



## Urban Enterprise Zone - Lease and Rental Periods

**TAM-2010-1 – Issued November 1, 2010**

**Tax: Sales and Use Tax**

The Urban Enterprise Zones Act provides certain businesses with an exemption from New Jersey Sales Tax. Under this exemption, qualified businesses do not have to pay Sales Tax on purchases of most tangible personal property (office and business equipment, supplies, furnishing, fixtures, etc.) or on payment of certain taxable services (construction work, repair, maintenance and installation services, etc.) that are for the exclusive use and consumption of the qualified business at its Urban Enterprise Zone (UEZ) location. The Sales Tax exemption for purchases also applies to the lease and rental of tangible personal property used exclusively for a qualified business at its UEZ location.

A qualified business is an entity engaged in business activities within one of New Jersey's UEZs. Qualified businesses meet requirements which, upon application and approval, allow the State to certify the businesses as active participants in the UEZ program. A qualified business is eligible to receive tax incentives, including the Sales Tax exemption that applies when making purchases exclusively for its business operations at its UEZ location.

A qualified business that gives a fully completed Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5) to a lessor at the beginning of a lease transaction does not have to pay Sales Tax during the lease term if the tangible property is delivered to its business location or the business takes possession of the property within New Jersey. The qualified business is not required to provide another exemption certificate during the lease period until the certificate expires.

If a qualified business is located in a UEZ that expires,\* the lessor must collect Sales Tax for the remainder of the lease starting the day immediately following the UEZ termination date. However, if there are specific terms within the lease agreement that address tax consequences when there is a change in the law, those terms apply.

When a business no longer meets the requirements of the UEZ program and loses its eligibility status before the end of a lease or rental period, the lessor must collect Sales Tax on the remainder of the lease or rental period starting the day immediately following the termination date unless as discussed above, specific terms within the lease agreement address tax obligations when there is a change in the law. If a business that is recertified as a qualified business after losing its status continues a lease or enters into a new lease agreement with the same lessor, the qualified business is required to give the lessor an updated UZ-5.

For more detailed information on leases and rentals, refer to the notice on [Leases and Rentals of Tangible Personal Property](#) which is accessible from the Division's website.

A qualified business that paid Sales Tax on a transaction eligible for the UEZ exemption may apply for a refund using [Form A-3730-UEZ](#). The form and supporting documentation must be completed and submitted to the Division of Taxation within one year of the date that the Sales Tax was paid. Additional [refund information](#) is available from the Division's website.

\*See [Notice to Qualified Businesses Located in Urban Enterprise Zones – Expiration of Urban Enterprise Zones on 12/31/16](#).

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**Note:** A Technical Advisory Memorandum ("TAM") is an informational statement of the law, regulations, or Division policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions or changes in Division policies could affect the validity of the information presented in a TAM.