross Income Tax.

P.L. 2007, C. 63 — Uniform Shared Services and Consolidation Act and Other Reforms
Signed into law on April 3, 2007, enacted several portions of a large package of reform proposals. Many of the provisions of the Act were designed to encourage fiscal savings among local units of government through a system of shared services. Other provisions promote openness and ease of public access to information regarding the budgeting processes for municipalities and public school systems. The Act also expands the authority of executive county superintendents (superintendents of schools). The Act indirectly affects local property taxation.

P.L. 2007, C. 90 — Short-Term Property Tax Abatement for Certain Reconstructed Homes
Enacted May 6, 2007, and effective immediately, allows short-term property tax relief for a five-year period for owners of residential property located in a redevelopment area that has been rebuilt or renovated by certain volunteer labor after being destroyed or damaged by fire. The Act enables municipalities to enact an ordinance granting a five-year exemption from property tax on the value of the improvements made in such situations.

P.L. 2007, C. 91 — Short-Term Property Tax Abatement for Certain Homes Altered to Accommodate Disabilities
Enacted May 6, 2007, and effective immediately, permits municipalities to allow a five-year property tax abatement for certain improvements made on single-family dwellings located in an area declared in need of redevelopment, if half of the occupants of the dwelling qualify for a Federal income tax credit because of permanent and total disability. The tax relief, which will allow the improved property to be assessed based on its value before the renovations or reconstruction, will apply if the improvements were made in order to accommodate the occupants’ physical disabilities and the work was done by volunteer labor satisfying certain statutory criteria.

Miscellaneous

P.L. 2007, C. 30 — Sports and Entertainment Districts
Enacted January 26, 2007, effective immediately, authorizes eligible municipalities to create "sports and entertainment districts" in order to promote the development of projects in the districts. "Eligible municipalities" are municipalities falling within a certain range of population size and density and in which part of an urban enterprise zone is located. The Act authorizes municipalities establishing these districts to impose one or more of several new local taxes and to dedicate the revenue from some or all of those taxes to financing projects in the sports and entertainment districts. The new taxes allowed include, for example, 2% local taxes that may be imposed on certain categories of transactions that are also subject to State sales and use tax. These taxes would be in addition to any other State or local tax or fee imposed on the same transaction.

P.L. 2007, C. 43 — New Jersey Tax and Fiscal Policy Study Commission
Enacted February 21, 2007, effective immediately, establishes a nine-member commission "in but not of the Department of Treasury," charged with responsibility for continuously studying State and local tax issues and reporting annually to the Governor and the Legislature.

P.L. 2007, C. 86 — Reduced Cigarette Ignition Propensity and Firefighter Protection Act
Enacted May 4, 2007, and effective June 1, 2008, sets various requirements to ensure that cigarettes sold in the State satisfy fire safety standards. It also provides that in the regular course of its inspections of cigarette dealers, the Division of Taxation may inspect cigarettes to determine whether they are marked as required by this Act. If they are not, the Director, Division of Taxation, shall notify the Director, Division of Fire Safety, Department of Community Affairs, notwithstanding the confidentiality provision (N.J.S.A. 54:50-8) of the State Tax Uniform Procedure Law.

P.L. 2007, C. 89 — Revisions of Neighborhood Revitalization State Tax Credit
Enacted May 6, 2007, and effective immediately, increases the amount of State tax credits granted to businesses providing funding to qualified neighborhood revitalization projects.

P.L. 2007, C. 106 — Set-Off of Certain Debts Against Lottery Winnings
Enacted June 28, 2007, and effective immediately, provides that child support debts, debts to State government institutions and agencies, such as the Victims of Crime Compensation Board, and certain other debts shall be offset by the Department of Treasury against State lottery prizes greater than $600. (This Act does not directly affect taxation.)

Property Tax Relief Programs

P.L. 2006, C. 103 — Civil Union
See Gross Income Tax.

P.L. 2007, C. 62 — Homestead Credit Program
Enacted April 3, 2007, establishes a system of homestead credits for homeowners, replacing the current homestead rebate program. The credit program provides taxpayers with benefits calculated as a percentage of the property tax (up to a maximum of $10,000 tax) that they paid during the previous year. The percentages used to calculate this benefit are based on income levels, with higher percentage benefits allowed for the lower income levels, and with no benefit allowed for those whose income exceeds $250,000. For seniors and residents who are blind or disabled, the Act either retains the current calculation of property tax rebates (the amount by which property taxes paid exceed 5% of gross income with specified maximum and minimum rebate amounts) or applies the new percentage of property taxes formula, whichever provides a greater benefit.

The homestead credit provisions will begin to apply to claims for rebates and credits for property tax paid for tax year 2006.

The Act also imposes a 4% property tax levy cap on school districts and county and local governments, subject to limited exceptions and adjustments. The tax levy cap provisions will apply to budget years beginning on or after July 1, 2007, but not to years beginning after June 30, 2012.

Sales and Use Tax

P.L. 2007, C. 94 — Seven-Year Exemption Period From Certain Taxes on Energy for Certain Manufacturers
Enacted May 10, 2007, and effective immediately, provides an exemption from sales tax imposed on energy and utility services and from the transitional energy facility assessment unit rate surcharge. This exemption is to be applied only to a manufacturing facility producing products using recycled materials and satisfying several precise and complex criteria (currently applicable only to one manufacturing facility in the State). The Act provides that the exemption is 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 — Exemption for Certain Membership Fees and Municipal and County Parking
Enacted June 28, 2007, and effective July 1, 2007, carves out certain exceptions to two new impositions of sales tax that were part of the expansion of sales and use tax under P.L. 2006, C. 44, effective October 1, 2006.

The Act amends N.J.S.A. 54:32B-3(h), which imposes sales 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 pursuant to N.J.S.A. 54:32B-9.

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 for municipal parking and garaging, even when not "metered," and certain parking fees at Atlantic City casinos.

Transfer Inheritance and Estate Taxes

P.L. 2006, C. 103 — Civil Union
See Gross Income Tax.

9-1-1 System and Emergency Response Assessment

P.L. 2007, C. 102 — Liability of Fiduciary Agents for Certain Taxes
See Atlantic City Luxury Tax.

COURT DECISIONS

Administration

Jurisdiction
Harry's Lobster House Corporation v. Director, Division of Taxation, decided June 5, 2006; Tax Court No. 004978-2004. Plaintiff (Harry's) filed a timely complaint in response to the Division's final determination which concluded that Harry's filed an untimely protest of the Division's notice of assessment. There was no indication that this complaint was ever served on the Division. The Court found that Harry's filed an untimely protest with the Division and that it did not appeal the notice of assessment with the Tax Court.

Harry's further alleged that the complaint should not be dismissed because representatives of the Division met with Harry's after the issuance of the final determination as well as after the filing of Harry's complaint and reached an agreement to reaudit the tax years at issue. Harry's alleges that the Division cannot renege on the agreement because it relied on this agreement and spent substantial money to prepare for the reaudit.

The only remaining issue was whether the Division had any authority to reach an agreement to revoke or modify the original assessment following the filing of the complaint. For purposes of this motion, the Court assumed that the Division agreed to redetermine Harry's tax liability for the period related to the notice of assessment based upon Harry's subsequent period records.

The Court found that the Division has limited authority to redetermine sales tax, gross income tax withholding, and litter tax liabilities after the assessment has become fixed and final. The authority extends to cases dealing with compromises and closing agreements. Prior to the case's being referred to the Attorney General for defense, the Division may compromise a civil liability where there is doubt as to collectability. The Attorney General's opinion must be obtained before any compromise involving unpaid tax of $5,000 or more may be accepted. A closing agreement must be requested before the case is filed with the Tax Court. In both instances, the law requires that administrative action commence before litigation commences. Therefore, the Division would have had no authority to enter into an agreement as the complaint was already filed and no valid compromise or closing agreement could have been entered into. The Court held that it lacked jurisdiction to hear the case and therefore granted the Division's motion to dismiss the complaint.

Harry's appealed this decision to the Appellate Division.

Jurisdiction
Harry's Lobster House Corporation v. Director, Division of Taxation, decided June 14, 2007; Appellate Division No. A-5569-05T2. The Tax Court granted the Division's motion to dismiss the complaint of Harry's Lobster House Corporation (Harry's) because it lacked jurisdiction to consider the merits of the complaint. Harry's alleged that the complaint should not be dismissed because representatives of the Division met with Harry's after the issuance of the final determination as well as after the filing of Harry's complaint and reached an agreement to reaudit the tax years at issue. Harry's contended that the Division could not renege on the agreement because it relied on this agreement and spent substantial money to prepare for the reaudit.

The Tax Court concluded that, notwithstanding a purported agreement by Division representatives to reconsider this assessment, any such agreement was unauthorized and was not binding on the Division. The Appellate Division affirmed for the reasons set forth in Judge Menyuk's opinion at 23 N.J. Tax 149 (2006). The New Jersey Supreme Court denied Harry's petition for certification. (September Term 2007; 61,364)

Cash Business Audits

Methodology
Charley O's Inc., t/a Scotty's Steakhouse v. Director, Division of Taxation, decided July 12, 2006; Tax Court No. 0002836-2002. The Division conducted an audit of plaintiff's (Charley O's) restaurant. The auditor requested various documents to verify that the filed returns were reported correctly. Charley O's accountant provided sales journals as well as cash disbursement journals and other records, but not cash register tapes. Therefore, the auditor commenced a markup analysis.

The Court found that the auditor's supervisor directed him to stop the markup analysis and use the CBT reported gross sales before the markup analysis was completed. The CBT returns reported larger amounts of gross sales than did the sales tax returns. In determining purchases, the Court found that the auditor had some purchase information but had to plug in a number of $231,109 to result in total audited purchases of $383,888 for the test year. The auditor stated that he did not audit the CBT returns because he was directed to accept them as filed. Additionally, the auditor did not look at Charley O's cash receipts and cash disbursements journal.

The auditor also prepared a summary of Charley O's bank account deposits for the test period from Charley O's bank statements. Testimony indicated that the auditor was cognizant that Charley O's maintained bank accounts for deposits from the proceeds of its various credit cards but was not aware that funds were transferred from these accounts into Charley O's operating bank account.

Charley O's claimed that it provided their representative (accountant) with bank statements, cash register tapes, and other records for purposes of the audit and that the accountant stated that he would protest the audit. The accountant never filed a protest and ran into his own legal troubles that resulted in his incarceration. Additionally, the accountant did not return all the records to Charley O's that were allegedly provided to him. Therefore, Charley O's engaged another firm who filed an untimely protest. The Conference and Appeals Branch (CAB) allowed the untimely protest due to the unusual circumstances surrounding the accountant's failure to protest in combination with his incarceration.

At CAB, Charley O's presented unsigned amended CBT returns that it had prepared for all the years at issue. Essentially, the amended returns reported reduced amounts of gross receipts and indicated that Charley O's had overpaid CBT taxes. The amended returns gross receipts were based upon the original cash receipts journal and the original cash disbursements journal and were intended to support the sales and use tax return gross receipts. The CAB upheld the audit assessment pursuant to its Final Determination. Subsequently, Charley O's filed signed amended returns with the Division and timely appealed the Final Determination to the Tax Court.

After the filing of the appeal, attorneys for both parties agreed that the Division would review the audit. The auditor and his new supervisor spent almost two days reexamining Charley O's records and a spreadsheet reconciling gross receipts and bank deposits ("spreadsheet") with the sales and use tax returns. The Division's auditor and his supervisor were both satisfied with the spreadsheet analysis reflecting that $21,260.10 in sales tax was due, which was less than the $77,609.99 previously determined. However, the auditor's supervisor recommended the spreadsheet analysis to his manager, who rejected it because there were no register tapes through which the receipts journal could be verified.

The Court found that the Division had no authority to accept the gross receipts on the CBT returns rather than the sales tax returns. The Court ruled that the Division's audit methodology was aberrant in that the auditor stopped the markup analysis and accepted CBT gross sales for sales tax purposes by increasing Charley O's purchases by an arbitrary amount that when multiplied by the markup produced estimated gross receipts in conformance with the gross receipts reported on the CBT return for the test year. Therefore, the Court concluded that the correct sales and use tax assessment was $21,260.10 as determined on the spreadsheet and agreed to be correct by the Division's auditor and his supervisor. Moreover, the Court found that Charley O's provided a "convincing demonstration" that cash receipts and disbursement journal entries corresponded with various bank statements and also correlated to the spreadsheet.

The Court also found that Charley O's cash receipts and cash disbursements journal were summary records that were adequate records for sales tax purposes pursuant to the Division's own regulations. The Court cited N.J.A.C. 18:24-2.4(a) stating that a taxpayer may dispose of individual sales slips, invoices, receipts, statements, memoranda of price, or cash register tapes when a taxpayer maintains summary records. Therefore, the Court opined that cash register tapes are not absolutely required by the regulations when verifiable summary records are available. The register tapes may be helpful when an auditor believes the summary records are inaccurate and the auditor may perform a markup analysis in that situation when there are no cash register tapes available. Additionally, the Court opined that if the auditor had completed the markup analysis, then it would have been difficult to find fault with the Division's methodology.

Mark-Up Methodology

Yilmaz, Inc. v. Director, Division of Taxation, decided February 2, 2007; Appellate Division No. A-0080-05T5. The Appellate Division framed the issue as the standard of proof needed to overcome the presumed correctness of the Division's State tax assessment regarding the audit of a cash business involving factual issues and the Division's methodology. The Appellate Division noted that the Tax Court previously held that in order to overcome the Division's presumption of correctness of assessment there must be cogent evidence that is definite, positive, and certain in quality and quantity.

The Appellate Division affirmed the Tax Court.

Mark-Up Methodology
Yilmaz, Inc. v. Director, Division of Taxation, decided May 29, 2007; Supreme Court of New Jersey No. C-995 September Term 2006; 60,791. The New Jersey Supreme Court denied Yilmaz, Inc.'s petition for certification.

Corporation Business Tax

Public Utility Exemption
Delmarva Power & Light Co., v. Division of Taxation, decided July 14, 2006; Tax Court Nos. 000343-1999 and 001433-2000. During the period at issue, 1994–1997, plaintiff (Delmarva) was engaged in the business of making wholesale sales of electricity through an association of seven utilities located in Maryland, New Jersey, and Pennsylvania to New Jersey regulated public utilities which, in turn, sold the electricity to New Jersey retail customers. Delmarva did not have a retail service area and hence had no retail sales in New Jersey.

Delmarva had nuclear generation capacity in New Jersey that was provided by the Salem Nuclear Generation Station, which was owned by Delmarva and New Jersey public utilities as tenants in common. This facility and others were connected by the Lower Delaware Valley Transmission System that included the Salem conductor and Salem switching station, which both intersected with and extended over New Jersey public streets, highways, and roads. Delmarva's generation and transmission facilities were owned and operated on an integrated basis with those of an association. Although Delmarva was regulated by the Federal Energy Regulatory Commission, it did not apply to the New Jersey Board of Public Utility (BPU) Commissioners for designation as a public utility in New Jersey.

Delmarva filed corporation business tax (CBT) returns and paid taxes in each year from 1994–1997. Subsequently, Delmarva timely filed amended returns claiming a refund of all CBT paid during those years on the basis that it was exempt from CBT because it was subject to the franchise and gross receipts tax (F&GRT). The F&GRT Act levies an excise tax on the gross receipts of electric power corporations that use or occupy public streets, highways, roads, or other public places in New Jersey; however, the F&GRT exempts sales to other public utilities.

In deciding whether or not the F&GRT applied to Delmarva, the Court did not find it determinative whether Delmarva was a New Jersey public utility or that Delmarva did not apply to the BPU for designation as a public utility in New Jersey. The Court opined that Delmarva's 1% ownership in the Salem plant, its New Jersey property valued between $150 and $170 million and its receipts of as much as $27 million from wholesale sales of electricity to New Jersey public utilities was sufficient to make it a taxpayer for purposes of the F&GRT Act.

The Court ruled that a taxpayer engaged in utility businesses, like Delmarva, would be exempt from CBT pursuant to N.J.S.A. 54:10A-3(f) if it was subject to the F&GRT, a tax based upon gross receipts. Delmarva's F&GRT returns indicated zero tax liability for all years at issue because its only energy sales in New Jersey were wholesale sales to other public utilities, which sales were excluded from the tax base of the F&GRT. Therefore, the Court opined that Delmarva was not "subject to tax" under the F&GRT from 1994–1997 as it did not owe F&GRT. Moreover, the Court stated that there was no basis for arguing that "subject to tax" did not mean "liable for tax." Delmarva's F&GRT tax base was zero and therefore its gross receipts were not subject to F&GRT.

The Court held that N.J.S.A. 54:10A-3(f), for the period 1994–1997, required that a corporation engaged in a utility business in New Jersey be liable for F&GRT in order to be exempt from CBT. Accordingly, Delmarva was not exempt from CBT. Furthermore, the Court found that it was not unconstitutional to impose CBT on Delmarva because of the way it conducts business in New Jersey and reasoned that a sensible reading of the CBT and F&GRT would not support the conclusion that Delmarva would be exempt from both taxes.

Financial Business Corporation
Chemical New Jersey Holdings, Inc. v. Director, Division of Taxation, decided July 31, 2006; Tax Court No. 000213-2001. On remand from the Appellate Division, the Tax Court was to determine whether plaintiff (Chemical) met the statutory requirements to be taxed as a financial business corporation for the 1992 and 1993 tax years.

Chemical claimed that it met the statutory and regulatory requirements to file its 1992 and 1993 returns as a financial business corporation as a result of its making $75 million of interest-bearing loans in 1990 and 1991 to its wholly-owned subsidiary, Chemical Bank New Jersey, N.A. (Chemical Bank) that remained outstanding during the tax years at issue. The loans were unsecured and subordinated to other creditors' claims. Chemical Bank needed the loan so that it would have additional capital to satisfy regulatory minimums for its capital ratios that were requested by the Office of the Comptroller of the Currency (Comptroller). In a November 7, 1994, letter, Chemical Bank requested approval from the Comptroller to repay $75 million to Chemical and included a pro forma capital ratio computation. The Comptroller granted approval for payment and Chemical Bank repaid the $75 million to Chemical in December 1994. In a November 2000 letter to the Division of Taxation in support of the proposition that Chemical was an investment company, Chemical stated that the transaction between itself and Chemical Bank was not a loan but a capital contribution and, therefore, should be considered investment assets.

Chemical borrowed the funds to make the aforementioned loan from its parent. Chemical charged interest at 10.25% per annum, which was approximately 2% in excess of the interest rate Chemical paid to its parent. Chemical's 1992 and 1993 corporation business tax (CBT) returns indicated that 88% and 86% of its total investment income was the result of the interest received on the Chemical Bank loan. Chemical provided no evidence that would support it was involved with any other loans to qualify it as a financial business corporation.

The Court ruled that under N.J.S.A. 54:10A-4(m) a bank holding company engaged in activities that are "in substantial competition with the business of national banks" could qualify as a financial business corporation if the loan constituted moneyed capital with the object of making a profit. Therefore, the first issue addressed was whether national banks would make loans that were similar to or competitive with Chemical's loan to Chemical Bank in 1992 and 1993. The Court found that Chemical presented no evidence that Chemical Bank could have obtained a loan with similar terms from a national bank or that national banks would have made loans on the same terms. Consequently, the Court concluded that Chemical failed to prove by a preponderance of the evidence that national banks would have competed for loans similar to the loan at issue; a loan that was unsecured, subordinated to all of the borrower's other debts, and required approval by the Comptroller for repayment. The Court did not address the second prong of whether the loan constituted moneyed capital with the object of making a profit.

Chemical appealed this decision.

Nexus

Lanco, Inc. v. Director, Division of Taxation, decided October 12, 2006; Supreme Court of New Jersey No. A-89 September Term 2005. In a unanimous decision, with one Justice not participating, the New Jersey Supreme Court affirmed the Appellate Division's decision that a foreign corporation is subject to corporation business tax when it derives income from a licensing agreement with a company conducting retail operations in New Jersey notwithstanding the foreign corporation's lack of physical presence in New Jersey. The New Jersey Supreme Court acknowledged the split of authority among the states, but believed that the *Quill* sales and use tax decision did not create a universal physical presence requirement under the Commerce Clause. Additionally, the remand of this case to the Tax Court for further proceedings was also affirmed.

Basis for Depreciation of Transferred Assets

Clorox Products Manufacturing Corporation v. Director, Division of Taxation, decided November 29, 2006; Tax Court No. 007867-2004. The Clorox Company (Parent Corporation) transferred its manufacturing operations and assets to plaintiff (Clorox) in July 1996 in exchange for 100% of Clorox's stock pursuant to a transaction that qualified as tax-free under Internal Revenue Code Section 351. The transferred assets consisted of uncoupled property, property originally placed in service during a time period when the New Jersey Corporation Business Tax Act (CBT) required the use of straight-line depreciation and did not permit the accelerated depreciation methods available to corporations under the Federal Internal Revenue Code (IRC).

Prior to the transfer, Parent Corporation depreciated the transferred assets using the straight-line method for CBT purposes and under an accelerated depreciation method for Federal purposes. On its CBT returns, Clorox used the Parent Corporation's CBT carryover basis and depreciated the assets using the straight-line method. The Division determined that Clorox should have used the Parent Corporation's IRC carryover depreciable basis per its regulations. N.J.A.C. 18:7-5.2(a)(2)(v) provides as follows:

> Gain or loss on property sold or exchanged is to be determined with reference to the amount properly to be recognized in determination of Federal taxable income. However, on the physical disposal of recovery property, whether or not a gain or loss is properly to be recognized under the Federal Internal Revenue Code, there shall be allowed as a deduction any excess or there must be restored as an item of income any deficiency of depreciation disallowed under (a)1x above over related depreciation claimed on that property under (a)2iv above. A statutory merger or consolidation shall not constitute a disposal of recovery property.

The Court ruled that the Parent Corporation's transfer to Clorox was a physical disposal of recovery property under the regulations. However, the Court found nothing in the regulation that required the Parent Corporation to take an adjusting depreciation deduction for the property it transferred to Clorox in 1996, which Parent Corporation did not take, and for which Clorox would have a reduced CBT carryover basis. The plain language of the regulation does not require the adjusting depreciation deduction but merely allows for the deduction in the year of the transfer. As Parent Corporation chose not to take the excess depreciation deduction, the Court found nothing within the regulation that precluded Clorox from using the Parent Corporation's higher depreciable basis.

The Division appealed this decision.

Gross Income Tax

Domicile
Groudis v. Director, Division of Taxation, decided August 3, 2006; Appellate Division No. A-5370-04T3, Tax Court decided May 27, 2005, No. 000220-2003. The Superior Court affirmed substantially for the reasons stated by Judge Kahn in his written decision of May 27, 2005.

Although the taxpayers maintained an apartment in Lithuania, the country of which the wife was a citizen and the husband was a dual citizen, the taxpayers did not abandon their New Jersey domicile for the tax year in question. The evidence showed that the taxpayers used their New Jersey address for their Federal and State tax returns, place of business, and marriage license. They claimed a deduction for property taxes and mortgage interest for the New Jersey residence. They claimed and received an NJ SAVER rebate. They maintained bank and other financial accounts, and the husband maintained a driver's license in New Jersey. Although it was not clear whether the wife was a New Jersey domiciliary or resident, she attested to the New Jersey address on their joint tax returns and listed that address on her application for a marriage license. Therefore, despite their argument that they intended to make Lithuania their permanent home, the overwhelming evidence supported a finding that the taxpayers did not abandon their New Jersey domicile.

Statute of Limitation on Refunds
Mints v. Director, Division of Taxation, decided August 23, 2006; Tax Court No. 005360-2005. In this case, the taxpayer had not filed New Jersey gross income tax returns stating that Division of Taxation employees had verbally told him it was not necessary to file until he had all the necessary information to file his NJ-1040 returns. The Division denied making such statements to the taxpayer.

When the taxpayer filed his NJ-1040 returns, the Division of Taxation granted him a partial refund based on a subsequent change of income by the Federal Government. Per N.J.S.A. 54A: 9-8(c), if a taxpayer is required to report a change in Federal income for Federal tax purposes, to be eligible for a refund such change shall be filed with the Director within two years from the time of the Federal notice of change or correction. The taxpayer had filed his NJ-1040 returns within two years of the Federal change. However, the taxpayer was seeking that portion of his refund relating not to the Federal change, but to the original filing of his return that was out of statute for New Jersey gross income tax purposes.

Judge Small stated "In tax matters, strict adherence to deadlines are essential and claims or appeals filed even one day late are late." *FMC Stores v. Morris Plains,* 100 N.J. 418, 426 (1985). "Estoppel is rarely invoked against the government especially in tax matters." *Black Whale v. Director,* 15 N.J. Tax 338, 354-56 (Tax 1995). "Tax consequences must follow what a taxpayer did, not what he could, should, or might have done." *General Trading v. Director,* 83 N.J. 122, 136-38 (1980). And "Just as the government is required to turn square corners when dealing with its citizens, *FMC v. Morris Plains, supra,* taxpayers who seek refunds must comply with the government's procedural requirement for obtaining those refunds both as to time and other formalities."

Judge Small further opined, "I understand the unfortunate situation Mr. Mints finds himself in and the equities of his argument; however, our laws with respect to time limitations for filing tax refund claims, the prosecution of crimes, or assessment of taxes (as examples) embody a legislative determination that at some point the values of repose, certainty, and finality outweigh getting to the correct substantive result."

In a letter decision, Judge Small has entered judgment in favor of the Director in this matter.

Alimony in the Credit for Taxes Paid to Other Jurisdictions Calculation
DiLorenzo v. Director, Division of Taxation, decided February 2, 2007; Docket No. 000157-2006. This case involved a taxpayer who is a New Jersey resident, works in New York, and pays alimony. The taxpayer felt that he should not have to include the alimony deduction, allowed on the New York nonresident return, in the numerator of the credit calculation of the credit for taxes paid to other jurisdictions since he was not able to reduce the "entire New Jersey income" (denominator of the credit calculation) by the alimony paid.

Judge Pizzuto stated that the leading factor in his ruling was the Court decision, *Ambrose v. Director, Division of Taxation,* 198 N.J. Super. 546, 487 A.2d 1274. Judge Pizzuto stated, "A decision of another tax court judge is not binding. (However) a decision of the Appellate Division is binding on the Tax Court. Ambrose is binding on this Court."

In response to the taxpayer stating fairness as an issue, Judge Pizzuto cited Judge Lasser in *Nielsen v. Director, Division of Taxation,* 4 N.J. Tax 438, (1982). Judge Lasser stated, "Taxpayers argue that they would pay less New Jersey tax if no alimony were paid. If no alimony were paid, the numerator would be increased by $10,000 but the denominator would remain the same, increasing the fraction, increasing the New Jersey credit and reducing the New Jersey tax. However, if there were no alimony deduction in New York, the New York tax would also be higher, thus justifying the greater New Jersey credit. When taxpayers pay less tax in New York because of an alimony deduction, their New Jersey credit should be decreased."

Judge Pizzuto granted summary judgment in favor of the Division.

Timeliness of Complaint
Szymczak v. Director, Division of Taxation, decided April 30, 2007; Docket No. 005768-2006. In this case, the Director moved to dismiss the complaint because it was filed after the expiration of the statutory 90-day appeal period.

A final determination was mailed to the plaintiff on March 10, 2006. Plaintiff had 90 days to file an appeal with the Tax Court. N.J.S.A. 54A:9-10.

R. 8:4-2(b) provides, "If a notice of an action is mailed the time period within which a complaint for review may be filed shall be extended pursuant to R.1:3-3." R. 1:3-3 provides, "When service of a notice or paper is made by ordinary mail, and a rule of court order allows the party served a period of time after the service thereof within which to take some action, 3 days shall be added to the period." Thus plaintiff had until June 12, 2006, to file her complaint (June 11, 2006, was 93 days from March 10, 2006, but June 11 was a Sunday). However, plaintiff did not file a complaint with the Tax Court until June 21, 2006.

In his decision Judge Small opined:

> While plaintiff argues that denying her right to an appeal would be unconscionable, the Tax Court has no authority to relax the statute of limitations. It appears that the plaintiff relied on her accountant to file a timely appeal on her behalf … She must look to the accountant to compensate her for any loss she may have suffered because of his actions or must assume the consequences of her own actions or failure to act. The State is entitled to exert its defense that the court lacks jurisdiction. The court may not relax a statutory limitations period. The State does not act as a malpractice insurer for professionals. To the extent that the plaintiff has a meritorious claim and she was precluded from raising it…, she must look to him (CPA), and not the State, for relief. A motion to dismiss on subject matter jurisdictional grounds can never be waived.

Judge Small went on to say, "As plaintiff's complaint was not timely filed, her complaint must be dismissed. The Director's motion to dismiss for lack of jurisdiction is granted."

Timeliness of Complaint
Saltman v. Director, Division of Taxation, decided June 22, 2007; Docket No. 006278-2006. In this case, the Director moved for summary judgment on the imposition of late filing penalty and interest based on the taxpayer's late filing of their 2003 New Jersey gross income tax return (Form NJ-1040).

The plaintiff filed an application for an extension of time to file his 2003 New Jersey gross income tax return. The due date for the tax year 2003 return was April 15, 2004. Per N.J.A.C. 18:35-6.1(b), a six-month extension of time to file a New Jersey gross income tax return will be granted only if, by the original due date of the return, the taxpayer has paid in, either through withholdings, estimated payments, or a payment made with Form NJ-630, application for extension of time to file, at least 80% of the tax liability computed on the New Jersey gross income tax return when filed.

The taxpayer did not meet the 80% requirement by the original due date of the return; thus taxpayer's request for an extension of time to file his gross income tax return after April 15, 2004, was denied and late filing penalty and interest were assessed.

In his decision Judge Small stated, "Plaintiff's cross-motion is denied. No material facts are disputed. Plaintiffs failed to perfect their requests for filing their joint 2003 gross income tax return on extension, and thus, the Director properly denied Plaintiff's request to waive penalties and interest as a matter of law."

Insurance Premiums Tax

Retaliatory Tax
American Fire and Casualty Company v. Director, Division of Taxation, decided October 19, 2006; Supreme Court of New Jersey A-134 September Term 2004. At issue was the determination of the proper method of calculating a foreign company's retaliatory tax obligation pursuant to N.J.S.A. 17:32-15 when the N.J.S.A. 54:18A-6 premium tax cap statute is applicable.

In general, both domestic and foreign insurance companies are subject to a 2.1% tax rate on their New Jersey taxable premiums. However, the premium tax cap statute allows either a domestic or foreign company to pay tax on only 12.5% of its worldwide premiums if its New Jersey premiums account for more than 12.5% of its total worldwide premiums. This tax cap statute was enacted in 1945 and is unique to New Jersey. A foreign insurer is also subjected to a provision that requires it to pay retaliatory tax if its home state's own tax and other obligations would be higher than the tax and other obligations calculated to be due to New Jersey. In 1981, the United States Supreme Court upheld the constitutionality of retaliatory taxation as to insurance companies in *Western & Southern Insurance Co.*

In a four to three decision, the New Jersey Supreme Court decided that the benefits received from the premium tax cap are not included in a foreign insurer's retaliatory tax calculation. Therefore, majority determined that foreign insurers must pay retaliatory tax to New Jersey to the extent their home state imposed a higher tax rate than New Jersey's tax rate. The majority stated that their interpretation was a harmonization of the statutes and was not a decision on constitutional grounds. The three-member dissent believed that the foreign insurers should be taxed in New Jersey the same way New Jersey insurers would be taxed in their state. Consequently, the dissent would not have permitted New Jersey's premium tax cap to effectively reduce the amount of retaliatory tax unless the insured's home state had a similar provision(s).

Litter Control Tax

Paper Products
Random House, Inc. v. Director, Division of Taxation, decided August 23, 2006; Appellate Division No. A-1359-05T5. The Appellate Division affirmed the Tax Court's decision that Random House's sales of books to wholesalers, distributors, and retailers from 1993 to 2000 were not "litter-generating products" and were therefore not subject to the litter control tax.

Local Property Tax

Farmland Assessment
All Monmouth Landscaping & Design, Inc. v. Manalapan Township, decided October 20, 2006; Tax Court No. 007199-2005. The subject matter of this case was whether the plaintiff was eligible for farmland assessment under the Farmland Assessment Act for tax year 2005 if he failed to file his application by the statutory filing deadline of August 1, 2004.

The plaintiff's property was purchased under the conditions of the Garden State Preservation Trust Act, which by deed restriction required the property be used for farm use, and which the plaintiff believed meant no application for farmland assessment was needed. The plaintiff's contention was that because the deed restricted the land to no other use but farmland, the assessor should have assessed the property as farmland on that basis and should have been aware of the restrictive covenant. The defendant's position was that since the application was not filed by August 1, 2004, the property was not qualified, no matter how eligible it might otherwise have been.

The defendant said that the plaintiff had always filed timely applications and the subject property had been assessed as farmland under the provisions of the Farmland Assessment Act for tax years 2003 and 2004. Plaintiff stated that the property owner filled out the application sometime in July and gave it to his secretary to submit to the defendant by the August 1, 2004, deadline. However, the secretary failed to file the application by the due date. On August 12, 2004, the defendant's assessor notified the plaintiff that the application had been denied due to untimely filing.

The plaintiff filed an appeal with the Monmouth County Board of Taxation. The County Board confirmed the assessments and the plaintiff then hired counsel, who filed an appeal with the New Jersey Tax Court.

The plaintiff pointed out that the idea of the Farmland Assessment Act was to preserve farmland and open space and argued that the strict covenant in the deed served the same purpose as the Act. The defendant did not argue that the use of the subject property was inconsistent with the purposes of the Act, but believed that the plaintiff must adhere to the requirements of the Farmland Assessment Act: he should have made a timely application.

N.J.S.A. 54:23.6 permits the assessor to extend the deadline for the application until September 1st, but only where the owner is ill or has died. New Jersey courts have consistently stood by the provisions of the Act and held that a failure to file a timely application for farmland assessment would preclude preferential valuation, assessment, and taxation for the tax year no application was filed.

In *Interstate 78 Office Park, Ltd. v. Tewksbury Twp.,* 11 N.J. Tax 172, 181 (Tax 1996), the Court explained why an application is required:

> This legislative requirement for the filing of the farmland assessment application is to notice the assessor as to the exact agricultural or horticultural use the owner is claiming and the facts relied upon in support thereof so the assessor may check it out and make an informed determination whether the application sets forth a claim recognized by the act and whether the facts found by him support the claim…. When the assessor makes his physical inspection, naturally and logically, he is guided by the application as to what facts he should investigate.

So, even though the plaintiff's deed restricted the use of property, the Act still required the assessor to determine whether the property was eligible for farmland assessment. Since the plaintiff did not file his application in a timely manner, the New Jersey Tax Court found the land not to be entitled to a farmland assessment for tax year 2005.

Also, the plaintiff wanted the Court to examine how the assessor valued the property. The plaintiff thought that the assessor should have taken the restrictive covenant into account when valuing the property. The plaintiff incorrectly equated the true value of the property as restricted with the value under the Farmland Assessment Act. In valuing land under qualifying agricultural or horticultural use, the assessor must consider evidence of soil capability derived from Rutgers, the State University; the National Co-op Soil Survey; and the State Farmland Evaluation Advisory Committee.

When farmland is not eligible for farmland assessment, the assessor must determine "the full and fair value of each parcel of real property situate in the taxing district at such price as, in his judgment, it would sell for at a fair and bonafide sale by the private contract on October 1 next preceding the date on which the assessor shall complete his assessments." N.J.S.A. 54:4-23. This means that the assessor must value the property the same way it would be valued in the marketplace even if it is farmland with a restrictive code.

The plaintiff was entitled to a trial to determine whether the market value of the property was different than the assessments. However, he was not eligible for a reduced assessment for the tax year 2005 under the Farmland Assessment Act.

Farmland Assessment
Township of Wantage v. Rivlin Corporation, decided May 25, 2007; Tax Court No. 008697-2006. Plaintiff (Wantage Township) appealed to the Tax Court from a judgment of the Sussex County Board of Taxation denying the imposition of rollback taxes on a portion of the defendant's (Rivlin Corporation) property. Plaintiff's motion for partial summary judgment was granted over whether a portion of a tax lot, the balance of which qualified for farmland assessment, can be subject to rollback taxes. Defendant's motion to require the plaintiff to provide certain discovery was also granted.

Rivlin Corporation is the owner of 35.91 acres of property in Wantage Township. For tax years 2003, 2004, and 2005 the entire parcel was assessed as farmland pursuant to the Farmland Assessment Act of 1964 (N.J.S.A. 54:4-23.1 to 23.23). Rivlin Corporation's farmland assessment application in tax year 2006 stated that only five acres were devoted to agricultural use, while the application for tax year 2007 listed 15 acres. After completing on-site field inspections of the parcel, the Wantage Township assessor determined that rollback taxes for tax years 2003, 2004, and 2005 were in order for the portion of property not devoted to agricultural use as per N.J.S.A. 54:4-23.8 and N.J.S.A. 54:4-23.9. As per statute, the assessor filed a petition with the Sussex County Tax Board, but was denied relief. Appeal to the Tax Court followed.

The plaintiff's position was that N.J.S.A. 54:4-23.16 and applicable decisional law permit the regular assessment of a portion of a tax lot even if the balance of the lot qualifies for farmland assessment. The nonqualifying portion of the lot may then be subject to rollback taxes. The Tax Court interpreted N.J.S.A. 54:4-23.16 and N.J.A.C. 18:15-5.3(b) "to contemplate that a separation or split off occurs…when the owner elects to use a portion of a parcel or tax lot for a purpose other than agricultural use." The Tax Court concluded "that not only may a portion of a tax lot qualify for farmland assessment while another portion does not, but also that rollback taxes may be imposed on a portion of a tax lot when that portion is converted to nonagricultural use."

Rivlin Corporation's contention was that N.J.S.A. 54:4-23.16 did not apply and that even if a portion of the parcel is devoted to nonagricultural use, the entire lot must qualify for farmland assessment if its predominant use is for agricultural purposes. The defendant cited case law which applied the predominant use test. However, the Tax Court concluded the dominant use test does not apply to the case at hand. In cases applying the predominant use test, an agricultural use coexisted with a nonagricultural use. The Tax Court referred to *Andover Township v. Kymer,* 140 N.J. Super. 399 (App. Div. 1976) and *Wiesenfeld v. South Brunswick Township,* 166 N.J. Super. 90 (App. Div. 1979), stating that when integrating the two concepts of predominant use and split-offs, if the separated or split-off part of the lot is appurtenant to agricultural activities on the balance of the lot and is required to maintain or for the benefit of those agricultural activities, then the split-off portion qualifies for farmland assessment with the balance of the lot. In *Wiesenfeld supra,* 166 N.J. Super. at 95, the Tax Court held that if a portion of a lot is used for "independent commercial operations not conducted for the benefit of the farm or the farmer but as a completely separate business activity," then that portion of the lot cannot qualify for farmland assessment even if the nonfarming use is not the predominant use of the entire lot. In the final analysis, the Tax Court indicated that "if the proofs should establish that the portion of the defendant's property which has not been accorded farmland assessment was used in the manner…described in…*Wiesenfeld,* then a rollback assessment on that portion of the lot will be appropriate." The Tax Court concurred with the analysis in *Hamilton Township v. Estate of Lyons,* 8 N.J. Tax 112 that where the primary reason for the nonagricultural use of a portion of a lot is not to benefit the agricultural use of the balance of a lot, rollback taxes can be imposed, even if the nonagricultural use is temporary.

Sales and Use Tax

Wrapping Supplies Exemption
Quest Diagnostics, Inc. v. Director, Division of Taxation, decided August 2, 2006; Appellate Division No. A-901-04T2. Plaintiff (Quest) purchases and then provides vacutainers to physicians at no charge for their use in collecting samples of human blood and other bodily fluids that are prescribed. Vacutainers are test tubes that are sealed with a vacuum inside and each one contains a chemical essential to the sample for testing purposes. When drawing blood, the physician inserts a needle into the patient's arm and punctures the vacutainer's rubber top with the other end of the needle causing blood to be drawn through the needle into the vacutainer. After the sample collection process is completed, the physician places the vacutainer in a courier box from which Quest or a competitor collects the vacutainer. Quest also maintains a center for patients whose physicians do not collect samples in their own offices.

Quest operates a medical testing laboratory that performs and provides test results. Quest, as does its competitors, provides testing services for both its own supplied vacutainers as well as competitor supplied vacutainers. The vacutainers are destroyed after testing and are never reused.

When the vacutainers were acquired, Quest paid sales tax on the purchase price. Pursuant to an internal audit, Quest determined that the vacutainers should be exempt from sales tax. Quest claims that the product qualifies for the N.J.S.A. 54:32B-8.15 exemption from sales and use tax because they are nonreturnable containers or other wrapping supplies. In general, N.J.S.A. 54:32B-8.15 (8.15) provides an exemption for the sales or use of wrapping supplies including cartons, nonreturnable containers, etc. and all other wrapping supplies that are used incidentally in the delivery of personal property.

The Tax Court previously ruled that the vacutainers were neither other wrapping supplies nor nonreturnable containers and thus were subject to sales and use tax. On Quest's appeal, the Appellate Division (AD) affirmed without adopting the Tax Court's full analysis. The AD stated that the vacutainers are returnable containers even though they are not reusable; however, it opined that the vacutainers were neither containers nor wrapping materials entitled to exemption based upon the objectives of the N.J.S.A. 54:32B-8.15 legislation. The AD noted that the words of this statute as applied to these facts demonstrated the inherent ambiguities in the statute. Therefore, the AD focused on the principle of narrow construction where N.J.S.A. 54:32B-8.15 was ambiguous.

Responsible Person and Timeliness of Complaint
Rosner v. Director, Division of Taxation, decided November 6, 2006; Docket No. 007501-2005. This case involves a responsible person case and the underpayment of sales tax.

After conducting an in-person conference, the administrative conferee had sent a final determination letter by certified mail to the address of record (which was the taxpayer's correct address). However, the post office returned the certified mail as "undeliverable as addressed." The administrative conferee then sent the final determination by regular mail to the same address in July 2005.

The taxpayer claimed he did not receive the final determination letter until September 29, 2005. To prove this point, the taxpayer submitted a copy of an envelope sent from the Conference and Appeals Branch containing PO Box 198 in the left-hand corner and a stamped date of September 29, 2005, in the right-hand corner.

The Division countered that the administrative conferee had sent out a "Settlement Agreement Packet" which the taxpayer had requested via telephone. It was this mailing that the taxpayer received sometime after September 29, 2005.

Judge Hayser in his opinion stated, "We have a situation where the Division claims to have mailed certain documents and the taxpayer claims to have received certain documents at different times. We could have another hearing as to the credibility of the conferee and the taxpayer. However, I do not think that will be necessary."

Then Judge Hayser stated that just as the Division was required to turn "square corners," the taxpayer also had a responsibility to file a "timely, diligent appeal." Quoting from *Prospect Hill Apartments vs. Borough of Flemington,* 411 A 2d 737, 1 N.J. Tax 224, 172 N.J. Super. 245 (1979), Judge Hayser said that the taxpayer waited 80 days from the date the taxpayer said he received the final determination by regular mail and 150 days from when the original final determination was mailed by certified mail to appeal to Tax Court. Judge Hayser said the "tolling of a statute is not open-ended." "Not only does the Division have a responsibility with timeliness issues, but the taxpayer also has a duty when they appeal to be diligent."

Judge Hayser opined, "The plaintiff knowing that the appeal time was going to run out, waited until the final days to mail his appeal. Due diligence would have required an earlier filing. He (the taxpayer) did so at his own peril."

From *Prospect Hill Apartments, supra,* Judge Conley said, "Plaintiff is correct that the Tax Court as a judicial body has greater powers than were possessed by county boards of taxation or the Division of Tax Appeals. The Supreme Court has held that jurisdictional statutes of limitation may be tolled by courts in appropriate circumstances if the legislative purpose underlying the statutory scheme will thereby be effectuated." *White v. Violent Crimes Comp. Bd.,* 76 N.J. 368, 379, 388 A.2d 206, 211 (1978). In an apparent effort to invoke the application of this principle, plaintiff argues that the post office at which its complaint was mailed on August 14, 1979, promised delivery the next day, which would have resulted in a timely filing. This argument has no merit. Plaintiff waited until the day before the statutory filing deadline to mail the complaint. The mailing was in Elizabeth and the envelope was addressed to Trenton. Due diligence would have required either an earlier mailing of the complaint or a direct filing of the complaint by August 15. *Leake v. Bullock,* 104 N.J. Super. 309, 250 A.2d 27 (App. Div. 1969). There are no circumstances in the present case to warrant any consideration of a tolling of the filing deadline established by N.J.S.A. 54:3-21. The Court need not consider in this case whether such a tolling could effectuate the legislative purpose underlying the statutory scheme of tax appeals in other circumstances.

Judge Hayser granted the Division its motion to dismiss for untimely appeal to Tax Court.

Jurisdiction
Scott Frybarger, t/a Titan Power Equipment, Inc. v. New Jersey Department of Treasury, decided December 27, 2006; Civil Action No. 05-4648 (KSH). Mr. Frybarger, a resident from Florida, sent a tractor-trailer full of construction equipment to New Jersey to be sold. Mr. Frybarger hired four gentlemen from Ohio to drive around New Jersey construction sites and to sell the merchandise.

The four gentlemen from Ohio were responsible for picking the equipment up from a New Jersey site and driving the equipment to prospective customers located in New Jersey. Once the construction site foreman saw equipment that he was interested in, the Ohio driver would make a phone call to Mr. Frybarger who would finalize the deal. The Ohio gentlemen are not considered a common carrier, nor should they be considered independent contractors since Mr. Frybarger closed all the deals on the cell phone.

Mr. Frybarger filed in United States District Court, District of New Jersey, claiming that the State of New Jersey deprived him of rights guaranteed by the Fourth and Fourteenth Amendments to the Constitution when property was searched and seized for failure to pay sales tax. Mr. Frybarger also claims 1983 action (civil rights were violated) as well as emotional distress.

Judge Katherine S. Hayden of the Federal District Court has issued an order denying plaintiff's motion for entry of default and granting the Division's motion to dismiss the case citing that Mr. Frybarger had two alternative methods of challenging tax assessments made against him. Mr. Frybarger should have either filed a written protest for a hearing or appealed to the Tax Court of New Jersey. Accompanying the order is a seven-page unpublished opinion.

Mr. Frybarger had 30 days to file an appeal with the U.S. Third Circuit Court of Appeals.

New Jersey Division of Taxation

APPENDICES

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2006 General and Effective Property Tax Rates
By Municipality

County	General Tax Rate	Effective Tax Rate
Atlantic		
Absecon City	3.778	2.393
Atlantic City	3.696	2.384
Brigantine City	0.909	1.267
Buena Borough	4.129	2.708
Buena Vista Township	4.054	2.339
Corbin City	3.162	3.284
Egg Harbor City	2.309	2.984
Egg Harbor Township	3.359	1.916
Estell Manor City	2.487	1.721
Folsom Borough	2.400	1.657
Galloway Township	3.369	2.058
Hamilton Township	3.593	2.091
Hammonton Town	3.328	2.254
Linwood City	3.187	2.380
Longport Borough	0.700	0.741
Margate City	1.204	1.233
Mullica Township	3.555	2.171
Northfield City	3.885	2.134
Pleasantville City	4.262	2.738
Port Republic City	2.969	1.709
Somers Point City	3.686	1.940
Ventnor City	1.421	1.821
Weymouth Township	2.695	2.135
Bergen		
Allendale Borough	2.360	1.897
Alpine Borough	0.580	0.662
Bergenfield Borough	2.750	2.453
Bogota Borough	3.400	2.112
Carlstadt Borough	3.060	1.640
Cliffside Park Borough	1.980	1.683
Closter Borough	1.490	1.752
Cresskill Borough	1.870	1.631
Demarest Borough	2.000	1.866
Dumont Borough	2.120	2.243
Elmwood Park Borough	2.010	1.797
East Rutherford Borough	2.690	1.536
Edgewater Borough	2.840	1.516
Emerson Borough	3.540	1.977
Englewood City	4.160	2.011

County	General Tax Rate	Effective Tax Rate
Englewood Cliffs Bor.	1.080	0.843
Fair Lawn Borough	4.260	2.143
Fairview Borough	3.640	2.021
Fort Lee Borough	1.660	1.687
Franklin Lakes Borough	2.370	1.293
Garfield City	3.570	1.885
Glen Rock Borough	2.660	2.176
Hackensack City	5.010	2.267
Harrington Park Borough	1.650	1.824
Hasbrouck Heights Bor.	1.780	2.011
Haworth Borough	2.160	1.902
Hillsdale Borough	3.800	1.846
Ho Ho Kus Borough	1.270	1.440
Leonia Borough	3.590	1.940
Little Ferry Borough	1.930	2.169
Lodi Borough	2.580	2.410
Lyndhurst Township	1.450	1.899
Mahwah Township	1.790	1.250
Maywood Borough	3.880	2.023
Midland Park Borough	2.670	1.962
Montvale Borough	1.400	1.631
Moonachie Borough	1.430	1.542
New Milford Borough	1.880	1.983
North Arlington Borough	3.760	1.953
Northvale Borough	3.420	1.868
Norwood Borough	2.870	1.668
Oakland Borough	1.800	1.894
Old Tappan Borough	1.930	1.469
Oradell Borough	3.780	1.862
Palisades Park Borough	2.960	1.478
Paramus Borough	1.550	1.277
Park Ridge Borough	1.690	1.606
Ramsey Borough	2.140	1.804
Ridgefield Borough	1.190	1.275
Ridgefield Park Village	3.860	2.376
Ridgewood Village	2.670	1.800
River Edge Borough	2.090	2.075
Rivervale Township	3.550	1.831
Rochelle Park Township	2.380	1.857
Rockleigh Borough	0.580	0.767
Rutherford Borough	1.770	2.035

County	General Tax Rate	Effective Tax Rate
Bergen (continued)		
Saddle Brook Township	3.120	1.722
Saddle River Borough	0.800	0.730
South Hackensack Twp.	2.950	2.198
Teaneck Township	4.640	2.419
Tenafly Borough	2.300	1.910
Teterboro Borough	1.010	0.898
Upper Saddle River Bor.	1.830	1.440
Waldwick Borough	1.960	2.012
Wallington Borough	3.370	1.854
Washington Township	1.490	1.652
Westwood Borough	1.970	1.820
Woodcliff Lake Borough	1.870	1.622
Wood-Ridge Borough	2.670	1.860
Wyckoff Township	1.260	1.437
Burlington		
Bass River Township	3.254	1.805
Beverly City	4.963	3.445
Bordentown City	4.934	3.035
Bordentown Township	3.815	2.237
Burlington City	3.416	2.359
Burlington Township	2.020	1.941
Chesterfield Township	3.250	1.980
Cinnaminson Township	4.007	2.383
Delanco Township	3.887	2.457
Delran Township	2.405	2.365
Eastampton Township	2.207	2.676
Edgewater Park Township	3.695	2.302
Evesham Township	4.148	2.459
Fieldsboro Borough	4.334	2.379
Florence Township	3.764	2.318
Hainesport Township	3.255	1.968
Lumberton Township	3.551	2.070
Mansfield Township	3.520	2.116
Maple Shade Township	2.007	2.483
Medford Township	4.161	2.539
Medford Lakes Borough	4.941	2.772
Moorestown Township	4.227	2.199
Mount Holly Township	4.308	2.526
Mount Laurel Township	3.532	2.233
New Hanover Township	2.293	1.859
North Hanover Township	2.808	1.709
Palmyra Borough	4.002	2.585
Pemberton Borough	3.911	2.641
Pemberton Township	3.319	2.191
Riverside Township	2.551	2.704
Riverton Borough	5.019	2.823
Shamong Township	3.566	2.163

County	General Tax Rate	Effective Tax Rate
Southampton Township	3.189	2.108
Springfield Township	2.163	2.203
Tabernacle Township	2.110	2.249
Washington Township	2.873	1.445
Westampton Township	3.034	1.986
Willingboro Township	5.180	3.215
Woodland Township	2.989	1.906
Wrightstown Borough	1.989	1.937
Camden		
Audubon Borough	5.029	3.048
Audubon Park Borough	6.560	6.458
Barrington Borough	5.336	3.252
Bellmawr Borough	5.020	3.184
Berlin Borough	4.192	2.682
Berlin Township	4.381	3.208
Brooklawn Borough	3.964	3.087
Camden City	4.638	2.993
Cherry Hill Township	4.880	2.643
Chesilhurst Borough	3.837	2.959
Clementon Borough	4.490	3.495
Collingswood Borough	5.081	2.943
Gibbsboro Borough	3.665	2.837
Gloucester City	3.923	2.907
Gloucester Township	4.880	2.958
Haddon Township	4.842	3.012
Haddonfield Borough	4.762	2.767
Haddon Heights Borough	5.020	3.007
Hi-Nella Borough	5.841	3.790
Laurel Springs Borough	5.076	3.444
Lawnside Borough	4.005	3.051
Lindenwold Borough	5.747	3.892
Magnolia Borough	5.128	3.625
Merchantville Borough	4.650	3.258
Mount Ephraim Borough	5.008	3.393
Oaklyn Borough	4.963	3.404
Pennsauken Township	4.032	2.972
Pine Hill Borough	5.763	3.706
Pine Valley Borough	1.496	1.494
Runnemede Borough	4.742	3.349
Somerdale Borough	5.196	3.769
Stratford Borough	4.991	3.533
Tavistock Borough	1.435	1.421
Voorhees Township	2.310	2.839
Waterford Township	4.484	2.994
Winslow Township	4.445	2.891
Woodlynne Borough	6.924	4.747

County	General Tax Rate	Effective Tax Rate
Cape May		
Avalon Borough	0.320	0.402
Cape May City	0.770	0.745
Cape May Point Borough	0.750	0.451
Dennis Township	1.020	1.366
Lower Township	2.880	1.238
Middle Township	2.910	1.369
North Wildwood City	0.700	1.129
Ocean City	0.970	0.658
Sea Isle City	0.610	0.504
Stone Harbor Borough	0.480	0.443
Upper Township	1.050	1.388
West Cape May Borough	1.320	1.022
West Wildwood Borough	1.440	1.276
Wildwood City	1.510	1.540
Wildwood Crest Borough	1.270	0.893
Woodbine Borough	2.510	1.261
Cumberland		
Bridgeton City	4.272	3.377
Commercial Township	3.825	2.416
Deerfield Township	2.968	2.957
Downe Township	3.475	1.996
Fairfield Township	3.007	2.341
Greenwich Township	3.030	3.204
Hopewell Township	3.497	2.866
Lawrence Township	3.683	2.710
Maurice River Township	3.633	2.309
Millville City	2.826	2.850
Shiloh Borough	4.050	3.059
Stow Creek Township	3.077	2.722
Upper Deerfield Twp.	3.425	2.681
Vineland City	3.839	2.415
Essex		
Belleville Township	15.890	2.404
Bloomfield Township	5.110	2.489
Caldwell Borough Twp.	2.040	2.113
Cedar Grove Township	10.960	1.652
East Orange City	27.210	3.558
Essex Fells Township	1.470	1.463
Fairfield Township	2.520	1.516
Glen Ridge Bor. Twp.	15.060	2.722
Irvington Township	25.000	3.161
Livingston Township	12.940	1.899
Maplewood Township	3.980	2.629
Millburn Township	2.120	1.650
Montclair Township	5.360	2.416
Newark City	2.490	1.900
North Caldwell Borough	7.250	1.710
Nutley Township	2.050	2.196
Orange City	2.780	3.424
Roseland Borough	10.410	1.520
S. Orange Village Twp.	6.170	2.643
Verona Township	8.770	2.072
West Caldwell Township	3.500	1.977
West Orange Township	10.600	2.775
Gloucester		
Clayton Borough	4.504	3.094
Deptford Township	3.570	2.423
East Greenwich Township	4.026	2.526
Elk Township	3.643	2.582
Franklin Township	3.619	2.386
Glassboro Borough	4.687	3.357
Greenwich Township	3.292	2.366
Harrison Township	3.773	2.356
Logan Township	2.977	2.241
Mantua Township	4.419	2.704
Monroe Township	4.610	2.886
National Park Borough	4.791	3.423
Newfield Borough	4.646	2.817
Paulsboro Borough	3.733	3.051
Pitman Borough	4.549	2.965
S. Harrison Township	3.318	2.296
Swedesboro Borough	4.542	3.111
Washington Township	4.186	2.489
Wenonah Borough	4.744	2.938
West Deptford Township	3.618	2.377
Westville Borough	4.516	3.280
Woodbury City	5.767	3.877
Woodbury Heights Bor.	3.804	3.165
Woolwich Township	3.960	2.370
Hudson		
Bayonne City	5.251	2.510
East Newark Borough	7.116	1.879
Guttenberg Town	5.102	2.367
Harrison Town	4.626	2.053
Hoboken City	3.434	1.281
Jersey City	5.175	1.758
Kearny Town	7.910	2.524
North Bergen Township	4.159	2.114
Secaucus Town	2.834	1.785
Union City	4.796	2.356
Weehawken Township	3.286	1.746
West New York Town	4.826	2.233

County	General Tax Rate	Effective Tax Rate
Hunterdon		
Alexandria Township	2.000	1.830
Bethlehem Township	2.700	2.115
Bloomsbury Borough	1.750	1.855
Califon Borough	2.300	2.422
Clinton Town	2.300	2.335
Clinton Township	1.900	1.863
Delaware Township	1.890	1.820
East Amwell Township	1.780	1.788
Flemington Borough	2.380	2.292
Franklin Township	2.220	1.901
Frenchtown Borough	2.420	2.156
Glen Gardner Borough	2.680	2.043
Hampton Borough	2.220	2.724
High Bridge Borough	2.590	2.456
Holland Township	1.800	1.682
Kingwood Township	3.080	1.753
Lambertville City	1.510	1.445
Lebanon Borough	3.050	1.571
Lebanon Township	2.640	1.869
Milford Borough	2.620	2.067
Raritan Township	3.440	1.849
Readington Township	2.380	1.889
Stockton Borough	3.310	1.586
Tewksbury Township	2.220	1.628
Union Township	2.490	1.732
West Amwell Township	1.710	1.515
Mercer		
East Windsor Township	4.830	2.477
Ewing Township	4.260	2.552
Hamilton Township	3.420	2.170
Hightstown Borough	5.700	2.901
Hopewell Borough	1.780	2.092
Hopewell Township	1.870	2.098
Lawrence Township	3.650	2.203
Pennington Borough	1.880	2.210
Princeton Borough	3.690	1.881
Princeton Township	3.340	1.779
Trenton City	4.100	3.262
Washington Township	4.510	2.351
West Windsor Township	1.910	2.344
Middlesex		
Carteret Borough	4.620	2.198
Cranbury Township	3.840	1.614
Dunellen Borough	9.310	2.305
East Brunswick Township	7.350	2.083
Edison Township	3.590	2.073
Helmetta Borough	7.050	2.061
Highland Park Borough	5.720	2.380
Jamesburg Borough	4.390	2.350
Metuchen Borough	4.130	2.038
Middlesex Borough	6.330	2.216
Milltown Borough	3.770	2.054
Monroe Township	2.990	1.680
New Brunswick City	4.200	1.920
North Brunswick Twp.	4.070	2.497
Old Bridge Township	3.820	1.964
Perth Amboy City	1.620	2.008
Piscataway Township	5.020	1.946
Plainsboro Township	2.000	1.971
Sayreville Borough	3.600	1.857
South Amboy City	1.660	1.596
South Brunswick Twp.	3.570	2.048
South Plainfield Bor.	4.310	1.904
South River Borough	5.530	1.700
Spotswood Borough	2.290	2.220
Woodbridge Township	6.730	2.021
Monmouth		
Aberdeen Township	5.004	2.254
Allenhurst Borough	1.477	0.748
Allentown Borough	4.148	2.429
Asbury Park City	4.323	1.715
Atlantic Highlands Bor.	2.157	1.787
Avon-by-the-Sea Bor.	2.526	1.052
Belmar Borough	1.666	1.197
Bradley Beach Borough	1.092	1.369
Brielle Borough	2.894	1.368
Colts Neck Township	3.070	1.429
Deal Borough	0.999	0.581
Eatontown Borough	1.441	1.782
Englishtown Borough	3.861	1.930
Fair Haven Borough	2.102	1.764
Farmingdale Borough	1.760	1.751
Freehold Borough	1.949	1.953
Freehold Township	3.343	1.839
Hazlet Township	4.373	2.158
Highlands Borough	2.517	2.100
Holmdel Township	3.300	1.667
Howell Township	4.062	2.032
Interlaken Borough	1.292	1.019

County	General Tax Rate	Effective Tax Rate
Monmouth (continued)		
Keansburg Borough	4.747	2.152
Keyport Borough	4.397	2.226
Lake Como Borough	1.204	1.490
Little Silver Borough	2.086	1.769
Loch Arbour Village	1.576	0.819
Long Branch City	2.442	1.629
Manalapan Township	3.607	1.745
Manasquan Borough	1.429	1.255
Marlboro Township	4.037	1.912
Matawan Borough	5.013	2.463
Middletown Township	3.558	1.686
Millstone Township	2.331	1.713
Monmouth Beach Bor.	1.107	1.125
Neptune Township	2.013	1.689
Neptune City Borough	2.169	1.910
Ocean Township	1.674	1.587
Oceanport Borough	1.306	1.579
Red Bank Borough	3.428	1.718
Roosevelt Borough	4.780	2.254
Rumson Borough	1.358	1.224
Sea Bright Borough	1.424	1.131
Sea Girt Borough	0.669	0.752
Shrewsbury Borough	2.267	1.850
Shrewsbury Township	5.095	2.206
Spring Lake Borough	0.622	0.663
Spring Lake Heights Bor.	1.739	1.182
Tinton Falls Borough	3.590	1.780
Union Beach Borough	2.627	2.080
Upper Freehold Township	1.596	1.884
Wall Township	2.194	1.515
West Long Branch Bor.	1.594	1.760
Morris		
Boonton Town	3.710	1.830
Boonton Township	2.870	1.594
Butler Borough	2.500	1.948
Chatham Borough	1.500	1.484
Chatham Township	1.440	1.445
Chester Borough	1.810	1.965
Chester Township	1.500	1.788
Denville Township	2.320	1.718
Dover Town	3.780	1.914
East Hanover Township	1.780	1.326
Florham Park Borough	1.150	1.273
Hanover Township	2.340	1.309
Harding Township	0.940	0.813
Jefferson Township	1.600	1.889
Kinnelon Borough	2.490	1.853

County	General Tax Rate	Effective Tax Rate
Lincoln Park Borough	3.650	1.903
Long Hill Township	2.400	1.843
Madison Borough	2.200	1.444
Mendham Borough	1.290	1.596
Mendham Township	1.480	1.586
Mine Hill Township	1.710	2.017
Montville Township	2.900	1.727
Morris Township	2.130	1.605
Morris Plains Borough	2.880	1.630
Morristown Town	2.240	2.034
Mountain Lakes Borough	1.620	1.821
Mount Arlington Borough	1.810	1.658
Mount Olive Township	3.790	2.257
Netcong Borough	1.920	2.240
Parsippany-Troy Hills Twp.	2.030	1.813
Pequannock Township	1.510	1.741
Randolph Township	2.830	1.864
Riverdale Borough	1.300	1.361
Rockaway Borough	2.020	1.920
Rockaway Township	3.020	2.112
Roxbury Township	3.350	1.941
Victory Gardens Borough	1.830	1.809
Washington Township	3.390	1.972
Wharton Borough	4.120	2.048
Ocean		
Barnegat Township	3.672	1.777
Barnegat Light Borough	0.706	0.719
Bay Head Borough	0.953	0.655
Beach Haven Borough	0.977	0.848
Beachwood Borough	3.275	1.590
Berkeley Township	2.958	1.514
Brick Township	3.398	1.508
Eagleswood Township	1.436	1.698
Harvey Cedars Borough	0.717	0.782
Island Heights Borough	1.444	1.456
Jackson Township	3.774	1.770
Lacey Township	3.123	1.484
Lakehurst Borough	1.575	1.938
Lakewood Township	1.518	1.690
Lavallette Borough	0.754	0.706
Little Egg Harbor Twp.	1.318	1.719
Long Beach Township	0.798	0.756
Manchester Township	2.838	1.549
Mantoloking Borough	0.737	0.515
Ocean Township	1.417	1.493
Ocean Gate Borough	1.747	1.878

County	General Tax Rate	Effective Tax Rate
Ocean (continued)		
Pine Beach Borough	1.355	1.498
Plumsted Township	3.080	1.592
Point Pleasant Borough	3.400	1.516
Pt. Pleasant Beach Bor.	3.022	1.083
Seaside Heights Borough	3.792	1.355
Seaside Park Borough	1.832	1.152
Ship Bottom Borough	0.901	0.820
South Toms River Bor.	1.400	1.810
Stafford Township	1.625	1.599
Surf City Borough	0.812	0.780
Toms River Township	3.052	1.348
Tuckerton Borough	1.805	1.738
Passaic		
Bloomingdale Borough	4.940	2.409
Clifton City	3.950	2.265
Haledon Borough	4.820	2.693
Hawthorne Borough	4.090	2.146
Little Falls Township	4.390	1.876
North Haledon Borough	5.660	1.813
Passaic City	5.250	2.560
Paterson City	26.300	2.471
Pompton Lakes Borough	5.050	2.479
Prospect Park Borough	4.920	2.585
Ringwood Borough	4.510	2.314
Totowa Borough	3.210	1.782
Wanaque Borough	5.260	2.434
Wayne Township	3.770	2.068
West Milford Township	5.190	2.417
West Paterson Borough	3.840	2.059
Salem		
Alloway Township	3.157	2.441
Carneys Point Township	4.052	2.824
Elmer Borough	2.184	2.616
Elsinboro Township	3.882	2.717
Lower Alloways Crk. Twp.	1.072	0.989
Mannington Township	2.019	2.341
Oldmans Township	4.003	2.694
Penns Grove Borough	5.390	3.625
Pennsville Township	3.869	3.013
Pilesgrove Township	3.609	2.339
Pittsgrove Township	2.750	2.679
Quinton Township	3.379	2.672
Salem City	5.570	3.901
Upper Pittsgrove Twp.	1.783	2.225
Woodstown Borough	4.215	2.882

County	General Tax Rate	Effective Tax Rate
Somerset		
Bedminster Township	1.140	1.111
Bernards Township	1.490	1.612
Bernardsville Borough	1.330	1.442
Bound Brook Borough	4.830	2.690
Branchburg Township	1.820	1.916
Bridgewater Township	1.640	1.577
Far Hills Borough	0.920	0.970
Franklin Township	1.830	1.949
Green Brook Township	1.810	1.940
Hillsborough Township	2.820	1.972
Manville Borough	1.770	2.102
Millstone Borough	1.720	1.928
Montgomery Township	2.310	2.039
North Plainfield Borough	5.170	2.683
Peapack & Gladstone Bor.	1.660	1.639
Raritan Borough	1.830	1.762
Rocky Hill Borough	2.780	1.403
Somerville Borough	4.520	2.683
South Bound Brook Bor.	5.150	2.854
Warren Township	1.630	1.564
Watchung Borough	1.630	1.536
Sussex		
Andover Borough	3.270	1.950
Andover Township	2.810	2.199
Branchville Borough	1.250	1.445
Byram Township	4.560	2.301
Frankford Township	3.440	2.011
Franklin Borough	4.230	2.320
Fredon Township	3.270	1.883
Green Township	2.020	2.170
Hamburg Borough	3.430	2.317
Hampton Township	3.430	1.963
Hardyston Township	3.350	1.885
Hopatcong Borough	3.830	2.219
Lafayette Township	1.600	1.929
Montague Township	3.320	1.829
Newton Town	4.580	2.644
Ogdensburg Borough	4.500	2.634
Sandyston Township	3.030	1.808
Sparta Township	2.780	2.090
Stanhope Borough	2.110	2.507
Stillwater Township	3.980	1.989
Sussex Borough	3.840	2.378
Vernon Township	3.920	2.197
Walpack Township	1.010	0.883
Wantage Township	1.740	2.179

County	General Tax Rate	Effective Tax Rate
Union		
Berkeley Heights Twp.	2.958	1.680
Clark Township	6.559	2.037
Cranford Township	4.191	1.830
Elizabeth City	16.813	2.024
Fanwood Borough	9.872	2.089
Garwood Borough	6.694	1.956
Hillside Township	5.812	2.920
Kenilworth Borough	3.231	1.651
Linden City	4.029	2.129
Mountainside Borough	4.610	1.241
New Providence Borough	3.395	1.930
Plainfield City	5.407	2.414
Rahway City	4.354	2.226
Roselle Borough	6.423	3.222
Roselle Park Borough	9.725	2.506
Scotch Plains Township	7.775	2.013
Springfield Township	5.076	2.018
Summit City	3.102	1.447
Union Township	13.925	2.101
Westfield Town	6.083	1.707
Winfield Township	171.210	13.274

County	General Tax Rate	Effective Tax Rate
Warren		
Allamuchy Township	1.940	1.676
Alpha Borough	2.700	2.605
Belvidere Town	4.150	2.623
Blairstown Township	2.990	1.764
Franklin Township	2.350	2.293
Frelinghuysen Township	2.130	2.054
Greenwich Township	2.500	1.890
Hackettstown Town	3.830	2.621
Hardwick Township	2.930	2.067
Harmony Township	2.100	1.514
Hope Township	3.470	1.962
Independence Township	1.850	1.934
Knowlton Township	2.970	2.139
Liberty Township	2.680	2.234
Lopatcong Township	1.880	2.146
Mansfield Township	2.760	2.197
Oxford Township	3.950	2.255
Phillipsburg Town	3.450	2.202
Pohatcong Township	3.110	2.575
Washington Borough	3.720	2.729
Washington Township	2.780	2.320
White Township	1.640	1.543

Abstract of Ratables and Exemptions 2006

COUNTY	Col. 1 TAXABLE VALUE (a) Land	Col. 1 TAXABLE VALUE (b) Improvements (Includes Partial Exemptions & Abatements)	Col. 2 Total Taxable Value of Land and Improvements (Col. 1(a) + (b))	Col. 3 Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)	Col. 4 Net Total Taxable Value of Land and Improvements (Col. 2 – 3)
Atlantic	$ 14,219,569,600	$ 16,537,285,700	$ 30,756,855,300	$ 12,175,200	$ 30,744,680,100
Bergen	63,932,175,568	57,740,107,404	121,672,282,972	7,701,400	121,664,581,572
Burlington	8,281,210,904	19,997,918,646	28,279,129,550	63,653,700	28,215,475,850
Camden	6,693,500,907	16,209,168,206	22,902,669,113	71,197,300	22,831,471,813
Cape May	26,858,376,550	12,300,275,200	39,158,651,750	8,981,600	39,149,670,150
Cumberland	1,253,892,950	3,973,427,775	5,227,320,725	18,284,900	5,209,035,825
Essex	16,777,719,986	23,756,289,760	40,534,009,746	402,972,229	40,131,037,517
Gloucester	3,777,716,101	10,529,670,800	14,307,386,901	36,525,565	14,270,861,336
Hudson	7,422,287,097	13,917,521,967	21,339,809,064	192,316,875	21,147,492,189
Hunterdon	7,115,447,046	11,320,701,549	18,436,148,595	8,049,600	18,428,098,995
Mercer	10,558,116,394	18,661,230,112	29,219,346,506	43,761,100	29,175,585,406
Middlesex	16,661,169,392	29,899,427,700	46,560,597,092	115,677,600	46,444,919,492
Monmouth	33,369,178,750	37,527,942,586	70,897,121,336	67,354,800	70,829,766,536
Morris	33,671,689,451	37,315,175,220	70,986,864,671	2,373,400	70,984,491,271
Ocean	32,786,262,059	27,488,024,324	60,274,286,383	2,487,100	60,271,799,283
Passaic	8,986,810,124	12,370,537,185	21,357,347,309	3,116,900	21,354,230,409
Salem	954,297,048	2,675,170,832	3,629,467,880	97,600	3,629,370,280
Somerset	20,857,366,012	32,333,916,656	53,191,282,668	7,344,800	53,183,937,868
Sussex	4,658,132,182	7,549,666,773	12,207,798,955		12,207,798,955
Union	9,599,039,220	14,333,968,728	23,933,007,948	29,632,100	23,903,375,848
Warren	3,007,166,752	6,438,283,157	9,445,449,909	3,616,425	9,441,833,484
TOTALS	$331,441,124,093	$412,875,710,280	$744,316,834,373	$1,097,320,194	$743,219,514,179

Abstract of Ratables and Exemptions 2006 (continued)

	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9		Col. 10
					TRUE VALUE		EQUALIZATION
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)	(a) U.E.Z. Abatement Expired	(b) Class II Railroad Property (C.139, L. 1966)	(a) Amounts Deducted Under R.S. 54:3-17 to R.S. 54:3-19
Atlantic	$ 56,860,813	$ 30,801,540,913					$ 2,171,064,883
Bergen	181,481,223	121,846,062,795					4,276,385,377
Burlington	77,520,465	28,292,996,315			$7,504,212		478,380,911
Camden	88,516,070	22,919,987,883					723,698,184
Cape May	28,052,779	39,177,722,929					3,911,962,646
Cumberland	27,155,072	5,236,190,897					15,740,519
Essex	131,912,993	40,262,950,510					624,151,626
Gloucester	169,287,695	14,440,149,031					
Hudson	47,563,527	21,195,055,716					
Hunterdon	52,147,739	18,480,246,734					54,895,558
Mercer	81,727,336	29,257,312,742			1,677,143		1,805,602,008
Middlesex	118,191,823	46,563,111,315					701,498,218
Monmouth	143,449,644	70,973,216,180					1,792,691,108
Morris	137,976,024	71,122,467,295					2,418,992,545
Ocean	88,025,526	60,359,824,809					1,857,010,409
Passaic	40,055,340	21,394,285,749					
Salem	15,380,957	3,644,751,237					115,446,792
Somerset	86,225,901	53,270,163,769					1,758,224,253
Sussex	37,362,240	12,245,161,195					503,245,273
Union	41,884,980	23,945,260,828					
Warren	28,331,232	9,470,164,716					159,413,938
TOTALS	$1,679,109,379	$744,898,623,558			$9,181,355		$23,368,404,248

Abstract of Ratables and Exemptions 2006 (continued)

	Col. 10	Col. 11	Col. 12—APPORTIONMENT OF TAXES				
			Section A County Taxes				
			I	II ADJUSTMENTS RESULTING FROM			
	EQUALIZATION			County Equalization Table Appeals (R.S. 54:51A-4)		Appeals and Corrected Errors (R.S. 54:4-49; R.S. 54:4-53)	
COUNTY	(b) Amounts Added Under R.S. 54:3-17 to R.S. 54:3-19 and N.J.S.A. 54:11D-7	Net Valuation on Which County Taxes Are Apportioned (Col. 6 – 9(a) + 9(b) – 10(a) + 10(b))	Total County Taxes Apportioned (Including Total Net Adjustments)	(a) Deduct Overpayment	(b) Add Underpayment	(c) Deduct Overpayment	(d) Add Underpayment
Atlantic	$ 11,046,443,801	$ 39,676,919,831	$ 117,010,105.86			$ 420,400.92	$ 5,821.56
Bergen	36,415,018,208	153,984,695,626	272,885,241.17			1,690,986.17	
Burlington	13,569,803,240	41,376,914,432	152,335,439.45			185,866.01	21,426.56
Camden	11,589,640,204	33,785,929,903	248,657,212.00			385,479.00	
Cape May	9,004,664,144	44,270,424,427	75,095,974.28			64,682.51	337.56
Cumberland	1,700,766,956	6,921,217,334	68,231,062.53			176,062.53	
Essex	38,219,040,113	77,857,838,997	333,277,205.48			7,533,911.48	
Gloucester	7,700,865,950	22,141,014,981	121,922,781.68			231,677.40	38,895.72
Hudson	29,054,292,075	50,249,347,791	227,034,893.07			3,326,101.07	
Hunterdon	4,856,109,634	23,281,460,810	69,461,244.79			43,278.85	27,034.06
Mercer	11,845,155,785	39,295,189,376	189,204,401.19			75,326.32	61,406.13
Middlesex	43,952,084,737	89,813,697,834	239,422,239.70			969,565.60	775,325.90
Monmouth	35,853,534,193	105,034,059,265	279,482,394.59			942,493.29	98.70
Morris	20,153,397,579	88,856,872,329	179,051,724.72			1,159,170.18	
Ocean	30,663,332,160	89,166,146,560	251,858,821.24			312,920.31	2,107.07
Passaic	24,592,559,550	45,986,845,299	236,453,021.56			1,265,314.74	
Salem	867,518,983	4,396,823,428	42,587,837.72			85,160.63	
Somerset	4,501,584,747	56,013,524,263	164,155,749.25			353,295.25	
Sussex	5,756,404,216	17,498,320,138	62,769,188.63			67,906.47	4,877.84
Union	43,108,528,393	67,053,789,221	227,863,537.03			1,230,770.03	
Warren	2,423,249,125	11,733,999,903	60,418,275.18			384,407.29	3,062.11
TOTALS	$386,873,993,793	$1,108,395,031,748	$3,619,178,351.12			$20,904,776.05	$940,393.21

Abstract of Ratables and Exemptions 2006 (continued)

Col. 12—APPORTIONMENT OF TAXES

	Section A County Taxes			Section B		
COUNTY	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	$ 116,595,526.50		$ 116,595,526.50	$ 7,192,500.00	$ 4,328,889.00	$ 7,935,383.97
Bergen	271,194,255.00		271,194,255.00			15,398,470.00
Burlington	152,171,000.00		152,171,000.00	10,268,497.00		16,550,765.00
Camden	248,271,733.00		248,271,733.00	8,600,738.00		6,757,185.98
Cape May	75,031,629.33		75,031,629.33	7,483,121.76		4,427,042.44
Cumberland	68,055,000.00		68,055,000.00		1,623,000.00	692,121.73
Essex	325,743,294.00		325,743,294.00			7,785,784.00
Gloucester	121,730,000.00		121,730,000.00	3,522,274.00		8,846,008.33
Hudson	223,708,792.00		223,708,792.00			5,024,934.81
Hunterdon	69,445,000.00		69,445,000.00	5,617,411.00		6,977,000.00
Mercer	189,190,481.00		189,190,481.00	9,310,225.00		11,785,425.00
Middlesex	239,228,000.00		239,228,000.00			26,975,582.77
Monmouth	278,540,000.00		278,540,000.00	11,196,606.00	1,663,224.00	16,000,000.00
Morris	177,892,554.54		177,892,554.54			42,572,816.86
Ocean	251,548,008.00		251,548,008.00	26,401,400.00	9,200,000.00	10,699,620.00
Passaic	235,187,706.82		235,187,706.82			4,598,684.53
Salem	42,502,677.09		42,502,677.09			879,359.79
Somerset	163,802,454.00		163,802,454.00	11,444,407.00		16,769,762.80
Sussex	62,706,160.00	$20,866.00	62,685,294.00	4,404,706.00	1,137,530.00	6,026,531.00
Union	226,632,767.00		226,632,767.00			10,058,068.38
Warren	60,036,930.00		60,036,930.00	4,601,720.00		7,038,323.00
TOTALS	$3,599,213,968.28	$20,866.00	$3,599,193,102.28	$110,043,605.76	$17,952,643.00	$233,798,870.39

Abstract of Ratables and Exemptions 2006 (continued)

Col. 12—APPORTIONMENT OF TAXES

Section C
Local Taxes to be Raised for

COUNTY	I DISTRICT SCHOOL PURPOSES (a) District School Budget (Adjusted by Addendum 1(b))	I DISTRICT SCHOOL PURPOSES (b) Regional Consolidated and Joint School Budgets	I DISTRICT SCHOOL PURPOSES (c) Local School Budget	II LOCAL MUNICIPAL PURPOSES (a) Local Municipal Budget (Adjusted by Addendum 1(c))	II LOCAL MUNICIPAL PURPOSES (b) Local Municipal Open Space
Atlantic	$ 309,702,479.38	$ 51,848,302.53	$ 5,797,785.69	$ 287,228,921.59	$ 480,880.00
Bergen	1,402,636,793.28	195,563,809.47	386,465.00	815,191,451.12	4,143,570.90
Burlington	469,800,557.50	149,495,918.34		156,701,374.69	7,353,771.17
Camden	477,135,008.03	56,278,317.56		191,989,170.25	1,928,153.88
Cape May	115,378,463.50	16,498,988.00		129,811,076.76	
Cumberland	52,977,350.00	8,301,269.55		49,715,337.56	
Essex	668,800,052.89	129,653,491.19	14,311,035.05	560,787,633.90	1,380,484.70
Gloucester	275,852,285.39	46,804,123.40		121,813,308.75	2,181,196.17
Hudson	326,529,611.50		13,425,993.77	396,470,561.55	
Hunterdon	188,438,099.59	109,664,498.39		44,714,022.27	5,531,802.42
Mercer	242,963,456.00	240,454,421.43	2,727,935.00	186,344,689.22	6,945,050.31
Middlesex	1,070,059,282.91	53,098,772.24	545,617.95	408,305,159.22	6,205,719.31
Monmouth	759,564,545.36	283,877,218.48		360,250,222.90	6,793,362.81
Morris	733,087,963.04	220,470,916.25		344,923,792.19	11,751,761.05
Ocean	424,614,909.00	185,349,943.13	5,172,983.00	293,757,193.11	3,909,261.86
Passaic	434,841,669.50	41,149,122.00		311,782,247.16	1,617,147.00
Salem	43,309,380.00	17,814,654.50		12,901,829.57	335,846.86
Somerset	476,177,581.00	151,236,507.49		163,809,451.56	17,813,620.52
Sussex	165,120,185.87	63,726,579.80		70,484,661.64	1,052,107.93
Union	588,882,007.35	63,466,915.69	2,373,789.50	435,757,299.11	327,776.88
Warren	99,050,119.00	39,460,138.00		35,132,547.19	2,272,932.50
TOTALS	$9,324,921,800.09	$2,124,213,907.44	$44,741,604.96	$5,377,871,951.31	$82,024,446.27

Abstract of Ratables and Exemptions 2006 (continued)

	Col. 12	Col. 13			
	Section D Total Tax Levy on Which Tax Rate is Computed	REAL PROPERTY EXEMPT FROM TAXATION			
COUNTY	(Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII(a), (b))	(a) Public School Property	(b) Other School Property	(c) Public Property	(d) Church and Charitable Property
Atlantic	$ 791,110,668.66	$ 735,773,200	$ 39,694,700	$ 1,334,976,020	$ 250,136,890
Bergen	2,704,514,814.77	2,393,008,400	777,640,575	6,224,271,000	1,352,932,500
Burlington	962,341,883.70	870,549,050	77,160,250	1,948,939,890	520,733,700
Camden	990,960,306.70	1,094,829,919	67,590,000	1,350,414,368	772,170,628
Cape May	348,630,321.79	255,522,500	30,012,700	2,204,006,450	389,333,082
Cumberland	181,364,078.84	221,560,000	22,293,400	808,108,800	152,583,700
Essex	1,708,461,775.73	1,303,798,596	875,545,026	5,435,357,814	1,317,251,223
Gloucester	580,749,196.04	424,083,300	222,536,920	477,512,800	288,198,850
Hudson	965,159,893.63	646,420,100	361,932,800	2,222,817,580	687,172,890
Hunterdon	430,387,833.67	256,313,292	3,498,300	840,084,059	192,094,553
Mercer	889,721,682.96	754,798,952	1,746,340,950	2,762,856,960	585,945,236
Middlesex	1,804,418,134.40	1,404,478,600	1,442,487,200	1,715,144,650	993,333,650
Monmouth	1,717,885,179.55	1,316,011,999	300,802,300	2,822,175,737	798,368,800
Morris	1,530,699,803.93	1,058,265,100	427,818,300	3,288,178,179	935,716,500
Ocean	1,210,653,318.10	740,811,430	226,765,000	2,894,515,750	566,344,308
Passaic	1,029,176,577.01*	603,762,540	239,924,100	1,309,176,375	493,932,300
Salem	117,743,747.81	130,591,350	8,697,500	165,768,578	81,513,175
Somerset	1,001,053,784.37	544,683,196	107,195,347	1,350,410,006	441,454,245
Sussex	374,637,596.24	261,396,176	25,699,800	604,241,755	162,144,195
Union	1,327,498,623.91	661,793,500	221,817,500	1,464,042,700	680,105,500
Warren	247,592,709.69	206,656,023	63,997,370	311,508,456	146,862,864
TOTALS	$20,914,761,931.50	$15,885,107,223	$7,289,450,038	$41,534,507,927	$11,808,328,789

*Includes special garbage district levy $2,294,096.00

Abstract of Ratables and Exemptions 2006 (continued)

	Col. 13			Col. 14	
	REAL PROPERTY EXEMPT FROM TAXATION			AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
COUNTY	(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	$ 17,004,200	$ 1,439,298,680	$ 3,816,883,690	$ 36,753,338.00	$ 97,846,396.22
Bergen	487,007,700	3,782,082,470	15,016,942,645	104,098,129.28	280,286,042.37
Burlington	15,654,000	651,886,977	4,084,923,867	67,605,033.07	121,795,926.28
Camden	48,385,300	739,468,444	4,072,858,659	29,522,921.70	268,362,638.52
Cape May	4,346,500	413,560,600	3,296,781,832	27,498,413.63	73,808,345.99
Cumberland	6,792,700	312,844,086	1,524,182,686	10,876,725.50	67,884,161.39
Essex	188,450,700	1,469,733,388	10,590,136,747	102,381,106.29	692,600,861.13
Gloucester	9,172,400	206,222,600	1,627,726,870	33,229,417.06	77,671,042.79
Hudson	164,802,500	4,320,784,227	8,403,930,097	21,849,200.00	557,320,189.62
Hunterdon	15,141,100	146,506,399	1,453,637,703	21,023,853.10	42,631,191.04
Mercer	29,097,000	737,154,190	6,616,193,288	35,664,011.17	239,217,379.01
Middlesex	120,391,600	1,468,455,823	7,144,291,523	67,950,428.00	342,712,762.72
Monmouth	94,959,300	1,788,974,300	7,121,292,436	96,071,868.48	217,429,931.79
Morris	58,044,700	896,546,300	6,664,569,079	65,802,881.00	166,180,401.13
Ocean	32,907,300	542,796,011	5,004,139,799	69,445,601.17	155,852,201.41
Passaic	79,314,000	541,629,781	3,267,739,096	40,373,607.73	189,229,703.98
Salem	2,207,800	126,350,965	515,129,368	8,039,514.66	27,765,900.32
Somerset	31,604,600	654,221,609	3,129,569,003	59,194,298.31	93,181,439.44
Sussex	5,086,500	137,625,763	1,196,194,189	19,874,005.52	36,105,098.17
Union	112,811,900	830,393,100	3,970,964,200	55,188,334.47	237,761,945.27
Warren	7,970,000	193,861,385	930,856,098	15,765,122.00	36,958,190.75
TOTALS	$1,531,151,800	$21,400,397,098	$99,448,942,875	$988,207,810.14	$4,022,601,749.34

Abstract of Ratables and Exemptions 2006 (continued)

COUNTY	Col. 14 — AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET (c) Receipts from Delinquent Tax and Liens	Col. 14 — (d) Total of Miscellaneous Revenues (Cols. a + b + c)	Col. 15 — DEDUCTIONS ALLOWED (a) Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	Col. 15 — DEDUCTIONS ALLOWED (b) Veterans Deductions	Col. 16 — 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	$ 4,512,359.60	$ 139,112,093.82	$ 738,250	$ 2,251,000	$ 49,966,321,696
Bergen	23,857,763.80	408,241,935.45	2,235,000	7,607,250	170,543,198,365
Burlington	12,762,900.00	202,163,859.35	1,218,000	5,038,750	46,154,712,994
Camden	13,939,954.88	311,825,515.10	2,079,625	4,466,275	37,486,792,605
Cape May	3,823,171.28	105,129,930.90	398,000	1,442,500	51,679,564,676
Cumberland	3,966,893.55	82,727,780.44	815,813	1,214,250	7,770,530,909
Essex	52,054,854.53	847,036,821.95	927,125	3,030,925	86,661,310,831
Gloucester	11,413,019.72	122,313,479.57	1,102,625	2,943,425	24,982,195,408
Hudson	6,701,280.00	585,870,669.62	895,750	1,627,250	57,639,543,726
Hunterdon	4,959,940.78	68,614,984.92	189,000	1,041,250	23,523,607,658
Mercer	6,740,246.12	281,621,636.30	1,024,000	2,786,500	43,981,279,686
Middlesex	9,404,539.34	420,067,730.06	2,008,000	6,365,500	101,445,813,851
Monmouth	22,555,272.43	336,057,072.70	1,149,750	4,204,000	117,866,660,069
Morris	13,641,442.00	245,624,724.13	774,000	3,976,000	97,240,364,598
Ocean	16,400,514.92	241,698,317.50	3,350,500	9,412,000	101,281,498,360
Passaic	9,149,953.97	238,753,265.68	1,125,750	3,006,500	51,774,568,393
Salem	3,101,196.69	38,906,611.67	306,000	798,500	4,814,299,623
Somerset	7,531,500.00	159,907,237.75	552,250	2,222,455	60,444,405,550
Sussex	6,883,522.67	62,862,626.36	328,958	1,364,250	19,481,397,769
Union	17,567,560.00	310,517,839.74	1,364,750	3,777,000	70,964,474,449
Warren	4,779,764.77	57,503,077.52	329,000	1,060,025	12,837,907,870
TOTALS	$255,747,651.05	$5,266,557,210.53	$22,912,146	$69,635,605	$1,238,540,449,086

Abstract of Ratables and Exemptions 2006 (continued)

	Addendum 1			Addendum 2				
	STATE AID ADJUSTMENT FOR BUSINESS PERSONAL PROPERTY TAX			REGIONAL EFFICIENCY AID PROGRAM (R.E.A.P.) DISTRIBUTION SUMMARY				
COUNTY	(a) County Adjustment	(b) School Adjustment	(c) Municipal Adjustment	(a) Eligible Property Assessments	(b) Municipal R.E.A.P. Aid	(c) School R.E.A.P. Aid	(d) County R.E.A.P. Aid	(e) Total R.E.A.P. Aid
Atlantic								
Bergen		$ 283,948		$2,744,281,000	$1,717,166			$ 1,717,166
Burlington		146,581		203,576,200	199,019			199,019
Camden		623,987		9,926,200	18,851			18,851
Cape May		13,153						
Cumberland		40,145						
Essex		1,535,974						
Gloucester		142,925		135,735,100	135,880			135,880
Hudson				2,611,027,965				8,807,120
Hunterdon								
Mercer		81,184						
Middlesex								
Monmouth		1,767,470						
Morris		637,024						
Ocean		16,752						
Passaic		70,940						
Salem		98,793		73,945,700	71,575			71,575
Somerset		209,754						
Sussex								
Union								
Warren								
TOTALS		$5,668,630		$5,778,492,165	$2,142,491			$10,949,611

2006 Assessed Value of Partial Exemptions and Abatements
(Summary Addendum to Abstract of Ratables)

COUNTY	Pollution Control	Fire Suppression	Fallout Shelter	Water/ Sewage Facility	UEZ Abatement	Home Improvement	Multi-Family Dwelling	Class 4 Abatement
Atlantic	–	–	–	–	–	–	–	–
Bergen	–	$ 563,600	–	–	–	–	–	–
Burlington	$ 1,000,000	2,339,900	$ 1,000	–	$ 2,927,200	–	–	–
Camden	79,000	–	–	–	–	–	–	–
Cape May	–	–	1,000	–	–	–	–	–
Cumberland	2,497,300	–	–	–	–	–	–	–
Essex	458,000	469,400	–	–	392,604,929	–	–	–
Gloucester	11,819,500	–	–	–	–	–	–	–
Hudson	231,500	–	–	$2,500,000	–	$30,000	$7,165,400	–
Hunterdon	–	–	–	–	–	–	–	–
Mercer	–	–	3,624,250	–	33,771,340	–	–	–
Middlesex	9,785,100	5,032,100	–	–	–	–	–	–
Monmouth	–	1,820,200	–	2,277,700	–	–	–	–
Morris	198,400	–	1,131,700	151,300	–	–	–	–
Ocean	48,600	–	447,500	–	–	–	–	–
Passaic	–	499,600	–	–	–	–	–	–
Salem	–	–	–	–	–	–	–	–
Somerset	–	–	–	–	–	–	–	–
Sussex	–	–	–	–	–	–	–	–
Union	127,000	–	–	–	29,505,100	–	–	–
Warren	709,800	–	15,200	–	1,708,885	–	–	–
TOTALS	$26,954,200	$10,724,800	$5,220,650	$4,929,000	$460,517,454	$30,000	$7,165,400	–

2006 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	–	$ 3,569,600	$ 141,700	$ 417,300	–	–	$ 8,046,600	$ 12,175,200
Bergen	$ 476,900	6,514,700	–	–	–	–	146,200	7,701,400
Burlington	2,834,100	7,710,200	–	–	–	–	46,841,300	63,653,700
Camden	2,576,900	21,724,700	–	–	$ 9,287,700	–	37,529,000	71,197,300
Cape May	–	409,300	–	8,498,100	–	–	73,200	8,981,600
Cumberland	–	6,978,700	–	–	–	–	8,808,900	18,284,900
Essex	76,000	6,595,800	–	–	1,050,000	–	1,718,100	402,972,229
Gloucester	–	5,001,700	–	–	–	–	19,704,365	36,525,565
Hudson	11,552,700	88,850,850	53,279,325	–	5,862,300	$2,530,400	20,314,400	192,316,875
Hunterdon	384,900	–	–	–	–	–	7,664,700	8,049,600
Mercer	24,110	6,225,100	–	–	–	–	116,300	43,761,100
Middlesex	24,487,100	26,583,700	–	–	–	–	49,789,600	115,677,600
Monmouth	3,980,900	14,028,900	–	8,616,700	–	–	36,630,400	67,354,800
Morris	–	–	–	–	–	–	892,000	2,373,400
Ocean	–	566,900	–	–	–	–	1,424,100	2,487,100
Passaic	1,746,900	14,600	–	–	–	–	855,800	3,116,900
Salem	–	97,600	–	–	–	–	–	97,600
Somerset	4,000	7,116,300	–	–	–	–	224,500	7,344,800
Sussex	–	–	–	–	–	–	–	–
Union	–	–	–	–	–	–	–	29,632,100
Warren	–	–	–	–	–	–	1,182,540	3,616,425
TOTALS	$48,144,510	$201,988,650	$53,421,025	$17,532,100	$16,200,000	$2,530,400	$241,962,005	$1,097,320,194

Summary of 2006 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 1	Col. 2								
		NUMBER OF DISPOSITIONS								
COUNTY	Total Number of Tax Appeals	Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Property Tax Deduction Granted	Property Tax Deduction Denied
Atlantic	2,081	596	119	937	0	36	340	44	0	0
Bergen	2,594	492	438	777	0	124	687	51	2	1
Burlington	464	81	16	173	0	15	15	16	1	1
Camden	745	70	24	356	0	41	68	51	133	0
Cape May	2,136	442	565	578	2	425	17	102	2	3
Cumberland	147	11	4	83	0	5	4	7	30	0
Essex	2,800	65	123	534	0	293	1,671	83	20	2
Gloucester	99	26	10	41	0	1	7	10	1	1
Hudson	690	56	25	169	0	39	298	95	0	1
Hunterdon	211	62	13	75	0	9	19	24	0	0
Mercer	1,294	450	187	173	0	68	364	47	0	0
Middlesex	674	237	42	75	0	10	254	47	1	0
Monmouth	937	107	138	362	0	70	197	48	4	2
Morris	1,171	155	199	485	0	132	132	59	4	0
Ocean	2,374	708	190	398	0	328	564	130	31	9
Passaic	833	17	42	104	0	94	426	15	0	3
Salem	268	194	7	31	0	9	3	12	2	9
Somerset	1,523	312	122	332	0	36	33	685	1	0
Sussex	600	420	99	33	0	17	9	18	0	0
Union	653	2	23	126	0	29	410	58	0	0
Warren	115	14	18	41	0	24	8	6	0	0
TOTALS	22,409	4,517	2,404	5,883	2	1,805	5,526	1,608	232	32

Summary of 2006 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 2					Col. 3			
	NUMBER OF DISPOSITIONS					NUMBER OF APPEALS IN EACH CLASS OF PROPERTY			
						Class 1	Class 2	Class 3A	Class 3B
COUNTY	Farmland Assessment Granted	Farmland Assessment Denied	Classification	R.E.A.P. Credit	Other	Vacant Land	Residential	Farm Regular	Farm Qualified
Atlantic	1	8	0	0	0	101	1,875	1	1
Bergen	0	0	0	0	22	155	1,927	0	2
Burlington	1	5	6	0	134	44	326	8	8
Camden	0	0	1	0	1	23	639	0	1
Cape May	0	0	0	0	0	207	1,799	14	0
Cumberland	0	3	0	0	0	44	75	8	0
Essex	0	0	0	0	9	100	1,566	0	0
Gloucester	1	1	0	0	0	14	47	4	3
Hudson	0	0	7	0	0	67	194	0	0
Hunterdon	0	0	8	0	1	33	125	11	0
Mercer	0	0	0	0	5	329	839	27	4
Middlesex	0	1	7	0	0	179	168	0	3
Monmouth	0	0	7	0	2	294	490	7	3
Morris	0	0	5	0	0	136	828	20	3
Ocean	0	2	14	0	0	695	1,547	6	1
Passaic	0	0	0	0	132	131	220	1	0
Salem	0	1	0	0	0	30	129	51	47
Somerset	0	1	1	0	0	53	1,346	18	3
Sussex	0	1	1	0	2	188	303	47	21
Union	0	0	1	4	0	36	130	0	0
Warren	2	2	0	0	0	13	74	5	4
TOTALS	5	25	58	4	308	2,872	14,647	228	104

Summary of 2006 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 3		Col. 4	Col. 5	Col. 6	Col. 7
	NUMBER OF APPEALS IN EACH CLASS OF PROPERTY					
COUNTY	Class 4 Commercial Industrial Apartment	Other	Original Amount of Assessments	Total Assessment Reductions Granted	Total Assessment Increases Granted	Net Total Assessments (Col. 4 – 5 + 6)
Atlantic	55	48	$ 1,215,992,042	$194,420,959	$ 2,778,300	$ 1,024,349,383
Bergen	504	6	1,935,924,880	141,915,248	5,933,213	1,799,942,845
Burlington	66	12	361,026,674	31,577,829	405,349	329,854,194
Camden	77	5	302,808,571	36,828,391	186,072	266,166,252
Cape May	114	2	1,044,559,700	102,664,250	3,732,200	945,627,650
Cumberland	19	1	41,448,500	9,230,500	4,400	32,222,400
Essex	1,129	5	891,319,300	44,824,160	143,700	846,638,840
Gloucester	31	0	41,898,400	5,833,200	234,000	36,299,200
Hudson	422	6	301,257,109	33,621,996	69,100	267,704,213
Hunterdon	42	0	107,049,105	9,417,040	1,775,750	99,407,815
Mercer	94	1	1,145,863,360	45,668,089	46,595,800	1,146,791,071
Middlesex	323	1	485,917,900	34,078,668	2,140,900	453,980,132
Monmouth	140	3	673,673,500	49,420,600	10,147,300	634,400,200
Morris	180	4	952,303,303	63,543,032	28,365,084	917,125,355
Ocean	123	2	1,150,060,500	60,719,010	2,349,600	1,091,691,090
Passaic	477	4	184,732,568	15,728,050	35,500	169,040,018
Salem	9	2	76,746,882	9,595,550	3,631,660	70,782,992
Somerset	94	9	929,917,824	48,536,965	2,533,500	883,914,359
Sussex	36	5	165,145,963	19,865,947	4,653,900	149,933,916
Union	486	1	252,022,400	12,566,640	0	239,455,760
Warren	19	0	47,789,494	2,857,743	449,400	45,381,151
TOTALS	4,440	117	$12,307,457,975	$972,913,867	$116,164,728	$11,450,708,836

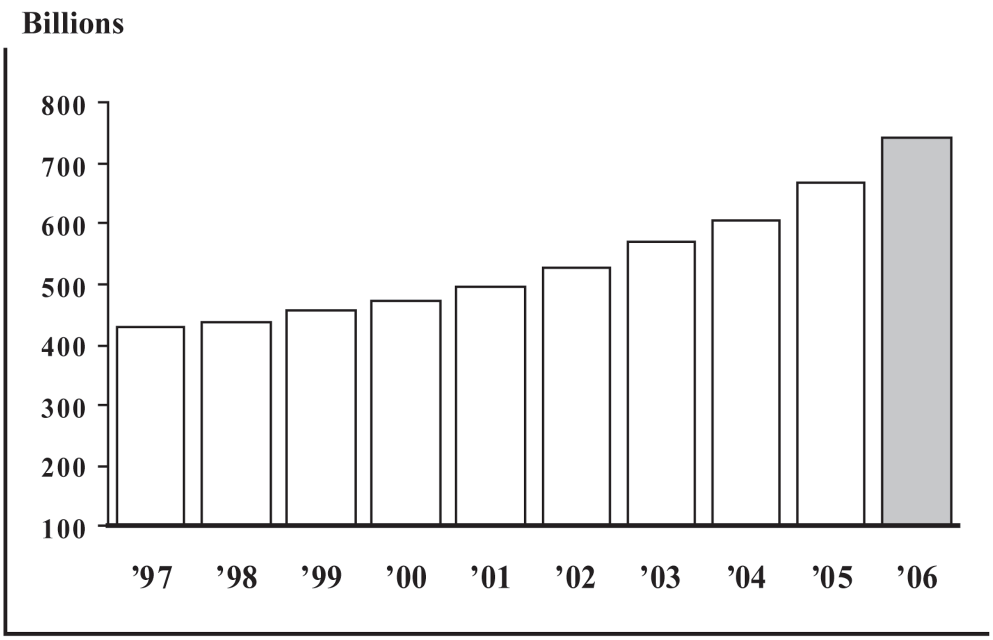
Summary of 2006 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

Col. 8

NUMBER OF APPEALS IN EACH FILING FEE CATEGORY

COUNTY	$5	$25	$100	$150	Classification $25	Other $25	No Fee	Total
Atlantic	207	764	480	240	0	1	389	2,081
Bergen	107	933	680	238	26	0	610	2,594
Burlington	34	120	24	22	7	0	257	464
Camden	114	303	121	43	0	3	161	745
Cape May	564	808	551	162	0	0	51	2,136
Cumberland	71	28	3	6	3	0	36	147
Essex	1,284	874	330	82	0	1	229	2,800
Gloucester	24	18	9	3	3	1	41	99
Hudson	216	314	75	21	0	6	58	690
Hunterdon	13	68	51	10	12	0	57	211
Mercer	30	567	432	99	3	0	163	1,294
Middlesex	198	218	107	43	0	1	107	674
Monmouth	109	340	219	117	5	1	146	937
Morris	155	349	308	191	4	5	159	1,171
Ocean	473	1,125	360	75	145	0	196	2,374
Passaic	492	203	54	13	0	0	71	833
Salem	27	36	2	2	2	0	199	268
Somerset	42	209	117	48	3	1,104	0	1,523
Sussex	145	105	33	3	3	0	311	600
Union	200	314	96	23	0	6	14	653
Warren	19	60	23	3	0	0	10	115
TOTALS	4,524	7,756	4,075	1,444	216	1,129	3,265	22,409

Total Taxable Value
Land and Improvements in New Jersey
1997 – 2006



2006 County Values

Atlantic	$ 30,756,855,300	Middlesex	$ 46,560,597,092
Bergen	121,672,282,972	Monmouth	70,897,121,336
Burlington	28,279,129,550	Morris	70,986,864,671
Camden	22,902,669,113	Ocean	60,274,286,383
Cape May	39,158,651,750	Passaic	21,357,347,309
Cumberland	5,227,320,725	Salem	3,629,467,880
Essex	40,534,009,746	Somerset	53,191,282,668
Gloucester	14,307,386,901	Sussex	12,207,798,955
Hudson	21,339,809,064	Union	23,933,007,948
Hunterdon	18,436,148,595	Warren	9,445,449,909
Mercer	29,219,346,506	**Total**	**$744,316,834,373**

Taxes Administered by the Public Utility Tax Section for 2007 (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

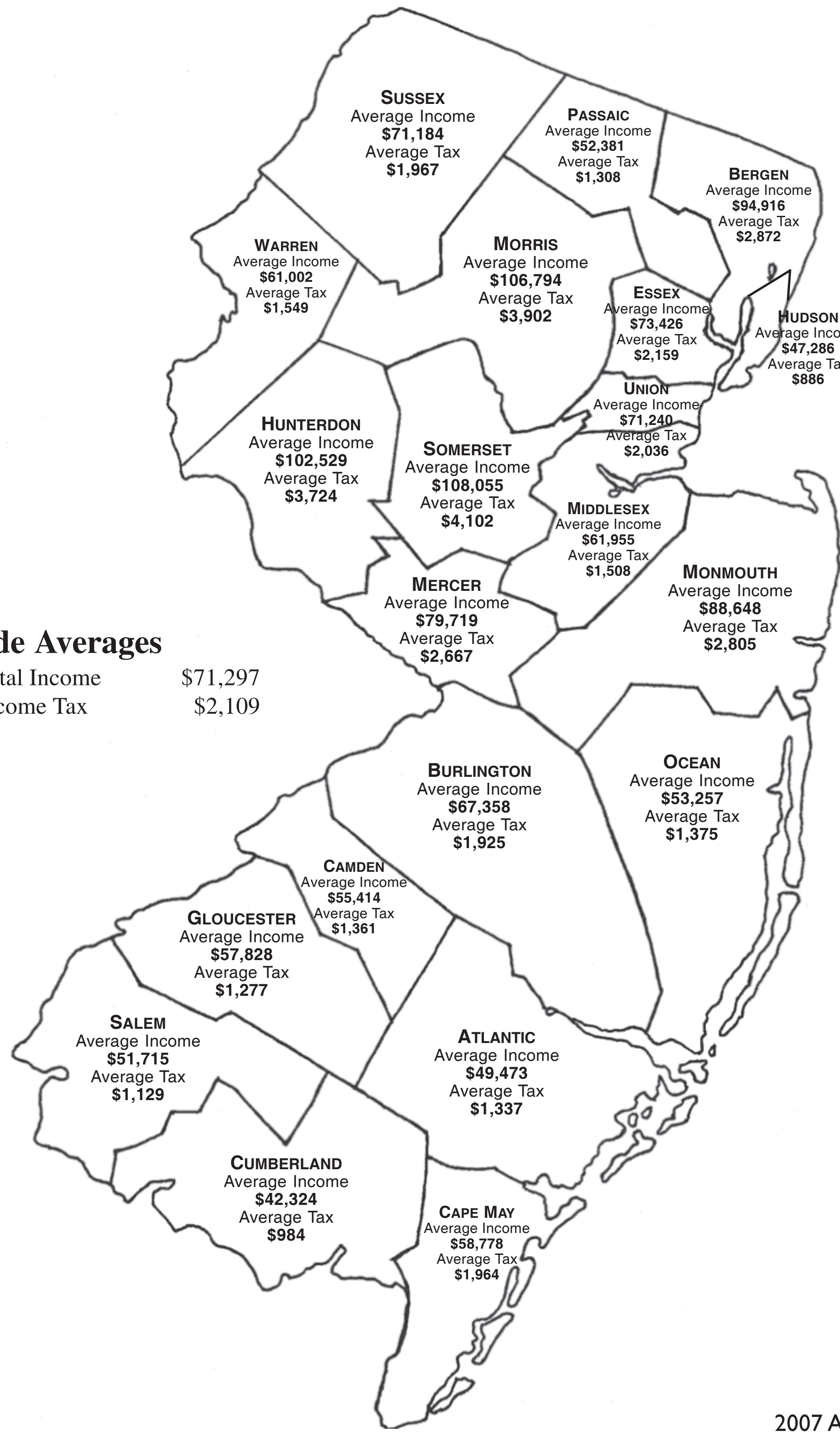
		PUBLIC UTILITY TAXES					
Classification	**No. of Companies**	**Excise Taxes**	**Franchise Taxes**	**Gross Receipts Taxes**	**TEFA**	**UTUA (CBT)**	**UTUA (S&U-EN)**
Sewer Companies	19	$ 518,460	$ 1,499,234	$ 2,803,964	NA	NA	NA
Water Companies	44	10,171,983	31,340,550	49,872,704	NA	NA	NA
Energy Companies	17	NA	NA	NA	$217,427,181	$89,222,941	$470,804,979
Telephone Companies	3	NA	NA	NA	NA	15,940,689	NA
Totals	83	$10,690,443	$32,839,784	$52,676,668	$217,427,181	$105,163,630	$470,804,979

Total Net Tax Assessed $889,602,685

Individual Income Tax Returns
County Profile 2005

County	No. of Returns	NJ Taxable Income	Net Charged Tax
Atlantic	118,079	$ 5,182,664,921	$ 157,868,231
Bergen	382,889	33,487,387,309	1,099,776,063
Burlington	187,514	11,384,094,187	360,956,198
Camden	209,887	10,400,450,550	285,639,401
Cape May	41,004	2,176,316,512	80,525,022
Cumberland	57,562	2,159,687,161	56,644,781
Essex	306,071	20,650,675,906	660,874,070
Gloucester	116,378	6,005,350,680	148,565,739
Hudson	251,814	10,928,216,670	223,176,047
Hunterdon	53,542	5,007,018,011	199,364,324
Mercer	145,376	10,636,451,565	387,649,223
Middlesex	330,194	18,382,789,180	497,990,506
Monmouth	266,809	21,623,087,775	748,355,334
Morris	211,230	20,809,923,689	824,234,883
Ocean	234,630	10,947,987,439	322,580,228
Passaic	205,170	9,525,319,209	268,295,980
Salem	25,945	1,197,704,676	29,285,852
Somerset	137,600	13,738,856,047	564,421,310
Sussex	61,819	3,928,678,144	121,579,004
Union	223,801	14,495,410,126	455,563,971
Warren	44,318	2,392,177,605	68,642,665
County Unknown	271,799	16,916,587,966	628,308,657
Totals	**3,883,431**	**$251,976,835,329**	**$8,190,297,489**

Average Total Income and Average Income Tax By County — Tax Year 2005



Statewide Averages

Average Total Income	$71,297
Average Income Tax	$2,109

Sales and Use Tax Collections by Business Type
Return Years 2004–2006
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	2004	2005	2006	2004	2005	2006	2004–2005	2005–2006
Exempt Organizations	788	766	752	$ 3,598	$ 3,778	$ 4,499	5.0%	19.1%
Manufacturing	17,280	17,861	18,916	287,686	330,181	395,998	14.8	19.9
Service	82,845	80,562	82,550	1,569,566	1,593,981	1,771,020	1.6	11.1
Wholesale	11,444	11,237	10,978	260,080	272,502	312,696	4.8	14.7
Construction	18,692	18,179	18,015	131,565	139,980	162,947	6.4	16.4
Retail	86,816	82,227	77,416	3,575,778	3,671,900	4,015,419	2.7	9.4
Government	28	30	36	355	759	3,294	113.5	334.2
Not Classified	8,719	8,392	8,750	94,293	89,452	106,300	–5.1	18.8
Totals	**226,612**	**219,254**	**217,413**	**$5,922,921**	**$6,102,532**	**$6,772,173**	**3.0%**	**11.0%**

2007 Major Taxes
Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
CORPORATION NET INCOME	7.5%	8.7%	7%	9.5%	**6.5%, 7.5%, 9%**	7.5%	8.85%	5.1%, 8.5%	9.99%
PERSONAL INCOME	*3%– 5.0%	*2.2%– 5.95%	*2%– 4.75%	5.3%	***1.4%– 8.97%**	*4%– 6.85%	*2.907%– 4.45%	*0.649%– 6.555%	3.07%

*Graduated Rates

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
MOTOR FUELS[1]									
• **Excise Tax/Gal.**									
Gasoline	$0.25	$0.23	$0.235	$0.21	**$0.105[2]**	$0.08	0	$0.28	$0.312
Diesel	$0.37	$0.22	$0.2425	$0.21	**$0.135**	$0.08	0	$0.28	$0.381
• **Sales Tax**	0	0.5%	0	0	**0**	4%	4.125%	0	0

[1] Various other taxes are applied to motor fuels in the states of Delaware, New Jersey, New York, Ohio, and Pennsylvania.
[2] 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).

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
ALCOHOL									
• **Excise Tax/Gal.**									
Beer	$0.20	$0.16	$0.09	$0.11	**$0.12**	$0.11	$0.23[2]	$0.18	$0.08
Wine	$0.60– $1.50	$0.97	$0.40	$0.55– $0.70	**$0.70**	$0.1893	$0.1893	$0.30– $1.48	See Footnote 4
Liquor	$2.05, $4.50	$3.64, $5.46	$1.50	$4.05	**$4.40**	$2.54, $6.44	$3.54, $7.44[2]	See Footnotes 3 and 4	See Footnote 4
• **Sales Tax**	6%	None	5%	5%[1]	**7%**	4%	8.375%[2]	5.5%	6%

[1] Purchases for off-premises consumption are not taxable.
[2] New York City rate includes New York State rate.
[3] Ohio Department of Liquor Control must pay the State Treasury $3.38 for each gallon sold.
[4] In these states, the government directly controls all sales. Revenue is generated from various taxes, fees, and net profits.

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
TOBACCO									
• **Excise Tax**									
Cigarettes (20/pack)	$2.00	$1.15	$2.00	$1.51	**$2.575**	$1.50	$1.50	$1.25	$1.35
Other Tobacco (% of Wholesale Price)	20%	15%	15%	90%	**30%**	37%	37%	17%	0
• **Sales Tax**	6%	None	5%	5%	**7%**	4%	4.125%	5.5%	6%

2007 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%	None	5%	5%	**7%**	4%[1]	8.375%[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	E[1]	**T**	T	T	T	T
Cigarettes	T	E	T	T	**T**	T	T	T	T
Clothing	E[2]	E	T	E[3]	**E**	T	T	T	E
Food Off–Premises	E[4]	E	E[4]	E[4]	**E[5]**	E[4]	E[4]	E[4]	E[4]
Liquor On–Premises	T	E	T	T	**T**	T	T	T	T
Liquor Off–Premises	T	E	T	E[1]	**T**	T	T	T	T
Manufacturing Equipment	E	E	E	E	**E**	E	E	E	E
Motor Fuels	E	E	E	E[6]	**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 If purchased as “take-out” item from a package store.
2 Single article under $50; however, single article $50 or over is taxable.
3 Single article $175 and under; however, single article over $175 is taxed on the amount in excess of $175.
4 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.
5 If purchase is of food and food ingredients and dietary supplements; however, prepared food, candy, and soft drinks are subject to tax.
6 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, 2007)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (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	5.6	0.18	2.00
Arkansas	*1–7	*1–6.5	6	0.215	0.59
California	*1–9.3	8.84	6.25	0.18	0.87
Colorado	4.63	4.63	2.9	0.22	0.84
Connecticut	*3–5[1]	7.5	6	0.25	2.00
Delaware	*2.2–5.95	8.7	None	0.23	1.15
Dist. of Columbia	*4–8.5	9.975	5.75	0.20	1.00
Florida	None	5.5	6	0.153	0.339
Georgia	*1–6	6	4	0.075	0.37
Hawaii	*1.4–8.25	*4.4–6.4	4	0.16	1.80
Idaho	*1.6–7.8	7.6	6	0.25	0.57
Illinois	3	4.8	6.25	0.19	0.98
Indiana	3.4	8.5	6	0.18	0.995
Iowa	*0.36–8.98	*6–12	5	0.20	1.36
Kansas	*3.5–6.45	4	5.3	0.24	0.79
Kentucky	*2–6	*4–6	6	0.196	0.30
Louisiana	*2–6	*4–8	4	0.20	0.36
Maine	*2–8.5	*3.5–8.93	5	0.276	2.00
Maryland	*2–4.75	7	5	0.235	2.00
Massachusetts	5.3	9.5	5	0.21	1.51
Michigan	4.35	1.9	6	0.19	2.00
Minnesota	*5.35–7.85	9.8	6.5	0.20	0.48
Mississippi	*3–5	*3–5	7	0.18	0.18

Major State Tax Rates (continued)
(On July 1, 2007)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (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	0.27	0.64
Nevada	None	None	6.5	0.24	0.80
New Hampshire	5[2]	8.5	None	0.18	0.80
New Jersey	***1.4–8.97**	**6.5, 7.5, 9**	**7**	**0.105**	**2.575**
New Mexico	*1.7–5.3	*4.8–7.6	5	0.17	0.91
New York	*4–6.85	7.5	4	0.08	1.50
North Carolina	*6–8	6.9	4.25	0.299	0.35
North Dakota	*2.1–5.54	*2.6–6.5	5	0.23	0.44
Ohio	*0.649–6.555	5.1, 8.5	5.5	0.28	1.25
Oklahoma	*0.5–5.65	6	4.5	0.16	1.03
Oregon	*5–9	6.6	None	0.24	1.18
Pennsylvania	3.07	9.99	6	0.312	1.35
Rhode Island	*3.75–9.9[3]	9	7	0.30	2.46
South Carolina	*3–7	5	6	0.16	0.07
South Dakota	None	None	4	0.22	0.53
Tennessee	6[2]	6.5	7	0.20	0.62
Texas	None	4.5	6.25	0.20	1.41
Utah	*2.3–6.98	5	4.75	0.245	0.695
Vermont	*3.6–9.5	*6–8.5	6	0.19	1.79
Virginia	*2–5.75	6	4	0.175	0.30
Washington	None	None	6.5	0.36	2.025
West Virginia	*3–6.5	8.75	6	0.205	0.55
Wisconsin	*4.6–6.75	7.9	5	0.309	1.77
Wyoming	None	None	4	0.13	0.60
US AVERAGE	2.46%–5.56%	3.99%–6.64%	4.83%	$0.21	$1.07

*Graduated Rates
[1]Applied to percent of adjusted gross income ranging from 25% to 100%.
[2]Imposed on interest and dividend income only.
[3]Or 25% of Federal income tax liability.

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