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January, 1997

The Honorable Christine Todd Whitman  
Governor

Members of the New Jersey Legislature

Dear Governor Whitman and Legislators:

In compliance with the provisions of N.J.S.A. 54:1-13, it is my privilege to submit the *1996 Annual Report of the Division of Taxation* for the fiscal year ended June 30, 1996.

The report contains descriptions and data for each of the taxes administered by the Division; a review of Division organization and activities; summaries of legislation and court decisions during the fiscal year; and appendices showing statistical information on local property tax, public utility taxes, sales and use tax and individual gross income tax.

During fiscal year 1996, New Jersey's Tax Amnesty program generated a total of \$359 million. It was one of the most effective state amnesty efforts of its kind, with more than 63,000 individuals and 48,000 companies taking advantage of Amnesty. However, Tax Amnesty was only part of the Division's overall effort to increase compliance with State tax laws. We plan to continue and intensify our collection and enforcement activities for the upcoming year.

I hope this report provides a useful overview of the operation of the Division and of our continuing efforts to ensure fair and efficient administration of the tax laws.

Respectfully submitted,

Richard D. Gardiner  
Director

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# HIGHLIGHTS

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## **New Developments**

- Tax Amnesty program generated \$359 million.
- State-of-the-art computer imaging and processing equipment installed. Tax returns redesigned with a series of boxes in red “drop out” ink for electronic scanning.
- Telefile pilot program allowed certain New Jersey residents to file their 1995 income tax return and homestead rebate application by telephone.
- Electronic Funds Transfer Program entered its fourth year. Taxpayers with a prior year tax liability of \$20,000 or more are now required to file electronically
- Homestead Rebate InfoLine established. Automated information on status of rebate claims provided to over 90,000 claimants.
- World Wide Web site for Division of Taxation established.

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## **Legislation**

- Gross income tax rates reduced for 1996 tax year.
- Property tax deduction or refundable credit provided on the State income tax return for resident homeowners and tenants who pay property taxes, either directly or through rent.
- Limited liability companies, partnerships and limited partnerships allowed to merge with certain other business entities.
- Corporation Business Tax minimum tax for domestic corporations increased.
- Corporation Business Tax limitation on deduction of interest owed to certain related parties eliminated.
- Corporation Business Tax rate reduced to 7.5% for corporations with annual entire net income of \$100,000 or less.
- Business Relocation Assistance Grant Program established.
- Business Employment Incentive Program established.
- Litter Control Tax extended to 12/31/2000.
- Urban Enterprise Zones designated in 7 new locations.

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## **Collection and Enforcement**

- Annual Use Tax Return for nonvendor businesses developed; threshold for filing sales and use tax monthly returns increased to \$500.
- Audit of municipalities throughout New Jersey for compliance of the \$50 Veterans’ Property Tax Deduction and the \$250 Senior Citizens, Disabled Persons, and Surviving Spouses Real Property Tax Deduction revealed discrepancies of over \$600,000.

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**Collection and  
Enforcement  
(continued)**

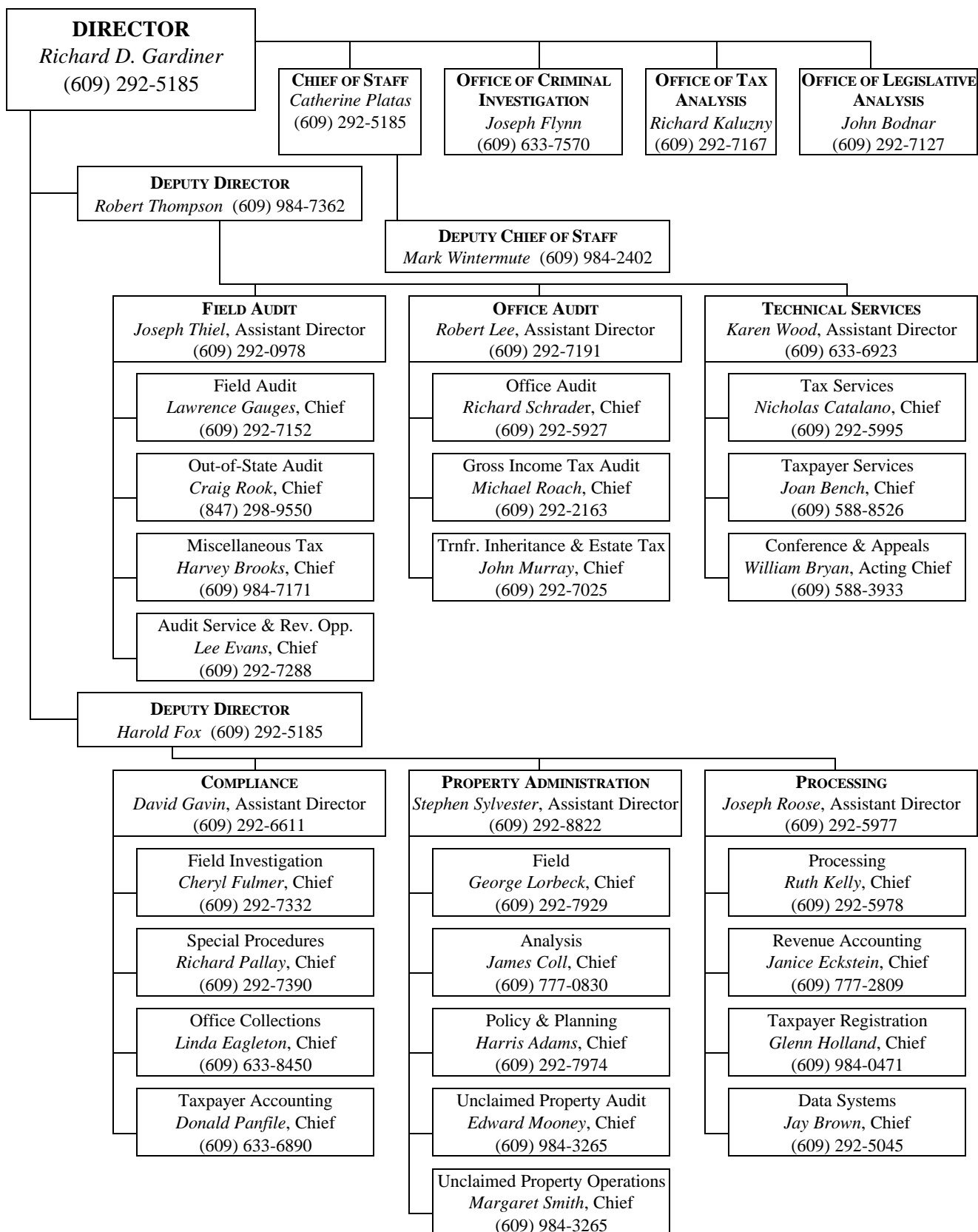
- Nexus Audit Group registered over 5,900 new business taxpayers and collected over \$53 million in back taxes.
- Gross Income Tax Audit collected over \$22 million on 9,775 assessments.
- Gross Income Tax Audit Branch investigated filing responsibilities of nonresidents who have New Jersey source income.
- Liquor stores and restaurants audited for compliance with Sales and Use Tax, Gross Income Tax withholding and corporation taxes.
- Compliance Activity stepped up enforcement efforts. Increased emphasis on Statewide Field Investigation actions such as canvassing fixed business centers, as well as transient businesses such as fairs, trade shows, flea markets and roadside vendors. Statutory authority to make immediate, on-site assessments of tax due (referred to as jeopardy assessments) implemented.
- Field Investigations increased bank levy and seizure activity to promote voluntary compliance.
- Compliance Activity collections increased by 6.5% over prior fiscal year.

**NEW JERSEY  
DIVISION OF  
TAXATION**

***MISSION STATEMENT***

*The mission of  
the Division of Taxation  
is to administer  
the State's tax laws  
uniformly, equitably, and efficiently  
to maximize State revenues  
to support public services;  
and, to ensure that  
voluntary compliance  
within the taxing statutes  
is achieved  
without being an impediment  
to economic growth.*

# DIVISION ORGANIZATION



## FIELD AUDIT

This Activity is responsible for ensuring tax compliance and the collection of outstanding tax liabilities through the examination of information provided on tax returns and by auditing records at the taxpayer's place of business. This Activity consists of four branches: Field Audit, Out-of-State Audit, Miscellaneous Tax and Audit Service.

### Field Audit

The Field Audit Branch audits businesses to determine if they have complied with their obligations under New Jersey's tax statutes. The audit examination of the taxpayer's accounting records is comprehensive and covers all taxes administered by the Division. In addition, as part of several interstate exchange agreements, select information may be obtained for other taxing jurisdictions during the performance of the audit.

In addition to regular audit, field audit was significantly impacted by two additional revenue initiatives during fiscal year 1996. They were the cash audit initiative and the Amnesty program held from March 15, 1996 through June 1, 1996.

Under the cash audit program, special emphasis has been placed on the audit of approximately 12,000 licensed alcoholic beverage retailers. During fiscal year 1996, fifty (50) additional auditors were hired and specially trained to perform audits most closely associated with the liquor industry. The program is designed to strengthen compliance and collection efforts as well as level the playing field for compliant businesses. Under this program, there were 1,206 completed audits generating \$41.8 million in audit assessments during fiscal year 1996.

Under the Amnesty program it is estimated that an additional \$64 million in audit assessments were completed as a result of active audits and other outreach activities.

During the 1996 fiscal year, the fourteen regional audit groups completed 4,751 audits. The completed audits, which included the initiatives for Amnesty and the cash businesses, generated assessments of \$193.7 million. The distribution of the assessments by tax is as follows:

Tax	FY 1995	FY 1996
Sales & Use	\$45,334,749	\$ 79,797,999
Corporation Business	16,114,538	52,812,354
Business Personal Prop.	0	44,963
Gross Income	690,776	3,442,324
Litter	477,809	718,718
Miscellaneous Other	326,313	5,868,224
Total Tax	<u>\$62,944,185</u>	<u>\$142,684,582</u>
Penalty and Interest	26,255,904	51,038,735
Total Assessments	<u>\$89,200,089</u>	<u>\$193,723,317</u>

### Out-of-State Audit

The Out-of-State Audit Branch has the responsibility to perform field audits for all the New Jersey taxes on all taxpayers whose accounting records are maintained outside of the State. Currently the Division has offices in Chicago (Illinois), Anaheim (California), and Norwalk (Connecticut) with one auditor working in Dallas (Texas).

Completions of audits by the Out-of-State Audit Branch for fiscal year 1995 and fiscal year 1996 were 219 and 327 audits respectively which generated assessments totaling \$37 million and \$46 million respectively. The distribution of assessments by tax is as follows:

Tax	FY 1995	FY 1996
Sales & Use	\$12,591,195	\$21,006,680
Corporation Business	9,754,340	11,469,233
Business Personal Prop.	1,690	1,281
Litter	351,984	557,703
Gross Income	5,700	0
Total Tax	<u>\$22,777,104</u>	<u>\$33,034,898</u>
Penalty and Interest	14,159,213	12,971,669
Total Assessments	<u>\$37,070,636</u>	<u>\$46,006,567</u>

The average assessments for each auditor for these two fiscal years were \$1,737,868 and \$2,147,832 respectively. Collections versus assessments on closed audits since inception of the Branch through the end of this fiscal year is 78.4%.

### Miscellaneous Tax

The Miscellaneous Tax Branch has the administrative responsibility for the Alcoholic Beverage, Cigarette, Tobacco Products Wholesale Sales and Use, Motor Fuels, Public Utility, Petroleum Products Gross Receipts, and Spill Compensation and Control Taxes.

This branch continues to participate in Federal/Multistate programs that will expand the motor fuels compliance efforts. In one of these programs, New Jersey is a lead state in a combined effort to explore and encourage a co-

operative compliance program for the Motor Fuels Tax. The program provides information to evaluate the compliance programs of other states and the Federal government, and provides a compliance environment that will develop projects to enhance the administration of these taxes.

During the 1996 fiscal year completed audits generated assessment of tax, penalty and interest in the amount of \$4,638,813.90.

### Audit Service

The Audit Service Branch through its Technical Service Group, Examination Services Group and Word Processing Center, provides technical computer, administrative, clerical and word processing support throughout all of Audit Activity and the Division as a whole, while the Nexus Audit Group and Revenue Project Group perform audit functions.

The Technical Service Group is also responsible for determining all Office and Field Audit selections. The Examination Services Group provides the post-audit billing and system updates for all of Field Audit, Out-of-State Audit, and for most Office Audit determinations.

The Nexus Audit Group is responsible for discovering and examining out-of-State entities to determine whether they have a tax filing and paying responsibility. In fiscal year 1996 over 5,900 new business taxpayers were registered and over \$53 million in back taxes collected.

The Revenue Project Group is designed as a “think tank” to develop and test new ideas in order to increase the effectiveness of the Division’s compliance efforts. This group also oversees the administration of the New York/ New Jersey Interstate Tax Agreement.

## OFFICE AUDIT

The Office Audit Activity is comprised of several different branches.

These Branches of operation are Office Audit Branch, Gross Income Tax Audit Branch and Transfer Inheritance and Estate Tax Branch. The primary responsibilities of this Activity are to ensure tax compliance through the auditing of tax returns filed and the examination of information provided at the Division of Taxation offices located in Trenton, New Jersey.

### Office Audit

The primary responsibilities of this Branch are the audit and refund of Corporation Business Tax. Other taxes audited include the Financial Business Tax, Insurance Premiums Tax, Ocean Marine Tax, Retaliatory Tax, Savings Institution Tax, various Sanitary Landfill Taxes, and the Spill Compensation and Control Tax. Ancillary functions include the issuance of Tax Lien Certificates, Tax Clearance Certificates, and Certificates of Reinstatement of Corporate Charter. Changes occurring during the past year include the addition of one audit section, as well as the revision of the Corporation Business Tax Manual. This manual forms the basis of the Corporation Business Tax Training Program which has been held annually since fiscal year 1993.

During fiscal year 1996, nine audit sections generated assessments, including penalty and interest, in excess of \$114 million, while issuing 22,829 tax certificates of various nature. The distribution of assessments by tax is as follows:

<b>Tax</b>	<b>Amount</b>
Corporation Business	\$ 79,065,457
Sales & Use	413,111
Gross Income	369,269
Business Personal Property	28,746
Miscellaneous Others	4,752,229
Total Tax	\$ 84,628,812
Penalty and Interest	30,054,577
Total Assessments	\$114,683,389

### Gross Income Tax Audit

The Gross Income Tax Audit Branch’s responsibility is the auditing of gross income tax returns filed with the Division, 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 Branch also pursues delinquent resident and nonresident taxpayers separately and in joint projects with other Division branches and the Internal Revenue Service.

Some categories of individuals and/or businesses the Branch is currently focusing on are entertainers, gamblers, professional athletes, partnerships and their partners, S Corporations and related shareholders, fiduciaries and their beneficiaries, and all employers withholding gross income tax.

During fiscal year 1996, the six audit teams of the Gross Income Tax Audit Branch completed the following cases:

	<b>FY 1996</b>
Cases Reviewed	30,773
No. of Assessments	9,775
Amount Assessed	\$36,205,663
No. of Collections	9,361
Amount Collected	\$22,684,874

## Transfer Inheritance and Estate Tax

The Transfer Inheritance and Estate Tax Branch is responsible for the administration of New Jersey Transfer Inheritance Tax and the New Jersey Estate Tax, two separate and distinct taxes.

During the fiscal year, 7,760 assessments, including 552 nonresident, and 1,339 estate tax assessments were made. The Branch processed 59,060 self-executing waivers (Form L-8) and 6,421 requests for real estate waivers (Form L-9). In addition to the formal waivers generated through use of Form L-9, the Branch issued 48,728 additional waivers.

Revenue in the amount of \$318,834,447 was collected. Approximately 29 percent (\$92,100,755) of this amount was attributable to the New Jersey Estate Tax.

## TECHNICAL SERVICES

### Conference and Appeals

The Conference and Appeals Branch handles taxpayer complaints and protests and conducts informal administrative hearings. The Branch's Problem Resolution Section reviews all incoming protests for compliance with the statutory provisions for Protests and Appeals and determines if a resolution can be reached quickly without the need for an administrative hearing.

The conferees issue the Division's Final Determination on assessments, notices of individual responsibility for trust fund taxes, denials of refunds, as well as such non-monetary issues as nexus, subjectivity determinations and the denial of claims by organizations claiming exempt status.

Final Determinations are appealed only to the Tax Court of New Jersey. The Appeals Section of the Branch tracks and manages these cases, acting as the Division's liaison with the Deputy Attorney General assigned to defend the Division of Taxation. During the fiscal year, 126 new appeals were filed with the Tax Court of New Jersey and 250 cases were concluded.

Sixty-five percent (65%) of all cases received by this Branch are generated by Audit Activity. Twenty-four percent (24%) of all cases received involve Gross Income Tax issues. Forty-four percent (44%) of all protested cases are resolved by the Problem Resolution Section within one month of their receipt.

The Branch contacted over 900 taxpayers who had requested conferences to advise them of the State's Tax Amnesty Program. Of those contacted, 573 taxpayers requested and were granted amnesty which resulted in payments of nearly \$20 million in tax.

This fiscal year, the Conference and Appeals Branch finalized 1,395 cases and collected over \$32 million.

### Tax Services

The Tax Services Branch drafts rules, regulations and notices for publication in the *New Jersey Register* and the *New Jersey State Tax News*; acts as the Division liaison with the Office of the Attorney General on technical and regulatory issues; provides administrative and enforcement advice to Division management and staff on all tax laws under the jurisdiction of the Division; drafts proposed legislation; reviews legislation and prepares comments; provides technical assistance in the implementation of new tax laws; administers the processing and granting of Exempt Organization Permits pursuant to the Sales and Use

Tax Act; and analyzes, researches and responds to all taxpayers' inquiries and requests for technical advice or letter rulings. In addition to its regulation and administrative work, the Branch writes over 2,000 taxpayer advice letters and answers approximately 15,000 telephone inquiries per year on technical matters.

## Taxpayer Services

Taxpayer Services is responsible for encouraging voluntary compliance by providing taxpayers the information and assistance they need to meet their New Jersey tax responsibilities.

Within the Taxpayer Services Branch:

**Tax Hotline** has a maximum of 60 agents who answer questions on all taxes and programs administered by the Division and resolve account related problems by making on-line adjustments. This service provides immediate assistance and in many cases, eliminates the need for taxpayers to correspond with the Division.

Automated, toll-free services are also provided, including recorded tax information, automated refund and homestead rebate inquiry systems. NJ TaxFax service makes State income tax forms and other technical information available to fax machine users. During 1996 over 44,000 forms were sent to taxpayers via TaxFax.

**Office of Communication** is responsible for tax publications including the instructions for individual income tax returns, technical bulletins, brochures and notices, and the quarterly newsletter for tax practitioners, the *New Jersey State Tax News*. The Office of Communication also is responsible for preparing replies to general taxpayer correspondence and referrals and drafting press releases on technical and compliance related issues.

**Taxpayer Forms Service** became a part of Taxpayer Services Branch in fiscal year 1996. The office mails out forms in response to taxpayers' requests and also handles bulk mailing for special projects. During 1996 over 300,000 items were sent out.

- Taxpayer Services statistics:

	<b>FY 1996</b>
Phone calls	1.8 million
Correspondence	21,000 letters
On-line Adjustments	55,000

- Major publications included production of the *Annual Report*, *Package NJX* and a number of new business-related Tax Topic Bulletins for the Small Business Workshop program.

- NJ TeleFile Pilot Program allows resident taxpayers to file their individual income tax returns/homestead rebate applications by Touch-tone telephone. The Division conducted a TeleFile pilot program during the 1995 tax season that resulted in almost 25,000 returns filed by TeleFile. The program will be expanded during the next fiscal year to allow over 1 million New Jersey residents to file their return by TeleFile.

## Technical Education Office

The Technical Education Office provides support to Division employees and to the general public through a variety of programs. The Technical Education Office is responsible for all internal technical training and staff development initiatives. Additionally, the TEO administers the Division's Speakers Bureau, the Small Business Workshop series, and participates in Corporate Seminars to promote business activity in New Jersey. The TEO supports voluntary tax compliance through the VITA (Volunteer Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs.

In 1996 the TEO developed the Division's Home Page on the World Wide Web. Home Page statistics include 12,993 "hits" on our title page.

- 18.7% of these hits were related to the Division's Amnesty program
- 36.8% were Frequently Asked Questions
- 29.9% were requests for forms
- 14.6% were requests for publications

The Division's Home Page can be accessed at:

<http://www.state.nj.us/treasury/taxation/>

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## COMPLIANCE

### Special Procedures

The Special Procedures Branch is primarily responsible for the collection of overdue tax liabilities. During fiscal year 1996 the branch collected \$43,414,430. The specific functions of Special Procedures are as follows:

**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.

**Bankruptcy.** The primary function of the Bankruptcy Section is to submit Proofs of Claims to Federal and State Court relative to insolvency matters.

**Bulk Sales.** The Bulk Sales Section is responsible for examining tax records of each business which disposes of its assets, either by sales, transfer or assignment, other than in the normal course of business.

**Closing Agreements.** Under provisions of the State Tax Uniform Procedure Law applications for compromise settlement of tax debts are processed.

**Judgments.** The Judgment Section collects overdue liabilities from taxpayers who neglected or refused to pay taxes and/or file returns through normal channels. The primary collection vehicle is the Certificate of Debt which is filed with the Clerk of the New Jersey Superior Court.

### Investigations

The Investigations Branch contacts new and existing businesses to ensure compliance with New Jersey's tax laws, and pursues collection of delinquent and deficient taxes from businesses and individuals. When necessary, Certificates of Debt are recorded and followed by levy, seizure and sale by auction of business and personal assets. Some violations are prosecuted in municipal court.

In fiscal year 1996, Investigations conducted 103 seizures of business and/or personal assets based on outstanding Certificates of Debt. Forty-six (46) of the seizures involved liquor licenses. Twenty-three (23) auctions were necessary.

In conjunction with the Amnesty Program, Investigations began to implement their statutory authority to make an immediate, on-site assessment of tax due (referred to as a "jeopardy assessment"). The targets are transient vendors who failed to register their business, to collect and remit State taxes, such as sales tax, or to file tax returns.

Failure to satisfy the jeopardy assessment results in immediate seizure of assets and vehicles.

### Office Collections

The Office Collections Branch consists of many different units, some of which are as follows:

The Delinquency Unit sends notices to taxpayers who are delinquent in the filing of the major business taxes. Added to this unit is TGI Delinquency and Motor Fuels Delinquency.

The Casual Sales Unit, in conjunction with the Department of Motor Vehicles, works to collect sales tax on motor vehicles and boats. This includes notifying taxpayers when it is suspected that the sales tax has been underpaid on the casual sales of cars. Sales of aircraft are also examined for the collection of sales tax.

A newly implemented Set-Off program which permits the Division of Taxation to take payments due State vendors who owe taxes without the need to file a Certificate of Debt became part of the OMB Levy Match Unit.

Other parts of the branch are Deferred Payments, where taxpayers can pay their tax liability over time; ABC Clearance, whose mission is to issue a tax clearance certificate before a retail liquor license holder can renew their license; and CATCH, where **C**itizens **A**gainst **T**ax **C**heats can make referrals.

In addition, Office Collections Branch maintains a close relationship with a privately contracted agent, Payco American General Credits, Inc., who pursues all telephone collection activities for the Division of Taxation.

### Taxpayer Accounting

The Taxpayer Accounting Branch issues bills for underpayments of tax, penalty and interest, reviews bills and refund or credit requests, and responds to taxpayer inquiries regarding the status of their accounts. The Branch is comprised of the Correspondence and Review Sections for personal income tax, a Business Tax Section, and Support Sections for both the income and business taxes. As a special service, Taxpayer Accounting also provides a Tax Practitioner HOTLINE where practitioners can call for assistance in resolving client problems that they have been unable to resolve through normal channels.

### Highlights

- The Compliance Activity stepped up its enforcement efforts in fiscal year 1996. Increased emphasis was placed on Statewide Field Investigation actions such

as canvassing fixed business centers, as well as transient businesses such as fairs, trade shows, flea markets and roadside vendors.

- Field Investigations has also increased bank levy and seizure activity in an effort to promote voluntary compliance.
- Compliance Activity collections for fiscal year 1996 were \$198,528,782, an increase of 6.5% over the prior fiscal year. Payco collected \$32,439,832 in fiscal year 1996.

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## PROPERTY ADMINISTRATION

Property Administration consists of two distinct branches, Local Property and Unclaimed Property. The Local Property Branch, whose activities concern real and certain personal property, is comprised of Policy and Planning Section; Field Assistance and Appraisal; and Railroad Property/Tax Maps Section. The Unclaimed Property Branch, whose activities pertain to intangible personal property, includes the Audit Section and the Operations Section.

### LOCAL PROPERTY

#### Policy and Planning

Policy and Planning Section reviews and prepares comments on proposed legislation concerning property tax issues; reviews and approves reassessment and revaluation programs and contracts; develops procedures for uniform application of senior citizens' and veterans' deductions and certifies the amounts for State reimbursement to local taxing districts; oversees the administration of the Farmland Assessment Act of 1964; in cooperation with Local Property Field Staff and the Attorney General's Office, defends the Table of Equalized Valuations; coordinates bi-annual Tax Assessors' Certification Exams; prepares written guidelines and materials on various property tax programs and statutes for use by assessors and county tax board members; responds to general taxpayer inquiries and correspondence and legislative referrals regarding property tax matters.

#### Field Assistance and Appraisal

*Field Assistance Unit* provides direct assistance to 567 municipal tax assessors' offices and 21 county tax boards in solving everyday administrative problems. Field Staff prescreens and investigates SR-1A's for sales ratio purposes; gathers evidence for defense of Table of Equalized Valuations appeals; conducts audits of senior citizens' and veterans' deductions granted and realty transfer fees paid; collects material and labor cost data for development of improved assessment standards; and assists new assessors in the implementation of property tax law.

*Appraisal Unit* assists local tax assessors with the appraisal of special purpose, unusual and State-owned property; assists the Transfer Inheritance Tax Bureau with appraisals for inheritance tax purposes; maintains the Real Property Appraisal Manual provided for use by New Jersey assessors.

Other major activities are:

**Sales Ratio** oversees the Assessment-Sales Ratio Program and develops an annual Table of Equalized Valuations from the program data. The Table is used to calculate and distribute the State School Aid; apportion county and regional school district taxes; and measure debt limits for local governments. It shows the average ratio of assessed value to true value of real estate throughout the State.

**Mod IV Data Processing** provides technical assistance to all municipal taxing districts utilizing the State developed data processing system Mod IV to produce and maintain local assessment records.

### Railroad Property/Tax Maps

**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 district revaluations.

### UNCLAIMED PROPERTY

Unclaimed property is generally responsible for maintaining more than 1 million records of unclaimed property in the protective custody of the State Treasurer. This program is defined in N.J.S.A. 46-30B, *et seq.* Any "Holder" of property belonging to another is required to turn that property over to the State Treasurer or his delegate when it is presumed to be abandoned. Property is defined as moneys, deposits, refunds, stocks, insurance payments, etc.

### Audit

Audit Section conducts audits of selected holders, usually corporate trust operations for unclaimed dividends and securities, for levels of compliance in reporting; contracts with two audit firms for out-of-State holders.

### Operations

**Holder Reporting Unit** has accounted for more than \$1 billion since its inception in 1947. This figure is increasing by \$50 million per year and will continue at that level because of efforts to ensure holder compliance.

**Claims Processing Unit** validates a claim for property held by us, and processes payment, with interest.

**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 the proceeds to the State, minus estate expenses and statutory fees. This figure averages \$2.5 million per year.

### Highlights

- 140 applications for the Tax Assessors' Exams were filed in 1996.
- 20 revaluation programs were implemented in 1996 at an average cost of \$37.26 per line item and a total cost of \$3,063,153. There were 25 reassessment programs implemented in 1996.
- \$91,454,906 in Realty Transfer Fees was generated with \$45,956,663 deposited into the General Fund and \$19,978,115 credited to the Neighborhood Preservation Nonlapsing Revolving Fund for fiscal year 1996.
- Unclaimed Property receives approximately \$40–50 million in assets yearly.
- Fiscal year 1996 value of securities portfolio is approximately \$59 million.

## PROCESSING

This Activity is responsible for processing all returns, deposit of receipts, taxpayer registration, revenue accounting, all data systems and the telecommunications of the Division of Taxation. The Activity consists of four branches: Processing, Revenue Accounting, Taxpayer Registration and Data Systems & Telecommunications.

### Processing

The Processing Branch is responsible for the initial processing of all State tax returns and the depositing of remittances for all taxes administered by the Division of Taxation. The branch also receives, sorts and routes general correspondence, billing notices and responses to Division letters.

Incoming tax submissions and payments are removed from the envelope and screened for accuracy by the Returns Processing Section. Tax returns and remittances are prepared for additional processing by either image based remittance processing devices, full page digital scanners, or for traditional data entry. The Data Input and Control Section performs limited data entry of information not recognized through the automated processes and traditional data entry of returns requiring that method of processing. Upon completion of processing activities, all checks are prepared for deposit and revenue amounts recorded into the State's financial system through an automated interface or manually through on-line entry.

Major system upgrades using image technologies were first put in place during fiscal year 1996. These systems will be shifting data capture from traditional data entry, and further conversion to this type of technology will be made during fiscal year 1997.

### Revenue Accounting

The Revenue Accounting Branch accounts for all revenues deposited by the Division of Taxation, reconciles those amounts to the State's financial system, and disburses revenues allocated to county or local tax jurisdictions. This area also processes the taxes with smaller taxpayer bases that are not processed through the Division's mainframe computer systems and records dishonored checks for all taxes administered by the Division.

This branch also administers the Set-Off of Individual Liability (SOIL) program which assists other State agencies in their collection effort by setting-off the Gross Income Tax refund and/or Homestead Rebate of taxpayers who are indebted to participating agencies.

The Revenue Accounting Branch also provides support to the Electronic Funds Transfer Program in registering new taxpayers into the program and providing day-to-day support to taxpayers using this system.

### Taxpayer Registration

The Taxpayer Registration Branch has the responsibility of maintaining registration information on all businesses and individuals who are required by law to report and pay taxes in the State of New Jersey. The branch is also responsible for such registration related activities as issuing licenses and certificates. The tax eligibility information that is maintained on the registration file facilitates the identification of taxpayers who fail to file required returns and the mailing of return forms and notices to taxpayers. Located within the Taxpayer Registration Branch is Data Perfection. It is responsible for the correction of captured tax return information that has failed to post to the Division's various tax administration systems.

### Data Systems and Telecommunications

Data Systems and Telecommunications acts as a liaison to the Office of Telecommunications and Information Systems (OTIS), other State and Federal agencies, and the end users of data processing resources within Taxation, recommends and evaluates new technological concepts for the Division and aids in the automated and manual systems design required by new legislation. Data Systems and Telecommunications has the general responsibility for the design and specification of all New Jersey tax forms, site inspection of prospective vendors and overall form quality assurance.

The TAXNET Help Desk assists the Division personnel to better utilize the Division's data systems, provides a vehicle for the identification and resolution of system problems and performs system table and file maintenance. During 1996, the TAXNET Help Desk answered 4,954 telephone calls and completed 1,275 problem notification forms and 2,246 employee changes.

Data Systems and Telecommunications participated in the change and design of many systems due to legislative and/or Division initiatives. These include:

- Completion of systemic modifications required by new and recently enacted tax Regulation, including the Amnesty Program.
- Conversion of many of the Division's printing applications to laser generated output.
- Expansion of the Federal/State Electronic Filing program.

- Implementation of an electronic filing program for submitting SR-1A documents, minimizing the need for data entry.
- Expansion of the automated interface with OMB to update the State's financial system with tax collection information from mechanized deposits.

## Highlights

- Participated in the Federal/State Electronic Filing Program. The first full year of the program saw the receipt and processing of over 67,000 electronically filed individual income tax returns.
- Received, processed and accounted for over 9.1 million tax returns and associated revenue of approximately \$13.2 billion.
- Image technologies were responsible for the processing and data capture of 1.5 million Gross Income Tax and Homestead Rebate returns. This was due to the implementation of full page digital scanners which employ intelligent character recognition.
- The Data Perfection Section corrected NJ-1040 returns and homestead rebate applications on Image Terminals rather than using hard copy returns.
- Taxpayer Registration added 86,347 new businesses and made 88,529 corrections to the Taxpayer Registration file.
- In the 1996 SOIL cycle, 40 State agencies submitted approximately 1.7 million debtor names to the program. The program is expected to collect about \$21 million in "set-offs" from Gross Income Tax refunds or Homestead Rebates this year.
- The Electronic Funds Transfer program processed 393,860 transactions during fiscal year 1996, up from 193,280 transactions during fiscal year 1995. Collections were \$6.1 billion in fiscal year 1996, up from \$5.1 billion in the fiscal year ending June 30, 1995. There are 36,154 participants in the EFT program – 21,798 are mandatory and 14,356 are voluntary. An additional 15,761 taxpayers are slated to enter the program in the upcoming year.

## CHIEF OF STAFF

The Office of the Chief of Staff is responsible for representing the Division of Taxation throughout State government as well as supplying Division wide support in the areas of Management Services, Disclosure, Fiscal matters, Personnel matters and Labor Relations.

### Management Services

The Management Services activity encompasses the responsibility of providing support in the following areas:

**Facilities Management.** Responsible for providing building maintenance and management services for 15 office buildings located throughout New Jersey, as well as coordinating maintenance and management services for the Division's out-of-State locations. Facilities Management also has the responsibility for managing and maintaining the Division's property, equipment inventory and distribution of supplies to the entire Division.

**Mail Services.** Provides pickup and delivery service of mail for the entire Division, including field offices. Approximately 13 to 14 million pieces of incoming mail and 15 million pieces of outgoing mail annually are handled through this office.

**Records Management.** Responsible for the entire Division's records management and storage. Maintains a records placement and tracking system that enables Division personnel to retrieve documents and files quickly and efficiently.

### Disclosure

The Disclosure function entails many administrative duties, including recommendation and implementation of exchange agreements with other agencies and responses to internal and external requests for tax records. Some of the agencies frequently dealt with include the Internal Revenue Service, New Jersey State Police, Division of Criminal Justice, Division of Law, Division of State Lottery and the 49 other states through their Departments of Revenue/Taxation. Through the mission of this function the Division of Taxation, as well as other taxing agencies throughout the United States, has been able to locate and identify tax evaders who cross state lines.

## **Fiscal, Personnel and Labor Relations**

The Office of the Chief of Staff works in conjunction with the Department of Treasury's Fiscal Office, Human Resources and Department of Personnel. The objectives are to coordinate, control and maintain all requests for personnel, equipment and budgetary needs and to maintain control over all personnel matters, including disciplinary and grievance actions concerning Division employees.

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## **OFFICE OF TAX ANALYSIS**

The Office of Tax Analysis monitors and forecasts over \$11 billion in revenue collected for 14 of the taxes administered by the Division. Tax impact estimates are prepared for use in fiscal note worksheets to accompany legislative bills proposing changes to the tax code. The unit also monitors national and State economic conditions and conducts research on the impact and operation of the existing tax structure.

Future plans include:

- Estimate the impact of the new property tax deduction on 1996-98 Gross Income Tax collections.
- Evaluate the impact of the 1993 Business Incentive Package of tax credits as reflected in the 1995 Corporation Business Tax returns.

### **Highlights**

- Examined the implications of the Federal tax reform proposals and of switching from our gross income base to alternate Federal bases.
- Analyzed the feasibility of summarizing income tax returns by municipality using geo-coding software developed by OTIS.
- Provided revenue forecasts for the three major taxes (Sales, Gross Income, Corporation Business) which, over the past four fiscal years, average within 1.5% of the actual collections.



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## OFFICE OF LEGISLATIVE ANALYSIS

The Office of Legislative Analysis 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; it 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, determines when bills affecting the Division are scheduled for committee or house action, and tracks the progress of each bill as it proceeds through the Legislature. It works closely with the Treasurer's Office and, when a bill is enacted into law, it often initiates and participates in the implementation process.

### Highlights

- Monitored and tracked 563 bills relating to the Division of Taxation.
- Prepared 198 Legislative Recommendations and Bill Comments.
- Prepared 71 Fiscal Notes.
- Testified before various Assembly and Senate committees.
- Participated in numerous meetings with representatives of Treasury and other agencies to review proposals affecting the Division of Taxation.

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## OFFICE OF CRIMINAL INVESTIGATION

The Office of Criminal Investigation is responsible for the detection and investigation of alleged criminal violations in the State tax code. In addition, the responsibility of internal security and internal control assessments falls within the jurisdiction of this area.

The activities within the Office of Criminal Investigation are:

**Office of Criminal Investigation.** Cases that indicate criminal violations and willful intent to evade the tax laws are developed. Based on the findings of the investigation, recommendations for criminal prosecution are made to the Attorney General's Office or to the county prosecutor. The cases are generated through projects within the activity, referrals from other functions within the Division, participation in joint investigations with prosecutors' offices and other law enforcement agencies, and concerned citizens.

OCI works closely with prosecutors and investigators at all governmental levels. Liaison activities are encouraged, and many joint investigations are conducted in cases dealing with economic and financial crimes that have tax compliance consequences. Currently, OCI is also actively involved in cooperative efforts with the Internal Revenue Service, the Federal Bureau of Investigation, the US Attorney's Office, and states within the northeast corridor.

**Cigarette Tax.** Special Agents assigned to OCI have the statutory authority to investigate violations of New Jersey's cigarette tax laws. Investigative resources have been directed towards the sale of unstamped cigarettes, smuggling, and the location of contraband.

**Office of Inspection.** Situations concerning employee conduct and possible employee integrity violations are investigated. Examples of cases during the fiscal period included attempted bribery by a taxpayer, release of confidential information, and unauthorized adjustments to tax records. Specialized employee training is also provided to ensure that employees can recognize and protect themselves against compromising situations. Background checks of all new employees are also conducted.

## Highlights

- 14 cases were forwarded to prosecutors with prosecution recommendations; 978 information items were evaluated resulting in the initiation of 261 criminal cases.
- 138 criminal investigations of cigarette tax violations were initiated; 19,433 cartons of contraband cigarettes with a retail value of \$388,656 and one vehicle were seized.
- 618 background investigations and 68 integrity investigations were conducted.

**Table 1—Major State Tax Collections (Net)  
Fiscal Years 1994–1996**

<b>Tax Source</b>	<b>1996<sup>1</sup></b>	<b>% of Total</b>	<b>1995</b>	<b>% of Total</b>	<b>1994</b>	<b>% of Total</b>	<b>% Change 1995–96</b>
<b>Collected by the Division:</b>							
Alcoholic Beverage (General Fund)	\$ 75,157,676	0.5%	\$ 76,783,234	0.5%	\$ 76,316,278	0.5%	- 2.1%
Business Personal Property <sup>2</sup>	(132,508)	(0.0)	3,033,933	0.0	9,041,928	0.1	- 104.4
Cigarette Corporation:	245,652,979	1.7	251,196,387	1.8	250,270,931	1.8	- 2.2
Corporation Business	1,171,509,159	8.0	1,085,502,032	7.7	1,063,141,745	7.5	7.9
CBT Banks & Financials	96,860,000	0.7	44,499,198	0.3	93,738,713	0.7	117.7
Corporation Income <sup>3</sup>	0	0.0	662,639	0.0	3,845,219	0.0	- 100.0
<b>Environmental Taxes:</b>							
Landfill Closure and Contingency	1,515,720	0.0	1,623,498	0.0	1,724,759	0.0	- 6.6
Litter Control	11,712,671	0.1	10,717,649	0.1	10,106,822	0.1	9.3
Public Community Water Systems	2,728,056	0.0	3,495,591	0.0	2,789,684	0.0	- 22.0
Resource Recovery Investment <sup>4</sup>	6,985,608	0.0	11,867,010	0.1	13,089,965	0.1	- 41.1
Solid Waste Importation <sup>4</sup>	3,991,826	0.0	6,475,842	0.0	7,307,585	0.1	- 38.4
Solid Waste Recycling	6,704,569	0.0	7,546,091	0.1	8,394,309	0.1	- 11.2
Solid Waste Services	2,897,289	0.0	2,994,754	0.0	3,021,120	0.0	- 3.3
Spill Compensation	15,431,754	0.1	16,782,320	0.1	20,960,010	0.1	- 8.0
Financial Business <sup>5</sup>	0	0.0	0	0.0	251,501	0.0	
Gross Income <sup>6</sup>	4,733,786,100	32.3	4,540,081,765	32.1	4,493,659,929	31.8	4.3
Insurance Premiums	274,161,796	1.9	273,552,549	1.9	251,955,603	1.8	0.2
Miscellaneous Revenues	3,410,927	0.0	3,118,153	0.0	1,910,584	0.0	9.4
Motor Fuels	448,730,936	3.1	456,869,731	3.2	436,496,314	3.1	- 1.8
Petroleum Products	192,257,756	1.3	194,125,981	1.4	193,979,558	1.4	- 1.0
Public Utility Excise (State Use)	135,476,198	0.9	139,585,844	1.0	135,758,033	1.0	- 2.9
Public Utility Excise (Mun. Use)	1,004,742,718	6.9	1,056,620,686	7.5	1,472,451,893	10.4	- 4.9
Railroad Franchise	3,462,862	0.0	3,993,314	0.0	3,317,461	0.0	- 13.3
Railroad Property	2,757,071	0.0	2,572,216	0.0	2,289,790	0.0	7.2
Realty Transfer	45,854,799	0.3	44,284,190	0.3	43,870,575	0.3	3.5
<b>Sales:</b>							
Sales and Use	4,318,372,824	29.5	4,133,278,016	29.2	3,778,506,912	26.8	4.5
Atlantic City Lux & Promo (Loc. Use)	21,862,812	0.1	22,242,451	0.2	22,789,739	0.2	- 1.7
Tobacco Products Wholesale	5,847,085	0.0	4,839,141	0.0	5,297,381	0.0	20.8
Cape May County Tourism	11,339,511	0.1	10,268,552	0.1	5,073,786	0.0	10.4
Casino Parking Fee	15,440,106	0.1	15,404,065	0.1	12,626,023	0.1	0.2
Savings Institution	15,263,926	0.1	18,377,138	0.1	23,941,719	0.2	- 16.9
Transfer Inheritance and Estate	310,655,978	2.1	275,823,814	2.0	304,770,334	2.2	12.6
Tax Compliance (Enhanced) <sup>3</sup>	0	0.0	0	0.0	81,137,638	0.6	
<b>Taxes Collected by the Division</b>	<b>\$13,184,438,204</b>	<b>90.1%</b>	<b>\$12,718,217,784</b>	<b>89.9%</b>	<b>\$12,833,833,841</b>	<b>90.9%</b>	<b>3.7</b>
<b>Collected Outside the Division:</b>							
Boxing-Wrestling-TV	\$ 328,455	0.0	\$ 469,816	0.0	\$ 232,939	0.0	- 30.1
Casino Revenue	305,692,655	2.1	288,847,866	2.0	264,873,010	1.9	5.8
Casino Control	52,941,375	0.4	53,635,315	0.4	54,889,621	0.4	- 1.3
Lottery	662,119,573	4.5	647,812,212	4.6	602,769,763	4.3	2.2
Motor Fuels Use	12,314,423	0.1	9,824,673	0.1	9,987,999	0.1	25.3
Motor Vehicle Fees	417,952,649	2.9	422,597,692	3.0	342,297,117	2.4	- 1.1
Outdoor Advertising	240,000	0.0	240,000	0.0	240,000	0.0	0.0
Pari-Mutuel <sup>3</sup>	0	0.0	0	0.0	4,707,537	0.0	
<b>Taxes Collected Outside the Division</b>	<b>\$ 1,451,589,130</b>	<b>9.9%</b>	<b>\$ 1,423,427,574</b>	<b>10.1%</b>	<b>\$ 1,279,997,986</b>	<b>9.1%</b>	<b>2.0</b>
<b>Total Major State Tax Collections</b>	<b>\$14,636,027,334</b>	<b>100.0%</b>	<b>\$14,141,645,358</b>	<b>100.0%</b>	<b>\$14,113,831,827</b>	<b>100.0%</b>	<b>3.5</b>

<sup>1</sup>The 1996 figures are subject to adjustment.

<sup>2</sup>Repealed for property used after October 1, 1993.

<sup>3</sup>No longer reported separately.

<sup>4</sup>Expired December 31, 1995.

<sup>5</sup>Repealed effective January 1, 1994.

<sup>6</sup>Rate reductions enacted beginning in calendar year 1994.

## Statutory Responsibilities

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

<b>Tax</b>	<b>N.J.S.A. Citation</b>	<b>Tax</b>	<b>N.J.S.A. Citation</b>
Alcoholic Beverage Tax .....	54:41-1 <i>et seq.</i>	Local Property Tax.....	54:4-1 <i>et seq.</i>
Atlantic City Casino Parking Fee .....	5:12-173.1 to 173.5	Motor Fuels Tax.....	54:39-1 <i>et seq.</i>
Atlantic City Luxury Sales Tax .....	40:48-8-15 <i>et seq.</i> 54:32B-24.1 <i>et seq.</i>	Petroleum Products Gross Receipts Tax .....	54:15B-1 <i>et seq.</i>
Atlantic City Tourism Promotional Fee.....	40:48-8.45 <i>et seq.</i>	Public Community Water System Tax .....	58:12A-1 <i>et seq.</i>
Business Personal Property Tax (Repealed) .....	54:11A-1 <i>et seq.</i>	Public Utility Taxes: Public Utility Excise Taxes .	54:30A-16 <i>et seq.</i> 54:30A-49 <i>et seq.</i>
Cape May County Tourism Sales Tax .....	40:54D-1 to 10	Railroad Franchise Tax .....	54:29A-1 <i>et seq.</i>
Cigarette Tax .....	54:40A-1 <i>et seq.</i> 56:7-18 <i>et seq.</i>	Railroad Property Tax .....	54:29A-1 <i>et seq.</i>
Corporation Business (Net Income and Net Worth) Tax.....	54:10A-1 <i>et seq.</i>	Realty Transfer Fee .....	46:15-5 <i>et seq.</i>
CBT Banking Corporation ....	54:10A-1 <i>et seq.</i>	Resource Recovery Investment Tax.....	13:1E-1 <i>et seq.</i>
CBT Financial Corporation ...	54:10A-1 <i>et seq.</i>	Sales and Use Tax .....	54:32B-1 <i>et seq.</i>
Corporation Income Tax .....	54:10E-1 <i>et seq.</i>	Savings Institution Tax .....	54:10D-1 <i>et seq.</i>
Financial Business Tax (Repealed).....	54:10B-1 <i>et seq.</i>	Solid Waste Importation Tax.....	13:1E-1 <i>et seq.</i>
Gross Income Tax.....	54A:1-1 <i>et seq.</i>	Solid Waste Recycling Tax .....	13:1E-92 <i>et seq.</i>
Insurance Premiums Tax .....	54:16-1 <i>et seq.</i> 54:16A-1 <i>et seq.</i> 54:17-4 <i>et seq.</i> 54:18A-1 <i>et seq.</i>	Solid Waste Services Tax .....	13:1E-1 <i>et seq.</i>
Landfill Closure And Contingency Tax .....	13:1E-100 <i>et seq.</i>	Spill Compensation And Control Tax.....	58:10-23.11 <i>et seq.</i>
Litter Control Tax.....	13:1E-92 <i>et seq.</i>	Tobacco Products Wholesale Sales and Use Tax .....	54:40B-1 to 14
		Transfer Inheritance And Estate Taxes: Transfer Inheritance.....	54:33-1 <i>et seq.</i>
		Estate .....	54:38-1 <i>et seq.</i>

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## 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, and State beverage distributors.

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

### Rate

<i>Type of Beverage</i>	<i>Rate per Gallon</i>
Beer .....	\$0.12
Liquor .....	\$4.40
Still Wine, Vermouth, Sparkling Wine.....	\$0.70

### Disposition of Revenues

Revenues are deposited in the State Treasury for general State use, except that beginning on July 1, 1992, \$11 million of the tax revenue is deposited annually into the Alcohol Education, Rehabilitation and Enforcement Fund.

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## Atlantic City Casino Parking Fee

### Description

Casino parking facilities in Atlantic City are required under P.L. 1993, C. 159, to impose a minimum charge for a space used for parking, garaging or storing a motor vehicle in a parking facility or property owned or leased by a casino hotel or by any person on behalf of a casino hotel licensed under the "Casino Control Act."

### Rate

The minimum charge is \$2.00 a day for use of a parking space. The fee is due only once per day per vehicle.

### Disposition of Revenues

The fees collected will be placed in a special fund held by the State Treasurer. The funds will then be available to the Casino Reinvestment Development Authority to finance public improvements in the Atlantic City area.

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## 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 and 9% on other taxable sales. The State sales tax rate is reduced to the extent that the city rate exceeds 6%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 12%.

### Disposition of Revenues

Revenues are forwarded to the Sports and Exposition Authority.

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## 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/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.

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## Business Personal Property Tax

### Description

The Business Personal Property Tax applies to individuals, partnerships, corporations and associations which own tangible personal property used in business in this State. The tax base, referred to as taxable value, is 50% of original cost. Only equipment acquired before January 1, 1977 is taxed.

Major exemptions to the tax include personal property held as inventory, used in production or farming, or held for resale; personal property permanently affixed to real property; and motor vehicles.

The tax was repealed by C. 174, P.L. 1993 for any property used after October 1, 1993.

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## Cape May County Tourism Sales Tax

### Description

The Tourism Improvement and Development District Act, P.L. 1992, C. 165, authorizes 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 6% State sales tax. Thus, sales subject to the Cape May Tourism and the State sales tax are taxable at 8%.

### Disposition of Revenues

Revenues are collected by the State Treasurer and are to be 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.

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## Cigarette Tax

### Description

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

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

### Rate

The tax rate is \$0.20 for each ten cigarettes or fraction thereof, \$0.40 for a pack of 20 cigarettes, \$0.50 for a pack of 25 cigarettes.

A distributor is allowed a 1.13% 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.

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## 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, employ

ing or owning capital or property, or maintaining an office 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 New Jersey banking corporations, including national banks.

The 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.

Exempt from the tax are certain agricultural cooperative associations; building and loan associations and savings and loan 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; non-stock Mutual Housing Corporations; railroad and canal corporations; street, railway, gas, light, power and other corporations using the public streets; utilities subject to gross receipts or unit-based franchise and additional excise tax and insurance companies subject to premiums tax; and international banking facilities.

### Rate

The tax rate is 9% upon entire net income, or the portion of net income allocated to New Jersey. Prior to 1994 the minimum tax was \$25 for domestic corporations and \$50 for foreign corporations. For tax years beginning in calendar year 1994 and thereafter, the minimum tax is:

	<i>Domestic Corporation</i>	<i>Foreign Corporation</i>
1994	\$50	\$100
1995	\$100	\$200
1996	\$150	\$200
1997	\$200	\$200

Beginning in 2002, the minimum tax will be adjusted every five years to take into account any increases in the annual average total producer price index.

The tax rate for shareholders in S corporations is 2.63% in calendar year 1996. The tax rate for corporations with less than \$100,000 in net annual revenues became 7.5% as of July 1, 1996. S corporations with less than \$100,000 in net income are taxed at 1.13% as of July 1, 1996.

A surtax of 0.375% was levied on corporate net income for the 1992 and 1993 tax years. The surtax was repealed effective January 1, 1994.

### 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.

### 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:

<i>Effective Date</i>	<i>Rate</i>
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

Chapter 143, Laws of 1985 (approved April 22, 1985) allows a carryover of net operating loss as a deduction from taxpayer's entire net income for seven years following the year of the loss for taxable years ending after June 30, 1984.

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 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. 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). Chapter 175 allows for a credit for increased research activities.

Two changes in 1993 brought New Jersey corporation tax law closer to 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, a Subchapter S election under New Jersey law. Under New Jersey Subchapter S, a corporation pays a reduced tax rate, calculated as the difference between the corporate tax rate and the personal income tax rate, on that portion of entire net income not subject to Federal corporate income tax. The income from the S corporation is taxed under the gross income tax to the individual who receives it.

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). After July 1, 1996 the Corporation Business Tax rate for businesses that have entire net incomes of \$100,000 or less is 7.5% instead of 9%. S corporations with net incomes of \$100,000 or less are taxed at 1.13% instead of 2.63% (C. 246, P.L. 1995).

### **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.

### **Banking and Financial Corporations**

Banking and financial corporations are subject to the Corporation Business Tax Act at the rate of 9% on net income.

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 solely administered 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 the 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.

### **Investment Companies**

Investment companies and regulated investment companies are subject to tax under special allocation formulas.

A taxpayer qualifying and electing to be taxed as an investment company is subject to an allocation percentage of 25% of the net income base. These investment companies are subject to a minimum tax of \$250.

*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 are now eliminated and a flat tax of \$250 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.

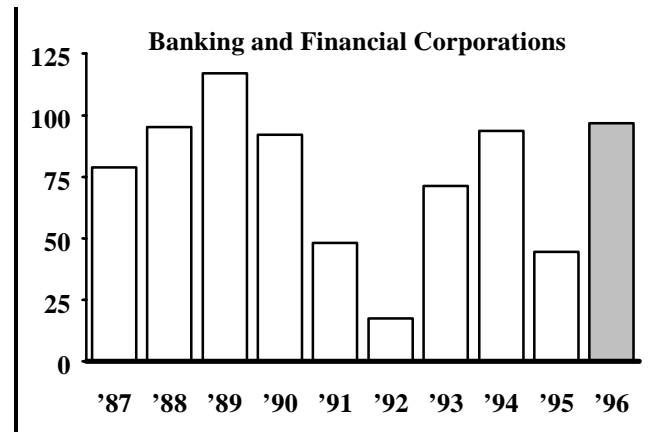
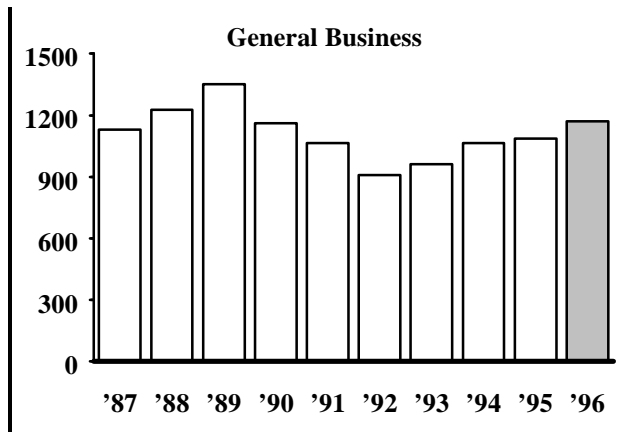
### **Deferred Pre-Dissolution Payment**

Chapter 367, P.L. 1973, approved in 1974, eliminates the requirement for a certificate obtained in case of merger or consolidation involving a domestic or foreign corporation qualified to transact business in New Jersey. It also provides 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 the taxpayer had a regular place of business outside New Jersey, its tax liability is measured by net income allocated to New Jersey, according to a four-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.

### Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
1987	\$1,129,229,561
1988	1,227,591,049
1989	1,350,581,694 <sup>1</sup>
1990	1,162,835,737
1991	1,063,089,390
1992	909,618,920
1993	960,753,965
1994	1,063,141,745
1995	1,085,502,032
1996	1,171,509,159

Fiscal Year	Collections
1987	\$78,938,838
1988	95,328,007
1989	117,155,793
1990	92,089,805
1991	48,200,249
1992	17,411,936
1993	71,375,391
1994	93,738,713
1995	44,499,198
1996	96,860,000

<sup>1</sup> Includes tax receipts from windfall profits court decision.

## Corporation Income Tax

### Description

Corporation Income Tax applies to corporations deriving income from sources within the State which are not subject to the tax imposed under the Corporation Business Tax Act. However, the tax has become practically obsolete due to Corporation Business Tax regulations as well as New Jersey's adoption of the Multistate Tax Commission's guidelines and the U.S. Supreme Court decision, *Quill Corp. v. North Dakota*, 112 S.Ct. 1904 (1992), as well as the New Jersey Tax Court decision in *Pomco Graphics v. Division of Taxation*, 13 N.J. Tax 578 (1993).

### Rate

The tax rate is 7¼% of entire net income or such portion as is allocable to New Jersey.

### Disposition of Revenues

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

## Financial Business Tax

### Description

The Financial Business Tax applies to any partnership, limited partnership, limited partnership association or any other unincorporated association or individual doing a financial business.

Exempt from the tax are: corporate financial businesses; national banks; production credit associations; stock and mutual insurance companies; security dealers or brokers, investment companies or bankers not employing monied capital coming into competition with the business of national banks; credit unions; savings banks, savings and loan associations and building and loan associations; pawnbrokers; state banks and trust companies; financial business corporations; and real estate investment trusts.

The Financial Business Tax was repealed effective January 1, 1994 (C. 295, P.L. 1993).

## 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, 1991 but before January 1, 1994 ranged from 2%–7%. For tax years beginning on or after January 1, 1994 but before January 1, 1995, rates were reduced to 1.9%–6.65%. For tax years beginning on or after January 1, 1995 but before January 1, 1996, rates were reduced to 1.7%–6.58%, and for tax years beginning on or after January 1, 1996 rates were reduced to 1.4%–6.37%. See charts on the next page.

### Exemptions

- Taxpayer, \$1,000.
- Taxpayer's spouse who does not file separately, \$1,000.
- Taxpayer 65 years old or more, additional \$1,000; same for spouse age 65 or older who does not file separately.

- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse 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.
- Property tax deduction (or credit).

### 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 bears to the taxpayer's entire New Jersey income.
- Amounts withheld by an employer and payments of estimated tax.
- Amounts paid by an S corporation on behalf of a shareholder.
- Excess unemployment and disability insurance contributions withheld.
- Property tax credit (or deduction).

### 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 \$20,000 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.

### Disposition of Revenues

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

**Filing Status: Married, Filing Joint Return or Head of Household or Qualifying Widow(er)****Tax Rates****Taxable Income\***

	1991-1993	1994	1995	1996 and later
<i>over but not over</i> \$ 0 – \$20,000	2%	1.9%	1.7%	1.4%
20,000 – 50,000	\$400 plus 2.5% of excess over \$20,000	\$380 plus 2.375% of excess over \$20,000	\$340 plus 2.125% of excess over \$20,000	\$280 plus 1.750% of excess over \$20,000
50,000 – 70,000	\$1,150 plus 3.5% of excess over \$50,000	\$1,092.50 plus 3.325% of excess over \$50,000	\$977.50 plus 2.975% of excess over \$50,000	\$805 plus 2.450% of excess over \$50,000
70,000 – 80,000	\$1,850 plus 5% of excess over \$70,000	\$1,757.50 plus 4.750% of excess over \$70,000	\$1,572.50 plus 4.250% of excess over \$70,000	\$1,295.50 plus 3.500% of excess over \$70,000
80,000 – 150,000	\$2,350 plus 6.5% of excess over \$80,000	\$2,232.50 plus 6.175% of excess over \$80,000	\$1,997.50 plus 6.013% of excess over \$80,000	\$1,645 plus 5.525% of excess over \$80,000
150,000	\$6,900 plus 7% of excess over \$150,000	\$6,555 plus 6.650% of excess over \$150,000	\$6,206.60 plus 6.580% of excess over \$150,000	\$5,512.50 plus 6.370% of excess over \$150,000

**Filing Status: Single or Married, Filing Separate Return and Estates or Trusts****Tax Rates****Taxable Income\***

	1991-1993	1994	1995	1996 and later
<i>over but not over</i> \$ 0 – \$20,000	2%	1.9%	1.7%	1.4%
20,000 – 35,000	\$400 plus 2.5% of excess over \$20,000	\$380 plus 2.375% of excess over \$20,000	\$340 plus 2.125% of excess over \$20,000	\$280 plus 1.750% of excess over \$20,000
35,000 – 40,000	\$775 plus 5% of excess over \$35,000	\$736.25 plus 4.750% of excess over \$35,000	\$658.75 plus 4.250% of excess over \$35,000	\$542.50 plus 3.500% of excess over \$35,000
40,000 – 75,000	\$1,025 plus 6.5% of excess over \$40,000	\$973.75 plus 6.175% of excess over \$40,000	\$871.25 plus 6.013% of excess over \$40,000	\$717.50 plus 5.525% of excess over \$40,000
75,000	\$3,300 plus 7% of excess over \$75,000	\$3,135 plus 6.650% of excess over \$75,000	\$2,975.80 plus 6.580% of excess over \$75,000	\$2,651.25 plus 6.370% of excess over \$75,000

\*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. Effective January 1, 1994, filers with incomes of \$7,500 or less for the entire year (\$3,750 or less for married persons filing separately) pay no tax.

**History**

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

Pension income for those eligible for Social Security by reason of age (62 years or over) or disability is 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). C. 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.

C. 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 residents' taxable income effective for taxes paid after 1984 (C. 304, P.L. 1985).

C. 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. The new tax rates became effective January 1, 1991 (C. 61, P.L. 1990).

C. 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 income tax purposes in 1993 (C. 98, P.L. 1993).

C. 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.

C. 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).

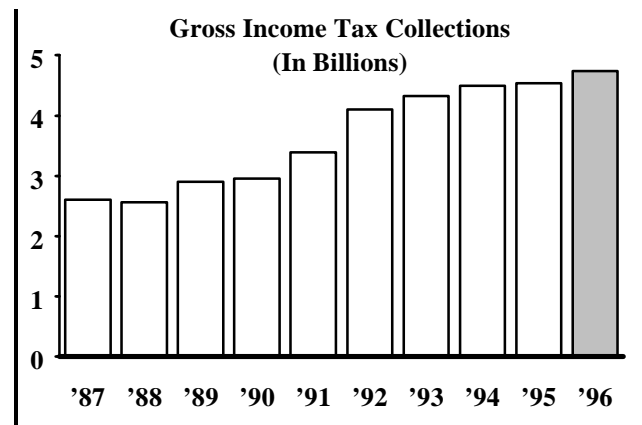
The gross income filing threshold was increased to \$7,500 from \$3,000 for individuals, heads of households, surviving spouses, married persons filing jointly and estates and trusts. (The threshold is \$3,750 for married persons filing separately.) (C. 8, P.L. 1994.)

The State reduced the gross income tax rates for taxable years 1995 and thereafter. These rate reductions, com-

bined with the 5% rate reductions for all brackets enacted as P.L. 1994, C. 2, will result 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 now range from 1.4% to 6.37% (C. 165, P.L. 1995).

A property tax deduction/credit will be 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 will be phased in over a three-year period, beginning with 1996 returns (C. 60, P.L. 1996).



Fiscal Year	Collections
1987	\$2,607,617,501
1988	2,564,305,127
1989	2,902,892,244
1990	2,957,634,330
1991	3,391,026,222 <sup>1</sup>
1992	4,101,895,000
1993	4,325,304,359
1994	4,493,659,929 <sup>2</sup>
1995	4,540,081,765 <sup>3</sup>
<b>1996</b>	<b>4,733,786,100<sup>4</sup></b>

<sup>1</sup> Rates increased to 2%–7% effective January 1, 1991.

<sup>2</sup> Rates reduced by 5% (to 1.9%–6.650%) effective January 1, 1994.

<sup>3</sup> Rates reduced to 1.7%–6.58% effective January 1, 1995.

<sup>4</sup> Rates reduced to 1.4%–6.37% effective January 1, 1996.

## 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 tax paid. Under the new 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 tax paid, either directly or through rent. Those with incomes over \$100,000 were not eligible for a rebate.

The State Budgets adopted by the Legislature since 1992, limited the amount of the Homestead Rebate paid to some taxpayers. Under the budget restrictions, only taxpayers who were 65 years old, blind or disabled were eligible to receive rebates of \$100 to \$500 (homeowners) or \$35 to \$500 (tenants), provided that their gross income does 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 does not pay 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.

## 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 premium 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. The 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 \$1.00 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 Tax

### Description

The Litter Control Tax 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 \$250,000 in annual retail sales of litter-generating products is exempt from this tax.

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, empty containers, soft drinks, and wine.

The tax expires December 31, 2000.

### Rate

Manufacturers, wholesalers and distributors of litter-generating products pay a tax of  $\frac{3}{100}$  of 1% (.03%) on all gross receipts from wholesale sales of such products in

New Jersey. Retailers are taxed at the rate of  $\frac{2.25}{100}$  of 1% (.0225%) on all gross receipts from retail sales of litter-generating products.

### Disposition of Revenues

Revenues are deposited in the Clean Communities Account Fund.

## 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.

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 1995 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 value" (Article IV, Section VII, 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 VIII, Section I).

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.

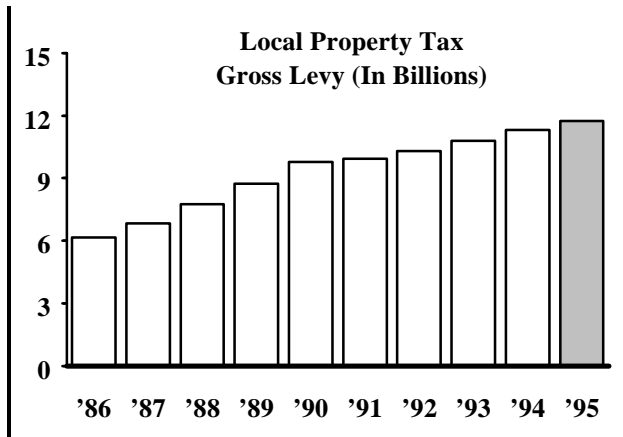
Personal property provisions of Chapter 51, Laws of 1960 were replaced by Chapter 136, Laws of 1966. For taxes payable in 1968 and until 1993, personal property used in business (other than the businesses of local exchange telephone, telegraph and messenger system companies and other public utilities)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

A long period of legislative history has developed numerous exemptions and various 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 non-profit organizations. In addition, qualified veterans and senior citizens are permitted tax deductions of \$50 and \$250, respectively





Fiscal Year	Gross Tax Levy
1986	\$ 6,159,434,925
1987	6,829,752,376
1988	7,755,666,442
1989	8,726,832,862
1990	9,782,223,329
1991	9,921,553,312
1992	10,324,378,978
1993	10,757,596,440
1994	11,286,354,001
<b>1995</b>	<b>11,746,914,124</b>

## Motor Fuels Tax

### Description

A tax on motor fuels is applied to sales of 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; \$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 fuels 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 motor fuel sales to the United States or New Jersey governments; between licensed distributors; between licensed gasoline jobbers; and for export.

## Disposition of Revenues

Revenues are deposited in the State Treasury. An appropriated amount pursuant to C. 460, P.L. 1988 and C. 73, P.L. 1984 is annually apportioned to the Transportation Trust Fund for maintenance of the State's transportation system.

## Petroleum Products Gross Receipts Tax

### Description

The Petroleum Products Gross Receipts Tax is imposed on all companies engaged in the refining and/or distributing of 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 common carriers 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.

### 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. This rate is converted to a cents-per-gallon basis and adjusted semi-annually to be at or above \$0.04/ gallon. The current rate through December 31, 1996 is \$0.04 per gallon.

## Disposition of Revenues

Revenues, after deductions for the cost of administering the tax by the State, are for local use. The tax is distributed to the municipalities, subject to the limitations imposed by the State's budget.

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## 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.

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## Public Utility Franchise Tax (Municipal Use)

### Description

Public Utility Franchise Tax applies to all identified utility entities having lines or mains located in, on, or over any public thoroughfare. Utilities subject to taxation include telegraph, telephone and district messenger systems, water and sewerage companies.

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 in, on or over any street, highway or other public place to the whole length of lines or mains. Measurements of lengths of lines or mains exclude service connections.

### Administration

Franchise tax is collected by the State for distribution to municipalities together with the gross receipts tax distribution. The tax levied against water and sewer companies is payable to the State in three installments, the tax levied against telecommunication providers is due and payable in full on the first day of April. The tax is payable by the State to the tax collectors in three installments: July 5, September 1, and December 1 of the tax year.

### Rate

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

### Disposition of Revenues

Revenues, after deductions for the cost of administering the tax by the State, are for local use. The tax is distributed to the municipalities, subject to the limitations imposed by the State's budget.

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## Public Utility Gross Receipts Tax (Municipal Use)

### 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 the following public utilities: street railway, traction, sewerage, and water corporations in New Jersey.

### Administration

Public Utility Gross Receipts Tax is collected by the State for distribution to municipalities together with the Franchise Tax distribution. The tax is payable by the State to the tax collectors in three installments: July 5, September 1, and December 1 of the tax year.

### Rate

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

### Disposition of Revenues

Gross Receipts Tax is distributed to the municipalities, subject to the limitations imposed by the State's budget.

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## Public Utility Energy Unit Tax (Municipal Use)

### Description

Public Utility Energy Unit Tax is a substitute for the Public Utility Franchise and Gross Receipts Taxes previously assessed on utilities engaged in the production and/or transmission of energy (therms of gas or kilowatt-hours of electricity).

### Administration

Public Utility Energy Unit Tax is collected by the State for distribution to the municipalities along with the other distributable utility taxes. Public Utility Energy Unit Tax is due and payable in full on the first day of April. The tax is payable by the State to the tax collectors in three installments: July 5, September 1 and December 1 of the tax year.

### Rate

The rates of taxation for each class and category of gas and electrical energy for each energy utility are established by the Board of Regulatory Commissioners by board order.

### Disposition of Revenues

Public Utility Energy Unit Tax without the advances which occur as a result of acceleration of payment dates or from newly enacted credits and advance payments is distributed to the municipalities, subject to the limitations established in the State's budget and C. 184, P.L. 1991.

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## Public Utility Excise Tax (State Use)

### Description

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

### 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 utilities except telephone and telegraph (0.5% for telephone and telegraph).

### Disposition of Revenues

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

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## 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 less than \$1 million 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.

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## 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).

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## 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 paid.

The realty transfer fee does not apply to the following transfers: consideration of less than \$100; by or to any government; made solely to provide or release debt security; which confirm or correct a deed previously recorded; on a sale for delinquent taxes; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as “ancient deeds”; acknowledged or proved on or before July 3, 1968; between husband and wife or parent and child; conveying a cemetery plot; in specific performance of a final judgment; releasing a right of reversion; transfers on which tax was previously paid; to effect distribution of an estate; or as a result of a divorce decree.

Two types of transfers of real property are exempt from the State portion of the realty transfer fee (\$1.25 of the \$1.75 for each \$500 of consideration):

- (1) The sale of one or two-family residential premises which are owned and occupied by a senior citizen (62 years of age or older), blind person, or disabled person who is the seller in such transaction shall be exempt from payment of \$1.25 for each \$500 of consideration of the fee imposed.
- (2) The sale of low and moderate income housing as defined by Chapter 225, P.L. 185 shall be exempt from payment of \$1.25 for each \$500 of consideration of the fee imposed.

Transfers of title to real property upon which there is new construction are exempt from payment of \$1 for each \$500 not in excess of \$150,000. “New Construction” means any conveyance or transfer of property upon which there is an entirely new improvement not previously occupied or used for any purpose.

### Rate

The realty transfer fee is imposed upon the seller at the rate of \$1.75 for each \$500 of consideration; an additional fee of \$0.75 is imposed for each \$500 of consideration in excess of \$150,000.

### Disposition of Revenues

The proceeds of the realty transfer fees collected by the county recording officer shall be accounted for and remitted to the county treasurer. An amount equal to 28.6% of the proceeds from the first \$1.75 for each \$500 of consideration recited in the deed shall be retained by the county treasurer for use of the county and the balance shall be paid to the State Treasurer. The amount retained by the county treasurer for the use of the county equals \$0.50 for each \$500 of consideration. The rest of the tax revenues, \$1.25 for each \$500 of consideration, are paid to the State Treasurer for the use of the State.

The first \$15 million of the State share of the realty transfer fee is dedicated to shore protection projects, the revenue to be deposited in the Nonlapsing Shore Protection Fund.

All amounts paid to the State Treasurer in payment of the additional fee of \$0.75 for each \$500 of consideration recited in the deed in excess of \$150,000 shall be credited to the Neighborhood Preservation Nonlapsing Revolving Fund. In fiscal year 1996, \$16,325,000 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

## Resource Recovery Investment Tax

### Description

The Resource Recovery Investment Tax is levied upon the owners and operators of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after May 1, 1985. The tax expired on December 31, 1995.

## Sales And Use Tax

### Description

Sales and Use Tax applies to receipts from retail sale, rental or use of tangible personal property, retail sale of producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property, maintaining, servicing or repairing real property, certain advertising services, sales of restaurant meals, rental of hotel and motel rooms, certain admission charges and telecommunications services.

A compensating use tax is also imposed on retail purchases of tangible personal property or services made outside the State for use in New Jersey on which a sales tax would be due but has not been paid.

All persons required to collect the tax must file an Application for Registration. 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: advertising services for newspapers and magazines; casual sales except motor vehicles and registered boats; clothing, except furs; farm supplies and equipment; flags of New Jersey and the United States; food for off-premises consumption; food sold in school cafeterias; prescription drugs and other medical aids; motor fuels; periodicals and textbooks; professional and personal services; real estate sales; tangible personal property used in research and development; transportation of persons or property; public utilities; production machinery and equipment; non-prescription drugs.

### Rate

The rate of tax is 6% on taxable sales.

### Disposition of Revenues

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

### History

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

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

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

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

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 tax law at 5% of the minimum consumer resale price (C. 62, P.L. 1980).

Production machinery and equipment became exempt from sales tax effective January 1, 1978.

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

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

Recycling equipment was exempted from sales 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).

Non-prescription drugs, household paper products and soaps and detergents were exempted from sales 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).

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

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.

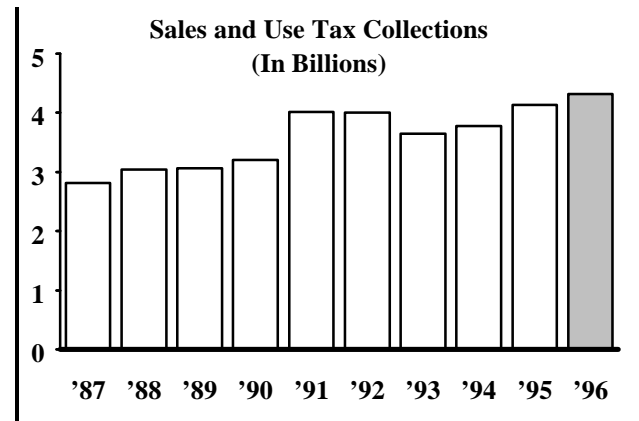
The sales and use tax rate decreased to 6%, effective July 1, 1992 (C. 11, P.L. 1992).

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, 1993).

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

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 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).



Fiscal Year	Collections
1987	\$2,822,234,295
1988	3,041,633,453
1989	3,066,770,144
1990	3,202,569,956
1991	4,013,147,198 <sup>1</sup>
1992	4,009,960,467
1993	3,651,122,672 <sup>2</sup>
1994	3,778,506,912
1995	4,133,278,016
<b>1996</b>	<b>4,318,372,824</b>

<sup>1</sup> Rate increased to 7% on July 1, 1990.

<sup>2</sup> Rate decreased to 6% on July 1, 1992.

### 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. 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. 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 ten 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 ten 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. Seven new zones were

added in 1996: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton and West New York.

The benefits conferred on qualified businesses that choose to operate 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 (3%);
- Skills training programs to meet employment demands;
- Priority for funding by Local Development Financing Fund;
- Possible exemptions from certain State and municipal regulations;
- Possible eligibility for reduced utility rates;
- Possible eligibility for energy assistance funds from the Department of Commerce and Economic Development.

#### **Sales Tax Benefits**

A vendor within an Urban Enterprise Zone 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.

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. 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, 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 mate-

rials 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.

## **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 tax rate is 3% of net income. The tax is based upon net income as of the close of the preceding tax year, but is not less than \$50 for savings institutions with assets under \$1 million nor less than \$250 for savings institutions with assets of \$1 million or more.

In addition to the tax due, for accounting periods ending April, 1980 and thereafter, an 80% prepayment of tax for the following year must also be made. Credit against the current year's tax liability for such prepayment is allowed.

### **Disposition of Revenues**

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

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## Solid Waste Importation Tax

### Description

The Solid Waste Importation Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey which accepts solid waste for disposal from outside of the solid waste management district on or after May 1, 1985. The Solid Waste Importation Tax expired December 31, 1995.

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## Solid Waste Recycling Tax

### Description

The owner or operator of a solid waste facility in New Jersey must pay the Solid Waste Recycling Tax on all solid waste accepted for disposal or transfer at the facility on or after July 1, 1987. Resource recovery facilities and solid waste transfer station facilities are not subject to the tax. The Solid Waste Recycling Tax terminates on December 31, 1996.

### Rate

The tax rate in 1996 is \$1.50 per ton or \$0.45 per cubic yard on all solid waste accepted for disposal or transfer. The tax rate for solid waste in liquid form is \$0.00225 per gallon.

### Disposition of Revenues

The proceeds constitute a fund, the State Recycling Fund, administered by the New Jersey Department of Environmental Protection, to provide for a comprehensive recycling plan and program in this State.

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## 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 1996 is \$1.05 per ton or \$0.315 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form is \$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.

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## Spill Compensation And Control Tax

### Description

The Spill Compensation and Control Tax is imposed on owners or operators of one or more refineries, storage or transfer terminals, pipelines, deep water ports or drilling platforms used to refine, store, produce, handle, transfer, process or transport hazardous substances, including petroleum products, to insure 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 non-petroleum hazardous substance from a major State facility to one which is a nonmajor facility.

### Rate

1. Nonpetroleum hazardous substances—greater of \$0.015 per barrel or 1% of fair market value plus \$0.0025 per barrel;
2. Petroleum products—\$0.015 per barrel; and
3. Precious metals—\$0.015 per barrel.

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 who paid the tax in 1986 is capped at a certain percentage of the taxpayer's 1986 liability.

### Disposition of Revenues

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

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## 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.

### Rate

The rate is 24% on the receipts from every sale of tobacco products by a distributor or wholesaler.

### Disposition of Revenues

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

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## Transfer Inheritance And Estate Taxes

### Description

The transfer inheritance tax applies to the transfer of all personal property and New Jersey real property having an aggregate value of \$500 or more 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 estates of resident decedents where the State inheritance taxes paid are not sufficient to fully absorb the Federal Estate Tax credit allowable.

### 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 immediate family (direct ancestors or descendants—Class A) or spouses. Class C beneficiaries (sibling of decedent, spouse or widow/er of a child of decedent) are taxed at 11%–16%, with the first \$25,000 exempt. Class D beneficiaries (all others) are taxed at 15%–16%, with no tax on bequests of less than \$500. Charitable institutions are exempt from tax.

Estate tax rates are determined by Federal law, since the tax is designed to absorb the Federal credit available for State taxes paid. No tax is due on Federal taxable estates of less than \$600,000.

### 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;
- Annuities payable to survivors of military retirees; and
- Qualified employment annuities paid to a surviving spouse.

### Disposition of Revenues

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

### History

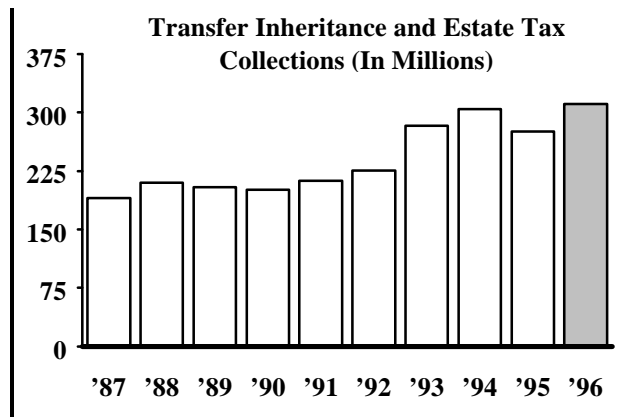
New Jersey first imposed an inheritance tax in 1892 at a rate of 5% on property transferred from a decedent to a beneficiary.

In 1909, legislation was enacted which formed the basis of 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.



Fiscal Year	Collections
1987	\$190,368,352
1988	209,958,420
1989	204,344,684
1990	200,954,216
1991	212,825,520
1992	225,210,867
1993	283,812,642
1994	304,770,334
1995	275,823,814
<b>1996</b>	<b>310,655,978</b>

## LEGISLATION

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### Corporation Business Tax

#### **P.L. 1995, c.222—Limited Liability Company Mergers**

(Approved August 15, 1995) Provides that limited liability companies may merge or consolidate with other business entities if authorized by the laws under which those other entities are organized.

#### **P.L. 1995, c.223—Partnership Mergers**

(Approved August 15, 1995) Allows partnerships to merge or consolidate with certain other business entities.

#### **P.L. 1995, c.224—Limited Partnership Mergers**

(Approved August 15, 1995) Allows limited partnerships to merge or consolidate with certain other business entities.

#### **P.L. 1995, c.245—Allocation Formula**

(Approved September 11, 1995) Requires the receipts factor in the business allocation formula to be double-weighted for accounting years beginning on or after July 1, 1996.

#### **P.L. 1995, c.246—Tax Rate Decrease**

(Approved September 11, 1995) Reduces the tax rate from 9% to 7.5% for corporations with annual entire net income of \$100,000 or less for accounting years beginning on or after July 1, 1996.

#### **P.L. 1995, c.418—Interest Owed to Stockholders**

(Approved January 10, 1996) Eliminates the Corporation Business Tax limitation on the deduction of interest owed to certain related parties for fiscal or calendar accounting years ending after its enactment.

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### Gross Income Tax

#### **P.L. 1995, c.290—Set-off for Expenses Paid by Medicaid**

(Approved December 22, 1995) Permits income tax refunds and homestead rebates to be set-off for reimbursements due to Medicaid for medical expenses pursuant to a child support order when the taxpayer has received payment from a third party for the cost of the health care services. This legislation applies to medical payments received by the taxpayer on or after April 1, 1995.

#### **P.L. 1995, c.299—Checkoff for “Battleship New Jersey Memorial Fund”**

(Approved December 22, 1995) Establishes the Battleship New Jersey Memorial Fund and provides taxpayers with an opportunity to contribute to the Fund by designating a portion of their refund or by making a donation at the time of filing their New Jersey income tax return for tax years beginning on January 1, 1996 and thereafter.

#### **P.L. 1996, c.10—Tax Return Signature Requirement**

(Approved March 28, 1996) Changes the law concerning the written verification of gross income tax returns so that returns may be filed by telephone using a touch-tone telephone keypad. The Act permits the Director of the Division of Taxation to promulgate regulations that will allow the use of voice signatures and other technologies to satisfy the signature requirements of the gross income tax. This legislation applies to returns filed on and after January 1, 1996.

#### **P.L. 1996, c.33—Local Payroll Taxes**

(Approved June 17, 1996) Amends P.L. 1970, c.326 to extend the expiration date and limit the enactment of certain payroll taxes under the “Local Tax Authorization Act.” It preserves Newark’s, but removes Jersey City’s power to impose a local payroll tax.

#### **P.L. 1996, c.60—Property Tax Deduction/Credit**

(Approved July 4, 1996) Provides a gross income tax deduction or a refundable credit for eligible homeowners and tenants who pay property taxes either directly or through rent. Benefits will be phased in over a three year period. For the 1996 tax year, eligible residents may deduct 50% of their first \$5,000 of property taxes due and paid or \$2,500, whichever is less. For tenants, 18% of rent due and paid during the year is considered property taxes paid. As a minimum benefit to taxpayers, the law provides for a refundable credit of \$25.

For 1997, the deduction will be 75% of the first \$7,500 of property taxes due and paid or \$5,625, whichever is less and the minimum benefit will be \$37.50. For 1998 and thereafter, the deduction will be the total property taxes due and paid or \$10,000, whichever is less. The minimum benefit will be \$50.

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## Litter Control Tax

### **P.L. 1995, c.301—Tax Extended**

(Approved January 3, 1996) Extends the expiration date of the tax on the sale of litter-generating products to December 30, 2000.

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## Local Property Tax

### **P.L. 1995, c.259—Deduction Form Distribution**

(Approved November 13, 1995) Originally included provisions transferring responsibility for the administration of the senior citizen/disabled property tax deduction and veterans' property tax deduction to the Division of Taxation. Governor Whitman vetoed this provision and recommended that the Division instead assume the responsibility for generating, printing and mailing the forms used in the administration of these deductions. The Governor's recommendation, which was adopted, will not become effective until the 1997 tax year. Municipalities will continue to process the applications and administer the programs. This law relaxes certain State imposed mandates and revises and repeals parts of the statutory law.

### **P.L. 1995, c.276—Farmland Assessment Act**

(Approved December 15, 1995) Supplements and amends the Farmland Assessment Act (P.L. 1964, c.48). Primarily, the definition of land devoted to an agricultural use was amended to include the boarding, rehabilitating or training of livestock. The fees received from these uses may be included to meet income requirements of the Act where the land used for such purposes is contiguous to land otherwise qualifying for farmland assessment. Land under seasonal farm markets selling predominately agricultural products, and land under seasonal agricultural labor housing is also deemed to be devoted to an agricultural use in this law. A provision of the law also exempts the owner of the land from the income requirements where the failure is attributable due to injury, illness or death of the person responsible for producing the income. The owner must request the exemption and provide a physician's statement or death certificate, as the case may warrant.

### **P.L. 1995, c.345—General Tax Rate**

(Approved January 5, 1996) Permits municipalities to require county tax boards to strike general tax rates rounded up to the nearest half-penny.

### **P.L. 1995, c.406—Amended Veteran Property Tax Benefit Dates**

(Approved January 10, 1996) Revises and adopts certain active service dates for veterans' property tax deductions and exemptions. Establishes inception and termination dates for the Lebanon, Grenada and Panama Peacekeeping Missions and for Operation "Desert Shield/Desert Storm" to ensure eligibility for veterans of those missions.

### **P.L. 1995, c.413—Contaminated Property Tax Exemption**

(Approved January 10, 1996) Cited as the "Environmental Opportunity Zone Act," provides for the ten year exemption of property taxes on certain contaminated property. A municipal ordinance must be adopted on the parcel of real property for which exemption is sought. The property must be in need of a remediation due to a discharge or threatened discharge of a contaminant, and listed in the most recent Department of Environmental Protection publication of known hazardous discharge sites. The approved exemption must be evidenced by a financial agreement which provides that the applicant pay to the municipality an amount in lieu of real property taxes.

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## Miscellaneous

### **P.L. 1995, c.173—Landfill Reclamation Improvement District Fee**

(Approved July 6, 1995) Permits a municipality that has created a Landfill Reclamation Improvement District to impose a franchise assessment fee not to exceed 3% on the sale price of all tangible property sold by a business in the district (exclusive of transportation charges and sales taxes), and upon all rental receipts from the rental of commercial property in the district.

A municipality having a population of more than 12,000 in which there is an area designated as an urban enterprise zone in which the receipts of certain sales are exempt to the extent of 50% of the tax imposed under the sales and use tax can adopt an ordinance creating a Landfill Reclamation Improvement District whenever the municipality determines that the district will promote job creation and economic development. A municipality may create by separate ordinances more than one district.

### **P.L. 1995, c.196—Health Insurance**

(Approved August 2, 1995) Establishes procedures to convert a health service corporation to a domestic mutual insurer.

**P.L. 1995, c.279—New Jersey Business Corporation Act**

(Approved December 15, 1995) Allows the merger or consolidation of corporations with certain other business entities including partnerships, limited partnerships and limited liability companies. Such mergers will require obtaining tax clearance certificates.

**P.L. 1995, c.293—New Capital Sources Partnership**

(Approved December 22, 1995) Establishes a “New Capital Sources Partnership” to encourage, promote and support small capital business development in this State.

**P.L. 1995, c.304—Penalties for Selling Tobacco Products to Minors**

(Approved January 5, 1996) Increases penalties for the sale and distribution of tobacco to a minor under the age of 18 years and gives the Division the authority to suspend or revoke the license of a retail dealer.

**P.L. 1995, c.320—Sale of Tobacco Products**

(Approved January 5, 1996) Authorizes the Commissioner of Health to regulate the sale of tobacco products to minors; increases the licensing fee for retail tobacco dealers and vending machines, and dedicates revenues to local enforcement. The legislation also requires the Division to provide the Commissioner of Health with information about retail tobacco licensees necessary to carry out its enforcement responsibilities.

**P.L. 1995, c.322—Child Support Enforcement**

(Approved January 5, 1996) Allows county probation departments and the State IV-D agency to receive information contained in the records of the Division of Taxation concerning reputed fathers and child support obligors. The State Tax Uniform Procedure Law was amended to allow release of information relating to an obligor’s sources of income or assets.

**P.L. 1995, c.361—Unclaimed Property**

(Approved January 5, 1996) Amends the Unclaimed Property Act concerning agreements to recover property for a fee. Agreements entered into before the property is presumed abandoned are valid only if the fee or compensation agreed upon is not more than 35% of the value; the agreement is in writing, signed by the apparent owner, and clearly sets forth the nature and value of the property after the fee or compensation has been deducted. Agreements made within 24 months after the date that property is paid or delivered to the administrator are void and unenforceable. Agreements entered into any time after the 24 month period are valid only if the fee or

compensation agreed upon is not more than 20% of the value of the property recovered; the agreement is in writing; and if certain other conditions are met.

**P.L. 1995, c.375—Foreign Professional Legal Corporations**

(Approved January 5, 1996) Permits foreign professional legal corporations to transact business within New Jersey. Such a corporation may render legal services of the type provided by attorneys-at-law in this State provided that it secures a certificate of authority from the Secretary of State and every shareholder or employee providing legal services here is an attorney-at-law licensed and eligible to practice in New Jersey under the Rules of the Supreme Court.

**P.L. 1996, c.2—Tax Amnesty Program; Credit Card Payment System for State Taxes**

(Approved February 29, 1996) Provides for a State tax amnesty period and appropriates funds to the Division to administer the program. The Act also authorizes the use of credit cards, debit cards, or electronic funds transfer for payments of State taxes.

**P.L. 1996, c.24—Unfunded State Mandates**

(Approved May 8, 1996) Implements the constitutional amendment, approved by the voters at the 1995 general election, prohibiting laws enacted on or after January 17, 1996 and regulations adopted after July 1, 1996 that impose unfunded mandates on counties, municipalities, and school districts. The Act creates a Council on Local Mandates, as required by the constitutional amendment, to resolve disputes as to whether a statute, rule or regulation constitutes an unfunded State mandate.

The Act provides that any such law or rule that is determined to be an unfunded mandate upon boards of education, counties or municipalities shall cease in its effect and shall expire. An unfunded mandate is one that does not authorize resources to offset the additional direct expenditures it requires. An unfunded mandate does not establish a standard of care for the purpose of civil liability.

**P.L. 1996, c.25—Business Relocation Assistance Grant Program**

(Approved May 9, 1996) Establishes a Business Relocation Assistance Grant Program within the Department of Commerce and Economic Development to encourage economic development and job creation in this State. To the extent that funding is available from the General Fund, and with certain other restrictions, the program will provide grants for up to fifty percent of the cost of

relocation to businesses which relocate to the State and create a minimum of 25 new full-time jobs in the State. However, an individual grant may not exceed 80% of the projected new income tax revenues realized from the new jobs created by the grant applicant.

The grants under this bill will not be disbursed in any year until the new income tax revenues equal or exceed the amount of the grant, and grant amounts are further limited by their interaction with other grant programs.

**P.L. 1996, c.26—Business Employment Incentive Program**

(Approved May 9, 1996) Establishes the Business Employment Incentive Program to be administered by the Economic Development Authority to make direct payments in the form of grants to attract businesses creating new jobs in the State. The amount of an employment incentive grant will equal a percentage, between 10% and 80%, of the total amount of State income taxes withheld by the business during a calendar year for the new employees hired. The employment incentive can be authorized for a fixed number of years, not to exceed ten.

The grants under this bill will not be disbursed in any year until the new income tax revenues received from the business during the year equal or exceed the amount of the grant, and grant amounts are further limited by their interaction with other grant programs.

In addition, the bill grants a sales and use tax exemption for certain property purchased by a provider of cable/satellite television services, whether or not the provider is licensed by the Federal Communications Commission.

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## Motor Fuels Tax

**P.L. 1995, c.347—Motor Fuels Use Tax**

(Approved January 5, 1996) Amends and supplements P.L. 1963, c.44 conforming the Motor Fuels Use Tax to the International Fuel Tax Agreement to provide for entry therein.

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## Sales and Use Tax

**P.L. 1995, c.169—Resale of Tickets by Ticket Brokers**

(Approved July 5, 1995) Amends P.L. 1983, c.135 and establishes requirements for ticket brokers concerning the resale of tickets of admissions to places of entertainment. Requires ticket brokers to register with the Division of Taxation and keep a record of ticket sales, deposits and refunds for a period of at least three years from the date of the transaction. Ticket brokers must disclose to the purchaser a verbal description or map of the location of the seat; the broker's cancellation policy; and the fact that a service charge has been added to the stated price on the ticket and the service charge is included in the broker's advertisement or promotion. The Act also establishes refund policies and imposes sales tax on receipts from the sale of tickets sold by a ticket broker. Sales tax is assessed on all charges paid by the ticket purchaser to the ticket broker.

**P.L. 1995, c.184—Telephone "Yellow Pages" Advertising**

(Approved July 25, 1995) Eliminates the sales and use tax on advertising space in telecommunications user or provider directories or indexes distributed on or after April 1, 1996.

**P.L. 1995, c.317—Exemption for Radio and Television Broadcast Production Equipment**

(Approved January 5, 1996) Amends the Sales and Use Tax Act to exempt the sale of machinery, apparatus or equipment, other than that used in constructing or operating towers, to a commercial broadcaster operating under a broadcasting license issued by the Federal Communications Commission for use or consumption directly and primarily in the production or transmission of radio or television broadcasts.

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## Urban Enterprise Zones

**P.L. 1995, c.382—New Zones Designated**

(Approved January 9, 1996) Approved the designation of seven additional urban enterprise zones. The new enterprise zones will be located in East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton Township and West New York. The total number of zones has increased to 27 covering 29 municipalities.

## COURT DECISIONS

### Corporation Business Tax

#### Entire Controversy Doctrine

*Sutton Warehousing, Inc. v. Director, Division of Taxation*, 290 N.J. Super. 686 (App. Div. 1996). The issue in this case is whether, during discovery for an appeal of taxpayer's sales and use tax assessment, the Director of Taxation can issue a corporation business tax (CBT) notice for discrepancies found in the taxpayer's records without violating the entire controversy doctrine. The entire controversy doctrine requires a court to adjudicate all of the equitable and legal issues arising from a single underlying transaction to the extent possible so to exercise fairness and efficiency. The Appellate Court reversed the Tax Court's determination that the CBT assessment violated the entire controversy doctrine.

Plaintiff, while in the business of storing and distributing clothing products, purchased a storage rack system and sprinkler system. Director audited plaintiff and found that plaintiff owed sales and use tax on the storage rack system. Plaintiff appealed and contended that it was an exempt capital improvement. During discovery for the appeal, Director found that plaintiff also owed CBT for depreciating the sprinkler system over too short of a time period. Director issued plaintiff an additional assessment and plaintiff filed a complaint maintaining that Director's actions violated the entire controversy doctrine.

The Appellate Court held that the entire controversy doctrine did not apply because the CBT was not a "matter in controversy between parties" when the sales and use tax was assessed. The cause of action for the CBT assessment did not arise in time to have been joined with the sales and use tax assessment as a defense or counterclaim without violating plaintiff's statutory right to protest the assessment. Further, under N.J.S.A. 54:49-6, Director has four years to examine and audit a return and assess additional taxes, and he was within this statutory limitation. In addition, the sales and use tax assessment and the CBT assessment did not arise from one underlying transaction, and therefore cannot be said to violate the entire controversy doctrine.

The Appellate Court held that plaintiff could be assessed with the CBT and reversed the Tax Court ruling.

#### REITs May Deduct Dividends Paid to Shareholders

*Corporate Property Investors v. Director, Division of Taxation*, 15 N.J. Tax 205 (App. Div. 1995). The Tax Court decided whether a real estate investment trust (REIT) can deduct the dividends paid to its shareholders in calculating tax under the Corporation Business Tax Act (CBT). The Court held that the Director incorrectly calculated plaintiff's taxable income by including the deduction in computing plaintiff's entire net income under N.J.S.A. 54:10A-4(k).

On appeal, the Director contended that plaintiff's "taxable income" under the Internal Revenue Code (I.R.C.) is not equivalent to its "real estate investment trust taxable income" under the I.R.C.

Both plaintiff and the Director agreed that I.R.C. §63 applies to define "taxable income" to mean "gross income minus the deductions allowed by Chapter One of the I.R.C." The Tax Court held that §857(b)(2)(B) in Chapter One authorizes a REIT to deduct dividends paid to its investors. The Director challenged the use of this deduction because §857(b)(2) uses the term "real estate investment trust taxable income."

In rejecting that distinction, the Appellate Division agreed with the Tax Court in that the use of that phrase in the I.R.C. is only meaningful when imposing additional taxes when a REIT fails to distribute the proper amount of income to its shareholders. The Appellate Division said that the basic attraction of a REIT is the pass-through of gains and losses to shareholders to have them pay the appropriate taxes. Also the Court indicated that there is no indication in the CBT that the Legislature intended to discourage REITs from operating in New Jersey.

The Appellate Division also rejected the Director's contention that the Federal paid deduction is a "special deduction" to be added back to Federal taxable income. The Court pointed out that the term "special deduction" is defined in I.R.C. §§241 through 249, and does not include the dividends paid deduction authorized by I.R.C. in §857(b)(2)(B). Also, as the Court stated, §857(b)(2)(A) denies any deduction from taxable income for "special deductions" for a REIT.

#### Subsidiary's Gain Subject to Tax

*General Building Products Corporation Successor by Merger to Dee Wood Industries, Inc. v. Director, Division of Taxation*, 15 N.J. Tax 213 (App. Div. 1995). The Appellate Court affirmed the Tax Court decision that a subsidiary's gain is taxable under the Corporation Business Tax Act. Corporation A sold all of the stock of its

New Jersey subsidiary to plaintiff for \$16,800,000 and made a Federal IRC §338(h)(10) election to avoid double taxation on the merger. By making the §338(h)(10) election, Company A's sale of the subsidiary stock is treated as if the subsidiary sold the stock directly to the buyer. This effectively allows the subsidiary to recognize the appreciation of its assets and pay taxes on the appreciation, while Company A transfers the stock to the buyer but does not recognize any gain in doing so. Company A and the subsidiary file for a "short year" which ends on the selling date and they jointly pay the tax liability.

New Jersey, however, does not recognize consolidated returns under the Corporation Business Tax Act, and pursuant to N.J.A.C. §18:7-11.15(b), those who file a consolidated return under Federal law are required to file in New Jersey as if their Federal return had been a separate return reflecting their entire net worth. The appellant raises on appeal that N.J.A.C. §18:7-11.15(d) and (e) which recognize an I.R.C. §338(h)(10) election are inconsistent with N.J.S.A. 54:10A-4k which requires the seller to proceed through a stock sale without recognizing I.R.C. §338(h)(10).

The Appellate Court agreed with the Tax Court that the appellant may not claim a refund for the taxes paid on the basis that the deemed asset sale was not recognized by the State and is therefore untaxable, and held that the indicated sections of the N.J.A.C. and N.J.S.A. reflect different taxation issues and are not inconsistent with one another.

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## Gross Income Tax

### Sale of Partnership Interest

*Koch v. Director, Division of Taxation, 15 N.J. Tax 387 (Tax Ct. 1995)*. The Division of Taxation determined that the Kochs had a gross income tax deficiency for tax year 1988. Mr. Koch had received income from the sale of a partnership interest. On their 1988 joint New Jersey return, the Kochs claimed that the income from the sale of the interest was \$50,000. The Division of Taxation determined that the gain was \$268,161. Mr. Koch's lower figure resulted from three factors: (1) he excluded income "received" through a release of indebtedness; (2) he did not lower his basis in the property for partnership losses that he had taken on his Federal income tax returns but not on his New Jersey returns; and (3) he subtracted the portion of the gain that, for Federal income tax, was characterized as recapture of depreciation.

On the issue of the release of indebtedness, the taxpayer had argued that the release amount was not taxable in

come because discharge of indebtedness is not a category of income subject to tax under the gross income tax law. The Court rejected this line of reasoning and found that the income was not income from the discharge of indebtedness. The Court emphasized that, in Koch's situation, the debt was released at the time of the sale of the partnership interest and the income was includable as part of the amount received from the sale.

On the issue of whether the basis was to be adjusted down for the losses that were taken Federally, the Court explained that Mr. Koch was arguing for the application of the tax benefit rule. The Court rejected that argument and held that the Federal adjusted basis must be used, as required by the New Jersey income tax statutes.

On the depreciation recapture issue, the Court explained that it is irrelevant that the recapture portion is characterized as recapture depreciation for Federal income tax purposes. The Court held that the recapture portion, like the other income at issue, was includable in the New Jersey income subject to tax. The Division of Taxation assessment was affirmed.

### Disposition of Partnership Income

*Schiff v. Director, Division of Taxation, 15 N.J. Tax 370 (Tax Ct. 1995)*. The plaintiffs, the Schiffs, sought review of a Division of Taxation determination of a gross income tax deficiency for tax year 1988 for \$178,593.75, plus penalties and interest. The facts were not in issue. The main issue in the case concerned disposition of partnership property and whether the taxpayers were required to use Federal adjusted basis for determining the amount of gain or loss for New Jersey income tax purposes.

Mr. Schiff had two limited partnership interests that held real estate parcels which, in 1988, were transferred to the mortgage holders, in lieu of foreclosure. During 1988, after the transfers, the partnerships ceased operations.

On their 1988 Federal income tax return, the plaintiffs reported capital gains of \$3,086,111, composed of their distributive shares of the gains attributable to the "foreclosures" on the partnerships' real estate. The Schiffs, however, reported a gain of zero on their 1988 New Jersey gross income tax return. The Division of Taxation determined that the Schiffs should have reported the same amount of gain for New Jersey income tax as they did for Federal income tax.

The Schiffs challenged the Division's determination on two grounds. The first was that they should not be required to use Federal adjusted basis when, for New Jersey tax purposes, they had been unable to use the partnership



losses because of the prohibition against netting of intercategory gains and losses. The other ground was that their gain realized through the transfers of the real estate was offset by capital losses realized on the disposition of Mr. Schiff's partnership interests.

The Tax Court held against the taxpayers on both issues. On the first issue, the Court explained that the inability to deduct losses because of the prohibition of N.J.S.A. 54A:5-2 against intercategory netting, is irrelevant to the application of N.J.S.A. 54A:5-1(c). Section 5-1(c) mandates the use of Federal income tax basis.

On the second issue, the Court explained that there were two taxable events. One was the disposition of the interest in the partnership, which produced no gain or loss. The other taxable event was the capital gain realized upon the transfers in lieu of foreclosure. The taxpayers were required to calculate the gain by using Federal adjusted basis.

#### **Net Gain from Disposition of Property; Credit for Taxes Paid to Another Jurisdiction**

*Estate of Guzzardi v. Director, Division of Taxation, 15 N.J. Tax 395 (Tax Ct. 1995).* Taxpayer sought to offset an installment sale gain with a capital loss carryover from a previous year allowed for Federal purposes. Taxpayer also sought to claim credit on a 1988 resident return for taxes paid to Pennsylvania on a gain that was taxable in New Jersey in 1988 but which was taxed in Pennsylvania in 1981.

The Court held that the gain could not be offset by a loss carried over from a previous year. This is because, while N.J.S.A. 54A:5-1c provides that net gains from disposition of property are to be determined according to the method allowed for Federal purposes, N.J.S.A. 54A:5-2 makes clear that only losses incurred during the taxable year may be deductible from gains in the same category of income, incurred in that same year.

The Court also held that taxpayer could not claim credit on a 1988 return for taxes paid to Pennsylvania in 1981. The resident credit is allowed only when the double taxation by New Jersey and another state occurs in the same tax year.

## **Litter Control Tax**

### **Definition of "Food For Human Consumption"**

*Royal Food Distributors, Inc. v. Director, Division of Taxation, 15 N.J. Tax 60 (Tax Ct. 1995).* This Litter Control Tax case concerns the scope of the term "food for human consumption" as a "litter generating product" subject to tax under N.J.S.A. 13:1E-94e. Plaintiff requests a refund for Litter Control Tax he paid in 1991 and 1992 for \$30,294 and \$37,772 respectively. Plaintiff contends that the products he distributed did not meet the statutory definition of "litter generating product" and therefore, plaintiff was entitled to a refund for Litter Control Tax paid on these products. The Tax Court upheld the Director of Taxation's determination that plaintiff's products were "litter generating products" subject to tax, and plaintiff would not be entitled to a refund of the taxes paid.

Plaintiff is a wholesale distributor to retail stores. Plaintiff distributes meats, cheeses, fruits and vegetables, and other perishable food products. Manufacturers ship food products to plaintiff prewrapped, usually in plastic wrap, plastic containers, or aluminum foil, and packaged in cardboard boxes. Plaintiff ships food products to its customers in the same wrapping as received by plaintiff from the manufacturer.

Plaintiff paid Litter Control Tax in 1991 and 1992, and subsequently filed refund claims for tax paid in the same years, claiming the Legislature did not intend for the tax to be levied upon perishable food products sold by food stores for off-premises consumption such as his products. Plaintiff points out that the Director's regulation N.J.A.C. 18:38-3.1(b)(5), defining "food for human consumption" as "any substance, the chief general use of which is for human nourishment," is too expansive, superfluous and meaningless, and overlaps the definitions of other listed "litter generating products" such as groceries, beer and malt beverages, distilled spirits, soft drinks and carbonated waters and wine. Plaintiff maintains this interpretation of "food for human consumption" contravenes Legislative intent because it creates redundancies within the regulation. Plaintiff contends that the definition should be restricted to "prepared foods sold for off-vending operators, vending machines and other similar establishments."

In deciding for the defendant, the Tax Court held that the Legislature did not intend for the definition of "food for human consumption" to deviate from the generally accepted meaning of the language. The Tax Court determined that the statute was unambiguous and plaintiff's food products met the definition of "food for human con

sumption.” The Tax Court refuted plaintiff’s contention that the Director’s definition of “litter generating product” made the regulation superfluous and meaningless. The Tax Court noted that any overlap in the regulations serves to clarify those categories of products that are considered to be “litter generating,” and that the Legislative intent to promote the economy, public health and safety is conferred by the Director’s interpretation of “litter generating products.” With respect to the Legislative intent and the plain language of the statute, plaintiff was responsible for paying Litter Control Tax in 1991 and 1992 for his food products and the denial of a refund for this tax is justified.

## Local Property Tax

### Exempt Status of Nonprofit Organization

*Salt and Light Company, Inc. v. Mount Holly Township, 15 N.J. Tax 274 (Tax Ct. 1995).* Salt and Light Company, a housing and counseling service provider to the homeless, appealed Burlington County Tax Board’s affirmation of Mount Holly Township’s denial of its property tax exempt status as a nonprofit, charitable organization to the New Jersey Tax Court. Per the municipality, Salt and Light Co. was a lucrative business compensated for their services by various government agencies and by tenant rents and was ineligible for property tax exemption as such. The township’s decision was based on the idea that the essential characteristic of a charity is its providing of services the government otherwise would. Since about two-thirds of the homeless clients got government aid which was then passed on to Salt and Light, the government, not the company, was the true charitable provider. Also private motels/hotels similarly compensated for lodging the indigent were not tax exempt. Salt and Light countered that its self-help programs, which included assistance in getting job training, education, child care, and medical services, were not comparable to government subsidized private motel/ hotel living arrangements. Also, the fees for Salt and Light’s services were less than charged at traditional homeless shelters, rents were below market and their cash balance, atypical that year, was reinvested in the exempt purposes of the organization.

In its analysis, the Tax Court stated there was no definitive authority in New Jersey as to government payments’ singular effect on charitable purpose standing. But under N.J.S.A. 54:4-3.6 partial support by fees received from or on behalf of the beneficiaries of a charity and put to charitable use did not invalidate exemption. The Court reasoned that the statute did not limit the fee amount, other than to require it be partial, and therefore Salt and

Light’s two-thirds government financing was not disqualifying. The Court in its review of case law acknowledged that there was support for denying charitable exemption to government funded organizations and cited *Presbyterian Homes v. Division of Tax Appeals* and *Weymouth Township v. Memorial Park Family Practice Center*. However, in reversing the Tax Board’s denial of Salt and Light’s exempt status for 1995, the Court relied, among others, on *Catholic Charities of the Diocese of Camden v. Pleasantville* where exemption was granted and which was alike in that the majority of its clients had received government monies. The Court differentiated between operations like the Memorial Park Center’s and Salt and Light Company’s, noting that the company was not just a conduit for government subsidies — that while not totally relieving the government’s responsibility to the homeless, its lower cost extended services lessened it. Noted too was that of Salt and Light’s one-third self-supported clients, none was evicted for nonpayment of rents, as distinguished from nonexempt for-profit housing providers who didn’t accept or who evicted individuals without funds. Therefore, Salt and Light’s purpose was charitable. The Court reaffirmed as well that nonprofit status did not require operating at a loss, that it was not negated by excess income nor an increased cash balance in a single fiscal year and concluded in favor of exemption. Also addressed by the Court in this case was a procedural error relative to the County Tax Board’s application of omitted assessments.

### Taxes to be Paid Before Further Appeal

*Bernstein v. Atlantic City, Docket No. 000158-96 (Tax Court, decided May 17, 1996).* Question: Must a taxpayer, who paid taxes on her original assessment, pay taxes on a county tax board’s increase in that assessment to further appeal to the New Jersey Tax Court?

Background: For tax year 1995, taxpayer’s property was originally assessed at \$78,600; annual property taxes were \$2,246.39. With property taxes paid in full, taxpayer appealed to reduce the original assessment. At appeal, Atlantic County Tax Board raised the assessment by \$11,400 to \$90,000, increasing the taxes \$325.82. Taxpayer then appealed that assessment to New Jersey Tax Court. Defending municipality, Atlantic City, next asked that the further appeal be dismissed for nonpayment of the taxes resulting from the Board’s revised assessment based on N.J.S.A. 54:51A-1(b). N.J.S.A. 54:51A-1(b) provides, “At the time that a complaint has been filed with the Tax Court seeking review of the judgment of county tax boards, all taxes or

any installments thereof then due and payable for the year for which review is sought must have been paid....”

Conclusion: Tax Court decided taxes to be paid before further appeal of a tax board’s determination could be heard by said Court were those resulting from the original assessment, not those from a subsequent value increase by a board at appeal.

Analysis: The Court noted that while prior courts have upheld the payment of taxes on an original assessment as a statutory prerequisite to appeal, no case or statute specifically addressed the payment of taxes when a county board had increased the original assessment. In its reasoning, it utilized case law and statute concerning tax refunds rather than payments. *Woodcliff Management v. North Bergen Twp.*, 106 N.J. Super. 292 (App. Div. 1969) ordered refunds of several years taxes for assessments reduced via county tax board appeal where judgments were final, but for the year still under appeal refund was withheld until final adjudication. Statute N.J.S.A. 54:3-27.2, enacted in 1975 subsequent to *Woodcliff*, provides for property tax refunds within 60 days of the “date of final judgment” where a lesser assessment is granted. *Wilshire Selby West v. Ramsey Boro.*, 6 N.J. Tax 60 (Tax 1983) examined the meaning of the statute’s “date of final judgment” and confirmed refund deferral until all appeals were complete as appropriate. From the above, Tax Court concluded that if a refund of taxes cannot be paid on assessments lowered by a tax board but under appeal to the Court, payment of additional taxes from an assessment increased by a tax board cannot be required for appeal to the Court. The Court looked at the treatment of taxes for omitted assessments under appeal as well in *Inwood Owners v. Little Falls Twp.*, 216 N.J. Super. 485 (App. Div.), cert. den., 108 N.J. 184 (1987). Here a request for dismissal for nonpayment of taxes from an omitted assessment was denied by reason that the tax payment necessary to allow appeal applied to conventional appeals only. The Appellate Division explained its denial saying, “[a] municipality does not rely on the collection of omitted taxes unknown during the budget process to operate its government or meet its expenses....”

Using *Inwood*, the Tax Court drew the same conclusion regarding an original assessment raised by a county board of taxation. Citing also *Muscarelle v. Saddle Brook Twp.*, 14 N.J. Tax 453, 457 (Tax 1995), Tax Court indicated, “The rationale behind the requirement that taxes be paid for the Tax Court to have jurisdiction over the contest of a local property tax assessment is to avoid putting the burden of an appealing taxpayer’s unpaid property taxes on the other taxpayers in the taxing

district....” As such burden was absent in the present circumstances, motion to dismiss for nonpayment of taxes was denied and the amount of the assessment was permitted to be reviewed by the Court.

### **Improper Bidding Process in Bulk Sale of Tax Sale Certificates**

*Errico v. Jersey City*, 290 N.J. Super. 669 (App. Div. 1996). The Appellate Division affirmed a Law Division decision on an improper bidding process involving the bulk sale of tax sale certificates.

Jersey City adopted a resolution authorizing the bulk sale of 102 tax sale certificates with a face value at approximately \$4,400,000. Some of the properties involved were environmentally contaminated and had a face value less than the amount of the tax lien.

Bidders were required to submit (1) a cash payment of at least 17.5 percent of the total lien amount, (2) a note for the remainder of the bid and (3) a price for the repurchase of the note. The total bid value being the cash payment plus the purchase price.

Plaintiff, Anthony D. Errico, submitted a bid including \$88,000 as the note repurchase price. This price fell significantly below the \$135,000 minimum (2.5 percent of the total lien amount, plus \$25,000) as required by the city ordinance.

The City Council voted to accept a bid from Remediation Financial, Inc., whose bid included a purchase price of \$135,000. Contending that he was the highest bidder, plaintiff filed suit seeking an order that Jersey City rescind the sale to Remediation.

The Law Division issued an oral opinion holding that Errico’s bid was nonconforming. More importantly, the Court held that the bidding process altogether was an improper attempt to circumvent the requirement of N.J.S.A. 54:5-113.1(b), which states that tax sale certificates may not be sold for less than 70 percent of their face value.

The Law Division also pointed out Jersey City’s motivation for circumventing N.J.S.A. 54:5-113.1. The contamination of some of the land in question convinced Jersey City that no bidder would pay either the face value of the liens or even bid the minimum 70 percent requirement. By including the cash payment with the purchase price as the total bid value, the ordinance allowed the bids on their face to exceed the 70 percent requirement thus qualifying under N.J.S.A. 54:5-113.1.

The Appellate Division affirmed the Law Division's decision with added comments. N.J.S.A. 54:5-114.1 and 54:5-114.2, as the Appellate Division pointed out, offer larger discounts to address situations such as this. However, Jersey City did not elect to use N.J.S.A. 54:5-114.1 or 54:5-114.2 because they do not authorize the bulk sale of tax certificates. The Appellate Division said that the inadequacy of N.J.S.A. 54:5-114.1 and 54:5-114.2 did not justify the measures taken that resulted in circumventing N.J.S.A. 54:5-113.1. Such inadequacy, the Appellate Division concluded, should be handled by the Legislature.

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## Miscellaneous

### Taxpayers' Bill of Rights Violation

*Vora v. Director, Division of Taxation, Docket No. 010609-94 (Tax Court, decided June 5, 1996).* In this case, the Tax Court considered whether defendant violated plaintiffs' rights under the Taxpayers' Bill of Rights when settling a tax deficiency issue. The deficiency resulted from the defendant's application under N.J.S.A. 54A:5-1(c), which provides that in calculating the gain or loss realized upon the sale of property, the Federal income tax basis shall be used; thus making plaintiffs responsible for tax on the gains realized from the sale of depreciable real property. Plaintiffs and defendant disagree over the use of the statute.

Plaintiffs contended that the statute did not apply. They reasoned that using the depreciation deductions allowable for Federal income tax to reduce the basis for gross income tax is incorrect because by the prohibition under New Jersey law against the netting of intercategory gains and losses (N.J.S.A. 54A:5-2) plaintiffs derived no tax benefit from the depreciation deductions.

Citing *Vasudev v. Taxation Div. Director*, 13 N.J. Tax 223 (Tax 1993) and *Spinella v. Director, Div. of Taxation*, 13 N.J. Tax 305 (Tax 1993), the Court stated that it has specifically held that the tax benefit rule does not apply to the New Jersey gross income tax and therefore the statute applies.

Upholding the deficiency determination made by the defendant, the Court moved on to decide if the plaintiffs' rights, under the Taxpayers' Bill of Rights, were violated. The initial deficiency notice for \$484 was sent by the Division to plaintiffs on April 13, 1994. After several correspondences, including a check for \$25 sent by plaintiffs, a hearing was requested by plaintiffs on June 1, 1994. The hearing was never granted.

The Division then sent plaintiffs a Notice of Adjustment on June 6, stating that they had overpaid their taxes by \$25 and that they were due a refund. Then on June 7, the Division sent plaintiffs another letter including *Spinella v. Director*, to explain the Division's position with regard to plaintiffs' protest.

The Division sent plaintiffs a "Final Determination" on July 15, 1994 reaffirming the deficiency and indicating the amount owed was \$531.72. Plaintiffs filed an appeal on September 14, 1994. After another notice from Division sent on September 21 indicated the amount owed had increased to \$592.34, plaintiffs sent a check for \$551.66 to the Deputy Attorney General assigned to the case with no indication that they were abandoning the appeal. Counsel then sent forms to plaintiffs so they could withdraw their complaint. Plaintiffs did not respond, even after several phone calls and follow-up letters by counsel.

Plaintiffs contended that they sent the check in order to stop the accrual of interest; their want for an appeal did not change. Plaintiffs also put forward that they believed counsel's phone calls and sending of the withdrawal forms were attempts to coerce them to withdraw the complaint.

The Court held that the Division's conduct was in violation of plaintiffs' rights under N.J.S.A. 54:49-18, which requires the Director to grant a requested hearing if the taxpayer files a written protest. The Court concluded that the June 6 letter gave erroneous advice and that by not rectifying the error on the June 7 letter, the Division created confusion and gave mixed signals to plaintiffs. The Court affirmed the deficiency and directed the interest between June 6 and July 15 refunded to plaintiffs.

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## Sales and Use Tax

### Exemption for Commercial Fishing Head Boats

*Hepler v. Director, Division of Taxation, 15 N.J. Tax 261 (Tax Ct. 1995).* The Court determined that plaintiff's purchase of a boat in Texas was not exempt from New Jersey use tax because it satisfied only one of the requirements for exemption under N.J.S.A. 54:32B-8.12. Because the boat owner's customers were usually groups, and generally he did not charge individuals "by the head," the boat was a "charter boat," not a "head boat." In addition, because the boat was used primarily by divers, sport fishing was not its primary use.

**Bulk Sales**

*New Jersey Hotel Holdings, Inc. v. Director, Division of Taxation, 15 N.J. Tax 428 (Tax Ct. 1996).* Plaintiff acquired all of the assets of three hotel properties. It acquired the realty by way of deeds in lieu of foreclosure, and acquired the personalty by way of bills of sale. However, it did not give the Division the requisite notice prior to this bulk transfer. Because plaintiff failed to give the notice required under N.J.S.A. 54:32B-22(c), the Court held that it was liable for the sales and use tax liability of the transferor of the assets.

**Use Tax Applicable to Tangible Personal Property For Employee Programs**

*Fedway Associates, Inc. v. Director, Division of Taxation, 15 N.J. Tax 203 (App. Div. 1995).* The Appellate Court affirmed the Tax Court's determination that appellant was responsible for paying use tax under the Urban Enterprise Zones Act, N.J.S.A. 52:27H-79, on purchases of tangible personal property not exclusively used or consumed in the Urban Enterprise Zone. Appellant purchased tangible personal property for its employee incentive and marketing programs including napkins, corkscrews, calendars, golf bags and home electronic equipment. Appellate Court rejected appellant's contention that the Legislature intended for these items to be exempt from use tax under N.J.S.A. 52:27H-79, and held that appellant owed use tax on the purchases, plus interest, in the amount of \$141,555.26.

**Refinishing Hardwood Floors Taxable**

*Newman v. Director, Division of Taxation, 15 N.J. Tax 228 (App. Div. 1995).* The Appellate Division affirmed an assessment of sales tax on the refinishing of hardwood floors under N.J.S.A. 54:32B-3(b)(4), as "servicing...real property," and rejected the appellant's argument that the service was exempt under N.J.S.A. 54:32B-3(b)(2)(v) as the installation of property which constituted a capital improvement or addition to real property.

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**Transfer Inheritance Tax****Inter Vivos Transfers**

*Meyerson v. Director, Division of Taxation, 15 N.J. Tax 128 (Tax Ct. 1995).* The Tax Court decided in this case that *inter vivos* transfers to decedent's niece and grandnieces were in contemplation of death and therefore subject to transfer inheritance tax.

To determine whether the transfer was a substitute for a testamentary disposition, and thus in contemplation of death, the Court said that it considers (1) the age and general health of the donor at the time of the gift; (2) the time between the *inter vivos* transfer and the death; (3) whether or not the transfer was part of a testamentary scheme or plan; and (4) whether or not the gift was made to the natural objects of the donor's bounty.

The Court then found that the decedent was almost 91 years old and had a serious heart condition when the trusts were created. The decedent passed away two years after the gifts were made. That the *inter vivos* dispositions and the testamentary dispositions were identical evidence that the gifts were part of a testamentary plan. Also, the loving relationship and the terms of the will showed that the gifts were made to the natural object of the decedent's bounty.

Plaintiff, executor of decedent's estate, argued that the trusts for the grandnieces were "life-motivated" as shown through their short duration and use for the grandnieces' education.

The Court disagreed, saying that irrespective of any life associated motives, a gift is made in the contemplation of death "if an impelling motive exists to make a present disposition in lieu of a testamentary disposition." Even though the grandnieces were the income beneficiaries of trusts created for educational assistance, the Court pointed out that upon termination of the trusts the principal thereof was payable to the trust created for the benefit of the decedent's niece. "[A] disposition," the Court continued, "with a palpable *post mortem* aspect."

Pursuant to N.J.S.A. 54:34-1, the Court found that the transfer inheritance tax was properly imposed on the gifts made in contemplation of death.

**Timely Filing of Complaint**

*Gifford v. Director, Division of Taxation, 15 N.J. Tax 51 (Tax Ct. 1995).* This is the first case that has come before the Tax Court regarding the timely filing of a complaint arguing against an assessment of a transfer inheritance tax. Under N.J.S.A. 54:34-1 (transfers taxable) and N.J.S.A. 54:34-2 (rates of taxation) a transfer inheritance tax was imposed following the receipt of a U.S. Gift Tax Return. The return showed that decedent, plaintiff's father, transferred 10,000 shares of stock to plaintiff and her husband.

On March 5, 1992, the Transfer Inheritance Tax Branch notified plaintiff that, in addition to the tax itself, plaintiff had 90 days to file a protest or request a hearing

In accordance with N.J.A.C. 18:26-12.9. Plaintiff didn't file a formal complaint until May 17, 1994, over two years and several correspondences later. The Division moved to have the complaint dismissed.

Before the Tax Court, plaintiff argued that the 90 day period should not have started on March 5, 1992 but on March 14, 1994. Plaintiff contended that the initial letter sent by the Division did not inform plaintiff that the tax assessment was a final decision. The taxpayer was led to believe, the plaintiff reasoned, that the matter would remain open until additional information was obtained by the Division.

Plaintiff also argued that under N.J.S.A. 54:35-10, she had three years from the date of the payment of the tax to file a refund claim.

The Tax Court rejected plaintiff's arguments and dismissed the complaint. Citing N.J.S.A. 54:51A-18, the Court pointed out the express authorization for the Division to calculate the limitation period. By this, the Court determined that the time for appeal expired on June 6, 1992. The Tax Court said that the Director's assessment became a final determination once the 90 day protest period had passed. The Court warned that otherwise, by plaintiff's argument, a taxpayer could control the appeal time, which would then frustrate the legislative purpose of any statute of limitations.

The Court said in response to plaintiff's second argument that N.J.S.A. 54:35-10 is a refund statute which only applies when taxes are miscalculated by the taxpayer. The Court reasoned that a longer time period to request a refund is justified for it would naturally take longer for a taxpayer to realize his or her own miscalculations.

## Uniform Tax Procedure

### Timeliness of Tax Complaint

*Harris Corporation v. Director, Division of Taxation, 15 N.J. Tax 119 (Tax Ct. 1995).* At issue was the timeliness of plaintiff's appeal from the denial of its claim for a corporation business tax refund. The Director's letter denying the refund was dated January 22, 1993. Plaintiff's complaint challenging the denial was received by the Tax Court on April 27, 1993, i.e. 95 days after the date on the Director's letter.

The Court determined that under the statutes and regulation in force at the time and the applicable court rules, the 90-day time for an appeal (plus three additional days allowed for mailing) began to run when the Director mailed the letter. The Director, however, took the position that, as a matter of law, the time began to run on the date shown on the letter, and he declined to submit proof of mailing for a hearing. The Court therefore denied the Director's motion to dismiss the complaint for untimely filing.

# **| APPENDICES**

- A** | General and Effective Property Tax Rates
- B** | Abstract of Ratables and Exemptions
- C** | Assessed Value of Partial Exemptions and Abatements
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## 1995 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Atlantic</b>			Englewood Cliffs Bor.	1.230	1.320
Absecon City	2.617	2.574	Fair Lawn Borough	2.430	2.392
Atlantic City City	2.858	2.650	Fairview Borough	2.580	2.558
Brigantine City	2.527	2.347	Fort Lee Borough	2.180	2.126
Buena Borough	3.876	2.448	Franklin Lakes Borough	1.500	1.525
Buena Vista Township	2.267	1.915	Garfield City	2.420	2.424
Corbin City City	3.323	2.441	Glen Rock Borough	2.770	2.362
Egg Harbor City	3.821	3.393	Hackensack City	3.310	2.989
Egg Harbor Township	2.923	1.969	Harrington Park Borough	2.700	2.413
Estell Manor City	2.119	1.992	Hasbrouck Heights Bor.	2.370	2.351
Folsom Borough	2.526	2.157	Haworth Borough	2.360	2.332
Galloway Township	3.439	2.380	Hillsdale Borough	2.320	2.301
Hamilton Township	2.717	2.434	Hohokus Borough	1.940	1.608
Hammonton Town	3.289	2.394	Leonia Borough	3.090	2.647
Linwood City	2.795	2.878	Little Ferry Borough	2.370	2.216
Longport Borough	1.126	1.158	Lodi Borough	2.840	2.506
Margate City City	1.717	1.727	Lyndhurst Township	1.840	1.794
Mullica Township	2.416	2.448	Mahwah Township	1.860	1.577
Northfield City	2.680	2.800	Maywood Borough	2.740	1.900
Pleasantville City	3.116	3.089	Midland Park Borough	2.390	2.153
Port Republic City	3.505	2.311	Montvale Borough	1.970	2.209
Somers Point City	3.259	2.587	Moonachie Borough	1.620	1.576
Ventnor City	2.225	2.263	New Milford Borough	2.250	2.326
Weymouth Township	2.721	1.932	North Arlington Borough	2.120	2.035
<b>Bergen</b>			Northvale Borough	2.860	2.350
Allendale Borough	2.260	2.246	Norwood Borough	2.450	1.984
Alpine Borough	0.920	0.954	Oakland Borough	2.540	2.543
Bergenfield Borough	3.300	3.038	Old Tappan Borough	1.890	1.658
Bogota Borough	3.440	3.078	Oradell Borough	2.910	2.185
Carlstadt Borough	1.640	1.378	Palisades Park Borough	2.250	2.287
Cliffside Park Borough	2.010	1.958	Paramus Borough	1.980	1.600
Closter Borough	2.490	2.119	Park Ridge Borough	2.010	1.909
Cresskill Borough	2.420	2.114	Ramsey Borough	2.410	2.173
Demarest Borough	2.780	2.221	Ridgefield Borough	1.830	1.792
Dumont Borough	2.410	2.700	Ridgefield Park Village	2.730	2.688
Elmwood Park Borough	2.020	1.983	Ridgewood Borough	2.510	2.300
East Rutherford Borough	1.410	1.439	River Edge Borough	2.370	2.340
Edgewater Borough	2.430	1.985	Rivervale Township	2.190	2.175
Emerson Borough	3.150	2.370	Rochelle Park Township	2.230	2.203
Englewood City	2.890	2.830	Rockleigh Borough	0.870	0.833
			Rutherford Borough	2.590	2.479



County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Bergen</b> (continued)			Shamong Township	1.961	2.023
Saddle Brook Township	1.940	1.903	Southampton Township	2.024	1.846
Saddle River Borough	0.830	0.865	Springfield Township	2.117	2.073
South Hackensack Twp.	2.290	2.208	Tabernacle Township	2.134	2.127
Teaneck Township	2.860	2.872	Washington Township	1.837	1.944
Tenafly Borough	2.440	2.166	Westampton Township	2.459	2.358
Teterboro Borough	1.210	1.234	Willingboro Township	2.631	2.542
Upper Saddle River Bor.	1.830	1.671	Woodland Township	2.163	2.141
Waldwick Borough	2.680	2.456	Wrightstown Borough	2.001	2.139
Wallington Borough	2.050	2.103			
Washington Township	2.040	2.030	<b>Camden</b>		
Westwood Borough	2.330	2.298	Audubon Borough	5.060	3.000
Woodcliff Lake Borough	2.080	1.836	Audubon Park Borough	11.224	11.055
Wood-Ridge Borough	2.640	2.044	Barrington Borough	5.080	3.199
Wycoff Township	1.810	1.801	Bellmawr Borough	3.180	3.003
			Berlin Borough	2.890	2.851
<b>Burlington</b>			Berlin Township	2.670	2.788
Bass River Township	2.789	2.593	Brooklawn Borough	3.030	2.961
Beverly City	2.927	2.789	Camden City	4.549	3.889
Bordentown City	2.914	2.855	Cherry Hill Township	2.928	2.711
Bordentown Township	2.725	2.665	Chesilhurst Borough	7.660	3.198
Burlington City	2.039	2.143	Clementon Borough	3.120	3.292
Burlington Township	2.329	2.263	Collingswood Borough	5.780	3.080
Chesterfield Township	2.066	2.250	Gibbsboro Borough	3.970	2.864
Cinnaminson Township	2.341	2.217	Gloucester City	2.720	2.966
Delanco Township	2.495	2.338	Gloucester Township	2.832	2.857
Delran Township	2.289	2.205	Haddon Township	2.950	3.001
Eastampton Township	2.695	2.607	Haddonfield Borough	2.670	2.859
Edgewater Park Township	2.488	2.410	Haddon Heights Borough	5.030	3.063
Evesham Township	2.265	2.200	Hi Nella Borough	5.350	2.934
Fieldsboro Borough	2.588	2.656	Laurel Springs Borough	3.300	3.337
Florence Township	2.473	2.470	Lawnside Borough	7.550	3.078
Hainesport Township	2.206	2.131	Lindenwold Borough	5.060	3.241
Lumberton Township	2.555	2.584	Magnolia Borough	3.400	3.485
Mansfield Township	1.969	1.911	Merchantville Borough	3.200	3.103
Maple Shade Township	2.604	2.621	Mount Ephraim Borough	4.790	3.035
Medford Township	2.241	2.187	Oaklyn Borough	2.910	2.955
Medford Lakes Borough	2.759	2.700	Pennsauken Township	7.960	2.931
Moorestown Township	2.636	2.352	Pine Hill Borough	3.210	3.205
Mt. Holly Township	3.241	2.996	Pine Valley Borough	2.980	2.088
Mt. Laurel Township	2.124	2.171	Runnemede Borough	3.040	3.156
New Hanover Township	1.567	1.571	Somerdale Borough	5.040	3.208
North Hanover Township	1.686	1.761	Stratford Borough	2.750	3.004
Palmyra Borough	2.497	2.429	Tavistock Borough	2.470	2.388
Pemberton Borough	2.517	2.454	Voorhees Township	3.560	2.847
Pemberton Township	2.322	2.379	Waterford Township	6.970	3.046
Riverside Township	2.367	2.249	Winslow Township	2.780	2.805
Riverton Borough	2.991	2.692	Woodlynne Borough	5.420	3.708

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Cape May</b>			Newark City	21.610	3.397
Avalon Borough	0.910	0.931	North Caldwell Township	4.930	2.115
Cape May City	1.600	1.527	Nutley Town Township	11.070	3.084
Cape May Point Borough	0.870	0.898	Orange City Township	23.750	4.168
Dennis Township	1.810	1.759	Roseland Borough	7.390	1.890
Lower Township	2.280	2.231	S. Orange Village Twp.	3.580	3.509
Middle Township	2.220	2.255	Verona Borough Twp.	5.480	2.634
North Wildwood City	2.210	2.390	West Caldwell Bor. Twp.	2.740	2.653
Ocean City City	1.530	1.554	West Orange Town Twp.	6.100	3.061
Sea Isle City City	1.490	1.423			
Stone Harbor Borough	1.190	1.031	<b>Gloucester</b>		
Upper Township	1.370	1.350	Clayton Borough	2.400	2.559
West Cape May Borough	1.980	1.747	Deptford Township	2.170	2.361
West Wildwood Borough	2.230	1.971	East Greenwich Township	2.050	2.000
Wildwood City	2.850	3.072	Elk Township	4.110	2.518
Wildwood Crest Borough	1.630	1.985	Franklin Township	3.590	2.395
Woodbine Borough	2.080	1.910	Glassboro Borough	2.930	2.961
			Greenwich Township	2.020	1.934
<b>Cumberland</b>			Harrison Township	2.350	2.373
Bridgeton City	3.160	2.765	Logan Township	1.930	1.672
Commercial Township	2.810	2.614	Mantua Township	2.580	2.506
Deerfield Township	2.680	2.395	Monroe Township	2.450	2.355
Downe Township	2.350	2.323	National Park Borough	2.550	2.557
Fairfield Township	2.960	2.273	Newfield Borough	2.670	2.327
Greenwich Township	2.960	2.891	Paulsboro Borough	3.130	2.537
Hopewell Township	2.930	2.531	Pitman Borough	2.760	2.756
Lawrence Township	2.650	2.730	S. Harrison Township	1.950	2.165
Maurice River Township	4.790	2.545	Swedesboro Borough	2.330	2.146
Millville City	3.620	2.767	Washington Township	2.190	2.167
Shiloh Borough	3.650	2.968	Wenonah Borough	2.480	2.504
Stow Creek Township	2.730	2.339	West Deptford Township	2.210	2.240
Upper Deerfield Twp.	3.670	2.138	Westville Borough	4.250	2.724
Vineland City	2.790	2.638	Woodbury City	2.960	2.779
			Woodbury Heights Bor.	3.130	2.681
<b>Essex</b>			Woolwich Township	2.110	1.955
Belleville Town Twp.	11.370	3.567			
Bloomfield Town Twp.	3.430	3.157	<b>Hudson</b>		
Caldwell Borough Twp.	11.930	2.829	Bayonne City	3.628	3.279
Cedar Grove Township	7.270	2.073	East Newark Borough	5.320	2.518
East Orange City	16.880	4.414	Guttenberg Township	5.595	3.237
Essex Fells Bor. Twp.	9.050	1.728	Harrison Town	3.095	2.530
Fairfield Township	1.860	1.825	Hoboken City	3.065	3.094
Glen Ridge Bor. Twp.	8.640	3.539	Jersey City City	4.125	3.548
Irvington Town Twp.	20.050	4.395	Kearny Town	5.045	2.866
Livingston Township	8.790	2.457	North Bergen Township	3.126	3.205
Maplewood Township	8.460	3.301	Secaucus Town	2.630	2.332
Millburn Township	4.020	1.997	Union City City	3.514	3.892
Montclair Town Twp.	3.120	3.058	Weehawken Township	2.230	2.598

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Hudson</b> (continued)			Cranbury Township	2.730	2.020
West New York Town	4.253	3.912	Dunellen Borough	6.270	2.884
<b>Hunterdon</b>			East Brunswick Township	4.380	2.386
Alexandria Township	1.940	1.930	Edison Township	2.090	1.997
Bethlehem Township	2.010	1.962	Helmetta Borough	3.330	1.827
Bloomsbury Borough	2.240	2.079	Highland Park Borough	3.650	3.229
Califon Borough	2.390	2.272	Jamesburg Borough	4.380	2.772
Clinton Town	2.440	2.269	Metuchen Borough	2.630	2.537
Clinton Township	1.920	1.846	Middlesex Borough	4.050	2.429
Delaware Township	1.870	1.806	Milltown Borough	4.090	2.348
East Amwell Township	2.010	2.105	Monroe Township	2.140	1.826
Flemington Borough	2.530	2.326	New Brunswick City	3.170	3.135
Franklin Township	2.110	2.036	N. Brunswick Township	4.010	2.107
Frenchtown Borough	1.950	1.878	Old Bridge Township	2.970	2.925
Glen Gardner Borough	2.440	2.404	Perth Amboy City	3.110	3.043
Hampton Borough	2.990	2.560	Piscataway Township	3.040	2.149
High Bridge Borough	2.710	2.528	Plainsboro Township	2.140	2.155
Holland Township	1.320	1.327	Sayreville Borough	1.980	1.827
Kingwood Township	1.790	1.850	South Amboy City	4.930	2.737
Lambertville City	2.140	2.113	S. Brunswick Township	2.100	2.056
Lebanon Borough	2.150	2.050	S. Plainfield Borough	3.070	2.313
Lebanon Township	1.850	1.816	South River Borough	4.500	2.828
Milford Borough	2.220	1.899	Spotswood Borough	5.060	2.723
Raritan Township	2.250	2.142	Woodbridge Township	4.360	2.315
Readington Township	1.900	1.821	<b>Monmouth</b>		
Stockton Borough	2.070	1.902	Aberdeen Township	3.269	3.007
Tewksbury Township	1.770	1.741	Allenhurst Borough	1.606	1.434
Union Township	1.750	1.711	Allentown Borough	3.433	2.464
West Amwell Township	1.840	1.704	Asbury Park City	3.736	3.621
<b>Mercer</b>			Atlantic Highlands Bor.	2.624	2.631
East Windsor Township	3.180	3.115	Avon By The Sea Bor.	2.101	1.954
Ewing Township	2.630	2.565	Belmar Borough	2.596	2.469
Hamilton Township	8.190	2.521	Bradley Beach Borough	3.107	2.840
Hightstown Borough	3.450	3.575	Brielle Borough	1.766	1.906
Hopewell Borough	2.230	2.214	Colts Neck Township	1.657	1.624
Hopewell Township	2.040	2.088	Deal Borough	0.975	0.960
Lawrence Township	2.310	2.272	Eatontown Borough	2.474	2.274
Pennington Borough	2.370	2.234	Englishtown Borough	2.271	2.282
Princeton Borough	4.240	2.116	Fair Haven Borough	2.596	2.282
Princeton Township	4.520	1.935	Farmingdale Borough	2.714	2.465
Trenton City	3.550	3.426	Freehold Borough	2.693	2.678
Washington Township	2.220	2.082	Freehold Township	2.170	2.028
West Windsor Township	2.610	2.403	Hazlet Township	2.633	2.549
<b>Middlesex</b>			Highlands Borough	3.480	3.090
Carteret Borough	2.810	2.922	Holmdel Township	2.065	1.927
			Howell Township	2.214	2.229
			Interlaken Borough	1.709	1.592

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Monmouth</b> (continued)			Kinnelon Borough	2.390	2.066
Keansburg Borough	3.089	3.472	Lincoln Park Borough	5.330	2.741
Keyport Borough	2.756	2.813	Madison Borough	3.240	1.944
Little Silver Borough	2.418	2.443	Mendham Borough	2.020	1.838
Loch Arbour Village	2.859	2.767	Mendham Township	1.820	1.644
Long Branch City	3.137	3.015	Mine Hill Township	2.580	2.594
Manalapan Township	2.450	2.213	Montville Township	3.200	1.865
Manasquan Borough	2.031	2.080	Morris Township	1.670	1.625
Marlboro Township	2.382	2.077	Morris Plains Borough	4.270	2.029
Matawan Borough	3.221	2.973	Morristown Town	2.160	2.105
Middletown Township	2.448	2.341	Mountain Lakes Borough	5.560	2.263
Millstone Township	2.249	2.151	Mt. Arlington Borough	2.560	2.576
Monmouth Beach Bor.	2.155	1.993	Mt. Olive Township	4.590	2.355
Neptune Township	2.653	2.573	Netcong Borough	2.580	2.811
Neptune City Borough	2.866	2.637	Parsippany-Troy Hills Twp.	3.980	2.267
Ocean Township	2.526	2.365	Passaic Township	3.080	1.997
Oceanport Borough	2.173	2.181	Pequannock Township	2.280	2.352
Red Bank Borough	2.991	2.708	Randolph Township	4.460	2.247
Roosevelt Borough	4.928	4.126	Riverdale Borough	2.000	2.004
Rumson Borough	2.096	1.909	Rockaway Borough	2.320	2.328
Sea Bright Borough	2.096	2.054	Rockaway Township	4.170	2.470
Sea Girt Borough	1.207	1.329	Roxbury Township	4.650	2.257
Shrewsbury Borough	2.306	2.239	Victory Gardens Borough	2.320	3.094
Shrewsbury Township	3.687	3.537	Washington Township	4.570	2.194
South Belmar Borough	1.909	2.187	Wharton Borough	2.470	2.596
Spring Lake Borough	1.313	1.307			
Spring Lake Heights Bor.	2.056	1.867	<b>Ocean</b>		
Tinton Falls Borough	2.430	2.433	Barneget Township	3.128	2.733
Union Beach Borough	2.458	2.692	Barneget Light Borough	1.088	1.044
Upper Freehold Township	1.904	1.958	Bay Head Borough	1.190	1.092
Wall Township	1.952	1.995	Beach Haven Borough	1.647	1.517
West Long Branch Bor.	2.328	2.155	Beachwood Borough	2.080	2.264
			Berkeley Township	1.922	1.835
<b>Morris</b>			Brick Township	2.253	2.162
Boonton Town	5.180	2.232	Dover Township	2.363	2.244
Boonton Township	3.670	1.779	Eagleswood Township	2.377	2.414
Butler Borough	4.090	2.756	Harvey Cedars Borough	1.252	1.210
Chatham Borough	2.110	1.802	Island Heights Borough	2.543	2.502
Chatham Township	2.000	1.692	Jackson Township	2.848	2.631
Chester Borough	3.050	2.274	Lacey Township	1.674	1.596
Chester Township	2.070	1.901	Lakehurst Borough	2.852	2.802
Denville Township	2.670	1.979	Lakewood Township	2.795	2.687
Dover Town	5.550	2.845	Lavallette Borough	1.293	1.270
East Hanover Township	1.980	1.535	Little Egg Harbor Twp.	2.627	2.733
Florham Park Borough	1.550	1.419	Long Beach Township	1.178	1.202
Hanover Township	3.040	1.605	Manchester Township	2.699	2.559
Harding Township	1.300	0.931	Mantoloking Borough	0.848	0.862
Jefferson Township	2.300	2.172	Ocean Township	2.338	2.632

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Ocean (continued)</b>			<b>Somerset</b>		
Ocean Gate Borough	2.463	2.406	Bedminster Township	1.380	1.298
Pine Beach Borough	2.003	1.958	Bernards Township	1.680	1.665
Plumsted Township	2.008	1.924	Bernardsville Borough	1.730	1.712
Point Pleasant Borough	2.213	2.176	Bound Brook Borough	3.290	3.204
Pt. Pleasant Beach Bor.	1.891	1.878	Branchburg Township	1.990	1.981
Seaside Heights Borough	2.672	2.593	Bridgewater Township	2.750	1.712
Seaside Park Borough	2.069	1.942	Far Hills Borough	1.710	1.211
Ship Bottom Borough	1.398	1.423	Franklin Township	2.030	2.052
S.Toms River Borough	2.654	2.516	Green Brook Township	2.050	1.941
Stafford Township	2.166	2.097	Hillsborough Township	3.940	2.092
Surf City Borough	1.291	1.317	Manville Borough	5.110	2.464
Tuckerton Borough	2.642	2.651	Millstone Borough	2.410	2.363
<b>Passaic</b>			Montgomery Township	2.480	1.951
Bloomington Borough	3.220	3.171	North Plainfield Borough	3.250	3.172
Clifton City	2.210	2.191	Peapack-Gladstone Bor.	1.530	1.494
Haledon Borough	2.780	2.896	Raritan Borough	2.320	2.235
Hawthorne Borough	2.290	2.289	Rocky Hill Borough	3.760	1.738
Little Falls Township	2.550	1.994	Somerville Borough	4.280	3.165
North Haledon Borough	3.960	2.441	S. Bound Brook Borough	3.340	3.251
Passaic City	4.010	3.825	Warren Township	1.810	1.628
Paterson City	17.450	3.743	Watchung Borough	1.820	1.716
Pompton Lakes Borough	3.320	3.102	<b>Sussex</b>		
Prospect Park Borough	2.590	2.835	Andover Borough	2.030	2.233
Ringwood Borough	3.110	3.039	Andover Township	2.790	2.600
Totowa Borough	2.030	1.903	Branchville Borough	1.590	1.593
Wanaque Borough	3.360	3.047	Byram Township	4.370	2.775
Wayne Township	2.310	2.231	Frankford Township	2.250	2.270
West Milford Township	3.350	2.911	Franklin Borough	5.010	3.259
West Paterson Borough	2.400	2.390	Fredon Township	2.380	2.375
<b>Salem</b>			Green Township	2.580	2.442
Alloway Township	3.810	1.960	Hamburg Borough	2.700	2.711
Carneys Point Township	2.290	2.097	Hampton Township	2.310	2.391
Elmer Borough	2.810	2.466	Hardyston Township	5.320	2.784
Elsinboro Township	2.610	2.345	Hopatcong Borough	2.490	2.651
Lower Alloways Crk. Twp.	1.120	0.887	Lafayette Township	2.550	2.527
Mannington Township	2.380	2.077	Montague Township	2.430	2.254
Oldmans Township	2.260	2.090	Newton Town	2.430	2.455
Penns Grove Borough	3.210	3.028	Ogdensburg Borough	3.160	3.210
Pennsville Township	2.110	1.914	Sandyston Township	2.000	1.949
Pilesgrove Township	3.240	2.023	Sparta Township	3.090	2.377
Pittsgrove Township	2.750	2.066	Stanhope Borough	3.470	3.136
Quinton Township	3.810	2.102	Stillwater Township	2.370	2.276
Salem City	3.720	3.105	Sussex Borough	3.340	2.404
Upper Pittsgrove Twp.	2.420	2.051	Vernon Township	2.340	2.270
Woodstown Borough	2.710	2.567	Walpack Township	0.530	0.444
			Wantage Township	2.440	2.274

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Union</b>			<b>Warren</b>		
Berkeley Heights Twp.	4.060	1.949	Allamuchy Township	2.300	2.195
Clark Township	4.110	2.364	Alpha Borough	2.570	2.530
Cranford Township	2.620	2.298	Belvidere Town	2.970	2.754
Elizabeth City	9.650	2.871	Blairstown Township	2.360	1.791
Fanwood Borough	5.830	2.605	Franklin Township	2.180	2.141
Garwood Borough	4.600	2.871	Frelinghuysen Township	2.520	2.394
Hillside Township	10.340	3.122	Greenwich Township	2.370	2.307
Kenilworth Borough	1.980	2.040	Hackettstown Town	3.000	2.620
Linden City	2.390	2.315	Hardwick Township	2.310	2.397
Mountainside Borough	3.100	1.863	Harmony Township	1.870	1.924
New Providence Borough	3.760	2.163	Hope Township	2.900	2.409
Plainfield City	3.610	3.423	Independence Township	2.410	2.369
Rahway City	2.880	3.065	Knowlton Township	2.540	2.404
Roselle Borough	4.070	4.039	Liberty Township	2.570	2.431
Roselle Park Borough	6.270	3.175	Lopatcong Township	2.030	2.013
Scotch Plains Township	4.770	2.429	Mansfield Township	2.910	2.419
Springfield Township	2.990	2.252	Oxford Township	3.080	2.941
Summit City	1.790	1.714	Pahaquarry Township	6.550	5.797
Union Township	8.290	2.437	Phillipsburg Town	2.500	2.500
Westfield Town	3.660	2.217	Pohatcong Township	2.430	2.349
Winfield Township	93.080	11.264	Washington Borough	3.420	3.236
			Washington Township	2.660	2.610
			White Township	1.840	1.858

## Appendix B

### Abstract of Ratables and Exemptions 1995

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
COUNTY	TAXABLE VALUE		Total Taxable Value of Land and Improvements (Col. 1 (a) + (b))	Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)	Net Total Taxable Value of Land and Improvements (Col. 2 – 3)	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies
	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)				
<b>Atlantic</b>	\$ 5,927,174,555	\$ 10,152,990,220	\$ 16,080,164,775	\$ 5,925,400	\$ 16,074,239,375	\$ 132,174,158
<b>Bergen</b>	32,925,045,655	37,060,835,567	69,985,881,222	6,228,100	69,979,653,122	343,075,219
<b>Burlington</b>	5,941,181,797	13,034,280,815	18,975,462,612	24,825,300	18,950,637,312	189,588,993
<b>Camden</b>	4,598,008,648	12,023,611,354	16,621,620,002	50,271,735	16,571,348,267	209,760,483
<b>Cape May</b>	7,223,288,340	5,814,622,600	13,037,910,940	3,060,300	13,034,850,640	74,955,221
<b>Cumberland</b>	805,658,630	2,777,433,791	3,583,092,421	42,826,040	3,540,266,381	50,008,236
<b>Essex</b>	6,466,704,350	10,800,863,421	17,267,567,771	5,953,400	17,261,614,371	139,762,362
<b>Gloucester</b>	3,011,864,607	7,615,676,140	10,627,540,747	20,381,945	10,607,158,802	96,292,965
<b>Hudson</b>	7,500,862,032	11,737,094,450	19,237,956,482	11,540,600	19,226,415,882	163,593,126
<b>Hunterdon</b>	3,826,708,722	5,753,010,692	9,579,719,414	0	9,579,719,414	46,149,061
<b>Mercer</b>	4,629,847,760	9,355,009,467	13,984,857,227	12,838,000	13,972,019,227	147,120,678
<b>Middlesex</b>	12,380,140,700	22,053,088,356	34,433,229,056	49,531,600	34,383,697,456	356,796,625
<b>Monmouth</b>	16,256,768,524	21,798,031,103	38,054,799,627	18,682,500	38,036,117,127	338,441,508
<b>Morris</b>	10,903,343,565	17,563,143,912	28,466,487,477	422,100	28,466,065,377	241,898,539
<b>Ocean</b>	14,289,210,698	15,759,379,449	30,048,590,147	26,178,600	30,022,411,547	214,707,344
<b>Passaic</b>	8,808,908,795	11,249,198,521	20,058,107,316	2,172,600	20,055,934,716	128,662,906
<b>Salem</b>	567,083,685	1,855,719,140	2,422,802,825	675,200	2,422,127,625	28,711,957
<b>Somerset</b>	7,488,420,096	12,671,868,898	20,160,288,994	6,382,949	20,153,906,045	132,653,089
<b>Sussex</b>	2,826,055,878	4,626,323,717	7,452,379,595	1,605,040	7,450,774,555	39,403,723
<b>Union</b>	8,499,571,980	12,594,936,460	21,094,508,440	10,000	21,094,498,440	151,032,615
<b>Warren</b>	1,750,507,498	3,441,997,859	5,192,505,357	3,163,683	5,189,341,674	44,465,406
<b>TOTALS</b>	\$166,626,356,515	\$249,739,115,932	\$416,365,472,447	\$292,675,092	\$416,072,797,355	\$3,269,254,214

## Abstract of Ratables and Exemptions 1995 (continued)

	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	
			County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	True Value of Class II Railroad Property (C.139, L. 1966)	EQUALIZATION		
COUNTY	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation			(a) Amounts Deducted Under R.S. 54:3-17 to 19	(b) Amounts Added Under R.S. 54:3-17 to 19 and N.J.S.A. 54:11D-7	Net Valuation on Which County Taxes Are Apportioned (Col. 6 + 9 –10(a) + 10(b))
<b>Atlantic</b>	\$ 16,206,413,533			\$ 85,771	\$ 76,109,284	\$ 1,985,225,345	\$ 18,115,615,365
<b>Bergen</b>	70,322,728,341			183,049	537,504,679	5,100,167,835	74,885,574,546
<b>Burlington</b>	19,140,226,305			0	143,279,494	600,854,924	19,597,801,735
<b>Camden</b>	16,781,108,750			26,899	209,880,379	3,093,416,707	19,664,671,977
<b>Cape May</b>	13,109,805,861			0	369,033,319	270,862,967	13,011,635,509
<b>Cumberland</b>	3,590,274,617			0	2,966,771	627,954,708	4,215,262,554
<b>Essex</b>	17,401,376,733			1,808,223		19,864,978,537	37,268,163,493
<b>Gloucester</b>	10,703,451,767			0	160,731,842	583,636,588	11,126,356,513
<b>Hudson</b>	19,390,009,008			11,108,624		1,685,862,332	21,086,979,964
<b>Hunterdon</b>	9,625,868,475			0	28,365,872	341,413,130	9,938,915,733
<b>Mercer</b>	14,119,139,905			549,486	45,032,278	4,826,776,560	18,901,433,673
<b>Middlesex</b>	34,740,494,081			1,388,028	53,291,922	9,101,175,760	43,789,765,947
<b>Monmouth</b>	38,374,558,635			189,867	269,396,764	1,967,854,463	40,073,206,201
<b>Morris</b>	28,707,963,916			725,610	79,918,965	11,929,569,910	40,558,340,471
<b>Ocean</b>	30,237,118,891			409,163	179,671,151	1,203,051,947	31,260,908,850
<b>Passaic</b>	20,184,597,622			546,881	34,298,107	3,306,939,010	23,457,785,406
<b>Salem</b>	2,450,839,582			0	0	506,064,302	2,956,903,884
<b>Somerset</b>	20,286,559,134			338,311	38,864,167	3,715,420,071	23,963,453,349
<b>Sussex</b>	7,490,178,278			0	82,048,884	881,744,713	8,289,874,107
<b>Union</b>	21,245,531,055			899,761	107,790,812	11,120,844,317	32,259,484,321
<b>Warren</b>	5,233,807,080			0	20,299,647	317,293,546	5,530,800,979
<b>TOTALS</b>	\$419,342,051,569			\$18,259,673	\$2,438,484,337	\$83,031,107,672	\$499,952,934,577



# Abstract of Ratables and Exemptions 1995 (continued)

## Col. 12—APPORTIONMENT OF TAXES

<b>Section A</b>							
<b>County Taxes</b>							
<b>COUNTY</b>	<b>I</b>	<b>II</b>				<b>III</b>	<b>IV</b>
	<b>Total County Taxes Apportioned (Including Total Net Adjustments)</b>	<b>ADJUSTMENTS RESULTING FROM</b>				<b>Net County Taxes Apportioned</b>	<b>Municipal Budget State Aid (R.S. 52:27D-118.40)</b>
		<b>(a)</b>		<b>(b)</b>			
		<b>County Equalization Table Appeals (R.S. 54:51A-4)</b>	<b>Appeals and Corrected Errors (R.S. 54:4-49; R.S. 54:4-53)</b>				
<b>Deduct Overpayment</b>	<b>Add Underpayment</b>	<b>Deduct Overpayment</b>	<b>Add Underpayment</b>				
<b>Atlantic</b>	\$ 88,185,108.28			\$ 2,665,670.82		\$ 85,519,437.46	
<b>Bergen</b>	206,042,598.81			3,506,863.81		202,535,735.00	
<b>Burlington</b>	96,875,401.20			937,047.58	\$ 358.88	95,938,712.50	\$110,000.00
<b>Camden</b>	166,226,441.00			1,325,369.00		164,901,072.00	
<b>Cape May</b>	54,760,458.82			234,865.50		54,525,593.32	
<b>Cumberland</b>	41,041,767.21			416,890.25		40,624,876.96	
<b>Essex</b>	272,654,219.13			10,474,063.48	277,536.80	262,457,692.45	
<b>Gloucester</b>	64,941,397.15			368,292.76		64,573,104.39	
<b>Hudson</b>	146,905,757.97			5,395,110.83	442,458.86	141,953,106.00	
<b>Hunterdon</b>	34,426,756.25			112,430.82		34,314,325.43	
<b>Mercer</b>	104,341,021.98			756,188.98		103,584,833.00	
<b>Middlesex</b>	184,591,077.29			3,752,951.29		180,838,126.00	
<b>Monmouth</b>	182,311,019.85			1,195,302.87	115,438.02	181,231,155.00	
<b>Morris</b>	122,107,998.81			1,526,964.80		120,581,034.01	
<b>Ocean</b>	141,909,326.14			1,143,572.47	1,308.33	140,767,062.00	
<b>Passaic</b>	140,026,288.86			1,991,594.86		138,034,694.00	
<b>Salem</b>	26,232,955.04			227,456.57	8,226.53	26,013,725.00	36,043.00
<b>Somerset</b>	108,615,990.41			1,163,811.39	42,889.98	107,495,069.00	
<b>Sussex</b>	35,093,029.41			272,542.00		34,820,487.41	20,866.00
<b>Union</b>	154,510,184.29			2,009,915.79		152,500,268.50	
<b>Warren</b>	38,469,365.02			478,499.14		37,990,865.88	
<b>TOTALS</b>	\$2,410,268,162.92	0.00	0.00	\$39,955,405.01	\$888,217.40	\$2,371,200,975.31	\$166,909.00

## Abstract of Ratables and Exemptions 1995 (continued)

### Col. 12—APPORTIONMENT OF TAXES

COUNTY	<b>Section A</b>	<b>Section B</b>			<b>Section C</b>	
	<b>County Taxes</b>				<b>Local Taxes to be Raised for</b>	
	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV)	(a) County Library Taxes	(b) Local Health Service Taxes (R.S. 26:3A2-19)	(c) County Open Space Preservation Trust Fund Tax	I DISTRICT SCHOOL PURPOSES	
					(a) As Required by District School Budget	(b) Regional Consolidated and Joint School Budgets
<b>Atlantic</b>	\$ 85,519,437.46	\$ 3,235,650.00	\$ 2,957,558.00		\$ 149,802,087.00	\$ 26,708,075.53
<b>Bergen</b>	202,535,735.00				801,116,358.97	106,872,187.78
<b>Burlington</b>	95,828,712.50	4,845,000.00			225,945,892.00	51,055,128.46
<b>Camden</b>	164,901,072.00	3,241,114.00			252,538,670.13	42,167,885.04
<b>Cape May</b>	54,525,593.32	2,656,215.10		\$ 1,301,163.55	67,715,865.50	9,725,576.00
<b>Cumberland</b>	40,624,876.96		1,161,815.00	421,526.26	40,388,908.00	3,114,543.51
<b>Essex</b>	262,457,692.45				411,999,574.57	79,517,500.94
<b>Gloucester</b>	64,573,104.39	1,584,978.00			120,374,809.54	15,933,315.66
<b>Hudson</b>	141,953,106.00				257,762,049.00	0.00
<b>Hunterdon</b>	34,314,325.43	2,784,796.00			89,343,651.60	43,444,677.65
<b>Mercer</b>	103,584,833.00	6,520,409.00		1,876,090.36	143,308,717.50	108,018,795.52
<b>Middlesex</b>	180,838,126.00				593,037,171.08	22,404,301.84
<b>Monmouth</b>	181,231,155.00	5,666,927.00	913,462.00	4,000,000.00	390,662,400.73	125,724,402.07
<b>Morris</b>	120,581,034.01			4,055,834.14	383,773,236.73	117,407,885.62
<b>Ocean</b>	140,767,062.00	11,923,500.00	4,000,000.00		214,830,279.42	112,360,518.71
<b>Passaic</b>	138,034,694.00				258,009,858.07	22,758,099.00
<b>Salem</b>	25,977,682.00				22,110,358.00	8,856,369.49
<b>Somerset</b>	107,495,069.00	4,799,879.00		3,590,000.00	210,787,783.76	59,889,062.30
<b>Sussex</b>	34,799,621.41	2,495,832.00	1,387,483.00		91,436,541.50	35,015,501.00
<b>Union</b>	152,500,268.50				343,974,182.80	60,624,751.84
<b>Warren</b>	37,990,865.88	2,249,436.00		1,106,160.20	55,365,574.00	18,397,176.00
<b>TOTALS</b>	\$2,371,034,066.31	\$52,003,736.10	\$10,420,318.00	\$16,350,774.51	\$5,124,283,969.90	\$1,069,995,753.96

## Abstract of Ratables and Exemptions 1995 (continued)

	Col. 12—APPORTIONMENT OF TAXES			Col. 13		
COUNTY	Section C Local Taxes to be Raised for		Section D Total Tax Levy on Which Tax Rate is Computed (Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII)	REAL PROPERTY EXEMPT FROM TAXATION		
	I DISTRICT SCHOOL PURPOSES (c) As Required by Local Municipal Budget	II LOCAL MUNICIPAL PURPOSES		(a) Public School Property	(b) Other School Property	(c) Public Property
	<b>Atlantic</b>	\$ 3,315,799.67		\$ 164,989,085.95	\$ 436,527,693.61	\$ 407,284,800
<b>Bergen</b>	1,395,335.00	479,687,261.55	1,591,606,878.30	1,781,946,007	580,989,100	4,068,637,870
<b>Burlington</b>	107,560.00	73,468,859.28	451,251,152.24	513,941,150	71,521,500	1,622,009,918
<b>Camden</b>		118,339,832.01	581,188,573.18	655,623,850	183,688,150	975,056,111
<b>Cape May</b>		79,056,590.59	214,981,004.06	119,649,700	22,695,900	628,738,850
<b>Cumberland</b>	620,433.75	23,736,736.98	110,068,840.46	140,418,350	27,340,300	392,816,806
<b>Essex</b>	8,732,616.91	344,655,639.80	1,107,363,024.67	640,921,000	415,793,200	2,199,200,500
<b>Gloucester</b>		56,716,746.27	259,182,953.86	328,488,200	156,028,400	335,693,800
<b>Hudson</b>	14,534,156.86	264,731,254.82	678,980,566.68	535,619,800	360,885,600	2,274,502,740
<b>Hunterdon</b>		22,318,131.36	192,205,582.04	174,786,920	4,639,200	564,506,996
<b>Mercer</b>	1,261,397.00	107,258,476.92	471,828,719.30	403,807,060	816,650,100	1,691,662,410
<b>Middlesex</b>	4,191,506.63	212,992,007.31	1,013,463,112.86	1,550,197,000	805,930,800	1,076,086,800
<b>Monmouth</b>	47,515.00	196,757,461.77	905,003,323.57	798,338,700	159,776,299	1,708,967,764
<b>Morris</b>		192,384,696.57	818,202,687.07	600,239,375	231,458,600	1,442,563,156
<b>Ocean</b>	4,084,984.00	156,660,983.41	644,627,327.54	506,509,307	68,357,700	1,943,195,129
<b>Passaic</b>	713,712.00	198,337,943.12	617,854,306.19	520,092,850	188,290,800	1,293,705,600
<b>Salem</b>	132,955.25	4,288,635.38	61,366,000.12	82,956,000	14,443,700	135,200,500
<b>Somerset</b>		78,993,561.72	465,555,355.78	371,313,950	84,000,875	627,169,482
<b>Sussex</b>		39,053,508.08	204,188,486.99	213,893,400	16,233,700	413,856,730
<b>Union</b>	2,169,459.50	231,569,569.69	790,838,232.33	592,842,400	196,081,700	1,730,294,100
<b>Warren</b>		15,521,091.07	130,630,303.15	125,588,311	40,705,072	173,109,956
<b>TOTALS</b>	\$41,307,431.57	\$3,061,518,073.65	\$11,746,914,124.00	\$11,064,458,130	\$4,475,645,696	\$26,510,284,768

## Abstract of Ratables and Exemptions 1995 (continued)

COUNTY	Col. 13 REAL PROPERTY EXEMPT FROM TAXATION				Col. 14 AMOUNT OF MISCELLANEOUS REVENUES FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
	(d) Church and Charitable Property	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation  (a + b + c + d + e + f)	(a) Surplus Revenue Appropriated	(b) Miscellaneous Revenues Anticipated
	<b>Atlantic</b>	\$ 196,150,800	\$ 15,053,600	\$ 752,118,300	\$ 2,614,052,050	\$ 23,878,115.79
<b>Bergen</b>	946,767,200	339,862,400	3,185,747,700	10,903,950,277	62,504,685.86	215,849,228.94
<b>Burlington</b>	383,585,538	13,917,700	507,778,851	3,112,754,657	33,368,596.98	86,052,997.46
<b>Camden</b>	516,718,387	25,015,000	571,489,500	2,927,590,998	28,686,510.43	162,244,826.56
<b>Cape May</b>	172,419,010	2,440,000	242,872,800	1,188,816,260	12,951,391.59	50,360,190.77
<b>Cumberland</b>	111,044,450	5,377,800	62,816,109	739,813,815	9,043,352.24	40,060,404.68
<b>Essex</b>	682,686,100	46,503,300	1,701,713,770	5,686,817,870	59,034,241.32	445,739,340.51
<b>Gloucester</b>	232,054,900	8,141,000	85,486,100	1,145,892,400	14,748,258.71	50,354,664.08
<b>Hudson</b>	650,396,487	159,102,200	3,039,659,538	7,020,166,365	18,310,512.19	341,294,056.20
<b>Hunterdon</b>	140,959,225	11,046,000	74,918,884	970,857,225	18,541,000.00	28,170,298.82
<b>Mercer</b>	333,607,310	17,902,703	522,253,450	3,785,883,033	19,815,141.78	174,713,549.95
<b>Middlesex</b>	722,629,800	89,486,200	1,133,853,500	5,378,184,100	37,386,364.88	240,733,336.19
<b>Monmouth</b>	584,189,450	54,431,300	1,143,630,850	4,449,334,363	55,482,150.15	155,372,408.60
<b>Morris</b>	546,774,075	49,271,125	424,441,672	3,294,748,003	39,992,749.11	123,450,712.27
<b>Ocean</b>	325,527,972	10,698,300	219,227,480	3,073,515,888	34,782,442.05	105,025,670.36
<b>Passaic</b>	615,842,700	74,700,900	319,760,741	3,012,393,591	19,717,678.00	149,185,657.06
<b>Salem</b>	63,770,800	1,338,300	75,624,450	373,333,750	5,278,806.69	35,752,606.32
<b>Somerset</b>	283,664,250	20,630,000	388,226,371	1,775,004,928	27,147,694.28	65,742,254.35
<b>Sussex</b>	105,744,690	3,362,200	94,646,800	847,737,520	10,258,795.00	26,369,697.06
<b>Union</b>	554,699,400	175,105,230	319,361,700	3,568,384,530	41,836,000.00	177,084,671.99
<b>Warren</b>	98,732,230	12,704,216	120,349,748	571,189,533	11,806,855.51	23,779,449.76
<b>TOTALS</b>	\$8,267,964,774	\$1,136,089,474	\$14,985,978,314	\$66,440,421,156	\$584,571,342.56	\$2,773,117,453.10

## Abstract of Ratables and Exemptions 1995 (continued)

COUNTY	Col. 14		Col. 15		Col. 16
	AMOUNT OF MISCELLANEOUS REVENUES FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET		DEDUCTIONS ALLOWED		Total Ratables Determined Pursuant to R.S. 54:1-35
	(c) Receipts from Delinquent Taxes and Liens	(d) Total of Miscellaneous Revenues (a + b + c)	(a) Full Estimated Amount of Senior Citizen, Totally	(b) Veterans Deductions	
			Disabled and Surviving Spouse Deductions Allowed		After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
<b>Atlantic</b>	\$ 22,620,577.00	\$ 122,280,123.96	\$ 1,268,100	\$ 511,550	\$ 17,939,045,207
<b>Bergen</b>	29,464,238.90	307,818,153.70	4,305,151	2,239,150	75,155,618,646
<b>Burlington</b>	14,251,066.69	133,672,661.13	1,810,400	1,151,500	19,462,076,852
<b>Camden</b>	23,506,967.65	214,438,304.64	3,396,850	1,273,800	19,573,336,397
<b>Cape May</b>	12,404,363.49	75,715,945.85	808,250	340,500	12,943,797,792
<b>Cumberland</b>	6,512,732.60	55,616,489.52	1,220,500	302,800	4,130,066,299
<b>Essex</b>	58,474,869.41	563,248,451.24	2,179,250	989,800	36,274,605,090
<b>Gloucester</b>	11,255,613.26	76,358,536.05	1,436,350	636,100	11,022,496,923
<b>Hudson</b>	53,882,000.00	413,486,568.39	1,815,750	526,300	20,399,795,507
<b>Hunterdon</b>	5,771,349.16	52,482,647.98	347,250	246,750	9,763,859,970
<b>Mercer</b>	20,784,587.03	215,313,278.76	2,007,500	757,800	18,601,775,581
<b>Middlesex</b>	26,262,555.00	304,382,256.07	3,562,000	1,740,950	42,900,347,053
<b>Monmouth</b>	30,759,758.45	241,614,317.20	1,850,750	1,344,500	39,831,865,999
<b>Morris</b>	16,416,303.00	179,859,764.38	1,240,000	993,900	40,329,302,253
<b>Ocean</b>	25,705,759.61	165,513,872.02	4,431,500	1,873,150	31,165,647,083
<b>Passaic</b>	20,636,232.00	189,539,567.06	2,097,550	854,550	23,083,835,981
<b>Salem</b>	4,563,000.00	45,594,413.01	452,625	184,850	2,844,484,597
<b>Somerset</b>	9,963,978.44	102,853,927.07	954,450	567,500	23,901,854,699
<b>Sussex</b>	8,498,768.20	45,127,260.26	510,550	308,900	8,233,371,121
<b>Union</b>	21,566,904.67	240,487,576.66	2,674,000	1,187,900	28,443,010,136
<b>Warren</b>	6,617,134.09	42,203,439.36	564,250	247,350	5,460,749,378
<b>TOTALS</b>	\$429,918,758.65	\$3,787,607,554.31	\$38,933,026	\$18,279,600	\$491,460,942,564

**1995 Assessed Value of Partial Exemptions and Abatements**  
**(Summary Addendum to Abstract of Ratables)**

<b>COUNTY</b>	<b>Chapter 441 P.L. 1992 R.S. 40A: 21-1</b>	<b>Residential</b>	<b>Multiple Dwelling</b>	<b>Commercial and Industrial</b>	<b>Fallout Shelter</b>	<b>Air/Water Pollution</b>	<b>Water Supply Sewage Disposal</b>	<b>Automatic Fire Suppression Systems</b>	<b>Total Assessed Value (Col. 3 of Abstract)</b>
<b>Atlantic</b>	–	\$ 2,664,400	–	\$ 3,261,000	–	–	–	–	\$ 5,925,400
<b>Bergen</b>	–	5,765,600	–	–	–	\$ 462,500	–	–	6,228,100
<b>Burlington</b>	–	6,147,400	–	14,283,200	\$ 1,000	3,193,700	\$1,200,000	–	24,825,300
<b>Camden</b>	–	15,470,372	–	34,722,363	–	79,000	–	–	50,271,735
<b>Cape May</b>	\$3,059,300	–	–	–	1,000	–	–	–	3,060,300
<b>Cumberland</b>	–	7,718,400	–	33,170,640	–	1,875,500	61,500	–	42,826,040
<b>Essex</b>	–	733,700	–	4,033,000	101,800	737,900	347,000	–	5,953,400
<b>Gloucester</b>	–	4,388,600	–	2,472,320	–	13,507,725	13,300	–	20,381,945
<b>Hudson</b>	–	6,415,400	\$2,611,600	–	–	13,600	2,500,000	–	11,540,600
<b>Hunterdon</b>	–	–	–	–	–	–	–	–	0
<b>Mercer</b>	–	3,270,040	–	2,299,310	4,454,660	2,751,190	62,800	–	12,838,000
<b>Middlesex</b>	–	18,532,700	–	26,143,900	–	4,855,000	–	–	49,531,600
<b>Monmouth</b>	–	11,054,600	–	3,206,500	1,820,200	2,601,200	–	–	18,682,500
<b>Morris</b>	–	78,900	–	–	3,000	198,400	141,800	–	422,100
<b>Ocean</b>	–	605,600	–	10,153,800	5,800	15,055,300	358,100	–	26,178,600
<b>Passaic</b>	–	818,000	–	1,079,800	–	–	274,800	–	2,172,600
<b>Salem</b>	–	467,000	–	208,200	–	–	–	–	675,200
<b>Somerset</b>	–	6,297,249	–	85,700	–	–	–	–	6,382,949
<b>Sussex</b>	–	275,940	–	1,329,100	–	–	–	–	1,605,040
<b>Union</b>	–	–	–	–	–	–	–	\$10,000	10,000
<b>Warren</b>	–	1,030,813	–	923,070	–	1,209,800	–	–	3,163,683
<b>TOTALS</b>	<b>\$3,059,300</b>	<b>\$91,734,714</b>	<b>\$2,611,600</b>	<b>\$137,371,903</b>	<b>\$6,387,460</b>	<b>\$46,540,815</b>	<b>\$4,959,300</b>	<b>\$10,000</b>	<b>\$292,675,092</b>

## 1995 Equalized Value Based On In Lieu Of Taxes

COUNTY	Chapter 12 P.L. 1977 R.S. 54:4-3.104	New Jersey Housing Finance Agency	Total as Reflected in Col. 10(b) of Abstract
Atlantic	-	-	-
Bergen	-	-	-
Burlington	-	-	-
Camden	-	-	-
Cape May	-	-	-
Cumberland	-	-	-
Essex	-	\$94,744,315	\$94,744,315
Gloucester	-	-	-
Hudson	-	-	-
Hunterdon	-	-	-
Mercer	-	-	-
Middlesex	-	-	-
Monmouth	-	-	-
Morris	-	-	-
Ocean	-	-	-
Passaic	-	-	-
Salem	-	-	-
Somerset	-	-	-
Sussex	-	-	-
Union	-	-	-
Warren	-	-	-
<b>TOTALS</b>	0	\$94,744,315	\$94,744,315

## Summary of 1995 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1)

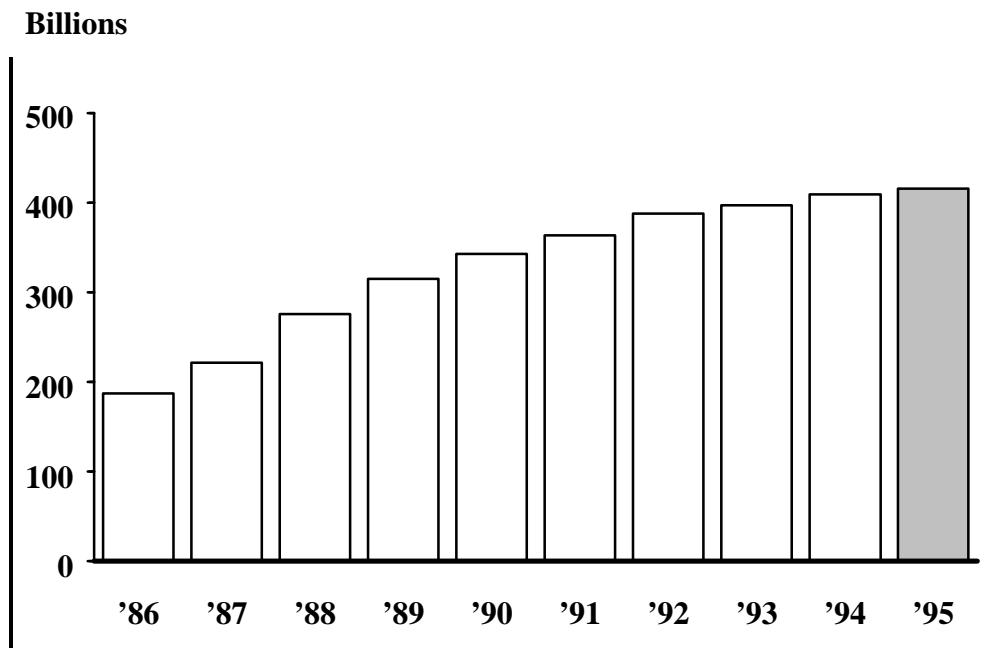
Col. 1	Col. 2						Col. 3	
COUNTY	Total Number of Tax Appeals	Number of Appeals in Each Class of Property						Original Amount of Assessments Involved
		Class 1	Class 2	Class 3A	Class 3B	Class 4	Other	
		Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial Industrial Apartment		
<b>Atlantic</b>	6,172	1,076	4,558	10	4	506	18	\$ 1,349,683,990
<b>Bergen</b>	7,105	562	5,160	6	2	1,331	44	2,927,739,291
<b>Burlington</b>	860	190	336	20	29	279	6	892,658,207
<b>Camden</b>	2,018	163	1,381	13	3	458	0	434,218,800
<b>Cape May</b>	1,407	428	770	0	0	209	0	287,470,000
<b>Cumberland</b>	367	74	237	5	7	44	0	38,822,400
<b>Essex</b>	5,164	419	2,686	0	0	2,044	15	877,311,000
<b>Gloucester</b>	928	233	483	20	14	168	10	458,584,500
<b>Hudson</b>	9,908	706	6,251	0	0	2,944	7	2,169,316,429
<b>Hunterdon</b>	405	104	236	18	5	41	1	124,607,936
<b>Mercer</b>	1,847	173	1,372	23	4	269	6	522,751,454
<b>Middlesex</b>	2,262	429	1,270	3	10	549	1	754,906,300
<b>Monmouth</b>	4,939	529	3,705	71	37	592	5	1,212,365,055
<b>Morris</b>	1,326	257	730	1	7	329	2	424,161,775
<b>Ocean</b>	3,985	1,087	2,596	8	1	286	7	858,223,283
<b>Passaic</b>	3,004	386	1,809	2	5	796	6	579,072,369
<b>Salem</b>	129	35	58	1	1	34	0	33,337,600
<b>Somerset</b>	767	209	417	17	7	113	4	305,032,487
<b>Sussex</b>	1,656	548	962	29	10	73	34	194,231,750
<b>Union</b>	1,587	105	641	1	0	840	0	435,209,100
<b>Warren</b>	448	81	266	20	1	77	3	89,416,050
<b>TOTALS</b>	56,284	7,794	35,924	268	147	11,982	169	\$14,969,119,776



**Summary of 1995 County Tax Board Appeals Reported  
Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued**

COUNTY	Col. 4	Col. 5	Col. 6	Col. 7						
	Total Amount of Assessment Reductions Granted	Total Amount of Assessment Increases Granted	Net Total Assessment	Number of Appeals in Each Filing Fee Category						
				\$5.00	\$25.00	\$100.00	\$150.00	No Fee	Other	Total
<b>Atlantic</b>	\$ 155,754,800	\$ 6,834,033	\$ 1,200,763,223	4,040	1,231	118	67	26	690	6,172
<b>Bergen</b>	186,687,639	6,804,311	2,747,855,963	1,752	3,201	548	241	0	1,363	7,105
<b>Burlington</b>	117,818,624	2,396,744	777,236,327	354	206	66	82	152	0	860
<b>Camden</b>	38,206,420	269,300	396,281,680	937	513	98	53	404	13	2,018
<b>Cape May</b>	40,016,300	846,400	248,300,100	751	494	76	23	62	1	1,407
<b>Cumberland</b>	6,934,700	5,400	31,893,100	298	37	8	4	19	1	367
<b>Essex</b>	72,456,300	5,400	804,860,100	3,118	1,621	224	51	69	81	5,164
<b>Gloucester</b>	24,246,650	83,100	434,420,950	499	130	38	36	223	2	928
<b>Hudson</b>	143,882,693	0	2,025,433,736	5,904	3,213	445	186	0	160	9,908
<b>Hunterdon</b>	11,710,564	975,064	113,872,436	76	141	14	6	0	168	405
<b>Mercer</b>	55,951,341	3,430,061	470,230,174	901	353	68	37	485	3	1,847
<b>Middlesex</b>	36,398,600	1,105,300	719,613,000	1,387	564	132	84	92	3	2,262
<b>Monmouth</b>	122,719,665	1,113,600	1,090,758,990	2,393	1,659	246	115	11	515	4,939
<b>Morris</b>	37,671,660	108,400	386,598,515	417	505	121	38	228	17	1,326
<b>Ocean</b>	84,042,133	825,900	775,007,050	2,130	962	114	52	727	0	3,985
<b>Passaic</b>	50,452,829	493,591	529,113,131	1,739	745	98	32	389	1	3,004
<b>Salem</b>	5,003,800	163,700	28,497,500	93	18	7	10	1	0	129
<b>Somerset</b>	38,282,344	23,176,394	289,926,537	271	206	28	24	236	2	767
<b>Sussex</b>	21,972,900	963,050	173,221,900	781	287	20	9	0	559	1,656
<b>Union</b>	33,712,800	0	401,496,300	723	590	165	57	52	0	1,587
<b>Warren</b>	10,927,410	1,913,400	80,402,040	156	82	17	6	184	3	448
<b>TOTALS</b>	\$1,294,850,172	\$51,513,148	\$13,725,782,752	28,720	16,758	2,651	1,213	3,360	3,582	56,284

## Total Taxable Value Land and Improvements in New Jersey 1986 – 1995



### 1995 County Values

Atlantic	\$ 16,080,164,775	Middlesex	\$ 34,433,229,056
Bergen	69,985,881,222	Monmouth	38,054,799,627
Burlington	18,975,462,612	Morris	28,466,487,477
Camden	16,621,620,002	Ocean	30,048,590,147
Cape May	13,037,910,940	Passaic	20,058,107,316
Cumberland	3,583,092,421	Salem	2,422,802,825
Essex	17,267,567,771	Somerset	20,160,288,994
Gloucester	10,627,540,747	Sussex	7,452,379,595
Hudson	19,237,956,482	Union	21,094,508,440
Hunterdon	9,579,719,414	Warren	5,192,505,357
Mercer	13,984,857,227	<b>Total</b>	<b>\$416,365,472,447</b>

## Public Utility Taxes 1996 (Energy Unit, Franchise and Gross Receipts)

Collected by the State and Available for Apportionment to Municipalities (Calendar Year)  
Distribution Subject to Budgetary and Statutory Limitations and Restrictions

Classification	Number of Companies	Energy Based Taxes*	Franchise Taxes* Gross Receipts	Tax	Gross Receipts	Taxes* Tax
Electric Energy.....	3	\$258,544,141				
	3	88,407,013				
Electric & Gas Energy.....	2	538,999,003				
Municipal Electric Energy.....	1	1,503,333				
	<u>9</u>					
Water .....	50		\$ 441,836,128	\$21,063,998	\$470,093,475	\$33,646,936
Sewer .....	19		15,473,678	770,059	19,368,806	1,450,080
Telephone & Telegraph.....	3		<u>1,204,953,793</u>	<u>59,792,995</u>	<u>0</u>	<u>0</u>
	<u>72</u>					
	<b>81</b>					
Total.....		\$887,453,490	\$1,662,263,599	\$81,627,052	\$489,462,281	\$35,097,016
Administrative Cost.....		<u>241,480</u>		<u>22,271</u>		<u>9,234</u>
Net Tax Apportioned.....		\$887,212,010		\$81,604,781		\$35,087,782
<b>Total Net Tax Apportioned (Energy Unit, Franchise and Gross Receipts) .....</b>						<b>\$1,003,904,573</b>

\*Includes adjustments for credit and/or advance payments made under C. 35 and C. 36, P.L. 1979 and/or C. 184, P.L. 1991.

## Individual Income Tax Returns County Profile 1994

County	No. of Returns	NJ Taxable Income	Tax Liability
Atlantic	100,200	\$ 2,778,602,000	\$ 76,786,000
Bergen	410,946	19,596,642,000	560,861,000
Burlington	174,684	6,318,304,000	171,987,000
Camden	210,909	6,791,129,000	168,072,000
Cape May	44,998	1,141,210,000	31,198,000
Cumberland	58,879	1,495,040,000	39,754,000
Essex	304,078	11,508,967,000	340,886,000
Gloucester	97,123	3,011,456,000	69,202,000
Hudson	219,554	5,301,959,000	102,398,000
Hunterdon	50,780	2,653,531,000	89,964,000
Mercer	143,369	5,873,020,000	182,562,000
Middlesex	305,449	10,745,474,000	277,011,000
Monmouth	258,236	11,501,645,000	332,182,000
Morris	197,538	10,557,865,000	352,266,000
Ocean	207,745	5,616,908,000	151,791,000
Passaic	210,626	6,129,150,000	163,581,000
Salem	26,437	768,272,000	18,407,000
Somerset	136,779	6,847,480,000	231,521,000
Sussex	58,553	2,383,706,000	68,668,000
Union	210,738	8,108,873,000	232,036,000
Warren	43,804	1,491,586,000	40,956,000
County Unknown	93,667	4,183,916,000	119,791,000
<b>Totals</b>	<b>3,565,092</b>	<b>\$134,804,735,000</b>	<b>\$3,821,880,000</b>

**Sales and Use Tax Collections by Business Type**  
**Return Years 1993–1995**  
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	1993	1994	1995	1993	1994	1995	1993-4	1994-5
<b>Exempt Organizations</b>	387	387	387	\$ 1,769	\$ 1,906	\$ 6,131	7.8%	221.6%
<b>Manufacturing</b>	12,378	12,824	12,745	153,686	168,810	182,735	9.8	8.2
<b>Service</b>	76,559	83,624	81,211	987,924	1,057,020	1,093,115	7.0	3.4
<b>Wholesale</b>	10,996	11,224	11,052	153,748	161,825	164,296	5.3	1.5
<b>Construction</b>	18,625	18,642	18,231	81,906	85,678	81,589	4.6	-4.8
<b>Retail</b>	91,366	91,020	89,463	2,083,901	2,198,027	2,244,691	5.5	2.1
<b>Government</b>	20	13	13	30,000	101	209	-99.7	107.1
<b>Not Classified</b>	7,072	10,055	9,334	40,562	49,193	50,447	21.3	2.5
<b>Totals</b>	<b>217,403</b>	<b>227,789</b>	<b>222,436</b>	<b>\$3,533,496</b>	<b>\$3,722,560</b>	<b>\$3,823,213</b>	<b>5.4%</b>	<b>2.7%</b>

## 1996 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	<b>1966</b>	1965	1965	1934	1953
CURRENT RATE	6%	None	5%	5%	<b>6%</b>	4% <sup>1</sup>	8.25% <sup>2</sup>	5% <sup>3</sup>	6% <sup>4</sup>

<sup>1</sup> State rate is 4%; counties and municipalities may impose additional tax up to 4% plus an additional metropolitan area surcharge of .25%.

<sup>2</sup> New York City rate includes New York State rate.

<sup>3</sup> State rate is 5%; each county may impose an additional 2%.

<sup>4</sup> 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	OH	PA
Beer On–Premises	T	E	T	T	<b>T</b>	T	T	T
Beer Off–Premises	T	E	T	E <sup>1</sup>	<b>T</b>	T	T	T
Cigarettes	T	E	T	T	<b>T</b>	T	T	T
Clothing	E <sup>2</sup>	E	T	E <sup>3</sup>	<b>E</b>	T	T	E
Food Off–Premises	E <sup>4</sup>	E	E <sup>4</sup>	E <sup>4</sup>	<b>E<sup>4</sup></b>	E <sup>4</sup>	E	E <sup>4</sup>
Liquor On–Premises	T	E	T	T	<b>T</b>	T	T	T
Liquor Off–Premises	T	E	T	E <sup>1</sup>	<b>T</b>	T	T	T
Manufacturing Equipment	E	E	E	E	<b>E</b>	E	E	E
Motor Fuels	T	E	E	E <sup>5</sup>	<b>E</b>	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.

<sup>1</sup> If purchased as “take-out” item from a package store.

<sup>2</sup> Single article \$49.99 and under; however, single article \$50.00 or over is taxable.

<sup>3</sup> Single item \$175 and under; however, single article over \$175 is taxed on the amount in excess of \$175.

<sup>4</sup> 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.

<sup>5</sup> 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.

## 1996 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
<b>CORPORATION NET INCOME</b>	10.75%	8.7%	7%	9.5%	<b>9%</b>	9%	8.85%	5.1%– 8.9%	9.99%
<b>PERSONAL INCOME</b>	4.5%	*3.2%– 7.1%	*2%– 5%	5.95%, 12%	<b>*1.4%– 6.37%</b>	*4%– 7%	*2.6%– 3.91%	*0.743%– 7.5%	2.8%
*Graduated Rates									
<b>MOTOR FUELS</b>									
• <b>Excise Tax/Gal.</b>									
<b>Gasoline</b>	\$0.37	\$0.23	\$0.235	\$0.21	<b>\$0.105<sup>1</sup></b>	\$0.08	0	\$0.22	\$0.12
<b>Diesel</b>	\$0.18	0	\$0.2425	\$0.21	<b>\$0.135</b>	\$0.08	0	\$0.22	\$0.12
• <b>Sales Tax</b>	6%	None	0	0	<b>2.75<sup>2</sup></b>	4%	4.25%	0	0
<sup>1</sup> Liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways is taxed at 1/2 the general motor fuels tax rate (\$0.0525 per gallon).									
<sup>2</sup> Petroleum products tax of 2.75% is imposed on the first sale of petroleum products within the State.									
<b>ALCOHOL</b>									
• <b>Excise Tax/Gal.</b>									
<b>Beer</b>	\$0.20	\$0.156	\$0.09	\$0.11	<b>\$0.12</b>	\$0.16	\$0.28 <sup>2</sup>	\$0.18	\$0.08
<b>Wine</b>	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$1.10	<b>\$0.70</b>	\$0.189– \$0.717	\$0.189– \$0.717 <sup>2</sup>	\$0.32– \$1.50	\$0.005/ unit proof
<b>Liquor</b>	\$4.50	\$3.64– \$5.46	\$1.50	\$4.05	<b>\$4.40</b>	\$6.44	\$7.44 <sup>2</sup>	\$3.38 <sup>3</sup>	\$1.00– \$1.30/proof gallon plus 18% of net price
• <b>Sales Tax</b>	6%	None	5%	5% <sup>1</sup>	<b>6%</b>	4%	8.25% <sup>2</sup>	5%	6%
<sup>1</sup> Purchases for off-premises consumption are not taxable.									
<sup>2</sup> New York City rate includes New York State rate.									
<sup>3</sup> Ohio Department of Liquor Control must pay the State Treasury \$3.38 for each gallon sold.									
<b>TOBACCO</b>									
• <b>Excise Tax</b>									
<b>Cigarettes (20/pack)</b>	\$0.50	\$0.24	\$0.36	\$0.51	<b>\$0.40</b>	\$0.56	\$0.64 <sup>1</sup>	\$0.24	\$0.31
<b>Other Tobacco (% of Wholesale Price)</b>	20%	15%	0	50%	<b>24%</b>	20%	20%	17%	0
• <b>Sales Tax</b>	6%	None	5%	5%	<b>6%</b>	4%	8.25% <sup>1</sup>	5%	6%
<sup>1</sup> New York City rate includes New York State rate.									

## Major State Tax Rates (On July 1, 1996)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20- Pack) (\$)
<b>Alabama</b>	*2%–5%	5%	4%	\$0.16	\$0.165
<b>Alaska</b>	None	*1–9.4	None	0.08	0.29
<b>Arizona</b>	*3.0–5.6	9	5	0.18	0.58
<b>Arkansas</b>	*1–7	*1–6.5	4.5	0.185	0.315
<b>California</b>	*1–11	9.3	6	0.18	0.37
<b>Colorado</b>	5	5	3	0.22	0.20
<b>Connecticut</b>	4.5 <sup>1</sup>	10.75	6	0.37	0.50
<b>Delaware</b>	*3.2–7.1	8.7	None	0.23	0.24
<b>Dist. of Columbia</b>	*6–9.5	9.5	5.75	0.20	0.65
<b>Florida</b>	None	5.5	6	0.125	0.339
<b>Georgia</b>	*1–6	6	4	0.075	0.12
<b>Hawaii</b>	*2–10	*4.4–6.4	4	0.248–0.325 <sup>2</sup>	0.60
<b>Idaho</b>	*2–8.2	8	5	0.25	0.28
<b>Illinois</b>	3	4.8	6.25	0.19	0.44
<b>Indiana</b>	3.4	3.4	5	0.15	0.155
<b>Iowa</b>	*.4–9.98	*6–12	5	0.20	0.36
<b>Kansas</b>	*3.5–6.45	4	4.9	0.18	0.24
<b>Kentucky</b>	*2–6	*4–8.25	6	0.15	0.03
<b>Louisiana</b>	*2–6	*4–8	4	0.20	0.20
<b>Maine</b>	*2–8.5	*3.5–8.93	6	0.19	0.37
<b>Maryland</b>	*2–5	7	5	0.235	0.36
<b>Massachusetts</b>	5.95, 12	9.5	5	0.21	0.51
<b>Michigan</b>	4.4	2.3	6	0.15	0.75
<b>Minnesota</b>	*6–8.5	9.8	6.5	0.20	0.48
<b>Mississippi</b>	*3–5	*3–5	7	0.18	0.18

\*Graduated Rates

<sup>1</sup>Applied to percent of adjusted gross income ranging from 25% to 100%.

<sup>2</sup>Combined state and county rate; rates vary by county.



## Major State Tax Rates (continued)

(On July 1, 1996)

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	*2–11	6.75	None	0.27	0.18
Nebraska	*2.62–6.99	*5.58–7.81	5	0.264	0.34
Nevada	None	None	6.5	0.23	0.35
New Hampshire	5 <sup>1</sup>	7	None	0.18	0.25
<b>New Jersey</b>	<b>*1.4%–6.37</b>	<b>9</b>	<b>6</b>	<b>0.105</b>	<b>0.40</b>
New Mexico	*1.7–8.5	*4.8–7.6	5	0.17	0.21
New York	*4–7	9	4	0.08	0.56
North Carolina	*6–7.75	7.75	4	0.22	0.05
North Dakota	*2.67–12	*3–10.5	5	0.20	0.44
Ohio	*.743–7.5 <sup>2</sup>	*5.1–8.9	5	0.22	0.24
Oklahoma	*0.5–7	6	4.5	0.16	0.23
Oregon	5–9	6.6	None	0.24	0.38
Pennsylvania	2.8	9.99	6	0.12	0.31
Rhode Island	27.5 <sup>3</sup>	9	7	0.28	0.61
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.18	0.33
Tennessee	6 <sup>1</sup>	6	6	0.20	0.13
Texas	None	.25	6.25	0.20	0.41
Utah	*2.55–7	5	4.875	0.19	0.265
Vermont	25 <sup>3</sup>	*5.5–8.25	5	0.15	0.44
Virginia	*2–5.75	6	3.5	0.175	0.025
Washington	None	None	6.5	0.23	0.815
West Virginia	*3–6.5	9	6	0.205	0.17
Wisconsin	*4.9–6.93	7.9	5	0.237	0.44
Wyoming	None	None	4	0.09	0.12
<b>US AVERAGE</b>	3.0%–7.0%	6.1%–7.3%	5.2%	\$0.19	\$0.33

\*Graduated Rates

<sup>1</sup>Imposed on interest and dividend income only.

<sup>2</sup>In 1996, income tax rates reduced by 6.609% due to surplus in general revenue fund. Rates shown do not reflect reduction.

<sup>3</sup>Graduated rates of Federal income tax.

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