DIVISION OF TAXATION HIGHLIGHTS

- Following the events of September 11, 2001, the Division of Taxation's Customer Service Center, which normally handles inquiries regarding New Jersey State taxes, was converted and dedicated to respond to victim and family emergencies. Division employees were called upon to staff the Victims and Family Hotline and rose to the occasion admirably. From reconfiguring the phone systems to training agents and employees from throughout the Division who volunteered to staff Hotline, to supervising, scheduling, and staffing the Hotline, Division employees pitched in to provide help to those affected.

- The Division of Taxation received $276.9 million in net revenue from the 2002 Tax Amnesty Program that began April 15, 2002, and ended on June 10, 2002. 101,534 payments were made during the 57-day Amnesty period. 32% of the amount collected was from sales and use tax, 38% from corporate tax liabilities, 22% from gross income tax, and the remainder from the 27 other taxes administered by the Division. During the Amnesty period, the Amnesty hotline received nearly 155,000 phone calls and the Amnesty Web site recorded 78,620 hits. Under Amnesty the State waived penalties and interest charges on tax liabilities incurred between January 1, 1996, and December 31, 2001 — individuals and businesses were allowed to pay only what they owed in back taxes. Those who failed to settle their delinquent State taxes during Amnesty now face the reinstatement of the original penalties and interest, plus new penalties, charges, and fees.

- In November of 1999, the Division became a participant in the Federal Offset of Individual Liability (FOIL) Program which was set up by the Federal Management System (FMS). Through the FOIL Program the Federal government offsets Federal personal income tax refunds against tax deficiencies of participating states. Affected taxpayers are sent notification by certified mail advising them of the intended setoff and giving them 60 days to protest the action. The Division receives payments consisting of payments directly from taxpayers sent in response to the notification, as well as from the FMS as a result of the offset. The Division collected revenues of $8.8 million during Fiscal Year 2002 and nearly $23 million since becoming a participant.

- On February 11, 2002, the Division introduced NJ WebFile, offering free filing of personal income tax returns and homestead rebate applications from a secure Internet site. By the end of the income tax filing season, nearly 16,000 taxpayers had taken advantage of this option.

- In May of 1999, the Division began publishing a listing of businesses and individuals with the largest uncollected New Jersey tax liabilities on our Web site. During Fiscal Year 2002, the publishing of these lists of taxpayers, who had previously ignored the Division's attempts to bring them into compliance, generated revenues of $1.5 million. Since its inception, this program has resulted in collections of $6.5 million.

- The Division stepped up its investigations of fraud in the property tax relief programs, resulting in a savings of nearly $5 million. In addition, criminal investigations conducted with the assistance of various law enforcement agencies resulted in guilty pleas and convictions of several individuals suspected of preparing fraudulent homestead rebate applications.

- During Fiscal Year 2002, the number of taxpayers who chose to file their individual income tax returns using an electronic method rather than paper increased 23% over the previous year. Electronic filings result in more accurate returns, faster processing times, and quicker refunds. We expect to see similar growth in the number of users over the next few years.

- The Office of Criminal Investigation continued its active participation in the MultiState/Federal Task Force. The Task Force was created to deter smuggling of contraband cigarettes into states with higher cigarette taxes along the Eastern Seaboard from those with lower cigarette taxes. Members include New Jersey, New York, Pennsylvania, Virginia, and New York City, as well as the Federal Bureau of Investigation, the United States Bureau of Alcohol, Tobacco and Firearms, and the United States Attorney's Office for the Eastern District of Virginia. Multiagency task force operations such as this allow agencies to pool their law enforcement and investigative resources for a mutually beneficial purpose, resulting in indictments and convictions.

- Under the cash audit program initiated in 1996, special emphasis has been placed on the audit of approximately 12,000 retail liquor licensees. In 1998 the Division has included audits of the pizza industry as an expansion of its cash audit program. Since that time various other cash initiatives have also been undertaken. The cash audit program is intended to strengthen compliance and collection efforts as well as level the playing field for compliant businesses. Since its inception cash audit and compliance efforts have become an integral part of Field Audit operations. To date, the Liquor Audit Project has resulted in $187 million in assessments and the Pizza Audit Project has resulted in $15.3 million.

- In June 2002, the Division's Local Property Tax Field Assistance and Appraisal Unit completed a major reworking of the Real Property Appraisal Manual for New Jersey Assessors in the area of residential property. The last extensive revision of the Appraisal Manual was done in 1981. The Manual is used by municipal assessors employing the cost approach to valuation. This undertaking by LPT field staff, who canvassed several hundred construction sites, required the cooperation of local assessors, realtors, and builders throughout the State in gathering statistical data to support the new unit costs for labor and construction. Based on the data collected, several new residential property classes were created in order to reflect the value of larger, high-quality homes currently being built in New Jersey.

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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 five branches: In-State Field Audit, Out-of-State Field Audit, Audit Services, Office Audit, and Individual Tax Audit.

In-State Field Audit

The In-State 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, information may be obtained for other taxing jurisdictions during the performance of the audit.

In addition to regular audit activities, the In-State Field Audit Branch continues to pursue its cash audit initiative. This program is designed to strengthen compliance and collection efforts as well as level the playing field for compliant businesses. To help the Division identify the types of cash businesses that need assistance, a special team does pilot audits and helps develop procedures for other cash initiatives.

Out-of-State Field Audit

The Out-of-State Field Audit Branch is responsible for performing field audits for all New Jersey taxes on all taxpayers whose accounting records are maintained outside of the State. Currently the Division has regional offices in Chicago (Illinois) and Anaheim (California), with Field telecommuters based in Atlanta, Stamford, Houston, Dallas, and Tampa.

Audit Services

The Audit Services Branch provides audit, technical, and clerical support for every aspect of the Audit Activity. In addition, the Branch administers the Alcoholic Beverage Tax, Cigarette Tax, Motor Fuels Tax, Petroleum Products Gross Receipts Tax, Public Utility Tax, Sales Tax (refunds), Spill Compensation and Control Tax, and the Wholesale Tobacco Products Tax.

The Audit Selection Group provides other Audit Activity Branches with lists of audit candidates. This group processes data from the Division's internal databases, as well as from outside sources such as the IRS, U.S. Customs, alcoholic beverage wholesalers, and various other third parties.

The Audit Billing Group provides billing capabilities for both In-State and Out-of-State Field Audit, Office Audit's corporate desk audits, and all miscellaneous taxes administered by the Audit Services Branch. This process includes making the necessary adjustments to the Division's systems to properly reflect taxpayers' accounts, creating bills, corresponding with taxpayers, applying payments, and transferring files for administrative hearings or securing liabilities for future collection.

The Cooperative Interstate Tax Enforcement Group administers the agreement between New Jersey and New York as it relates to Sales and Use Taxes being charged by vendors doing interstate business. This unit is also responsible for the assessment of Use Tax on taxable purchases which are made out of State, and works with the U.S. Customs Service data in assessing Use Tax that is due on imported goods being brought into New Jersey by both businesses and individuals. It also administers the provisions of the Jenkinson Act as it relates to cigarettes being purchased out of State.

The Motor Fuels Group administers the Motor Fuels Tax, Petroleum Products Gross Receipts Tax, and the Spill Compensation and Control Tax. The group is responsible for issuing licenses, determining proper bonding, and issuing refunds. The group conducts office audits, reconciliations of taxpayer accounts, and provides taxpayer services.

The Tobacco and Alcoholic Beverage Tax Group administers the Cigarette Tax, Wholesale Tobacco Products Tax, and the Alcoholic Beverage Tax. The group is responsible for maintaining pricing requirements along with the audit and investigation of any Tobacco Tax related activity.

The Public Utility Tax Unit reviews taxpayer reports, conducts office audits, and maintains taxpayer accounts as they relate to various Energy and Utility taxes.

The Word Processing Unit provides centralized word processing and other clerical support for groups such as Individual Tax Audit, Nexus, and other areas that require assistance with high volume projects.

Office Audit

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

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

Individual Tax Audit

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

Gross Income Tax Audit. The Gross Income Tax Audit Section is responsible for auditing Gross Income Tax returns filed with the State of New Jersey. The audits are done using a variety of criteria developed within the Branch, utilizing information from the Internal Revenue Service, neighboring states, and other New Jersey agencies, where applicable. The Section also pursues delinquent resident and nonresident taxpayers separately and in joint projects with other Division branches and the Internal Revenue Service.

Transfer Inheritance and Estate Tax. The Transfer Inheritance and Estate Tax Section is responsible for all phases of the administration of the two taxes, from offering taxpayer services, to auditing, to the issuance of waivers.

TECHNICAL SERVICES

Conference and Appeals

The Conference and Appeals Branch handles taxpayer complaints and protests, and conducts informal administrative hearings.

All incoming protests are evaluated by the Review Section for compliance with the statutory and regulatory provisions for Protests and Appeals. Within the Review Section, the Risk Management Group determines whether the State is at risk relative to the collection of the protested assessment. Taxpayers may be asked either to pay the outstanding assessment, furnish a surety bond, or furnish a letter of credit to stay collection, including the filing of a Certificate of Debt and a “Finding of Responsible Person.”

The Conferences Section provides informal administrative hearings. After the hearing process, conferees issue the Division’s Final Determinations on assessments, notices of individual responsibility for trust fund taxes, denials of refunds, as well as determinations on nonmonetary issues such as nexus, subjectivity determinations, and the denial of organizations’ claims for exempt status.

Final Determinations can be appealed to the Tax Court of New Jersey. The Appeals Section tracks and manages these cases, acting as the Division’s liaison with the Deputy Attorney General assigned to defend the Division of Taxation.

Customer Services Branch

Customer Services is responsible for encouraging voluntary compliance by providing taxpayers with the information and assistance they need to meet their New Jersey tax responsibilities. Additionally, the Branch provides assistance to New Jersey residents in applying for and obtaining property tax rebates they may be eligible for. The Customer Services Branch provides assistance through phone services, automated systems, walk-in help, and training and outreach as described below.

- ***Customer Service Center*** is a state-of-the-art telephone facility which can handle over 10,000 calls a day.
- ***NJ TeleFile*** is a quick, easy, and convenient way for New Jersey residents to file their income tax returns from a Touch-tone telephone.
- ***NJ WebFile*** provides taxpayers the means to prepare their income tax returns on a personal computer using the Division’s secure Internet site. There is nothing to buy and no filing fees.

- ***Automated Tax Information System*** offers taxpayers a wide variety of information and assistance from a Touch-tone phone including the Automated Refund Inquiry System, the Homestead Rebate InfoLine, New Jersey TaxTalk, and the Forms Request System.
- ***NJ TaxFax*** makes State tax forms and other technical information available to fax machine users.
- ***Trenton Regional Office*,** located in the main lobby of the Taxation Building in Trenton, is a walk-in office for taxpayer assistance.
- ***Training & Outreach*** presents workshops for the public on a variety of topics, provides speakers on New Jersey tax-related matters, and administers the VITA (Volunteer Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs.

Information and Publications

The Information and Publications Branch produces informational publications and tax return instructions; responds to taxpayer correspondence; resolves problems relating to the various property tax relief benefit programs administered by the Division; and mails forms, publications, and other Division material to the public.

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

Correspondence Unit responds to most of the general taxpayer correspondence, both conventional and e-mail, that comes to the Division directly or that is referred here for reply.

Property Tax Relief Programs Unit resolves problems related to the State's Homestead Rebate, NJ SAVER Rebate, and Property Tax Reimbursement Programs. The Unit assists New Jersey legislators seeking to resolve constituents' problems, and responds directly to taxpayer correspondence related to these property tax relief programs.

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

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

Regulatory Services

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

The Branch is charged with the responsibility of coordinating the processing of all Division rules and notices. The Administrative Practice Officer within the Branch maintains contact with the Office of Administrative Law in order to oversee the promulgation of Division rules and their official publication in the *New Jersey Register*.

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

COMPLIANCE

Special Procedures

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

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

Bankruptcy. The primary function of the Bankruptcy Section is to collect delinquent taxes from debtors who have filed for protection under Federal or State Insolvency Statutes by submitting Proofs of Claim to the appropriate courts of jurisdiction.

Bulk Sales. The Bulk Sales Section is responsible for examining the tax records of each business which disposes of its assets either by sale, transfer, or assignment, other than in the normal course of business. This area also issues Tax Clearance Certificates for Transfer of Retail Alcoholic Beverage Licenses.

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

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

Compliance Services

The Compliance Services Branch provides services to the taxpaying public and the Division of Taxation; and works with other State agencies such as the Division of Motor Vehicles, the State Division of Alcoholic Beverage Control (ABC), and the Lottery Commission.

ABC Clearance Section. This section, working with the State ABC, is responsible for issuing Alcoholic Beverage Retail Liquor License Clearance Certificates to license holders prior to their annual license renewal.

Delinquency Section. This section is responsible for issuing delinquency notifications when taxpayers fail to file required tax returns when due, and for securing delinquent returns and payments.

Deferred Payment Section. This section provides a method for taxpayers to repay deficient taxes under formal payment plans, and monitors active payment plans to insure compliance.

Casual Sales Section. This section works with the Division of Motor Vehicles to verify, assess, and collect the appropriate sales tax on purchases of motor vehicles, boats, and aircraft. Out-of-State purchases are also scrutinized.

OSI Liaison. This area is the link to OSI, a private collection agency contracted to collect delinquent and deficient taxes for the Division. They assure that the vendor complies with Division policies and procedures, and act as facilitators between Division and OSI personnel.

This Branch is also responsible for the following programs: ***Vendor Set-Off,*** a program that intercepts monies due to State vendors for services rendered and applies the payments to deficient and delinquent taxes owed by the vendor; ***SOIL,*** Set-Off of Individual Liability, a program that withholds income tax refunds and property tax rebates from taxpayers who have tax debts; ***FOIL,*** Federal Offset of Individual Liabilities, a program that withholds Federal income tax refunds and applies them against State tax liabilities; ***Lottery***, a project that verifies to the New Jersey Lottery Commission that prospective lottery agents are current in their taxes; and ***CATCH***, Citizens Against Tax Cheats, that handles reports received about those suspected of not paying, reporting, or collecting taxes.

Taxpayer Accounting

The Taxpayer Accounting Branch issues bills for underpayment of tax and penalties and interest, reviews bills and refund or credit requests for accuracy, adjusts accounts to correct errors, and responds to taxpayers' inquiries regarding the status of their accounts.

Taxpayer Accounting is comprised of the Correspondence and Review Sections for personal income tax, a Business Tax Section, and a Support Section. The Branch is also very heavily involved in the Property Tax Reimbursement, NJ SAVER Rebate, and Homestead Rebate Programs; and staffs a Tax Practitioner Hotline for tax practitioners who are unable to resolve client problems through normal channels.

Field Investigations

This Branch is responsible for collections, post-judgment civil enforcement, canvassing, and investigation work. Branch personnel work from seven field offices around the State. Walk-in taxpayer services are available at six of these locations.

Civil Tax Enforcement involves personal contact with businesses and individuals to secure delinquent tax returns and tax underpayments. When necessary, the process involves recording Certificates of Debt (CODs), which are administrative judgments, with the New Jersey Superior Court followed by identifying and locating assets in order to levy, seize, and finally sell those assets at public auction. Taxpayers are encouraged to set up payment plans to avoid the seizure and sale of business and personal assets. Questionable business or financial activity is referred to Audit or to the Office of Criminal Investigations.

Municipal Court Program permits the prosecution of some tax violations, such as chronic failure to file or pay sales tax or income tax, as disorderly persons offenses in Trenton Municipal Court. Restitution is required in addition to payment of court fines and costs. Probation may be ordered instead of jail time.

Canvassing of businesses operating from fixed and transient sites is a major tool to discover vendors who are not registered to do business or are otherwise not in tax compliance. Weekend canvassing and the use of jeopardy assessment authority at flea markets, special events, and art and craft shows have been important enforcement tools used against the underground cash economy.

Special Projects Unit was created to focus on transient out-of-State vendors whose business activities in New Jersey create nexus and trigger a tax obligation. Unit members work with the New Jersey State Police at weigh stations to target out-of-State commercial vehicles and at construction sites to identify out-of-State contractors. The authority to issue an immediate jeopardy assessment is used to gain tax compliance. Failure to satisfy the jeopardy assessment results in immediate seizure of assets and vehicles.

Taxpayer Services is available to the public and to tax practitioners who call or walk into the field offices. Taxpayers can obtain business and income tax forms as well as copies of various tax information publications, receive assistance with tax form preparation and business registration, and get answers to tax questions. Payments for tax liabilities and completed tax forms are also accepted.

PROPERTY ADMINISTRATION

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

Unclaimed Property

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

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

Operations. *Holder Reporting Unit* receives reports from holders of unclaimed property that meets the abandonment criteria. The report section works with holders to assure the accuracy of reports and their correct entry into the electronic system. This unit assists holders in complying with unclaimed property laws.

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

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

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

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

Local Property

Policy and Planning

Correspondence/Exemptions/Deduction Unit reviews and prepares comments on proposed legislation concerning property tax issues; develops procedures for uniform application of senior citizens' and veterans' deductions; handles issues on property tax exemption matters; oversees the administration of the Farmland Assessment Act of 1964; prepares written guidelines and materials on various property tax programs and statutes for use by assessors; and responds to general taxpayer inquiries, correspondence, and legislative referrals regarding property tax matters.

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

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

Local Assessment Compliance

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

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

Local Assessor Compliance Unit provides assistance to 566 municipal assessors in solving routine and difficult administrative problems and also reviews certain information that pertains to municipal tax assessors. The unit also conducts periodic inspections of tax assessors' offices for compliance with statutory responsibilities, in particular, municipalities that are reimbursed by the State for granting qualified senior citizens' and veterans' property tax deductions.

Field Assistance

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

Sales Ratio oversees the Assessment-Sales Ratio Program and develops the annual Table of Equalized Valuations from the data analyzed. The Table is used in the calculation and distribution of State School Aid, to apportion county and regional school district taxes, and to measure debt limits of local government units. The Table of Equalized Valuations shows the average ratio of assessed to true value of real estate for each municipality in the State.

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

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

TECHNICAL SUPPORT

This Activity provides the Division of Taxation with the technological assistance required to administer the New Jersey State tax laws. These services include the development and management of the Division's tax systems; the design and procurement of all tax forms and applications; the procurement, installation and maintenance of computer hardware and software; the maintenance and updating of the Division's Web site; and the technical training of Division employees.

Additionally, Technical Support has responsibility for telecommunications, including the Wide Area Network (WAN), the fiber optic equipment, and micro-based systems that support applications throughout the Division. Technical Support personnel interact with representatives of other State and Federal agencies as well as outside vendors to provide these services in the most efficient manner possible. The activity is responsible for implementing new technological developments that are consistent with and that enhance the mission of the Division.

The Technical Support Activity is comprised of two branches: Business Tax Systems and MIS Support Branch, and Individual Tax Systems and IT Support Branch.

Business Tax Systems and MIS Support

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

Forms is responsible for the design and specifications of New Jersey State tax forms, applications, and many related publications. The analysts work in conjunction with the Division of Revenue to ensure that all of the form requirements are met for the processing of the documents. The analysts coordinate with the Division of Purchase and Property and printing contractors to provide quality products consistent with these requirements. Other duties include attending bidders' conferences, performing site inspections of vendor production facilities, and supervising the production process to ensure quality control.

TULIPS & TAXNET Help Desk. This group possesses expertise in the various tax and data systems designed for use within the Division. It is their responsibility to assist Division personnel on a daily basis in resolving problems they encounter with these systems. They are also responsible for performing table and file maintenance for the various systems, and the management of automated case flow for various collection activities.

Business Tax Systems and Corporation Tax analysts are responsible for maintenance and enhancements of existing tax systems and the development of new systems. These groups coordinate their efforts with the Office of Information Technology (OIT) in order to ensure that the operational needs of the Division are met. They provide technical assistance to Division personnel and aid in problem resolution with respect to the various systems. These analysts also act as liaisons for the Division with other State, Federal, and local agencies as required.

Individual Tax Systems and IT Support

The responsibilities of this Branch are divided into four major areas:

Individual Tax Systems analysts determine systemic needs and provide data processing support including the development, monitoring, and maintenance of the individual income tax system and the various property tax relief programs. They design all income tax forms and applications for the property tax relief programs.

Web Development and Training. This team develops and maintains the Division's Web and Intranet sites. They are also responsible for designing and conducting internal technical training for desktop software applications and other systems used Division-wide. PowerPoint and other media presentations are created by this unit for use by Division management.

Network and Desktop Support. This unit administers the Division's WAN and is responsible for ensuring the availability of all network devices and services, including the Division's e-mail system and remote access for all field office employees. In addition, they provide desktop hardware and software support by troubleshooting and repairing PCs and related devices.

Application Development. This unit develops and maintains network-based computer applications and systems for Audit, Compliance, and other areas throughout the Division.

CHIEF OF STAFF

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

Management Services

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

Facilities Management. Responsible for providing building maintenance and management services for 13 office locations throughout New Jersey, as well as coordinating maintenance and management services for the Division's out-of-State locations. Facilities Management monitors all construction projects and coordinates physical moves for all Taxation locations. In addition, Facilities Management is responsible for security and providing employees with photo identification badges and building and parking access cards. The Facilities Management - Property & Forms Unit has the responsibility for distribution of forms and supplies to the entire Division, as well as managing and maintaining the Division's surplus property, equipment, and forms inventories.

Mail Services. Responsible for the pickup, sorting, recording, and delivery of mail for the Division, including field offices.

Records Management. Responsible for the 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.

OFFICE OF CRIMINAL INVESTIGATION

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

The Office of Criminal Investigation (OCI) develops cases that indicate criminal violations and willful intent to evade the tax laws of the State of New Jersey. Based on the findings of the investigation, OCI makes recommendation for criminal prosecution to the State Attorney General's Office, or to the county prosecutor's office. Cases are generated from projects within OCI, referrals from other areas of 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 joint investigations are conducted in cases dealing with economic and financial crimes that have tax compliance consequences. Currently, OCI is actively involved in cooperative efforts with the Federal Bureau of Investigation, the U.S. Attorney's Office, the U.S. Postal Inspection Service, 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 such as the sale of unstamped cigarettes, smuggling, and counterfeiting.

Motor Fuels Task Force focuses on the willful evasion of Motor Fuels Tax and Petroleum Products Gross Receipts Tax. The Motor Fuels Task Force is comprised of personnel from the Division of Taxation, the New Jersey State Police, and the Division of Criminal Justice.

Criminal Tax Units investigate allegations of criminal tax fraud related to any New Jersey taxing statute other than those mentioned above. Cases are developed and referred for prosecution to the State Attorney General's Office or to a county prosecutor's office.

Internal Security Unit handles sensitive matters, including integrity investigations, background investigations of prospective employees, and assaults and threats made by persons attempting to impede the functions of the Division. The unit also provides training to enable new employees to recognize possible compromising situations.

OFFICE OF REVENUE AND ECONOMIC ANALYSIS

The Office of Revenue and Economic Analysis is responsible for providing revenue estimates of 13 major revenue sources which account for 90% of the State budget. The Office also monitors New Jersey economic conditions, provides revenue analyses of proposed legislation, evaluates tax policy initiatives, and provides research support to the Treasurer's Office.

COUNSEL TO THE DIRECTOR

Disclosure

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

Office of Legislative Analysis

The Office of Legislative Analysis (OLA) is responsible for reviewing all tax bills introduced in the legislature. It evaluates the potential administrative, fiscal, and policy implications of proposals which are scheduled or likely to be scheduled for legislative action; it proposes amendments to insure that a bill can be effectively implemented; prepares bill comments and fiscal notes; and recommends positions to be taken by the State Treasurer. Additionally, OLA monitors legislative activity, keeps track of when bills affecting Division are scheduled for committee or house action, and follows the progress of each bill as it proceeds through the legislature. OLA works closely with the Treasurer's Office and, when a bill is enacted into law, it often initiates and participates in the implementation process.

Table 1—Major State Tax Collections (Net) Fiscal Years 2000–2002

Tax Source	2002[1]	% of Total	2001	% of Total	2000	% of Total	% Change 2001–02
Collected by the Division:							
Alcoholic Beverage (General Fund)	$ 81,280,499	0.5%	$ 79,889,112	0.4%	$ 78,161,088	0.4%	1.7%
Cigarette (including dedicated fund)	391,228,753	2.2	383,403,845	2.0	387,072,648	2.2	2.0
Corporation:							
Corporation Business[2]	1,171,456,857	6.5	1,389,486,310	7.3	1,452,135,808	8.1	– 15.7
CBT Banks & Financials	41,649,356	0.2	51,971,516	0.3	33,483,692	0.2	– 19.9
Environmental Taxes:							
Landfill Closure and Contingency	1,910,917	0.0	2,111,316	0.0	1,955,914	0.0	– 9.5
Litter Control[3]	2,946,956	0.0	13,104,011	0.1	14,768,918	0.1	– 77.5
Public Community Water Systems	2,994,626	0.0	3,252,874	0.0	4,098,135	0.0	– 7.9
Solid Waste Services	4,081,230	0.0	4,696,330	0.0	4,313,339	0.0	– 13.1
Spill Compensation	14,782,033	0.1	17,159,860	0.1	16,918,661	0.1	– 13.9
Gross Income	6,836,992,402	38.2	7,989,222,227	42.2	7,205,260,486	40.4	– 14.4
Insurance Premiums	345,816,449	1.9	309,148,964	1.6	268,894,398	1.5	11.9
Miscellaneous Revenues	13,030,294	0.1	1,619,192	0.0	490,013	0.0	NA
Motor Fuels	523,818,533	2.9	516,413,282	2.7	506,432,280	2.8	1.4
Petroleum Products	219,700,547	1.2	215,811,270	1.1	208,908,926	1.2	1.8
Public Utility Excise	9,876,021	0.1	8,851,642	0.0	9,091,650	0.1	11.6
Railroad Franchise	7,689	0.0	400,446	0.0	1,799,109	0.0	– 98.1
Railroad Property	3,303,490	0.0	3,145,771	0.0	3,039,162	0.0	5.0
Sales:							
Sales and Use	5,996,839,407	33.5	5,758,670,303	30.5	5,508,045,603	30.9	4.1
Atlantic City Lux & Promo (Loc. Use)	25,926,411	0.1	25,736,744	0.1	26,581,602	0.1	0.7
Tobacco Products Wholesale	15,627,272	0.1	14,109,870	0.1	12,686,653	0.1	10.8
Cape May County Tourism (Loc. Use)	3,503,632	0.0	3,237,115	0.0	3,165,865	0.0	8.2
Casino Parking Fee	15,638,832	0.1	14,849,759	0.1	15,098,025	0.1	5.3
Savings Institution	10,556,862	0.1	3,859,609	0.0	11,418,911	0.1	173.5
Transfer Inheritance and Estate	510,367,419	2.9	478,061,055	2.5	485,948,339	2.7	6.8
Taxes Collected by the Division	$16,243,336,485	90.7%	$17,288,212,423	91.4%	$16,259,769,225	91.1%	– 6.0
Collected Outside the Division:							
State Athletic Control Board (tot. rev.)	$ 389,352	0.0%	$ 179,951	0.0%	$ 225,803	0.0%	116.4
Casino Revenue	350,776,779	2.0	341,990,747	1.8	340,429,122	1.9	2.6
Casino Control	62,221,650	0.3	57,313,087	0.3	55,878,792	0.3	8.6
Lottery	754,549,833	4.2	697,397,293	3.7	719,928,948	4.0	8.2
Motor Vehicle Fees	404,162,549	2.3	444,280,632	2.3	383,050,206	2.1	– 9.0
Outdoor Advertising (total revenue)	1,619,318	0.0	1,646,875	0.0	1,668,278	0.0	– 1.7
Realty Transfer	90,003,903	0.5	79,061,773	0.4	77,687,046	0.4	13.8
Taxes Collected Outside the Division	$ 1,663,723,385	9.3%	$ 1,621,870,358	8.6%	$ 1,578,868,195	8.9%	2.6
Total Major State Tax Collections	**$17,907,059,870**	**100.0%**	**$18,910,082,781**	**100.0%**	**$17,838,637,420**	**100.0%**	**– 5.3%**

[1]The 2002 figures are subject to adjustment.
[2]Includes Corporation Income Tax.
[3]Expired December 31, 2000.
Note: Some entries for prior years may be revised from earlier versions.
Totals may not add due to independent rounding.

Statutory Responsibilities

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

Tax	N.J.S.A. Citation
Alcoholic Beverage Tax	54:41-1 *et seq.*
Atlantic City Casino Parking Fee	5:12-173.1 to 173.5
Atlantic City Luxury Sales Tax	40:48-8-15 *et seq.* 54:32B-24.1 *et seq.*
Atlantic City Tourism Promotional Fee	40:48-8.45 *et seq.*
Cape May County Tourism Sales Tax	40:54D-1 to 10
Cigarette Tax	54:40A-1 *et seq.* 56:7-18 *et seq.*
Corporation Business (Net Income and Net Worth) Tax	54:10A-1 *et seq.*
CBT Banking Corporation	54:10A-1 *et seq.*
CBT Financial Corporation	54:10A-1 *et seq.*
Corporation Income Tax	54:10E-1 *et seq.*
Gross Income Tax	54A:1-1 *et seq.*
Homestead Rebate	54:4-8.57 *et seq.*
Insurance Premiums Tax	54:16-1 *et seq.* 54:16A-1 *et seq.* 54:17-4 *et seq.* 54:18A-1 *et seq.*
Landfill Closure And Contingency Tax	13:1E-100 *et seq.*
Litter Control Tax	13:1E-92 *et seq.*
Local Property Tax	54:4-1 *et seq.*
Motor Fuels Tax	54:39-1 *et seq.*
NJ SAVER Rebate	54:4-8.58a and 54:4-8.58b
Petroleum Products Gross Receipts Tax	54:15B-1 *et seq.*
Property Tax Reimbursement	54:4-8.67 *et seq.*
Public Community Water System Tax	58:12A-1 *et seq.*
Public Utility Taxes:	
Public Utility Excise, Franchise and Gross Receipts Taxes	54:30A-49 *et seq.*
Railroad Franchise Tax	54:29A-1 *et seq.*
Railroad Property Tax	54:29A-1 *et seq.*
Realty Transfer Fee	46:15-5 *et seq.*
Sales and Use Tax	54:32B-1 *et seq.*
Savings Institution Tax	54:10D-1 *et seq.*
Solid Waste Services Tax	13:1E-1 *et seq.*
Spill Compensation And Control Tax	58:10-23.11 *et seq.*
Tobacco Products Wholesale Sales and Use Tax	54:40B-1 to 14
Transfer Inheritance And Estate Taxes:	
Transfer Inheritance	54:33-1 *et seq.*
Estate	54:38-1 *et seq.*
Transitional Energy Facility Assessment	54:30A-100 *et seq.*
Uniform Transitional Utility Assessment	54:30A-114 *et seq.*

Alcoholic Beverage Tax

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

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

Rate

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

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

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.

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 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.

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 for funding and operating Atlantic City Convention facilities.

Atlantic City Tourism Promotion Fee

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

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

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

Cape May County Tourism Sales Tax

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

Tourism-related sales include the following items (if also taxable under the Sales and Use Tax Act): room rental in hotels, motels, or boarding houses; food and drink sold by restaurants, taverns, and other similar establishments, or by caterers (but not including vending machine sales); and admission charges to amusements (amusement rides, movie theaters, sporting, drama, or musical events) and cover charges in nightclubs and cabarets.

Rate
The tax rate is 2% on tourism-related retail sales. The tax is in addition to the 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.

Cigarette Tax

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

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

Rate
Effective July 1, 2002, the tax rate is $1.50 per pack of 20 cigarettes. Formerly, the tax was $0.80 per pack of 20 cigarettes.

A distributor is allowed a .005625% discount on the purchase of 1,000 or more stamps or meter impressions.

Disposition of Revenues
Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 1997, C. 264, initial collections of $150 million are deposited in the Health Care Subsidy Fund.

Corporation Business Tax

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

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

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

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

Rate

The tax rate is 9% upon entire net income, or the portion of entire net income allocated to New Jersey. For tax years beginning in calendar year 2002 and thereafter, the minimum Corporation Business Tax is $500 or $2,000 for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is $5 million or more. Rates for New Jersey S corporations were also changed in 2002. New Jersey S corporations with an entire net income of $100,000 or less are still subject to the minimum tax, but if entire net income exceeds $100,000, the rate for 2002 through 2006 is 1.33%.

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

Disposition of Revenues

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

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

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

History

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

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

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

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

Chapter 63, Laws of 1958, amended the Corporation Business Tax Act by adding a tax at 1¾% based upon allocated net income to the tax based upon allocated net worth. The 1958 amendment also changed the tax year from a calendar year for all corporations to a privilege period coinciding with the accounting year for each taxpayer.

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

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

Net Income Tax rates have changed as follows:

Effective Date	*Rate*
January 1, 1959 (C. 63, P.L. 1958)	1¾%
January 1, 1967 (C. 134, P.L. 1966)	3¼
January 1, 1968 (C. 112, P.L. 1968)	4¼
January 1, 1972 (C. 25, P.L. 1972)	5½
January 1, 1975 (C. 162, P.L. 1975)	7½
January 1, 1980 (C. 280, P.L. 1980)	9

For taxable years ending after June 30, 1984, a carryover of net operating loss was allowed as a deduction from entire net income for seven years following the year of the loss (C. 143, P.L.1985, approved April 22, 1985).

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

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

The allocation formula for multistate corporations was changed in 1995. Under prior law, multistate corporation income was allocated to New Jersey based on equally weighted New Jersey property, payroll, and sales compared to total property, payroll, and sales. The new formula counts sales twice, so that sales account for half the allocation formula (C. 245, P.L. 1995). The legislature continued to provide additional tax benefits for corporation business taxpayers. These include a tax benefit certificate transfer program to assist certain emerging companies (C. 334, P.L. 1997), the Small New Jersey Based High Technology Business Investment Tax Credit Act (C. 349, P.L. 1997), the carryforward of net operating losses under the Corporation Business Tax for certain taxpayers (C. 350, P.L. 1997), the extension of the carryforward of the research and development tax credit (C. 351, P.L. 1997), and the Neighborhood and Business Child Care Tax Incentive Program (C. 102, P.L. 1999). Electric and telephone companies are now subject to the Corporation Business Tax effective January 1, 1999.

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

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

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

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

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

Installment Payments of Estimated Tax

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

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

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

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

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

Partnerships

Chapter 40, P.L. 2002, establishes a $150 per partner filing fee for partnerships, LLPs, and LLCs deriving income from New Jersey sources. In general, the $150 per partner fee is based on the number of K-1s issued. For professional service corporations, the $150 fee applies for each registered professional who owns or is employed by the enterprise and is calculated using a quarterly average. In addition to the filing fee for the initial year 2002, a 50% prepayment towards 2003 is also required with the 2002 New Jersey partnership return. The annual fee is capped at $250,000.

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

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

Banking and Financial Corporations

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

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

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

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

Chapter 171, P.L. 1975, provides that during each of the years 1976, 1977, and 1978, each financial business corporation shall pay as taxes, the greater of (1) a sum equal to the amount such financial business corporation paid under the Financial Business Tax Act in the calendar year 1975, or (2) a sum equal to the total of the taxes payable by such financial business corporation pursuant to the Corporation Business Tax Act. Chapter 40, P.L. 1978, extended the save harmless provision through 1979. It expired in 1980. As a result of changes in the Federal and State banking laws, interstate banking is now permitted (C. 17, P.L. 1996). An administrative rule adopted by the Division of Taxation (N.J.A.C. 18:7-1.14, effective June 16, 1997) sets forth certain conditions under which foreign banks and certain domestic banks will be taxed in New Jersey.

Investment Companies

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

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

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

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

Deferred Predissolution Payment

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

Allocation Factor

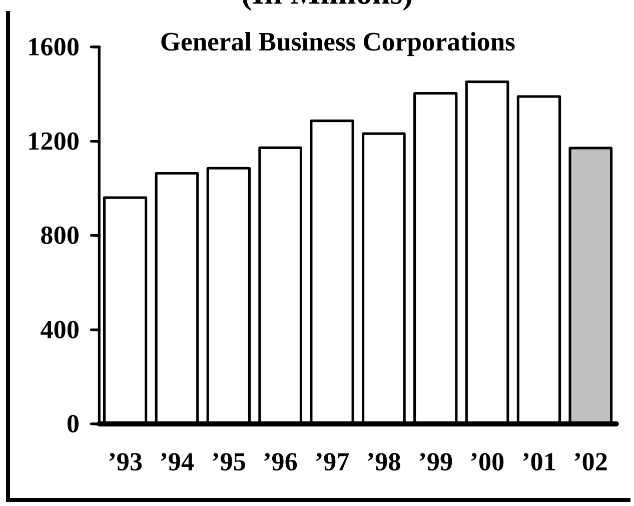
If a taxpayer has a regular place of business outside New Jersey, its tax liability is measured by net income allocated to New Jersey, according to a three-fraction formula based on an average of property, payroll, and sales, which is counted twice. The factor is computed by adding the percentage of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

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

Chapter 40, P.L. 2002 also introduced an alternative minimum assessment (AMA) on apportioned gross receipts or gross profits of C corporations when the AMA exceeds the normal Corporation Business Tax. The assessment is based on either gross receipts or gross profits, with the taxpayer electing which formula to use. This formula must also be used for the next four tax periods. S corporations, professional corporations, investment companies, and unincorporated businesses are exempt from the AMA. The AMA also applies to non-New Jersey businesses deriving income from New Jersey sources with or without physical presence in the State that are not currently subject to the Corporation Business Tax.

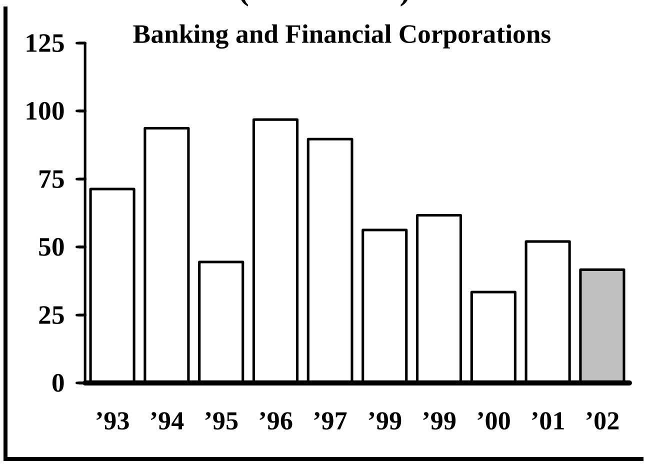
The use of net operating losses is suspended for tax years 2002 and 2003.

Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
1993	$ 960,753,965
1994	1,063,141,745
1995	1,085,502,032
1996	1,171,509,159
1997	1,286,447,475
1998	1,231,629,172
1999	1,402,906,622
2000	1,452,135,808
2001	1,389,486,310
2002	**1,171,456,857**

Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
1993	$71,375,391
1994	93,738,713
1995	44,499,198
1996	96,860,000
1997	89,716,792
1998	56,234,674
1999	61,716,112
2000	33,483,692
2001	51,971,516
2002	**41,649,356**

Corporation Income Tax

Description

Corporation Income Tax applied 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 became practically obsolete due to Corporation Business Tax regulations as well as New Jersey’s adoption of the Multistate Tax Commis-[sion’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 Corporation Income Tax was repealed, applicable to privilege periods or taxable years beginning after 2001. Previously, the tax was imposed at the rate of 7¼% of entire net income as allocated to New Jersey.

Disposition of Revenues

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

Gross Income Tax

Description

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

Rate

Rates for tax years beginning on or after January 1, 1996, range from 1.4% – 6.37%.

Filing Threshold

For tax years beginning before January 1, 1994, filers with incomes of $3,000 or less for the entire year ($1,500 or less for married persons filing separately) pay no tax. For the 1994 to 1998 tax years, filers with incomes of $7,500 or less for the entire year ($3,750 or less for married persons filing separately) pay no tax. The income levels were raised for the 1999 tax year as part of a three-year phase-in of higher filing thresholds, and filers with incomes of $10,000 or less for the entire year ($5,000 or less for married persons filing separately) pay no tax. For tax year 2000, the filing threshold was $10,000 or less for the entire year (single filers and estates and trusts), $15,000 or less for the entire year (married couples filing jointly, heads of households, and surviving spouses), and $7,500 or less for the entire year (married persons filing separately). For tax year 2001 and thereafter, the filing threshold is $10,000 or less for the entire year (single filers, married persons filing separately, and estates and trusts), and $20,000 or less for the entire year (married couples filing jointly, heads of households, and surviving spouses).

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; qualified medical savings account contributions; and for the "self-employed," qualified health insurance costs.
- Property tax deduction (or credit).
- Qualified conservation contribution.

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.
- New Jersey Earned Income Tax Credit.
- 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.

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

Disposition of Revenues

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

History

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

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

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

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

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

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

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

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

Chapter 173, P.L. 1993, included Subchapter S corporation income in the New Jersey gross income tax base, effective with taxable years beginning after July 7, 1993.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

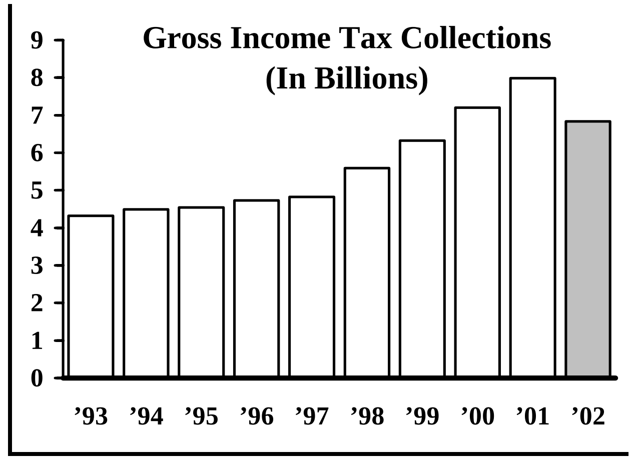
Chapter 80, P.L. 2001, establishes a New Jersey Earned Income Tax Credit, which is a percentage of a person’s Federal Earned Income Credit. To be eligible for the New Jersey credit, a person must have at least one “qualifying child” for purposes of the Federal Earned Income Credit and must have no more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

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

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

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

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



Fiscal Year	Collections
1993	$4,325,304,359
1994	4,493,659,929[1]
1995	4,540,081,765[2]
1996	4,733,786,100[3]
1997	4,825,410,635
1998	5,590,578,933
1999	6,323,893,129
2000	7,205,260,486
2001	7,989,222,227
2002	**6,836,992,402**

[1] Rates reduced by 5% (to 1.9% – 6.650%) effective January 1, 1994.
[2] Rates reduced to 1.7% – 6.58% effective January 1, 1995.
[3] 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 taxes paid. Under this program rebates ranged from $100 to $500 for homeowners, and $35 to $500 for tenants, depending on the applicant's filing status, gross income, and the amount of property taxes paid, either directly or through rent. Those with incomes over $100,000 were not eligible for a rebate.

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

In November 1992 the New Jersey Tax Court ruled that anyone who resides in a dwelling which 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.

On April 15, 1999, the NJ SAVER and Homestead Rebate Act (C. 63, P.L. 1999) created a new, direct property tax relief program to be phased in over five years beginning in 1999. Under the provisions of this new act, homeowners who qualify for both the homestead rebate and the NJ SAVER rebate will receive either the homestead rebate or the NJ SAVER rebate, depending which program provides the greater benefit.

This same legislation increased the homestead rebate income threshold for tenants to $100,000 and set the income threshold at $40,000 for homeowners who are not 65 or older or blind or disabled. For 1998, tenants who were under 65, not blind or disabled, and who had income between $40,000 and $100,000 were eligible to receive a $30 homestead rebate provided they filed a Homestead Rebate Application by June 15, 1999. The legislation increased this amount to $40 for the 1999 tax year, $60 for the 2000 tax year, $80 for the 2001 tax year, and $100 for 2002 and thereafter.

Chapter 159, P.L. 2001, increased the maximum benefit under the Homestead Rebate Program for homeowners and tenants who are 65 or older or disabled from $500 to $750 beginning with homestead rebates paid in calendar year 2001. For homestead rebates paid in 2002 and thereafter, the maximum amount will be indexed annually to the cost of living.

This legislation also increased the maximum tenant homestead rebate paid in 2001 and thereafter to tenants who are not 65 or disabled to $100, eliminating the three-year phase-in which, under the prior legislation (C. 63, P.L. 1999), was scheduled to end with rebates paid in 2003. It also increased the minimum rebate for tenants who are 65 or disabled to $100.

Insurance Premiums Tax

Description

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

Rate

With a few exceptions, the tax rate is 2% of the premiums collected on insurance risks in this State. Major exceptions include group accident and health insurance premiums (1%); ocean marine risks (5% of three-year average of underwriting profits); workers' compensation premiums (2.25%). If, for any insurance company, the ratio of New Jersey business to total business is greater than 12.5%, the tax is imposed on only 12.5% of that company's total premiums. Another .05% is imposed on group accident and health premiums and another .1% on all other insurance premiums, the revenues being dedicated to the Department of Insurance.

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

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

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

Landfill Closure and Contingency Tax

Description
This tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. In addition, the owner or operator must make a monthly payment of $1.00 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 was 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 was 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, plastic and fiber containers, soft drinks, and wine. The tax expired December 31, 2000. However, proposed legislation has been introduced to reinstate the levy as a user fee and make it permanent.

Rate
Manufacturers, wholesalers, and distributors of litter-generating products paid a tax of $^{3}/_{100}$ of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are taxed at the rate of $^{2.25}/_{100}$ 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 2001 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 4, Section 7, paragraph 12). Courts held that the 1875 amendment permitted classification of property for tax purposes and also exemption of certain classes from taxation, or the substitution of other kinds of tax "in lieu." Thus began a long period of erosion of the "general property tax" concept. In 1884 a State Board of Assessors was created and given responsibility for assessment of railroad and canal property, thus setting the pattern for State assessment of certain classes of property.

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

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

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

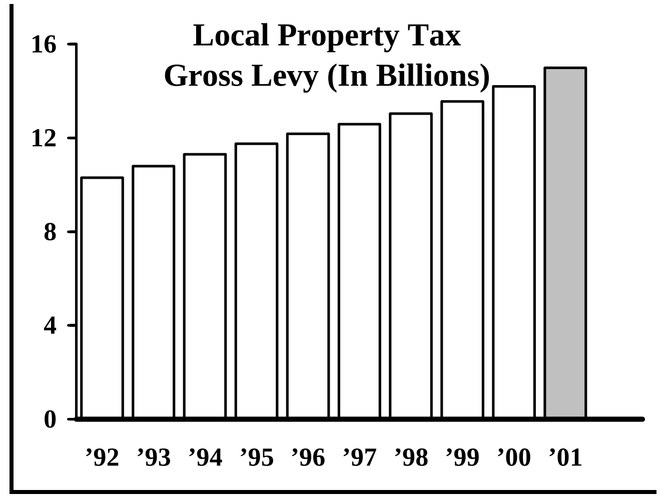
Personal property provisions of Chapter 51, Laws of 1960, were replaced by Chapter 136, Laws of 1966. For taxes payable in 1968 and until 1993, personal property used in business (other than the businesses of local exchange telephone, telegraph, and messenger system companies and other public utilities) was subject to the Business Personal Property Tax instead of the local tax. Personal property is no longer subject to any property tax and inventories of all businesses are excluded from property taxation.

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

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

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

A long period of legislative history has developed numerous exemptions and special property tax treatments. These are found principally in R.S. 54:4-3.3 and in R.S. 54:4-3.6. Generally exempt are government-owned property; and property of religious, educational, charitable, and various types of nonprofit organizations. R.S. 54:4-3.6 was amended to permit a religious or charitable organization to lease property to another exempt entity for a different exempt use without the loss of its property tax exemption. An amendment to R.S. 54:4-3.10 provided that property owned by any exempt firefighter's association, firefighter's relief association, or volunteer fire company would retain its tax-exempt status although the organization owning the property used the property for an income-producing purpose on an auxiliary basis provided that the auxiliary activity does not exceed 120 days annually and the net proceeds from the auxiliary activity are used to further the primary purpose of the organization or for other charitable purposes. Qualified senior citizens and disabled persons are permitted a tax deduction of $250 annually as per N.J.S.A. 54:4-8.40 et seq. The veterans' deduction was increased from $50 to $100 for tax year 2000, $150 for 2001, $200 for 2002, and $250 for 2003 and thereafter pursuant to N.J.S.A. 54:4-8.10 et seq. Wartime service periods were also expanded.



Fiscal Year	Gross Tax Levy
1992	$10,324,378,978
1993	10,757,596,440
1994	11,286,354,001
1995	11,746,914,124
1996	12,177,920,307
1997	12,579,899,717
1998	13,040,191,871
1999	13,558,860,459
2000	14,195,812,735
2001	**14,992,785,135**

Motor Fuels Tax

Description

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

Rate

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

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

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

Disposition of Revenues

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

NJ SAVER Rebate Program

Chapter 63, P.L. 1999, approved on April 15, 1999, and known as the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act), created the NJ SAVER Rebate Program. New Jersey residents, regardless of age or income, who own, occupy, and pay property taxes on a home in New Jersey that was their principal residence on October 1 of any year are eligible to receive a rebate for that year.

The State calculates the rebate on each applicant's home by multiplying the equalized value of a home by the effective school tax rate for the municipality in which the home is located. The equalized value for the calculation cannot exceed $45,000. Since school tax rates vary among municipalities, NJ SAVER rebate amounts will vary. The legislation provided for a five-year phase-in period beginning in 1999. The first rebate checks mailed in 1999 represented 20% of the maximum NJ SAVER rebate and homeowners received 40% of the maximum rebate in 2000.

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

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

The NJ SAVER Rebate Program and the Homestead Rebate Program are two separate programs. Eligible applicants will receive either a homestead rebate or an NJ SAVER rebate, whichever provides the higher benefit in their individual case.

Petroleum Products Gross Receipts Tax

Description

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

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

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

Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. In the case of fuel oils, aviation fuels, and motor fuels this rate is converted to $0.04 per gallon pursuant to C. 48, P.L. 2000, adopted on June 30, 2000.

Disposition of Revenues

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

Property Tax Reimbursement Program

Chapter 348, P.L. 1997, approved January 14, 1998, created the Property Tax Reimbursement Program which effectively freezes property taxes for eligible New Jersey senior citizens and disabled persons by reimbursing them for property tax increases. The first year a resident satisfies all the eligibility requirements becomes their base year. Residents who remain eligible in succeeding years will be reimbursed for any increase in the amount of property taxes paid over the base year amount.

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

The income limits will increase in subsequent years by the amount of the maximum Social Security benefit cost-of-living increase for that year. Applicants must meet all requirements for both their base year and the year for which they are claiming a reimbursement. Once an applicant's base year is established, it remains the same as long as they remain eligible in succeeding years. If a homeowner (or mobile home owner) does not satisfy the requirements in one year, then their base year will become the next year that they satisfy all the requirements.

Public Community Water System Tax

Description

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

Rate

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

Disposition of Revenues

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

Public Utility Franchise Tax

Description

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

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

Administration

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

Rate

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

Disposition of Revenues

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

Public Utility Gross Receipts Tax

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

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

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

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

Public Utility Excise Tax

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

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

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

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

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

Railroad Franchise Tax

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

Rate
Railroad Franchise Tax is assessed at the rate of 10% upon the net railway operating income of the preceding year allocated to New Jersey. The minimum is $100 for taxpayers having total railway operating revenues in the preceding year of 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.

Railroad Property Tax

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

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

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

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

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

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

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

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

Realty Transfer Fee

Description
The realty transfer fee is imposed upon the recording of deeds evidencing transfers of title to real property in the State of New Jersey. The realty transfer fee is calculated based on the amount of consideration paid.

The realty transfer fee does not apply to the following transfers: consideration of less than $100; by or to the United States government, this State or any subdivision thereof, 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; between former husband and wife if recorded within 90 days of a final divorce decree. A cooperative form of ownership which is converted into a condominium form of ownership is exempt.

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. 1985, 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. In fiscal year 2002, $90,003,903 was paid to the State Treasurer.

The first $25 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 2002, $52,597,567 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

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 direct-mail services; sales of restaurant meals; rental of hotel and motel rooms; certain admission charges; and telecommunications services.

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

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

Major exemptions include: sales of newspapers 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; unprepared food for off-premises consumption; food sold in school cafeterias; prescription and nonprescription 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; production machinery and equipment.

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%. 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).

Nonprescription 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, P.L. 1993).

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

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).

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

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

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

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

Chapter 221, P.L. 1999, provides for expanded sales and use tax exemptions for film and video industries.

Chapter 246, P.L. 1999, exempts repairs to certain aircraft from sales and use tax.

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

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

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

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

Chapter 273, P.L. 1999, provides for general exemption from sales and use tax of costs of purchase and repair of commuter ferryboats.

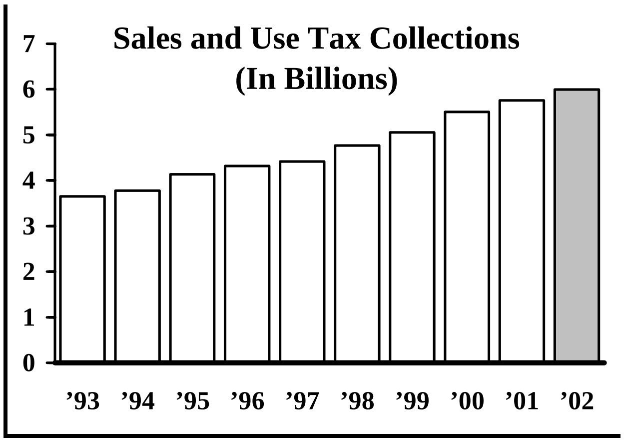
“Farm use” sales tax exemption was revised through C. 314, P.L. 1999.

Chapter 365, P.L. 1999, provides sales tax exemptions for certain purchases by flood victims of Hurricane Floyd.

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

Chapter 90, P.L. 2001, provides for a sales and use tax exemption for the sale and repair of limousines.

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



Fiscal Year	Collections
1993	3,651,122,672[1]
1994	3,778,506,912
1995	4,133,278,016
1996	4,318,372,824
1997	4,415,427,600
1998	4,766,194,660
1999	5,054,437,769
2000	5,508,045,603
2001	5,758,670,303
2002	**5,996,839,407**

[1] 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. The statute was amended in 2002 to add Urban Enterprise Zone-impacted business districts. Urban Enterprise Zone-impacted business districts are areas that have been negatively impacted by the presence of two or more adjacent Urban Enterprise Zones. Under the program, qualified municipalities apply to the Urban Enterprise Zone Authority to have a portion of the municipality designated as an Urban Enterprise Zone or Urban Enterprise Zone-impacted business district. Businesses must apply to the local municipal zone coordinator to be certified as a “qualified business” before they can take advantage of these benefits.

Initially 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. In 2002, three additional zones were designated: Bayonne City, Roselle Borough, and a joint zone consisting of North Wildwood City, Wildwood City, Wildwood Crest Borough, and West Wildwood Borough.

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

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

The only benefit conferred on qualified businesses within a designated Urban Enterprise Zone-impacted business district is the authorization to impose State sales tax at 50% of the regular rate (3%).

Sales Tax Benefits
A vendor within an Urban Enterprise Zone or Urban Enterprise Zone-impacted business district wishing to collect sales tax at the reduced rate must first be certified as a "qualified business," and then apply to the Division of Taxation for authority to collect tax at the reduced rate. No business may collect sales tax at the reduced rate without the proper certification. The certification is valid for one year. Recertification is automatic unless the business changes or loses its qualified status.

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

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

Savings Institution Tax

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

Excluded from tax are:

(1) 100% of dividends of an owned and qualified subsidiary; and

(2) 50% of other dividends included in taxable income for Federal tax purposes.

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

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

Solid Waste Services Tax

Description
The Solid Waste Services Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after May 1, 1985.

Rate
The tax rate in 2002 is $1.35 per ton or $0.405 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.

Spill Compensation and Control Tax

Description
The Spill Compensation and Control Tax is imposed on owners or operators of one or more major facilities used to refine, store, produce, handle, transfer, process, or trans-

port 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 nonpetroleum hazardous substance from a major 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;
3. Precious metals—$0.015 per barrel;
4. Elemental phosphorus—$0.015 per barrel; and
5. Elemental antimony or antimony trioxide—$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 facility which 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.

Tobacco Products Wholesale Sales and Use Tax

Description

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

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

Rate

The rate of the Tobacco Products Wholesale Sales and Use Tax and the base for calculating the tax changed. The rate is reduced to 30% and is imposed on the invoice price the distributor pays to buy the products from the manufacturer.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax of 30% measured by the sales price of a similar tobacco product to a distributor.

Disposition of Revenues

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

Transfer Inheritance and Estate Taxes

Description

The Transfer Inheritance Tax applies to the transfer of all real and tangible personal property located in New Jersey and intangible personal property wherever situated 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 the estates of resident decedents where inheritance, estate, succession, or legacy taxes paid are less than the Federal 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.

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

During and prior to 1997, there was no tax due on Federal taxable estates of less than $600,000. Under the provisions of The Taxpayer Relief Act of 1997 (H.R. 2014), which was passed by Congress on July 31, 1997, the applicable exclusion amounts for years 1998–2001 were increased to:

1998	$625,000
1999	650,000
2000	675,000
2001	675,000

The Estate Tax is an amount equal to the excess, if any, of the Federal credit allowable in excess of inheritance, estate, succession, or legacy taxes paid to New Jersey and any other State, territory or possession of the United States, or the District of Columbia. For decedents dying after December 31, 2001, the reduction for taxes paid to other jurisdictions is limited to that portion of the credit which bears the same relationship to the total credit as the property subject to tax in the other jurisdiction bears to the New Jersey taxable estate.

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.

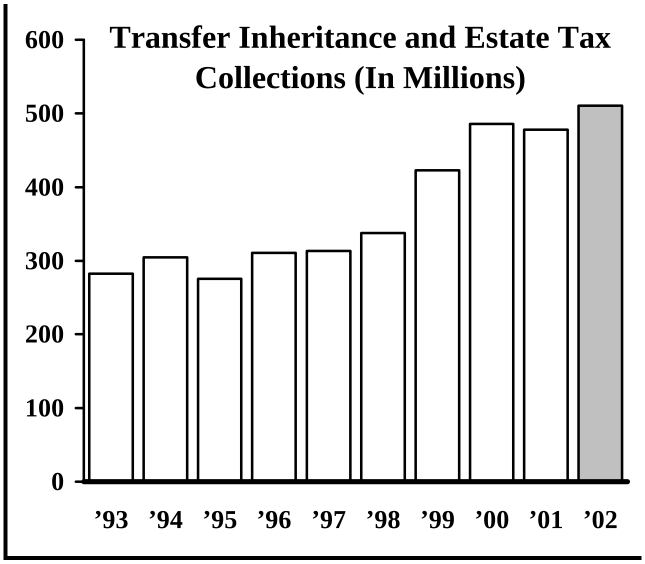
In 1909, legislation was enacted which formed the basis of the present Transfer Inheritance Tax (N.J.S.A. 54:33-1 et seq.).

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

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

Chapter 29, P.L. 2000, clarified the calculation of the commissions to which executors are entitled for Transfer Inheritance Tax purposes.

In July 2002 legislation (C. 31, P.L. 2002) was enacted changing the manner in which Estate Tax is computed for the estates of decedents dying after December 31, 2001.



Fiscal Year	Collections
1993	283,812,642
1994	304,770,334
1995	275,823,814
1996	310,655,978
1997	313,447,496
1998	337,679,941
1999	423,015,329
2000	485,948,339
2001	478,061,055
2002	**510,367,419**

Transitional Energy Facility Assessment

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

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

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

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

Uniform Transitional Utility Assessment

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

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

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

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

Disposition of Revenues

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

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Quarterly Newsletter

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LEGISLATION

Cigarette Tax

P.L. 2001, C. 396 — Application of Cigarette Tax Stamp
(Signed into law on January 8, 2002) Amends the Cigarette Tax Act to revise the prohibition against affixing tax stamps to packages that do not comply with the law.

Under the legislation, distributors cannot stamp packages that:

- Do not comply with Federal cigarette labeling law, including warning label requirements and Federal trademark and copyright laws.
- Have been altered by placement of a sticker over certain required Federal labels.
- Contain cigarettes not in compliance with the cigarette ingredients disclosure requirement of the Federal Cigarette Labeling and Advertising Act.
- Were imported into the United States in violation of the Federal Imported Cigarette Compliance Act of 2000.

The law also eliminates the discretion of the Director of the Division of Taxation to resell, rather than destroy, any cigarettes confiscated as a result of having been stamped in violation of the statutory prohibition. This act took effect immediately.

P.L. 2002, C. 33 — Rate Increases
(Signed into law on July 1, 2002) Increases the cigarette tax from $0.04 to $0.075 per cigarette (from $0.80 to $1.50 per pack of 20) effective July 1, 2002.

Corporation Business Tax

P.L. 2001, C. 193 — Corporate Mergers
(Signed into law on July 31, 2001) Permits a corporation organized in New Jersey to change from an operating corporation to a holding corporation with one or more wholly owned subsidiaries by use of a merger without shareholder approval or a transfer of assets. The bill allows a corporation (parent) to form a direct subsidiary and an indirect subsidiary (a subsidiary owned by the direct subsidiary), and to merge the resulting parent corporation into the direct subsidiary. The direct subsidiary would then become the new parent corporation, and the original parent corporation would become a subsidiary. This merger method does not require shareholder approval if the new parent corporation is structurally identical to, with the same shareholder rights and directors as, the old parent corporation.

Also, the act provides that the Secretary of State, upon filing of the certificate of merger, forward a copy of the certificate to the Director of the Division of Taxation. Chapter 193 took effect immediately.

P.L. 2001, C. 321 — Tax Credit for Wastewater Treatment Equipment
(Signed into law on January 4, 2002) Provides a Corporation Business Tax credit for taxpayers purchasing certain wastewater treatment and conveyance equipment, within a privilege period, used in the treatment and transport of effluent for reuse in an industrial process exclusively within New Jersey.

The amount of the credit is equal to 50% of the cost of the treatment or conveyance equipment less any loan amount received under N.J.S.A.13:1E-96 (State Recycling Fund) and excluding any sales and use tax. The amount of credit claimed for the privilege period in which the purchase is made and in each period thereafter may not exceed 20% of the total allowable credit. Additionally, the credit, when combined with other allowable credits, may not exceed 50% of the tax liability that would otherwise be due; nor may it reduce the tax liability to less than the statutory minimum. The credit can be passed through a partnership to the partners and an unused credit can be carried forward.

To qualify for the credit the taxpayer must submit a copy of a determination from the Department of Environmental Protection that the operation of the equipment and reuse of wastewater effluent will be beneficial to the environment, and an affidavit affirming that the equipment will be used only in New Jersey when filing the tax return.

This act took effect immediately and applies to purchases made in privilege periods beginning on or after July 1, 2002.

P.L. 2001, C. 399 — Manufacturing Equipment and Employment Investment Tax Credit
(Signed into law on January 8, 2002) Provides this tax credit under the Corporation Business Tax for certain

electric and thermal energy production. The act is retroactive to January 1, 2002, and applies to tax years beginning on and after that date.

P.L. 2002, C. 40 — Business Tax Reform Act
(Signed into law on July 2, 2002) Reforms the Corporation Business Tax Act and other relevant sections of law to ensure that corporations and other business entities bear a fair share of the tax burden. The legislation closes numerous loopholes that had allowed profitable companies to reduce their taxable New Jersey income by shifting income to affiliated corporations outside the State and developing expenses to reduce income within the State.

Chapter 40 creates an Alternative Minimum Assessment (AMA) (i.e., tax on either gross profits or gross receipts, at the taxpayer's election) designed to ensure that companies are taxed on the true level of economic activity in New Jersey in situations where the traditional "taxable income" measure is not an accurate gauge of such activity.

The statute also provides several new tax advantages to small businesses, eliminates the Savings Institution and Corporation Income Taxes, and incorporates the features of these taxes into the Corporation Business Tax. It also facilitates tracking of the income of entities such as partnerships, which do not pay taxes but, instead, distribute income to their members, the eventual taxpayers.

Other provisions of Chapter 40 decrease tax benefits for investment companies; suspend the use of certain net operating losses for two years; disallow the deduction of interest payments made to related parties; and accelerate fourth quarter estimated payments for large taxpayers. More complex changes regarding calculations have been introduced to decrease the impact of the reform act on groups of related corporations. These include a cap on the amount of receipts "thrown back" to New Jersey and a cap on the total Alternative Minimum Assessment.

This act took effect immediately and applies to privilege periods and taxable years beginning on or after January 1, 2002, provided however, that section 26 shall apply to privilege periods ending after June 30, 1984.

Estate Tax

P.L. 2002, C. 31 — Tax Computation Changed
(Signed into law on July 1, 2002) Provides that the New Jersey Estate Tax is to be computed either according to the terms of the Federal Estate Tax in effect on December 31, 2001, or, at the election of the person responsible for filing the estate tax return, by using a simplified system to be developed by the Director of the Division of Taxation. This preserves the New Jersey Estate Tax as the Federal credit on which it is based is phased out. The law makes the property of New Jersey estates subject to State tax liens. It also repeals sections of the existing law which provided for (1) the voiding of New Jersey's Estate Tax in the event of the repeal of the Federal Estate Tax or the Federal credit for state legacy taxes and (2) the revision of New Jersey's Estate Tax in response to any substantial revision of the Federal credit. Chapter 31 took effect immediately and applies to the estate of any resident decedent dying after December 31, 2001.

Gross Income Tax

P.L. 2001, C. 162 — Commuter Transportation Benefits
(Signed into law on July 17, 2001) Allows State and local government employers to offer qualified transportation fringe benefits to their own employees as an employee set-aside program. As a result, this act provides the full advantage under the Federal Internal Revenue Code of the tax incentives for qualified transportation fringe benefits recently extended under Federal tax law in the Federal Transportation Equity Act for the 21st Century (TEA-21), Title IX of Pub. L.105-178. The legislation allows State and local employees to choose to have the benefit deducted from their salary, receive any combination of the transportation benefits, or continue to receive the amount as salary, and allows the State and local governments and employees to take advantage of the Federal tax benefits.

For New Jersey gross income tax purposes, the exclusion provided for employer-provided commuter transportation benefits shall not apply to any commuter transportation benefit unless such benefit is provided in addition to and not in lieu of any compensation otherwise payable to the employee.

The act also amends the Travel Demand Management Program in the Department of Transportation (DOT) to make the DOT program similar to (but not the same as) the Federal program and makes some technical updates to that program. The act makes the DOT trip reduction tax benefits (which, unlike the Federal benefits, allow an employee to exclude the benefits from income only when the benefits are offered in addition to, rather than instead of, cash salary) comply with the same annual levels as the Federal benefits, effective for 2002. So as not to take away any current State benefits, but also allow the State and Federal benefits at the same levels, the State benefits are increased to $1,200 annually beginning in 2002, when the Federal transit benefits are also scheduled to increase to $1,200 annually.

Additionally, Chapter 162 clarifies an important part of the New Jersey Gross Income Tax effects of the 1998 TEA-21 tax changes, which allow the "flip-side" of salary reductions: employers can save money by paying their employees to not take employer-provided parking. Usually the election of this option by one employee would have the tax effect of making every other employee's parking taxable, but the same provision that allows the salary reductions also permits the non-taxation of employees who don't cash out of their parking. Chapter 162 took effect immediately.

P.L. 2001, C. 217 — Checkoff for NJ-AIDS Services Fund
(Signed into law on August 24, 2001) Allows taxpayers to make a voluntary contribution to the "NJ-AIDS Services Fund." This act took effect immediately and applies to taxable years beginning on or after January 1, 2002.

P.L. 2001, C. 273 — Checkoff for Literacy Volunteers of America–New Jersey
(Signed into law on December 26, 2001) Allows taxpayers to make voluntary contributions on their gross income tax returns for literacy training, technical assistance, and program development. This act took effect immediately and applies to taxable years beginning on or after January 1, 2002.

P.L. 2001, C. 305 — Checkoff for New Jersey Prostate Cancer Research Fund
(Signed into law on January 2, 2002) Allows taxpayers to make voluntary contributions on their gross income tax returns to the New Jersey Prostate Cancer Research Fund for prostate cancer research. This act took effect immediately and applies to taxable years beginning on or after January 1, 2003.

Local Property Tax

P.L. 2001, C. 310 — Financing for Local Development Projects
(Signed into law on January 3, 2002) Broadens the mechanisms available to municipalities to finance local development projects. Certain provisions of the bill are designated as the "Redevelopment Area Bond Financing Law." These provisions allow a municipality that has designated a redevelopment area pursuant to the Local Redevelopment and Housing Law (N.J.S.A. 40A:12A-1 et seq.) to issue bonds that would be secured by payments in lieu of taxes under a tax abatement agreement and/or special assessments on property benefiting from the improvements provided.

Other provisions of the bill are designated as the "Revenue Allocation District Financing Act." These provisions authorize a municipality to establish one or more areas as a revenue allocation district and to designate a district agent to implement a development plan for the district. The ordinance creating the district would be submitted to the Local Finance Board, and must be approved by the board. After the creation of the district, the district agent could issue bonds or notes to finance the development of specific projects or to finance the infrastructure necessary to facilitate development within the district. This law took effect on March 4, 2002.

P.L. 2001, C. 312 — Palisades Interstate Park Commission Land Exempt From Roll-Back Taxes
(Signed into law on January 3, 2002) Exempts land acquired by the Palisades Interstate Park Commission for conservation and recreation purposes from the imposition of roll-back taxes pursuant to the Farmland Assessment Act of 1964. When land receiving farmland assessment is converted to a use other than agricultural or horticultural, the land is subject to additional taxes, known as "roll-back taxes," equal to the benefit for the current year and the two preceding years. This act took effect immediately.

P.L. 2001, C. 354 — Exemption for Property of Firefighters' Organizations
(Signed into law on January 6, 2002) Provides that when the property of an exempt New Jersey firefighter's association, firefighter's relief association, or volunteer fire company is used for an income-producing activity unrelated to the organization's primary purpose, the property remains exempt from property tax even if this activity exceeds 120 days annually provided the net proceeds are used in furtherance of the organization's primary purpose or for other charitable purposes. This change is effective retroactively to January 1, 1998.

P.L. 2001, C. 438 — Steel Outdoor Advertising Signs
(Signed into law on January 10, 2002) Clarifies that steel outdoor advertising signs and their steel supporting structures are not considered real property. However, the cement foundation, all underground piping, and electrical wiring up to the point of connection with the supporting structure is considered real property. This act took effect

immediately and applies to assessments made after enactment.

Miscellaneous

P.L. 2001, C. 93 — Individual Development Accounts
(Signed into law on May 10, 2001) Establishes the New Jersey Individual Development Account Program within the Department of Community Affairs and appropriates $2 million to create an Individual Development Account Fund. The fund will be used to provide grants to community-based organizations to implement the program and to provide a State match of $1 for every $1 of earned income deposited into an individual development account by a participant, up to a maximum of $1,500 per calendar year. Persons eligible to participate in the program must be adults with an annual household gross income that does not exceed 200% of the official poverty level. Funds accumulated in an individual development account may be withdrawn by the account holder, with the approval of the community-based organization, for three purposes only: qualified post-secondary educational expenses, qualified acquisition costs of a primary residence, or qualified business capitalization expenses.

Monies deposited into or withdrawn from an individual development account, including interest from the account, are exempt from New Jersey Gross Income Tax. In addition, the monies deposited in an individual development account and the interest income shall not be taken into account in determining eligibility for, or the amount of, assistance under State and Federal means-tested programs. The legislation took effect November 6, 2001, except for the section pertaining to the development of necessary regulations, which took effect immediately.

P.L. 2001, C. 155 — Delineated Municipal Areas
(Signed into law on July 13, 2001) Revises the Local Redevelopment and Housing Law to provide that a delineated area in a municipality may be determined to be in need of rehabilitation if more than half of the housing stock in that area is at least 50 years old, or a majority of the water and sewer infrastructure in that area is at least 50 years old and is in need of repair or substantial maintenance. This legislation also expands the definition of a delineated area to include current exemptions and abatements allowable. Chapter 155 took effect immediately.

P.L. 2001, C. 221 — Casino Reinvestment Development Authority Urban Revitalization Act
(Signed into law on August 24, 2001) Establishes the Casino Reinvestment Development Authority urban revitalization incentive program to be administered by the Casino Reinvestment Development Authority (CRDA). The program aims to facilitate the next phase of Atlantic City's development into a destination resort and to assist urban areas throughout the State with development and revitalization projects.

To be eligible for project grants, a casino licensee is required to submit a project proposal to, and receive approval from, the CRDA and the Department of Community Affairs, to invest a minimum of $20 million of its investment alternative tax obligations to develop an entertainment-retail project or community and housing development project, in $10 million increments for one or more such projects, in an urban area outside of Atlantic City. A casino licensee approved for participation in the incentive program is further required to extend its investment alternative tax obligations with the CRDA to 35 years from the current 30-year requirement. The bill requires the licensee's investment alternative tax obligations during the additional five years to be divided in such a way that Atlantic City receives 25%, South Jersey receives 25%, and North Jersey receives 50%. The bill took effect on October 23, 2001.

P.L. 2001, C. 248 — September 11 Terrorist Attacks
(Signed into law on October 4, 2001) The "New Jersey Terrorism Victims' Assistance Act of 2001" authorizes the Governor to expedite, by waiving certain administrative requirements, the payment of State benefits or the provision of assistance under State programs to victims and families of victims of the September 11, 2001, terrorist attacks on the United States; and to extend, without interest or penalty, deadlines for certain filings with, and payments to, State agencies. The legislation also allows governing bodies of municipalities to waive interest on delinquent obligations for those who suffered personal or business losses as a result of the attacks. This legislation took effect upon enactment and expired on December 31, 2001.

P.L. 2001, C. 311 — Municipal Landfill Site Closure, Remediation, and Redevelopment Act Amended
(Signed into law on January 3, 2002) Amends P.L. 1996, C. 124, to allow Pinelands municipalities to be eligible for redevelopment projects, and special tax benefits provided therein, on land where a municipal landfill is or has been located. Under the bill, a redevelopment project of this nature must be consistent with the recommendations of the

pilot program for rural economic development developed by the Pinelands Commission pursuant to section 2 of P.L. 1997, C. 233. This law took effect immediately.

P.L. 2001, C. 323 — New Jersey Wine Promotion Account
(Signed into law on January 4, 2002) Increases the amount dedicated to the New Jersey Wine Promotion Account in the Department of Agriculture from $0.20 to $0.47 per gallon on the sale of wines, vermouth, and sparkling wines produced by New Jersey wineries. This law took effect immediately.

P.L. 2001, C. 404 — Open Public Records Act
(Signed into law on January 8, 2002) Expands access to public records to include all government records and protects certain government records from public disclosure.

The bill also establishes a Government Records Council to facilitate the resolution of disputes regarding access to government records and a temporary Privacy Study Commission to study privacy issues raised by the collection, processing, use, and dissemination of information by public agencies.

The provisions establishing the Privacy Study Commission took effect immediately, and expire on the date the Commission submits its report to the Governor and the legislature. The remainder of the act took effect on July 7, 2002.

P.L. 2001, C. 415 — Neighborhood Revitalization State Tax Credit Act
(Signed into law on January 8, 2002) Establishes a tax credit as an incentive to businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. Business entities which contribute financial assistance to a nonprofit sponsor may be granted a certificate authorizing a credit to be applied against taxes on certain business income.

The tax credit may be granted in an amount up to 50% of the approved assistance provided to a nonprofit organization to implement a qualified project. The credit allowed may not exceed $500,000 or the total amount of tax otherwise payable by the business for any taxable year, whichever is less, and may not exceed statutory limits on the tax for which a credit is claimed. The bill authorizes no more than $10 million in tax credits in any one year. Chapter 415 took effect on July 1, 2002.

P.L. 2002, C. 6 — Tax Amnesty
(Signed into law on March 18, 2002) Establishes a 60-day amnesty period to end no later than June 10, 2002, for the payment of any outstanding State tax liabilities due on or after January 1, 1996, and prior to January 1, 2002. During the amnesty period, a taxpayer who has failed to pay any State tax can pay the tax without being liable for interest, cost of collection, or civil or criminal penalties normally imposed under State law.

Amnesty will not be available to any taxpayers under criminal investigation or charge for any State tax matter. Eligible taxpayers who fail to pay the tax owed during the established amnesty period will be subject to a 5% penalty which cannot be waived or abated, in addition to all other penalties, interest, or costs of collection. This act took effect immediately.

P.L. 2002, C. 34 — Fees and Penalties
(Signed into law on July 1, 2002) Establishes, increases, and modifies fees and penalties imposed by and on behalf of the State. The legislation, among other things, increases certain commercial recording filing fees for corporations and other business entities to be paid to the State Treasurer; institutes a $50 fee to be charged by the Division of Taxation for each check issued for payment of any State tax or penalty that is returned due to insufficient funds or stop payment order; and imposes a new $2 per day fee to be called the “Domestic Security Fee” for each motor vehicle (passenger automobile, truck, or semitrailer) that is rented from a location in this State. The law took effect on July 1, 2002.

Property Tax Relief Programs

P.L. 2001, C. 251 — Property Tax Reimbursement
(Signed into law on October 30, 2001) Increases the income eligibility requirements for base year 2000 to $37,174 for single applicants and to $45,582 (combined income) for married couples. The new income limits will be subject to a cost-of-living adjustment based on the corresponding adjustment in the annual maximum social security benefit. Chapter 251 took effect immediately and applies retroactively to base year determinations for tax year 2000 and thereafter. The new income limits will affect only property tax reimbursement applications for tax year 2001 and thereafter.

Public Utility Taxes

P.L. 2001, C. 433 — Transitional Energy Facility Assessment Phase-Out Changed
(Signed into law on January 8, 2002) Freezes transitional energy facility assessment (TEFA) unit rate surcharges at calendar year 2001 rates for 2002 through 2004 and reduces that surcharge ratably for 2005 through 2006. The act took effect immediately and is retroactive to January 1, 2002.

P.L. 2002, C. 3 — Energy Tax Receipts Property Tax Relief Fund Distribution Date Changed
(Signed into law on March 18, 2002) For funds distributed after January 1, 2002, extends by 15 days (from on or before June 30 to on or before July 15) the time period for distribution of a portion of the State aid paid from the Energy Tax Receipts Property Tax Relief Fund to municipalities operating on a calendar year basis. This act took effect immediately.

Sales and Use Tax

P.L. 2001, C. 322 — Exemption for Wastewater Treatment Equipment
(Signed into law on January 4, 2002) Exempts from sales and use tax sales of wastewater treatment and conveyance equipment provided the Department of Environmental Protection determines that the operation of the equipment and the reuse of wastewater effluent that results will be beneficial to the environment.

The bill requires the equipment purchaser to pay any applicable tax and apply for a refund after showing the equipment has been put to an exempt use. The law took effect immediately and applies to sales made after enactment.

P.L. 2001, C. 347 — Urban Enterprise Zone Benefits Extended
(Signed into law on January 6, 2002) Amends P.L. 1983, C. 303 (C.52:27H-61 et seq.) and extends the life of an urban enterprise zone after the expiration of its third five-year period of designation if the municipality has an annual average of 2,000 or more unemployed persons or an average annual unemployment rate higher than the State average annual unemployment rate. This extension allows for the replacement of the final five-year period with a sixteen-year period during which the municipality receives a percentage of the sales tax revenues, according to a formula provided in the law, until the final year.

In addition, the law allows for the designation of an urban enterprise zone-impacted business district in an economically distressed business district adjacent to two or more urban enterprise zones. Certain businesses in these qualified districts are permitted to collect sales tax at the same reduced rate as qualified businesses in the adjacent urban enterprise zone.

Finally, the law provides for the designation of three additional urban enterprise zones, including a joint municipal zone. This law took effect immediately, with the exception of certain sections which took effect on April 1, 2002.

P.L. 2001, C. 411 — Refund Program for Hurricane Floyd Victims Extended
(Signed into law on January 8, 2002) Provides a six-month extension of the sales and use tax refund program for flood victims of Hurricane Floyd.

The law extends the period in which purchases of household goods, home repair materials, and replacement motor vehicles must have been made to March 31, 2001, and extends the period for claiming the sales and use tax refunds on those purchases to September 30, 2001. This act took effect immediately.

P.L. 2001, C. 431 — Streamlined Sales Tax Project
(Signed into law on January 8, 2002) Authorizes New Jersey participation in discussions of the Streamlined Sales Tax Project in an effort to simplify and modernize sales and use tax collection and administration. The project's proposals will incorporate uniform definitions within tax bases, simplified audit and administrative procedures, and emerging technologies to reduce the burden of tax collection. Chapter 431 took effect immediately.

Spill Compensation Tax

P.L. 2001, C. 424 — Cap Limitations Altered
(Signed into law on January 8, 2002) Alters certain taxes and caps on tax due pursuant to the Spill Compensation and Control Act.

This law provides that for major facilities established by the subdivision of a major facility which existed in 1986, including subsequent owners and operators, the total aggregated tax due shall not exceed 100% of the tax paid in 1999. It also allows a successor in certain corporate sales to be eligible for the same capped liability as the predecessor corporation.

The law sets the tax for any transfer of elemental antimony or antimony trioxide sold for use in the manufacture or for the purpose of a fire retardant at $0.015 per barrel and changes the cap on tax due for such transfers. The law also provides that hazardous substances not subject to regulation by the Department of Environmental Protection shall not be subject to taxation under the Spill Compensation and Control Act. Chapter 424 took effect on April 1, 2002.

Tobacco Products Tax

P.L. 2001, C. 448 — Tax Computation
(Signed into law January 11, 2001) Lowers the tax rate from 48% to 30% and changes the basis for the calculation of the tax. The tax will be imposed on the amount paid by the distributor to buy the products from the manufacturer rather than the amount received on sales from the distributor to vendors or consumers.

The law also provides that liability for the tax accrues when the distributor resells the tobacco products. In addition, the liability for installments of tax and the reporting and record keeping responsibilities of taxpayers are clarified.

This act took effect on March 1, 2002, and applies to tobacco products sold or disposed of on and after that date, except for those tobacco products for which the tax was paid prior to the effective date.

Unclaimed Property

P.L. 2002, C. 35 — Property Transfers
(Signed into law on July 1, 2002) Reduces the amount of time ("dormancy period") private financial organizations and business associations may hold property before transferring it to the State as unclaimed or abandoned property. It also clarifies and expands the types of properties that are to be transferred to the State after the dormancy period has expired. This act took effect immediately.

Uniform Procedure Law

P.L. 2001, C. 358 — Inspection of Certain Tax Records
(Signed into law on January 6, 2002) Adds an exemption to the taxpayer information confidentiality provisions of the State Tax Uniform Procedure law. The exemption allows the Attorney General or other legal representative of this State to inspect the reports or files of any tobacco product manufacturer for any period in which the manufacturer was not or is not in compliance with the law governing the administration of the Tobacco Master Settlement Agreement. This law took effect immediately.

COURT DECISIONS

Administration

Time Period to File Complaint
James Liapakis v. Director, Division of Taxation, decided April 27, 2001; Tax Court No. 004298-2000. The Division's final determination upholding the Division's gross income tax assessment was dated August 18, 2000, and mailed by certified mail on the same date. Therefore, the statutory 90-day period to file the complaint would end on November 16, 2000. Plaintiff's appeal with the Tax Court was filed on November 17, 2000. Plaintiff stated that Rule 1:3-3 of the Rules of Court, which grants three additional days to file the complaint, was inapplicable because the final determination was not sent by ordinary mail. However, plaintiff argued that the complaint is timely because the starting date for the running of the 90-day period is the date of service, August 21, 2000, per Rules 1:5-4 and 8:4-2.

The Court ruled that the Rules of Court could not be incorporated to determine or extend the statutory time period to file the complaint as the Rules relied upon applied when the parties were already in court. Therefore, the Court dismissed the complaint as untimely. The Court reasoned that the 1992 changes in the Uniform Procedure Law were the basis to distinguish the pre-1992 cases of *Harris, Pennoyer,* and *Holmdel* from the current case, that was filed after 1992.

Plaintiff appealed the Tax Court's decision. However, the appeal was dismissed because plaintiff failed to file a timely brief. (See *James Liapakis v. Director, Division of Taxation,* decided March 18, 2002; Appellate Division No. 005341-00TS.)

Responsible Person
Shellscape Decorating, LLC v. Director, Division of Taxation, decided September 7, 2001; Tax Court No. 004109-2000. The Division issued responsible person notices for sales tax liabilities to the husband and wife who each controlled 50% of the company. These liabilities were initially estimated due to the company's failure to file tax returns. Plaintiff claims that the returns were not filed through no fault of their own because they hired a management company to run the business and prepare and file the sales tax returns.

The Court found that the testimony indicated that the wife was knowledgeable in the area of accounting and related matters; had previously worked as an accountant; was the designated tax partner; and that she ran the shop, making most of the day-to-day operating decisions. The husband was found to be a sophisticated, knowledgeable businessman and a passive investor who was actively employed at another business. Both husband and wife signed or co-signed loans for the company. Although both had the authority to sign checks, the husband never exercised his authority.

The Court ruled that for sales tax purposes the wife was a responsible person of the business but that the husband was not. Although the husband had the authority to act, the Court ruled that authority alone was insufficient to classify him as a responsible person. The Court emphasized that there must be a duty to act.

Plaintiff also argued for abatements of interest and penalty claiming that the wife was a resident of a state that did not have a sales tax system and that a management company was engaged to prepare and file the sales tax returns. The Court ruled that interest would not be abated because it is a statutory definition of the time value of money to compensate for late payment. Penalties were not abated because penalties serve the purpose of acting as a deterrent to those who do not file their tax returns. Furthermore, the contractual relationship formed with the management company does not absolve the company and the responsible persons from their sales tax obligations.

Time Period to File Complaint
Richard and Charlotte Bingham v. Director, Division of Taxation, decided October 12, 2001; Tax Court No. 002303-2001. Plaintiff received the Division's Final Determination concerning the Division's gross income tax assessment. On June 19, 2000, plaintiff mailed a complaint to the Tax Court. The Tax Court received the complaint on June 21, 2000. Both parties agreed that the complaint must be filed by June 20; however, plaintiff argued that the date of mailing should be considered the date the complaint was filed.

Plaintiff's complaint was dismissed as untimely because the Legislature imposed a 90-day limit for filing the complaint with the Tax Court. The Court stated that the filing date of the complaint is the date the complaint is received by the Tax Court. The Court also relied on *Liapakis*.

Time Period to File Complaint
Martin Meyers v. Director, Division of Taxation, decided October 29, 2001; Tax Court No. 002022-2001. The Division's January 26, 2001, Final Determination finding that plaintiff was a responsible person for gross income tax

purposes was sent by certified mail on the same date. Plaintiff's appeal was filed on April 30, 2001. Both parties agreed that the statutory 90-day period to file the complaint ended on April 26, 2001. However, plaintiff claims the complaint is timely because he is entitled to three additional days to file the complaint pursuant to Rules of Court 8:4-2 and 1:3-3, which would include April 30 as April 29 fell on a Sunday.

In holding that the complaint was filed timely under Rules of Court 1:3-3, the Court respectfully disagreed with the *Liapakis* decision. The Court reasoned that the 1992 change in the Uniform Procedure Law would not affect the pre-1992 cases of *Harris, Pennoyer,* and *Holmdel* because N.J.S.A. 54:51A-18 is the same and refers to the use of the Rules of Court.

Timeliness of the Complaint and Summary Judgment
Harry and Susan Dashoff v. Director, Division of Taxation, decided November 26, 2001; Appellate Division No. A-3966-99T3. The Appellate Division reversed the Tax Court's summary judgment dismissal of taxpayer's complaint due to taxpayer's failure to timely protest the notice of assessment, which notice was returned to the Division as unclaimed. The Appellate Division ruled that the Division of Taxation's mailing of the notice is presumptive evidence of receipt that may be rebutted. Taxpayer alleges that he never received any notice of certified mail. Accordingly, the Appellate Division remanded the case to the Tax Court for an evidentiary hearing regarding a full factual picture of service of the notice.

Responsible Person
David Lee v. Director, Division of Taxation, decided January 11, 2002; Tax Court No. 001156-2001. Plaintiff was the sole officer of the corporation Exterior Power Sweeping (EPS). EPS ceased business operations in September 1989. In 1991, the Division assessed sales and use tax against the corporation for the period October 1, 1983, to June 30, 1989. Sales and use tax returns were not timely filed with the Division for that period nor were they filed thereafter. EPS protested the assessment and the Division issued a Final Determination in 1993. EPS filed a complaint with Tax Court that vacated the assessment in 1997. The Division appealed and the Appellate Division reinstated the assessment on April 30, 1999. On May 21, 1999, the Division issued a Notice of Finding of Responsible Person Status to Mr. Lee for the sales and use tax liabilities of EPS.

Plaintiff did not really dispute that he is a responsible person of EPS; however, plaintiff claimed that the responsible person notice was inequitable and barred by either laches or estoppel, or both. The Court would not set aside the assessment on the basis of laches or estoppel. The Court found that plaintiff is chargeable with knowledge of the statutes and his admitted actual knowledge renders less forceful his equitable arguments. Plaintiff did not demonstrate detrimental reliance on any action or inaction of the Division and failed to demonstrate that the Division deferred sending the responsible person notice to plaintiff so that interest would accrue. Furthermore, there is a general reluctance of the courts to grant estoppel against a public official entity.

Plaintiff also claimed that the May 21, 1999, responsible person notice was untimely due to the three-year statute of limitation period. Although no returns were ever filed, plaintiff alleges that the providing of information to the Division during the audit was a de facto filing of those returns. The Court rejected the theory of de facto filing. However, the Court stated that even if it accepted de facto filing, the statute did not limit the time period to collect taxes from the responsible person that were determined to be due within three years of the alleged de facto filing date.

Plaintiff filed a motion for reconsideration that was denied on February 22, 2002. Thereafter, plaintiff appealed the Tax Court's decision to the Appellate Division.

Time Period to File Complaint
Raymond Zola v. Director, Division of Taxation, decided February 8, 2002; Tax Court No. 002233-2001. The Division issued and mailed a final determination on March 2, 2001. Plaintiff received the final determination on March 7, 2001. About 9:30 p.m. on May 31, 2001, plaintiff e-mailed the Division a request for information. On June 1, 2001, plaintiff sent a letter to the Tax Court Clerk essentially requesting forms and information. The Tax Court Clerk recognized the filing date as June 18, 2001.

The Tax Court dismissed plaintiff's complaint as untimely, ruling that the 90-day statutory period began on March 2, 2001, and ended on May 31, 2001. Plaintiff claimed that Court Rule 1:5-4(b) stated that delivery is upon acceptance for certified mail and therefore the June 1, 2001, filing was within time. The Court opined that the court rules no longer apply due to the repeal of N.J.S.A. 2A:3A-4.1, which tied the 90-day jurisdiction period to appeal to the court rules. (See *Heico Corporation v. Director, Division of Taxation*).

Time Period to File Complaint

Portugese Spanish Palace Corp., Maria Freitas, Anthony Freitas, Fernando Brito, and Elizabeth Brito v. Director, Division of Taxation, decided April 17, 2002; Tax Court No. 002060-2001. The Division issued Portuguese Spanish Palace Corp. (PSP) a Notice of Assessment Related to Final Audit Determination (Notice of Assessment) on June 19, 2000. On November 28, 2000, the Division issued PSP a Notice and Demand for Payment (Demand) and issued the individual plaintiffs a Notice of Finding of Responsible Person Status. Plaintiffs' accountant sent a letter dated February 12, 2001, requesting a hearing with respect to audits of the taxpayer with no reference to the individual plaintiffs. By letter dated February 22, 2001, the Division denied the request for a hearing and stated that the taxpayer had 90 days to appeal this determination to Tax Court. Ninety-two days later, on May 25, 2001, PSP and the individual plaintiffs filed a complaint in Tax Court.

As to PSP, the Court dismissed the complaint holding that the February 12, 2001, request for a hearing was beyond the statutory 90-day period to protest the June 19, 2000, Notice of Assessment. Furthermore, the Demand notice neither granted new appeal rights nor extended PSP's time period to file a protest or request for hearing from the Notice of Assessment.

As to the individual plaintiffs, the Court found that plaintiffs' February 12, 2001, request for a hearing did not incorporate or even refer to the individual plaintiffs as the letter stated it was requesting a hearing concerning the audits of the taxpayer. Consequently, the Court dismissed the complaint as untimely as it was beyond the 90-day time period to file a complaint of the Notice of Finding of Responsible Person Status.

Calculation of 90-Day Time Period to File Complaint

Heico Corporation v. Director, Division of Taxation, decided April 24, 2002; Tax Court No. 002638-2001. The Division's final determination regarding sales and use tax and corporation business tax assessments was dated and sent by certified mailed on April 2, 2001, to the plaintiff and plaintiff's representative. Return receipts indicate that the final determinations were received on April 9 and April 4, 2001, respectively. The final determination stated that taxpayer had 90 days from the date of the letter to appeal the Division's decision to the Tax Court.

Certified mail receipts indicate that plaintiff mailed items to the Tax Court on June 30, 2001. Plaintiff's complaint was stamped received by the Tax Court on July 3, 2001, at 2:39 p.m.

The Court found that the 90th day from the April 2, 2001, date of the final determination was July 1, 2001. However, July 1, 2001, was a Sunday. Therefore, the filing date was extended to July 2, 2001. As filing occurs upon the Tax Court's receipt of the complaint, the complaint was considered filed on July 3, 2001, one day late.

In its historical review of the legislation, Rules of Court, and case law concerning the calculation of the 90-day period to appeal final determinations, the Court acknowledged that in previous cases the Rules of Court were applied to determine whether the complaint was filed timely. More specifically, R. 8:42-2(a) and R. 1:5-4(b) essentially started calculating the 90-day period from receipt of registered or certified mail. Pursuant to these rules, this complaint would be considered timely filed. Furthermore, R. 1:3-3 granted plaintiff three extra days to file a complaint, which would extend the filing date to July 5, 2001, and therefore, plaintiff's complaint would also be considered to be timely filed under this rule.

The Court found that R. 1:3-3 was revised. Previously this rule applied to service by mail, whether ordinary or certified. Effective September 1, 1996, this rule only applies where service is effectuated by ordinary mail. Consequently, this rule was found to be inapplicable here regardless of whether the Rules of Court apply because the April 2, 2001, final determination was delivered by certified mail.

Due to revisions to the Rules of Court and the statutes, the Court held that the Rules of Court no longer apply to the calculation of the 90-day period to appeal from the Division's final determination. The Court opined that the specific repeal of N.J.S.A. 2A-3A-4.1 with its reference to the 90-day appeal period and reference to the Rules of Court and its replacement by N.J.S.A. 2B:13-1 to -15, which has no reference to the Rules of Court, was evidence that the Rules of Court no longer apply to the calculation of the 90-day period to appeal the Division's determinations. Furthermore, the amendment of N.J.S.A. 54:49-18(a) to state that the appeal period commences from the date of the Division's final determination letter without any reference to the Rules of Court was also found to be indicia that the Rules of Court do not apply to the calculation of the 90-day appeal period. The Court noted that when a complaint may be filed is a matter of jurisdiction as opposed to a matter of practice and procedure. Finding that the date of the final determination is the date the notice was mailed to the taxpayer, the Court ruled that the 90-day period commences on the date of the mailing and that the Division has the burden of establishing that date.

Motion for Reconsideration
Heico Corporation v. Director, Division of Taxation, decided April 24, 2002; Tax Court No. 002638-2001. On the motion date, plaintiff was not represented by legal counsel due to its failure to secure one after three notices. Plaintiff did not file any papers in opposition to the Division's motion. The motion was treated as uncontested and the Court dismissed the complaint as untimely filed.

Returning with legal counsel, plaintiff filed a motion for reconsideration. The Court granted the motion in the interest of justice because it did not consider plaintiff's legal arguments when rendering its determination.

Corporation Business Tax

Regular Place of Business
River Systems, Inc. v. Director, Division of Taxation, decided December 21, 2001; Tax Court No. 5627-1999; *Rubachem International, LTD. v. Director, Division of Taxation,* decided December 21, 2001; Tax Court No. 5628-1999; *Rubachem, Inc. v. Director, Division of Taxation,* decided December 21, 2001; Tax Court No. 5629-1999. The three plaintiffs are organized as New Jersey C corporations and share an office in New Jersey where all their administrative activities are performed. They are all separate companies and therefore each files a separate corporation business tax (CBT) return. River Systems and Rubachem, Inc. market and sell computer-related products and light bulbs while Rubachem International markets and sells industrial and commercial cleaning products and light bulbs.

General Litesearch, Inc. (Litesearch), a related but separate company, employees solicit sales on behalf of the three plaintiffs from a leased New York office building. When Litesearch solicits a sale, the Litesearch employee enters the information into a computer. The relevant plaintiff receives the information in New Jersey and arranges for the shipping of the item. Some products are shipped from the New Jersey location; however, most products are primarily drop-shipped by unrelated, third-party manufacturers. No products are shipped from the New York location. Customer payments are remitted directly to the relevant plaintiff at the New Jersey office. The revenues as well as losses, if payment is not remitted, from the sale of products made by Litesearch employees are the income or accounts receivable of the plaintiff whose products are sold.

Although Litesearch pays the payroll expenses of the employees at the New York location, Litesearch is reimbursed by the plaintiff for each employee who sells its product. Litesearch also has employees on its payroll that work out of plaintiffs' New Jersey location. Litesearch's supervision and management personnel oversee all employees at the New York location and their payroll costs are charged to the individual plaintiffs based upon sales volume. There is no written contract describing the payroll reimbursement arrangement.

The New York office building that Litesearch operates from is owned by Lemar Investment Company (Lemar), also a related but separate company. The plaintiffs pay a fixed amount for rent and one plaintiff pays for the other building costs, such as utilities, to Lemar. Both amounts are allocated to plaintiffs at the end of the year based upon each plaintiff's sales volume. Each plaintiff is charged for telephone usage per the specific calls made on behalf of each plaintiff. However, there is no written contract describing this arrangement nor is there a lease providing for rent.

Plaintiffs claim that they are entitled to allocate their income between New Jersey and New York. New York accepted plaintiffs' amended returns allocating income between New York and New Jersey.

The Court held that plaintiffs were not entitled to allocate income to New York in the computation of the CBT under N.J.S.A. 54:10A-6 because they did not maintain a regular place of business outside of New Jersey. In order for an office to qualify as a "regular place of business," the taxpayer must own or rent the facility in its own name, maintain it and be directly responsible for the expenses incurred, and occupy and use the premises by employing at least one regular employee who is in attendance during normal working hours. Although plaintiffs paid rent at the New York location, there was no written lease that provided for the rent payments and therefore it was not certain whether the payments were made on behalf of Litesearch or plaintiffs. The Court determined that none of the Litesearch employees at the New York location were regular employees of any of the plaintiffs. A regular employee is defined as one who is under the control and direction of the employer. The fact that plaintiffs reimbursed Litesearch for the actual cost of each telemarketer who made sales on its behalf did not qualify the telemarketer as an employee of the plaintiff. Moreover, there was no written contract concerning this reimbursement arrangement. Citing *Shelter Development Corp.*, the Court ruled the activities of a related corporation cannot be attributed to the New Jersey corporation at issue.

The Court also held that plaintiffs were not entitled to allocate income under N.J.S.A. 54:10A-6 through N.J.S.A. 54:10A-8 because the allocation factor properly reflects income attributable to New Jersey. Section Eight grants the Division discretion to make adjustments to properly reflect net income attributable to New Jersey where the allocation factor does not. The Court found that plaintiffs had no employees and no property anywhere other than New Jersey.

Plaintiffs have appealed the Tax Court's decision to the Appellate Division.

Pre-Merger Net Operating Losses
A.H. Robins Company, Inc. v. Director, Division of Taxation, decided February 21, 2002; Tax Court No. 005682-95. A.H. Robbins (Old Robins) was incorporated in Virginia and filed New Jersey corporation business tax (CBT) returns. After facing liability claims on its Dalkon Shield product, it filed for Chapter 11 bankruptcy. In December 1989, American Home Products Corporation (AHP) acquired Old Robins by structuring a merger of Old Robins into "New Robins" pursuant to the approved plan of reorganization. AHP paid approximately $2 million to New Robins and became the sole shareholder. The business address of New Robins remained the same as that of Old Robins; however, New Robins was incorporated in Delaware. In the subsequent years following the merger, New Robins sought to deduct pre-merger net operating losses (NOL) incurred by Old Robins.

The Tax Court held that New Robins could not utilize the NOL incurred by Old Robins prior to the merger. The Court dismissed all of plaintiff's arguments. First, the Court ruled that there was nothing in the Bankruptcy Code that preempted the CBT statutes regarding post-reorganizational income tax liabilities of a nondebtor entity noting that New Robins was not the debtor entitled to Bankruptcy Code protections. Secondly, the Court found that N.J.A.C. 18:7-5.13 makes clear that an NOL may not be carried over by a taxpayer that changes its state of incorporation. The Court relied on *Richards Auto City* where the New Jersey Supreme Court rejected the theory that continuing the same business is a persuasive factor justifying the recognition of the tax status of the merged corporation. Although Federal tax law permits the survivor of a merger to utilize the NOL, the CBT Act deals with single corporations and not two or more successive corporations.

A.H. Robins has appealed the Tax Court's decision to the Appellate Division.

Nonprofit Corporations
Sussex Rural Electric Cooperative v. Director, Division of Taxation, decided March 27, 2002; Tax Court No. 001790-2000. Plaintiff claims it is a not-for-profit corporation and therefore is exempt from corporation business tax (CBT) even though it was organized as a for-profit, Title 14A corporation. Under its certificate of incorporation, there was language indicating that it was a not-for-profit corporation. The Court held that the corporation was not eligible for exemption from CBT under N.J.S.A. 54:10A-3(e) because it was organized as a for-profit, Title 14A corporation. The Court stated that tax consequences flow from the form in which the taxpayer elects to do business.

Gross Income Tax

Six-Year Statute of Limitations/Death Benefits
Joyce H. Eiszner v. Director, Division of Taxation, decided July 19, 2001; Appellate Division No. A-3339-99T2.

Death Benefits. At the time of his death, plaintiff's husband was a New Jersey (NJ) resident who was employed in NJ by CPC International, Inc. (CPC). CPC provided performance plans to its current employees that consisted of stock and stock options that were contingently granted. However, if an ex-employee died, retired, became disabled, or left by reason of voluntary separation, the board of directors had discretion as to whether a payment would be made. Immediately after the death of plaintiff's husband in September 1990, the board of directors authorized payment to her husband's estate. The payment was not distributed until 1992 and transferred to the husband's revocable trust, an NJ resident trust. The trust distributed these monies to plaintiff.

The Tax Court held that the payment was not a death benefit because death did not trigger the payment. The Tax Court found that the CPC Plan made payments as a result of participation in the Plan and not necessarily because of death as other employment-terminating factors, disability, retirement, and voluntary separation, might also result in a payment. Therefore, the Tax Court ruled that the payment was a performance award attributable to the deceased employee's former services. It thus constituted deferred compensation under an incentive compensation plan and it is includable in the plaintiff's gross income. On appeal, the Appellate Division agreed with the Tax Court. The Appellate Division added that to accept plaintiff's argument that the payment was a death benefit would allow business individuals to time discretionary payments at death to avoid taxation.

Six-Year Statute of Limitations. Both the husband's estate and trust each filed a 1992 gross income tax fiduciary return in 1993. The estate return included the CPC payment received under the performance plan and described it as shares and performance award. The return for the estate identified that the total amount was distributed to the beneficiary trust and listed plaintiff's address, social security number, and her status as an NJ nonresident. The trust return reported the entire income from the estate and noted the distribution of that amount to the plaintiff as beneficiary.

As plaintiff relocated her residence to Illinois in July 1991, she filed a 1992 NJ gross income tax nonresident return seeking a refund of first quarter estimated tax payments inadvertently paid to NJ. Attached to the NJ return was her 1992 Illinois individual tax return with the "Supplement to Illinois" 1992 Federal Form 1040, U.S. individual income tax return. Although the NJ return reported the net amount of CPC's payment to her husband under "Amount of Gross Income Everywhere," it did not explain the nature and source of the income, it reported no income from NJ sources as well as no NJ tax due, and the NJ estate and trust fiduciary returns were not attached. Approximately four years after plaintiff's filing of her 1992 NJ nonresident return, the Director sent a Notice of Deficiency for the amount of tax owing on the CPC Performance Plan payment.

Utilizing a common sense approach to determine whether plaintiff's NJ return's disclosure provided a "clue" as to the nature of the income omission, the Tax Court held that the Director's assessment was not time-barred by the three-year statute of limitations because plaintiff's NJ nonresident and the attached Illinois and Federal returns' disclosure of the source or nature of the income was inadequate to apprise the Director that the income was NJ sourced. The Division had six years in which to assess additional tax under N.J.S.A. 54A:9-4(d). The Tax Court noted that the required Schedule E was not submitted to the Division along with the Federal return and that the Schedule E would have identified the source of the funds. Furthermore, the Court ruled that the Director has no duty to cross reference different returns filed by different entities not attached to plaintiff's individual return. The Appellate Division agreed finding it significant that plaintiff's NJ return did not identify the income as from an NJ source.

Reporting of S Corporation's Sale

Miller v. Director, Division of Taxation, decided August 20, 2001; Tax Court No. 004040-2000. In 1996, plaintiff was the principal shareholder of a subchapter S corporation that sold virtually all of its assets. This significant asset sale was not in the ordinary course of the S corporation's trade or business. Thereafter, the S corporation was liquidated and paid plaintiff a liquidating dividend that included the proceeds of the asset sale.

New Jersey's NJ-K-1 provides only one line for reporting S corporation income titled the pro rata share of subchapter S income. Therefore, on plaintiff's Schedule NJ-K-1, the S corporation reported that plaintiff's distributive share was the total of the net gain on the asset sale and the income from operations. On plaintiff's New Jersey gross income tax return, plaintiff bifurcated that figure reporting the income from operations of the S corporation as plaintiff's pro rata share of S corporation income and the asset sale as a capital gain from which plaintiff deducted his stock basis in the S corporation as well as his losses from other investments. Pursuant to an audit of plaintiff, the Division combined the S corporation's gain from the asset sale with its income from operations to report it solely in the category of pro rata share of S corporation income. As a result of the audit reclassification, the Division did not allow a deduction for his basis in the S corporation stock and his losses from other investments.

The Court held that the S corporation's sale of corporate assets was reportable by plaintiff as a gain on the disposition of property because income earned outside of the ordinary course of trade or business retains its character when passed through to the S corporation shareholders. Moreover, the Court ruled that the pro rata share of S corporation income is income from the ordinary trade or business of the corporation. In support of its holding, the Court first looked to the legislative history and found that it was not the Legislature's intent to aggregate all categories of S corporation income under the pro rata share category. The Court noted that the Federal Schedule K-1 provides lines for separate items of income that are reported on separate lines of the Federal income tax return such that plaintiff's Federal Schedule K-1 properly reported the S corporation income from operations as a separate and distinct category from the net gain on the sale of the S corporation assets. The Court added that the fact that the corporation liquidated and paid a liquidating dividend was further support for the characterization of this transaction as a gain on the sale of property.

In addition, the Court held that the plaintiff was entitled to deduct his basis in the S corporation stock from the passed through proceeds of the S corporation's sale of assets. The Court reasoned that this result was warranted because taxing the gross proceeds would be inconsistent with the New Jersey gross income tax's taxation of net gains and would be illogical with the *Koch* holding that forbid taxation on the return of capital. An appeal has been filed by the New Jersey Division of Taxation.

Partnership's Discharge of Indebtedness Income
Michael and Patricia Scully and James Scully v. Director, Division of Taxation, decided September 21, 2001; Tax Court No. 004076-1997. Plaintiffs Michael Scully and James Scully each own a 48.5% limited partnership interest and a 1% general partnership interest in Port-O-Call Associates, a New Jersey limited partnership (the "Partnership"). Additionally, each owns 50% of the corporate stock of a Pennsylvania corporation that owns a 1% general partnership interest in the Partnership.

The Partnership purchased a hotel with a $7 million mortgage. Subsequently, the mortgagee became insolvent and the mortgage was assigned to a corporation that acted as the receiver. Thereafter, the receiver sold the mortgage loan to Optimum Mortgage Investment Company for approximately $2 million less than the note's principal balance. Optimum's mortgage purchase was financed by the plaintiffs pursuant to an agreement that paid Optimum a fee and obligated Optimum to assign the mortgage to plaintiffs. Thereafter, plaintiffs assigned the mortgage to the Partnership.

The Partnership's Federal income tax return reported the current principal balance of the note as a capital contribution and the $2 million difference between the previous and current principal balance of the mortgage as debt-forgiveness income. The Partnership's Pennsylvania information return reported the same capital contribution but reported the $2 million difference as "Net profits from business…apportioned to Pennsylvania."

The Director determined that the Partnership realized discharge of indebtedness income in the amount of approximately $2 million, the difference between the prior mortgage principal balance and the amount of the mortgage principal when the plaintiffs contributed the loan to the Partnership which thereby discharged the mortgage debt. The Director contended that this amount is attributable to plaintiffs as discharge of indebtedness income that occurred "within a business entity" under N.J.S.A. 54A:5-1(k) and (b).

The issue before the Court was whether partners are subject to gross income tax on discharge of indebtedness income realized by the Partnership. Relying on *Smith v. Director* the Court determined that a partnership's discharge of indebtedness income must arise in the ordinary course of partnership business operations to be includable in the partner's gross income. Otherwise the discharge of indebtedness income would retain its character, and as such, discharge of indebtedness, is not a category of income subject to gross income tax.

The Director, Division of Taxation, has filed an appeal with the Superior Court, Appellate Division.

Untimely Filing of Petition
Joyce H. Eiszner v. Director, Division of Taxation, decided October 16, 2001; New Jersey Supreme Court No. M-314 September Term 2001 51,892. The New Jersey Supreme Court dismissed plaintiff's petition for certification due to lack of prosecution.

Partnership Versus Rental Income
Joseph DiBianca, et al. v. Director, Division of Taxation, decided October 26, 2001; Tax Court No. 004391-00. On its 1996 New Jersey gross income tax return, plaintiff reported $27,179 as net income from rents by netting a loss from residential real property reported on the Federal income tax return, Schedule E, with net rental income passed through from four partnerships as reported on the K-1 and NJK-1. The Director asserted a deficiency on the basis that the Schedule E $12,411 loss from residential realty (N.J.S.A. 54A:5-1d) could not offset plaintiff's $39,590 distributive share of partnership income (N.J.S.A. 54A:5-1k) pursuant to N.J.S.A. 54A:5-2, which prohibits the netting of intercategory income and losses.

Plaintiff relied upon the regulations. The Court reviewed the regulations and found that partnerships were required to determine their net profits from business in the same manner as an individual taxpayer would. As to rental income, the regulations state that where rental income is not received in the ordinary course of the conduct of a trade or business, the income shall be reported under subsection 5-1d. Conversely, to be included in a taxpayer's net profits from business, rental income must be received in the ordinary course of the conduct of a trade or business of leasing property. Moreover, the regulations provide that a taxpayer is not deemed to be engaged in the conduct of a trade or business of leasing property unless substantial services are rendered in connection with the leasing properties.

Opining that the concept of ordinary business operations was relevant in construing the regulations, the Court relied on the New Jersey Supreme Court's opinion in *Smith*. There the Court determined that it was the Legislature's intent that the category "net profits from business" include income that would be categorized separately where it was not earned in the ordinary course of business; otherwise, the category net profits from business would virtually become a nullity. However, *Smith* stated that if the dividend and gain income represented income from passive partnership investments, then the income would have been reportable under their respective separate categories of income. After reviewing the categories of expenses reported on the partnerships' Federal Form 8825 such as floral supplies, maintenance and cleaning, commissions, insurance, legal and other professional fees, repairs, taxes, utilities, landscaping, snow removal, lawn care, and elevator maintenance, the Court ruled that the partnerships were actively operating the properties.

Turning to what constitutes a substantial service, the Court found that the regulations do not define the term. However, the regulations do state that the activity of net leasing a property does not constitute the conduct of a trade or business unless taxpayer is in the trade or business of dealing with such property and the property constitutes inventory or stock in trade of the partner. The Court determined that this language was incorporated as a result of the Appellate Division's ruling in *Newark Building Associates* where it was determined that the partnership's passive activities of filing documents required by law, accepting net rents, depositing the rents in its bank account, making payments to the mortgagee, and distributing the net proceeds to the partners was a net lease situation and did not constitute a business under the Unincorporated Business Tax Act. There the Appellate Division described the partnership activities as merely serving to maintain its existence as a partnership because the accounting, legal, and other partnership supervisory acts were performed by its attorneys for a stated annual fee plus disbursement for accounting fees.

Applying *Newark Building Associates* to the instant case, the Court ruled that the items of partnership expenses indicated a level of activity and services significantly in excess of those performed there. Applying *Smith* to the regulations, the Court held that the partnerships were involved in the active ordinary business operations of the buildings and that those operations constituted substantial services. The Court noted that it was the ordinary business operations of the partnerships to own and provide the necessary services to operate the buildings even though services constituted less than 35 hours per week. The Court stated that the focus was on whether the partnership, not the partner, is involved in the ordinary business operations. Therefore, the Court upheld the Division's assessment.

Plaintiff alternatively argued that the Division's remedy is against the partnership because they issued the NJK-1, not against the partner who compiled or filed returns in accordance with the NJK-1. The Court ruled that although the partners' NJK-1 forms were issued by the partnerships, this did not insulate the partners from tax liability even though tax return instructions state that income should be reported in accordance with the NJK-1. The Court ruled that the partner is responsible for proper and accurate reporting. The Court reasoned that otherwise partners could control their gross income tax liability by controlling the information reported in the NJK-1s that are thereafter issued to themselves.

Interest Deduction: Acquisition Indebtedness to Purchase S Corporation Stock
Sidman v. Director, Division of Taxation, decided November 14, 2001; New Jersey Supreme Court No. C-354 Spring Term 2001 51,806. The New Jersey Supreme Court denied plaintiff's petition for certification. In upholding the Tax Court, the Appellate Division previously held that a shareholder's interest payments to other shareholders for their S corporation stock were not deductible from the purchaser's pro rata share.

Partnership's Discharge of Indebtedness Income
Richard and Sharon Miller v. Director, Division of Taxation, decided November 27, 2001; Tax Court No. 000054-2001. Plaintiff Richard Miller is a partner of a New Jersey general partnership (the "Partnership"). The Partnership's only asset is one piece of real estate encumbered by a mortgage that is owned as real estate investment. This real estate is leased to a law firm some of whose partners are partners in the Partnership. When the real estate's value dropped significantly below the principal balance of the mortgage loan, the mortgagee reduced the principal balance upon the Partnership's request for a reduction.

The Partnership reported the reduction in the principal balance as other income on its Federal income tax return but did not report it on the Partnership's New Jersey tax return. Plaintiff's Federal Schedule K-1 reported his proportionate share of the mortgage reduction as other income but did not report it on either plaintiff's Schedule NJK-1 or New Jersey gross income tax return. The Director determined that the mortgage reduction resulted in forgiveness of indebtedness income to the Partnership and thereby was includable in the partner's distributive share of partnership income.

The Court applied its legal analysis in *Scully* to the facts of this case. The Court noted that there were three differences between the cases most notably that in the instant case there was no question that the Partnership received discharge of indebtedness income and that here the real estate is owned as an investment as opposed to as a hotel and restaurant. As in *Scully*, the Court stated that discharge of indebtedness income "is taxable to a partner only if attributable to a partnership's ordinary business operations."

The Court ruled that the plaintiff was not subject to the gross income tax on the Partnership's discharge of indebtedness income because the income relating to the mortgage loan is not includable in the Partnership's net profits from business. The transaction involving the mortgage loan is in the nature of a capital transaction, not an ordinary business operation. Moreover, the Court added that even if the loan transaction constituted part of the partnership's ordinary business operations, the income-generating event is the reduction in principal balance, which is not part of the partnership's ordinary business operations.

The Director, Division of Taxation, has filed an appeal with the Superior Court, Appellate Division.

Keogh Plan Contributions
John and Barbara Reck v. Director, Division of Taxation, decided December 7, 2001; Appellate Division No. A-5379-99T3. Plaintiff husband is a partner in an accounting firm. The firm established a qualified Internal Revenue Code (IRC) section 401(a) Keogh Plan. Contributions on each partner's behalf were made by the partnership to the Keogh Plan. In calculating his distributive share of partnership income for the 1992 and 1993 tax years, plaintiff deducted these contributions. The Division denied the deductions on the basis that only 401(k) plan contributions were deductible.

The Tax Court held that the accounting firm's contributions on behalf of partners to the Keogh Plan were deductible in calculating the partner's distributive share of partnership income. In its determination, the Court ruled that the firm's Keogh Plan contributions for partners were ordinary and necessary deductible business expenses pursuant to N.J.S.A. 54A:5-1b, which defines net profits from business.

The Appellate Division reversed finding that the controlling statute was N.J.S.A. 54A:6-21 which stated that gross income does not include employer contributions on behalf of its employees to a 401(k) plan. Hence, the Court ruled that other contributions are not deductible even though not expressly prohibited. The Court relied on the legislative history of N.J.S.A. 54A:6-21, the regulations, and case law including *Dantzler*, *Mutch*, and *Sidman*. The Court also noted that *Koch v. Director* did not apply as it dealt with accounting principles and does not apply to cases involving the deductibility of retirement and pension plan contributions.

The New Jersey Supreme Court has granted the taxpayers' petition for certification.

Employee or Independent Contractor
Ersel G. Seiler v. Director, Division of Taxation, decided January 16, 2002; Tax Court No. 004237-2000. The Tax Court granted the Division's motion for Summary Judgment ruling that plaintiff was an employee of Allstate Insurance Company and not an independent contractor. The Division relied on information contained in plaintiff's divorce proceedings in the New Jersey Superior and Appellate Courts where plaintiff successfully argued that he was an employee of Allstate.

In his divorce proceedings, plaintiff asserted the following: (1) Compensation was governed by an agent compensation agreement with Allstate. (2) All premiums collected were treated in trust for Allstate. (3) Premiums were remitted to Allstate without any deduction for commission or expenses. (4) Plaintiff did not have a "book of business" that could be sold. (5) Another company, with Allstate's approval, hires and fires plaintiff's employees. (6) Plaintiff may hire employees with approval and Allstate may direct plaintiff to terminate employees. (7) Plaintiff establishes the compensation of some employees. (8) Plaintiff is paid by Allstate and receives a W-2 from Allstate. (9) Plaintiff's agency is part of Allstate's Neighborhood Office Program. (10) Plaintiff receives an expense allowance from Allstate that is tied to sales and can be used in any way but plaintiff is responsible for any expenses over the allowance. (11) Allstate owns most of the computers and all of the other office equipment. (12) Allstate assigns the phone number and pays for and maintains the sign for plaintiff's agency. (13) Allstate designs and pays for all advertisements.

Reporting of S Corporation's Sale of Assets and Subsequent Liquidation
Joel and Judith Mandelbaum v. Director, Division of Taxation, decided May 17, 2002; Tax Court No. 004227-2000. Mandelbaum was a shareholder of Dalcomp, a Federal and New Jersey subchapter S corporation. In 1995, he and all the other shareholders sold all of their stock to Thompson Municipal Services. Later in that year, Thompson and the former Dalcomp shareholders filed an Internal Revenue Code section 338(h)(10) election, essentially a deemed sale of assets followed by a deemed liquidating distribution, with the Internal Revenue Service. On his 1995 gross income tax return, Mandelbaum reported the transaction as gain or income from the disposition of property after subtracting his stock basis. Mandelbaum later amended his 1995 gross income tax return, reporting the transaction as his net pro rata share of S corporation income after subtracting the cost of his stock. Also, Mandelbaum elected the installment method of reporting the income.

The Division disallowed the deduction for the stock basis from his S corporation income, disallowed the use of the installment method, and decided that the amount of his S corporation income was his proportionate stock ownership share of the corporation's net gain from the deemed sale of assets. The Division determined that the deemed liquidation resulted in an N.J.S.A. 54A:5-1c loss to Mandelbaum and that the loss could not be netted with the N.J.S.A. 54A:5-1p S corporation income due to the non-netting of intercategory income and losses rule under N.J.S.A. 54A:5-2.

The Court ruled that the I.R.C. 338(h)(10) election is not applicable to a New Jersey S corporation because there is no statute, interpretative regulation, or other formal promulgation interpreting or referring to the Gross Income Tax Act with respect to I.R.C. 338(h)(10) elections. The Court reasoned that a New Jersey taxpayer reading the Gross Income Tax Act provisions and the regulations thereunder would not be on notice that an I.R.C. 338(h)(10) election subjected him to any tax liability under the Gross Income Tax Act. The Court also refused to impute the Corporation Business Tax Act and regulations thereunder referring to the 338(h)(10) election to an S corporation shareholder as the acts are not in para materia. Due to the Division's inability to use I.R.C. 338(h)(10), the Court held that the transaction must be treated as a sale of stock and that the net gain, proceeds of the sale less adjusted basis, be taxed as a disposition of property under subsection 5-1c.

Alternatively, the Court stated that even if the Gross Income Tax Act applied to the I.R.C. 338(h)(10) election, the stock's basis would be deductible in determining gain or loss under subsection 5-1c in accordance with the Tax Court's previous holding in *Miller*. Finally, the Court ruled that the installment method of reporting is applicable to subsection 5-1c income.

Reporting of S Corporation's Sale of Assets and Subsequent Liquidation
George K. Miller, Jr. and Debra Miller v. Director, New Jersey Division of Taxation, decided June 17, 2002; Appellate Division No. A-658-01T2. Miller was the principal shareholder of a Federal and New Jersey subchapter S corporation. In 1996, the corporation sold virtually all of its assets to an unrelated corporation for about $5 million. Later, in that same tax year, the corporation paid a liquidating dividend to Miller that consisted primarily of the proceeds of the sale.

For New Jersey tax reporting purposes, Miller calculated his income by deducting his Federal basis in the stock from the Federal calculated amount of the liquidated dividend, the property distribution from the stock sale. Miller reported this amount as a gain under N.J.S.A. 54A:5-1c after netting it with other personal capital transactions, mostly losses.

The Division first computed the corporation's gain on its sale of assets as Miller's pro rata share of subchapter S income pursuant to N.J.S.A. 54A:5-1p. Consequently, this amount of gain was also added to Miller's basis in his corporate stock. Secondly, the liquidating payment was considered to be a sale of subchapter S stock in accordance with subsection 5-1c. This resulted in a loss primarily due to the increase in basis from the asset sale. As each of the above transactions resulted in separate categories of income and loss, the Division did not net the income derived from subsection 5-1p with the subsection 5-1c loss in accordance with N.J.S.A. 54A:5-2, which taxes income on a category-by-category basis and prohibits the netting of income and losses.

The Tax Court ruled for Miller. Although the Appellate Division concurred with the Tax Court's rejection of the Division's interpretation of the Gross Income Tax Act, it reversed and remanded the case because it disagreed with the Tax Court's solution. The Appellate Division found that the Division's methodology was supported by the Gross Income Tax Act's literal language, but that the result is to tax the return of capital, which is inconsistent with the legislative intent of subsection 5-1c and the New Jersey Supreme Court's opinion in *Koch*. However, the

Appellate Division also disagreed with the Tax Court's determination that subsection 5-1p did not include S corporation income outside of the ordinary trade or business and disagreed with the Tax Court, allowing Miller to deduct his Federal basis, rather than his New Jersey adjusted basis, to determine the amount of gain. The Appellate Division reasoned that if the Legislature had anticipated the facts in *Miller*, then it believed the Legislature would have provided that the two transactions be treated as a sale of stock to a third party with gain or loss being calculated under subsection 5-1c.

Insurance Premiums Tax

Retaliatory Tax
Aetna v. Director, Division of Taxation, decided March 18, 2002; Tax Court No. 002371-2001. Pursuant to N.J.S.A. 17B:23-5, New Jersey imposes a retaliatory tax on foreign life and health insurance companies. In general, paragraph a of this statute provides that the retaliatory tax is calculated by comparing the taxes and other financial obligations imposed in New Jersey on a foreign insurance company doing business in New Jersey with the taxes and other financial obligations that would be imposed on the foreign insurance company in its home state. Therefore, if the taxes and other financial obligations imposed by New Jersey are lower than the taxes and other financial obligations that would be imposed by the foreign insurance company's home state, then New Jersey would collect the difference as retaliatory tax. However, paragraph b of this statute provides that the special purpose obligations or assessments imposed by the foreign insurance company's home state shall not be considered in the calculation.

In calculating the amount of the retaliatory tax, the issue was whether the statute requires that the New Jersey side of the equation include both taxes and special purpose assessments or obligations whereas the insurance company's home state's side of the equation only include taxes, or whether the purpose of the retaliatory tax requires that both sides be symmetrical.

The Court held that the statute was clear on its face and that by its express language only the insurance company's home state's side of the equation would not include special purpose assessments or obligations imposed by the home state. In support of its decision, the Court relied on the legislative history of another insurance-based retaliatory tax statute N.J.S.A. 17:32-15, that there was no agency regulation, ruling, publication, or public notice indicating the agency's position, and a Florida case with a similar statute. Furthermore, the Court reasoned that the Legislature could have rationally and reasonably determined this result because it might encourage other states to perform a similar computation as to New Jersey life and health insurance companies engaged in business in their state and thus reduce the New Jersey company's retaliatory tax liability in those states.

No appeal was filed by the State.

Litter Control Tax

Litter-Generating Products
Feesers, Inc. t/a Feesers Foods v. Director, Division of Taxation, decided June 20, 2002; Tax Court No. 004185-2001. Feesers is a Pennsylvania wholesale food distributor that sells food products in New Jersey to various institutions including nursing homes, hospitals, and universities. Most of the food products are sold in "large, institutional type," disposable packages and containers. These products include salad dressing, barbecue sauce, muffin, cake, and brownie mixes, shortening, ice cream, flour, beans, chili, salsa, cereal, and pasta. Feesers alleged that the food is prepared at the facility and consumed on premises by residents or invitees and is not intended for resale.

The Division assessed Feesers litter control tax on its New Jersey sales pursuant to the Clean Communities and Recycling Act. Although Feesers concedes that its food products meet the definition of one of the items enumerated in the statute as being subject to tax as a litter-generating product, Feesers claims that its food products are exempt from the litter control tax because its food products are prepared for on-premises consumption and the tax is not intended to target institutional food type packages and containers as they are not the types of products "that would…be found on public highways."

The Court stated that the litter tax is levied on the litter-generating products of manufacturers, wholesalers, and retailers of litter-generating products. The Court found that the Tax Court had previously ruled that litter-generating products that satisfy any one of the following three tests are subject to tax: (1) goods that are produced, distributed, or purchased in disposable containers, packages, or wrappings; or (2) goods that are commonly discarded in public places even though they are not usually sold in packages, containers, or wrappings; or (3) goods that are unsightly or unsanitary in nature, commonly thrown, dropped, discarded, placed, or deposited by a person on either public property or on private property that is not owned by the person. (See *United Jersey Bank*).

The Court ruled that Feesers' products clearly satisfied the first test; therefore, it was irrelevant whether the products would be commonly discarded in public places such as the public highway pursuant to the second test because the tests are in the disjunctive. As to whether the litter-generating products were exempt because they were sold for on-premises consumption, the Court found that it was unnecessary to decide whether there is an exemption for retailers that sell food for on-premises consumption because the retailer's transactions with its customers could not be imputed to Feesers' sales to the retailer. Finally, the Court looked at the exemptions to the litter control tax and found that Feesers did not qualify for an exemption.

Local Property Tax

Exemption Status
Center For Molecular Medicine and Immunology v. Township of Belleville, decided May 2, 2001; Tax Court No. 000767-1998; 000580-99. The question before the New Jersey Tax Court was property tax exempt status for the years 1998 and 1999 for the Center for Molecular Medicine and Immunology, a 501(c)(3) nonprofit entity that conducts cancer research. The disputed property, renamed the Garden State Cancer Center (GSCC), was previously exempt from local property taxes as a county-owned geriatric facility under N.J.S.A. 54:4-3.3 until 1997 when it was transferred from the county to the Essex County Improvement Authority and from the ECIA to the taxpayer. The taxpayer then began a five-phase plan to rehabilitate the deteriorated building.

The first issue was property ownership, county vs. taxpayer (GSCC) and whether exemption should be permitted under N.J.S.A. 54:4-3.3 or N.J.S.A. 54:4-3.6. The two statutes are mutually exclusive. Within the deeds were two sets of reverter clauses that would transfer the property back to the county "by vesting the county with a fee simple absolute interest after a term of 25 years." The taxpayer's present interest was non-freehold and likened to a leasehold with no ownership rights. Because the deeds only granted the taxpayer an interest for a term of 25 years, the taxpayer was essentially leasing the facility and the county retains ownership. Thus, the Court found that the GSCC was owned by the county and subject to exemption under N.J.S.A. 54:4-3.3.

Another issue requires the plaintiff to prove that the use of the property was for a public purpose which was to be carried out within a reasonable period of time. Public purpose is defined by the courts as "an activity which serves to benefit the community as a whole and which at the same time is directly related to functions of government." N.J.S.A. 52:9U-2 states that the New Jersey Legislature deems cancer research a sufficient public purpose. Being that the taxpayer's primary function was cancer research and has received Federal funding for this research, the GSCC *was* clearly used for public purposes. The Court also maintained that the broadly defined police power granted to local governments enables them to regulate for the health and safety of the persons within their borders. This is a public purpose.

The remaining issue concerned that portion of the GSCC that was not currently being used. Under N.J.S.A. 54:4-3.3, the property must be wholly taxed or wholly exempt. A five-phase plan was incorporated to complete work on these sections in a reasonable amount of time and these sections were scheduled for public use so that the entire property was deemed intended for public purpose.

For reasons stated, the taxpayer qualifies for property tax exemption under N.J.S.A. 54:4-3.3 for the tax years 1998 through 1999. No analysis under N.J.S.A. 54:4-3.6 is required.

Property Tax Relief Programs

NJ SAVER Rebate: Eligible Resident
Joel Cooper v. Director, Division of Taxation, decided November 14, 2001; Tax Court No. 004436-2001. The Division denied plaintiff's application for the NJ SAVER rebate for the tax year 2000 because plaintiff's home is titled in the name of a corporation. Plaintiff is the 100% shareholder, resides in the home at issue with his six-year-old son, and neither owns nor pays rent on any other real estate. Plaintiff testified that the house was titled in corporate name so that a lien could not be placed on the house due to judgments against him for outstanding liabilities.

The Court found that although N.J.S.A. 54:4-8.58b.e allowed an NJ SAVER rebate for eligible residents where the properties were titled in the name of a partnership, guardian, trustee, committee, conservator, or other fiduciary for any individual, the statutes neither specifically included nor excluded properties titled in the corporate name.

Finding that the purpose of the NJ SAVER rebate is to provide relief to residents from local property taxes on their principal residence, the Court held that plaintiff was entitled to the rebate reasoning that the spirit and intent of the NJ SAVER program justified the rebate in this case. However, the Court made clear that its holding should not be construed to mean that every individual who holds property through a corporation is entitled to the NJ SAVER rebate.

The Division appealed this decision.

Sales and Use Tax

Scope of the Agreement
Boardwalk Regency Corp. and Adamar of New Jersey v. Director, Division of Taxation, decided November 9, 2001; Tax Court Nos. 006294-96 and 007935-96. Pursuant to a closing agreement entered into between plaintiff and the Director, Division of Taxation: "No sales or use tax will be imposed in the provision of complimentary meals or complimentary liquor effective January 1, 1986. For purposes of this amended agreement, 'complimentary meals' shall mean any transaction where the patron is not required to pay any cash consideration or any portion of a price (including any possible sales tax) of food or (nonalcoholic) beverage."

This case is on remand from the Appellate Division where it questioned whether the agreement and specifically the term "provision of complimentary meals" excludes the imposition of sales and use tax on either both plaintiffs' purchase of nonalcoholic beverages and subsequent complimentary transfer to its patrons or only the complimentary transfer to its patrons.

The Court referred to another Appellate Division decision involving this same closing agreement that concerned the taxability of alcoholic rather than nonalcoholic complimentary drinks. (See *GNOC Corp. v. Director*, *Division of Taxation,* 328 N.J. Super. 467 (App. Div. 2000)). There the definition of the word "provision" was not at issue to the holding because alcohol was subject only to a wholesale tax at that time and the issue concerned whether the imposition of the retail tax on alcohol superseded the agreement. However, the Court found that the Appellate Division resolved the issue of the meaning of the word "provision" by stating that the term "provision" of complimentary alcoholic beverages precludes a tax on the purchase of the alcoholic beverages that are complimentary provided to its patrons. Furthermore, the Court found that the Appellate Division specifically disagreed with the Tax Court's reasoning that to preclude both the tax on purchase and complimentary transfer would result in a transaction unfavorable to the State and therefore an improper closing agreement because the Director has broad discretion to enter into such agreements. Therefore, the Court held that plaintiff was not subject to sales or use tax on either its purchase or complimentary transfer of nonalcoholic beverages.

The Division filed an interlocutory appeal that was accepted by the Appellate Division.

Prototypes of Point-of-Purchase Displays
Urso & Brown, Inc., Predecessor to Al Gar/The Display Connection, Inc. v. Director, New Jersey Division of Taxation, decided July 8, 2002; Appellate Division No. A-3356-00T2. As reported in the Summer 2001 *State Tax News*, the Tax Court previously held that Urso & Brown's prototype purchases of point-of-purchase displays, merchandising models used by vendors to market goods to consumers, were subject to either sales tax under N.J.S.A. 54:32B-3(b)(1) or use tax per N.J.S.A. 54:32B-6(C) because the displays constituted tangible personal property upon which fabrication services were performed. The Tax Court ruled that the purchases did not qualify for the (1) N.J.S.A. 54:32B-2(e)(4)(A) exclusion as professional or personal services, (2) N.J.S.A. 54:32B-8.14 research and development exemption, or (3) N.J.S.A. 54:32B-8.14 exemption as being used directly and primarily in production.

The Appellate Division affirmed the Tax Court without discussion of the above issues in a written opinion because it ruled that Urso & Brown's arguments lacked merit.

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.

2001 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate
Atlantic		
Absecon City	3.347	3.200
Atlantic City	3.095	2.710
Brigantine City	2.668	2.370
Buena Borough	3.017	2.780
Buena Vista Township	2.720	2.360
Corbin City	1.158	1.210
Egg Harbor City	4.317	3.640
Egg Harbor Township	2.435	2.280
Estell Manor City	2.287	2.040
Folsom Borough	2.062	2.200
Galloway Township	2.782	2.700
Hamilton Township	2.710	2.510
Hammonton Town	2.733	2.670
Linwood City	3.209	2.940
Longport Borough	1.317	1.160
Margate City	2.159	1.990
Mullica Township	2.588	2.400
Northfield City	3.134	2.990
Pleasantville City	3.608	3.540
Port Republic City	2.488	2.240
Somers Point City	2.999	2.700
Ventnor City	3.059	2.800
Weymouth Township	2.114	1.970
Bergen		
Allendale Borough	2.830	2.050
Alpine Borough	1.050	0.860
Bergenfield Borough	3.950	3.180
Bogota Borough	3.830	2.830
Carlstadt Borough	2.230	1.720
Cliffside Park Borough	2.610	1.990
Closter Borough	2.230	2.030
Cresskill Borough	2.840	2.040
Demarest Borough	2.760	1.990
Dumont Borough	3.290	2.670
Elmwood Park Borough	2.590	2.240
East Rutherford Borough	2.060	1.800
Edgewater Borough	2.160	1.770
Emerson Borough	2.690	2.270
Englewood City	3.150	2.350

County	General Tax Rate	Effective Tax Rate
Englewood Cliffs Bor.	1.390	1.000
Fair Lawn Borough	3.040	2.430
Fairview Borough	2.790	2.690
Fort Lee Borough	2.500	2.250
Franklin Lakes Borough	1.870	1.440
Garfield City	2.830	2.630
Glen Rock Borough	3.140	2.310
Hackensack City	3.940	3.460
Harrington Park Borough	2.700	2.340
Hasbrouck Heights Bor.	2.750	2.400
Haworth Borough	2.970	2.330
Hillsdale Borough	2.730	2.060
Ho Ho Kus Borough	2.050	1.590
Leonia Borough	2.640	2.480
Little Ferry Borough	3.170	2.690
Lodi Borough	3.800	2.940
Lyndhurst Township	2.650	2.340
Mahwah Township	1.240	1.300
Maywood Borough	2.930	2.390
Midland Park Borough	3.200	2.180
Montvale Borough	2.250	1.690
Moonachie Borough	2.180	1.980
New Milford Borough	2.860	2.490
North Arlington Borough	2.940	2.560
Northvale Borough	2.550	2.310
Norwood Borough	2.260	1.870
Oakland Borough	2.710	2.040
Old Tappan Borough	2.300	1.700
Oradell Borough	2.880	2.200
Palisades Park Borough	2.760	2.280
Paramus Borough	2.280	1.640
Park Ridge Borough	2.200	1.730
Ramsey Borough	3.040	2.120
Ridgefield Borough	1.880	1.480
Ridgefield Park Village	3.560	2.720
Ridgewood Village	2.120	2.180
River Edge Borough	2.990	2.430
Rivervale Township	2.690	2.110
Rochelle Park Township	2.730	1.990
Rockleigh Borough	1.060	0.910
Rutherford Borough	3.120	2.540

County	General Tax Rate	Effective Tax Rate
Bergen (continued)		
Saddle Brook Township	2.350	2.010
Saddle River Borough	1.150	0.900
South Hackensack Twp.	2.550	1.910
Teaneck Township	3.640	3.010
Tenafly Borough	2.920	2.240
Teterboro Borough	1.350	1.380
Upper Saddle River Bor.	2.220	1.600
Waldwick Borough	3.100	2.320
Wallington Borough	2.490	2.180
Washington Township	2.600	2.010
Westwood Borough	2.800	2.050
Woodcliff Lake Borough	2.350	1.690
Wood-Ridge Borough	3.080	2.100
Wyckoff Township	2.140	1.640
Burlington		
Bass River Township	2.608	2.570
Beverly City	3.050	2.960
Bordentown City	3.521	3.400
Bordentown Township	3.007	2.830
Burlington City	2.638	2.720
Burlington Township	2.511	2.390
Chesterfield Township	2.550	2.390
Cinnaminson Township	2.997	2.710
Delanco Township	3.201	2.790
Delran Township	2.818	2.710
Eastampton Township	2.930	2.790
Edgewater Park Township	2.997	2.750
Evesham Township	2.980	2.760
Fieldsboro Borough	3.277	2.910
Florence Township	2.876	2.740
Hainesport Township	2.494	2.330
Lumberton Township	2.525	2.420
Mansfield Township	2.313	2.120
Maple Shade Township	2.814	2.850
Medford Township	2.987	2.770
Medford Lakes Borough	3.629	3.150
Moorestown Township	3.190	2.430
Mt. Holly Township	3.164	2.890
Mt. Laurel Township	2.640	2.560
New Hanover Township	2.064	2.090
North Hanover Township	2.016	1.970
Palmyra Borough	3.345	3.210
Pemberton Borough	3.612	3.390
Pemberton Township	2.706	2.810
Riverside Township	2.683	2.530
Riverton Borough	3.719	3.350
Shamong Township	2.693	2.560

County	General Tax Rate	Effective Tax Rate
Southampton Township	2.796	2.440
Springfield Township	2.869	2.600
Tabernacle Township	2.682	2.470
Washington Township	2.242	2.130
Westampton Township	2.436	2.410
Willingboro Township	3.624	3.450
Woodland Township	2.738	2.310
Wrightstown Borough	2.307	2.120
Camden		
Audubon Borough	3.730	3.300
Audubon Park Borough	4.560	4.480
Barrington Borough	3.610	3.450
Bellmawr Borough	3.730	3.500
Berlin Borough	3.330	3.170
Berlin Township	3.320	3.330
Brooklawn Borough	3.280	3.380
Camden City	4.500	3.810
Cherry Hill Township	3.309	3.080
Chesilhurst Borough	2.460	2.380
Clementon Borough	3.650	3.820
Collingswood Borough	3.540	3.590
Gibbsboro Borough	4.410	3.030
Gloucester City	2.942	2.900
Gloucester Township	3.330	3.200
Haddon Township	3.250	3.160
Haddonfield Borough	3.500	3.140
Haddon Heights Borough	3.680	3.530
Hi-Nella Borough	4.600	4.780
Laurel Springs Borough	3.220	3.320
Lawnside Borough	3.350	3.360
Lindenwold Borough	4.010	3.970
Magnolia Borough	3.890	4.030
Merchantville Borough	3.740	3.800
Mount Ephraim Borough	3.616	3.720
Oaklyn Borough	3.470	3.530
Pennsauken Township	3.070	3.060
Pine Hill Borough	4.030	3.950
Pine Valley Borough	3.500	2.470
Runnemede Borough	3.420	3.590
Somerdale Borough	3.771	3.790
Stratford Borough	3.553	3.560
Tavistock Borough	3.440	3.380
Voorhees Township	4.280	3.320
Waterford Township	3.510	3.520
Winslow Township	3.420	3.250
Woodlynne Borough	3.830	3.800

County	General Tax Rate	Effective Tax Rate
Cape May		
Avalon Borough	0.880	0.720
Cape May City	1.620	1.320
Cape May Point Borough	1.030	0.810
Dennis Township	1.810	1.630
Lower Township	2.440	2.220
Middle Township	2.360	2.230
North Wildwood City	2.510	2.400
Ocean City	1.790	1.370
Sea Isle City	1.580	1.090
Stone Harbor Borough	0.740	0.830
Upper Township	1.760	1.670
West Cape May Borough	1.690	1.740
West Wildwood Borough	2.530	2.220
Wildwood City	3.160	2.980
Wildwood Crest Borough	2.070	1.940
Woodbine Borough	2.160	1.810
Cumberland		
Bridgeton City	3.181	2.864
Commercial Township	2.513	2.080
Deerfield Township	3.425	2.675
Downe Township	3.063	2.812
Fairfield Township	2.164	2.132
Greenwich Township	3.373	3.021
Hopewell Township	2.304	2.600
Lawrence Township	2.623	2.543
Maurice River Township	2.561	2.270
Millville City	3.784	2.811
Shiloh Borough	2.918	3.164
Stow Creek Township	2.020	2.265
Upper Deerfield Twp.	2.294	2.390
Vineland City	2.896	2.498
Essex		
Belleville Township	12.740	3.640
Bloomfield Township	3.730	3.320
Caldwell Borough Twp.	14.020	2.650
Cedar Grove Township	8.960	2.280
East Orange City	26.990	6.060
Essex Fells Township	11.710	1.860
Fairfield Township	2.130	1.870
Glen Ridge Bor. Twp.	10.890	3.690
Irvington Township	23.160	4.860
Livingston Township	10.760	2.560
Maplewood Township	3.010	3.560
Millburn Township	5.240	1.890
Montclair Township	4.070	3.490
Newark City	24.950	3.120

County	General Tax Rate	Effective Tax Rate
North Caldwell Borough	5.630	2.150
Nutley Township	12.540	3.090
Orange City	30.140	4.530
Roseland Borough	9.190	2.040
S. Orange Village Twp.	4.720	3.740
Verona Township	6.990	2.790
West Caldwell Township	3.020	2.650
West Orange Township	7.620	3.370
Gloucester		
Clayton Borough	3.210	3.110
Deptford Township	2.450	2.470
East Greenwich Township	2.730	2.500
Elk Township	2.930	2.850
Franklin Township	2.860	2.820
Glassboro Borough	3.440	3.390
Greenwich Township	2.640	2.460
Harrison Township	2.700	2.500
Logan Township	2.270	2.240
Mantua Township	2.980	2.770
Monroe Township	3.080	2.860
National Park Borough	3.630	3.550
Newfield Borough	3.460	3.120
Paulsboro Borough	3.050	2.900
Pitman Borough	3.420	3.210
S. Harrison Township	2.630	2.460
Swedesboro Borough	2.960	2.760
Washington Township	3.150	2.920
Wenonah Borough	3.270	3.100
West Deptford Township	2.890	2.610
Westville Borough	3.110	2.950
Woodbury City	3.860	3.700
Woodbury Heights Bor.	4.000	3.000
Woolwich Township	2.600	2.160
Hudson		
Bayonne City	4.247	3.623
East Newark Borough	6.453	2.917
Guttenberg Town	3.989	3.003
Harrison Town	3.790	3.018
Hoboken City	3.098	2.098
Jersey City	4.548	3.503
Kearny Town	5.931	3.217
North Bergen Township	3.787	3.484
Secaucus Town	2.607	2.597
Union City	4.630	4.466
Weehawken Township	2.880	2.677

County	General Tax Rate	Effective Tax Rate
Hudson (continued)		
West New York Town	4.437	3.797
Hunterdon		
Alexandria Township	2.600	2.150
Bethlehem Township	2.690	2.190
Bloomsbury Borough	2.580	2.420
Califon Borough	3.070	2.810
Clinton Town	2.610	2.560
Clinton Township	2.370	2.180
Delaware Township	2.000	1.910
East Amwell Township	2.610	2.430
Flemington Borough	2.840	2.750
Franklin Township	2.770	2.220
Frenchtown Borough	3.200	2.740
Glen Gardner Borough	2.930	2.280
Hampton Borough	3.580	3.240
High Bridge Borough	3.360	2.890
Holland Township	2.080	1.670
Kingwood Township	2.300	2.060
Lambertville City	2.290	1.970
Lebanon Borough	2.850	2.370
Lebanon Township	2.530	2.170
Milford Borough	2.950	2.470
Raritan Township	2.840	2.390
Readington Township	2.170	2.090
Stockton Borough	2.550	2.300
Tewksbury Township	2.360	1.830
Union Township	2.380	1.900
West Amwell Township	2.140	1.970
Mercer		
East Windsor Township	3.490	3.240
Ewing Township	3.290	3.070
Hamilton Township	2.760	2.690
Hightstown Borough	4.180	3.780
Hopewell Borough	3.040	2.730
Hopewell Township	2.570	2.450
Lawrence Township	2.670	2.560
Pennington Borough	3.170	2.700
Princeton Borough	2.530	2.210
Princeton Township	2.350	2.060
Trenton City	3.890	3.740
Washington Township	3.050	2.690
West Windsor Township	3.640	2.980
Middlesex		
Carteret Borough	3.460	3.100
Cranbury Township	3.240	2.170
Dunellen Borough	7.060	3.070
East Brunswick Township	5.380	2.670
Edison Township	2.770	2.500
Helmetta Borough	5.010	2.770
Highland Park Borough	4.510	3.290
Jamesburg Borough	3.130	3.070
Metuchen Borough	3.030	2.600
Middlesex Borough	4.760	2.900
Milltown Borough	3.070	2.820
Monroe Township	2.440	2.030
New Brunswick City	3.610	3.300
North Brunswick Twp.	2.950	2.650
Old Bridge Township	2.940	2.660
Perth Amboy City	3.010	2.810
Piscataway Township	3.920	2.660
Plainsboro Township	2.690	2.710
Sayreville Borough	2.780	2.430
South Amboy City	5.190	2.670
South Brunswick Twp.	2.610	2.560
South Plainfield Bor.	3.470	2.430
South River Borough	4.200	2.280
Spotswood Borough	6.160	2.970
Woodbridge Township	5.270	2.730
Monmouth		
Aberdeen Township	3.758	3.228
Allenhurst Borough	1.848	1.414
Allentown Borough	3.212	3.101
Asbury Park City	4.084	3.936
Atlantic Highlands Bor.	3.460	2.818
Avon-by-the-Sea Bor.	1.859	1.679
Belmar Borough	3.070	2.417
Bradley Beach Borough	3.338	2.697
Brielle Borough	2.266	1.946
Colts Neck Township	2.380	1.839
Deal Borough	1.017	0.932
Eatontown Borough	2.982	2.716
Englishtown Borough	2.893	2.552
Fair Haven Borough	3.214	2.413
Farmingdale Borough	2.987	2.742
Freehold Borough	3.023	2.729
Freehold Township	2.401	2.174
Hazlet Township	3.151	2.683
Highlands Borough	4.396	3.605
Holmdel Township	2.642	2.023
Howell Township	2.858	2.573
Interlaken Borough	2.183	1.705

County	General Tax Rate	Effective Tax Rate
Monmouth (continued)		
Keansburg Borough	3.964	3.536
Keyport Borough	3.231	3.074
Little Silver Borough	2.959	2.358
Loch Arbour Village	2.511	1.675
Long Branch City	3.437	2.944
Manalapan Township	3.051	2.371
Manasquan Borough	2.671	2.097
Marlboro Township	3.104	2.352
Matawan Borough	3.747	3.292
Middletown Township	2.918	2.462
Millstone Township	2.664	2.170
Monmouth Beach Bor.	2.751	2.053
Neptune Township	3.206	2.785
Neptune City Borough	3.339	2.829
Ocean Township	3.026	2.451
Oceanport Borough	2.738	2.295
Red Bank Borough	2.518	2.708
Roosevelt Borough	4.535	4.037
Rumson Borough	2.634	1.921
Sea Bright Borough	2.797	2.317
Sea Girt Borough	1.646	1.256
Shrewsbury Borough	2.985	2.399
Shrewsbury Township	3.626	3.446
South Belmar Borough	2.874	2.504
Spring Lake Borough	1.263	1.118
Spring Lake Heights Bor.	2.649	1.918
Tinton Falls Borough	2.999	2.579
Union Beach Borough	3.175	3.002
Upper Freehold Township	2.587	2.323
Wall Township	2.579	2.177
West Long Branch Bor.	2.316	2.314
Morris		
Boonton Town	2.680	2.360
Boonton Township	2.220	1.890
Butler Borough	4.530	2.540
Chatham Borough	2.750	1.780
Chatham Township	2.180	1.710
Chester Borough	2.090	2.330
Chester Township	2.540	1.990
Denville Township	3.210	2.040
Dover Town	2.950	2.780
East Hanover Township	2.450	1.540
Florham Park Borough	1.750	1.420
Hanover Township	1.760	1.490
Harding Township	1.740	0.950
Jefferson Township	2.690	2.340
Kinnelon Borough	1.770	2.130
Lincoln Park Borough	2.940	2.690
Long Hill Township	3.820	2.070
Madison Borough	1.800	1.730
Mendham Borough	2.500	1.820
Mendham Township	2.360	1.800
Mine Hill Township	2.930	2.590
Montville Township	2.020	1.870
Morris Township	1.630	1.870
Morris Plains Borough	2.210	1.970
Morristown Town	2.900	2.640
Mountain Lakes Borough	2.690	2.160
Mt. Arlington Borough	2.980	2.420
Mt. Olive Township	2.760	2.630
Netcong Borough	2.910	2.860
Parsippany-Troy Hills Twp.	4.780	2.450
Pequannock Township	2.760	2.270
Randolph Township	2.250	2.320
Riverdale Borough	2.000	1.900
Rockaway Borough	2.700	2.570
Rockaway Township	5.310	2.670
Roxbury Township	2.510	2.460
Victory Gardens Borough	3.080	2.580
Washington Township	2.670	2.450
Wharton Borough	3.000	2.570
Ocean		
Barnegat Township	3.273	2.903
Barnegat Light Borough	1.410	1.112
Bay Head Borough	1.613	1.079
Beach Haven Borough	2.110	1.572
Beachwood Borough	2.784	2.544
Berkeley Township	2.221	2.010
Brick Township	2.607	2.277
Dover Township	2.598	2.233
Eagleswood Township	2.657	2.483
Harvey Cedars Borough	1.700	1.345
Island Heights Borough	3.166	2.647
Jackson Township	2.959	2.590
Lacey Township	2.274	2.049
Lakehurst Borough	3.178	3.007
Lakewood Township	2.949	2.562
Lavallette Borough	1.509	1.246
Little Egg Harbor Twp.	2.976	2.825
Long Beach Township	1.556	1.271
Manchester Township	2.524	2.355
Mantoloking Borough	1.031	0.902
Ocean Township	2.829	2.664

County	General Tax Rate	Effective Tax Rate
Ocean (continued)		
Ocean Gate Borough	2.879	2.744
Pine Beach Borough	2.505	2.341
Plumsted Township	2.450	2.178
Point Pleasant Borough	2.665	2.328
Pt. Pleasant Beach Bor.	2.306	1.817
Seaside Heights Borough	2.651	2.499
Seaside Park Borough	2.367	2.044
Ship Bottom Borough	1.827	1.467
South Toms River Bor.	3.049	2.789
Stafford Township	2.255	2.348
Surf City Borough	1.735	1.365
Tuckerton Borough	3.014	2.775
Passaic		
Bloomingdale Borough	3.660	3.130
Clifton City	2.870	2.710
Haledon Borough	3.240	3.150
Hawthorne Borough	3.100	2.700
Little Falls Township	3.140	2.120
North Haledon Borough	4.440	2.400
Passaic City	4.320	3.910
Paterson City	21.480	3.990
Pompton Lakes Borough	3.870	3.350
Prospect Park Borough	3.090	3.140
Ringwood Borough	3.580	3.050
Totowa Borough	2.400	2.210
Wanaque Borough	3.950	3.100
Wayne Township	2.750	2.300
West Milford Township	4.050	3.200
West Paterson Borough	2.840	2.520
Salem		
Alloway Township	2.146	2.140
Carneys Point Township	3.124	2.840
Elmer Borough	3.105	2.670
Elsinboro Township	2.952	2.680
Lower Alloways Crk. Twp.	1.232	0.940
Mannington Township	2.555	2.200
Oldmans Township	3.053	2.490
Penns Grove Borough	3.963	3.440
Pennsville Township	2.948	2.610
Pilesgrove Township	2.533	2.420
Pittsgrove Township	3.283	2.330
Quinton Township	2.459	2.530
Salem City	4.106	3.500
Upper Pittsgrove Twp.	2.897	2.360
Woodstown Borough	3.129	3.040

County	General Tax Rate	Effective Tax Rate
Somerset		
Bedminster Township	1.310	1.390
Bernards Township	1.770	1.940
Bernardsville Borough	1.620	1.790
Bound Brook Borough	2.980	2.670
Branchburg Township	2.190	2.170
Bridgewater Township	1.640	1.860
Far Hills Borough	0.930	1.310
Franklin Township	2.280	2.450
Green Brook Township	2.560	2.190
Hillsborough Township	2.720	2.360
Manville Borough	2.900	2.610
Millstone Borough	1.980	2.240
Montgomery Township	2.440	2.490
North Plainfield Borough	3.330	3.220
Peapack & Gladstone Bor.	1.520	1.730
Raritan Borough	2.650	2.170
Rocky Hill Borough	2.100	1.790
Somerville Borough	3.400	3.410
South Bound Brook Bor.	3.870	3.670
Warren Township	1.730	1.880
Watchung Borough	1.770	1.700
Sussex		
Andover Borough	2.230	2.160
Andover Township	3.140	2.690
Branchville Borough	2.100	2.090
Byram Township	3.380	2.880
Frankford Township	2.890	2.680
Franklin Borough	3.630	3.230
Fredon Township	2.790	2.610
Green Township	3.070	2.800
Hamburg Borough	3.020	2.910
Hampton Township	2.760	2.690
Hardyston Township	2.890	2.680
Hopatcong Borough	3.140	3.090
Lafayette Township	2.590	2.260
Montague Township	2.460	2.410
Newton Town	3.330	3.140
Ogdensburg Borough	3.470	3.340
Sandyston Township	2.540	2.460
Sparta Township	4.020	2.660
Stanhope Borough	3.930	3.330
Stillwater Township	3.200	2.770
Sussex Borough	3.110	2.930
Vernon Township	3.130	2.900
Walpack Township	1.530	1.390
Wantage Township	3.080	2.720

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Union			**Warren**		
Berkeley Heights Twp.	2.085	1.850	Allamuchy Township	2.400	2.190
Clark Township	5.228	2.770	Alpha Borough	3.440	3.370
Cranford Township	3.176	2.310	Belvidere Town	3.360	3.140
Elizabeth City	12.239	2.920	Blairstown Township	2.180	2.070
Fanwood Borough	7.182	2.650	Franklin Township	2.820	2.750
Garwood Borough	5.113	2.620	Frelinghuysen Township	2.730	2.640
Hillside Township	4.286	3.760	Greenwich Township	2.220	2.100
Kenilworth Borough	2.303	2.220	Hackettstown Town	2.890	3.280
Linden City	2.929	2.650	Hardwick Township	2.810	2.500
Mountainside Borough	3.493	1.600	Harmony Township	2.200	1.860
New Providence Borough	2.531	2.170	Hope Township	2.690	2.540
Plainfield City	3.959	3.360	Independence Township	2.850	2.610
Rahway City	3.297	3.150	Knowlton Township	3.010	2.600
Roselle Borough	4.680	4.440	Liberty Township	3.090	2.720
Roselle Park Borough	6.930	3.360	Lopatcong Township	2.640	2.510
Scotch Plains Township	5.701	2.450	Mansfield Township	3.750	2.840
Springfield Township	3.658	2.480	Oxford Township	2.260	2.130
Summit City	2.230	1.710	Phillipsburg Town	2.870	2.760
Union Township	10.034	2.830	Pohatcong Township	3.090	2.830
Westfield Town	4.507	2.170	Washington Borough	3.570	3.400
Winfield Township	108.092	11.350	Washington Township	3.010	2.860
			White Township	2.150	1.880

Abstract of Ratables and Exemptions 2001

	Col. 1		Col. 2	Col. 3	Col. 4
	TAXABLE VALUE				
COUNTY	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)	Total Taxable Value of Land and Improvements (Col. 1(a) + (b))	Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)	Net Total Taxable Value of Land and Improvements (Col. 2 – 3)
Atlantic	$ 6,525,223,625	$ 12,339,765,063	$ 18,864,988,688	$ 32,247,800	$ 18,832,740,888
Bergen	36,039,806,743	40,713,139,097	76,752,945,840	7,142,300	76,745,803,540
Burlington	6,590,793,535	15,352,467,199	21,943,260,734	23,104,200	21,920,156,534
Camden	5,386,172,732	14,380,238,861	19,766,411,593	54,180,852	19,712,230,741
Cape May	8,549,250,050	6,957,670,758	15,506,920,808	6,110,910	15,500,809,898
Cumberland	968,800,345	3,181,861,325	4,150,661,670	51,179,920	4,099,481,750
Essex	7,196,381,300	11,545,226,800	18,741,608,100	27,044,400	18,714,563,700
Gloucester	3,432,491,800	8,844,053,550	12,276,545,350	40,229,365	12,236,315,985
Hudson	7,244,774,759	12,639,699,559	19,884,474,318	550,868,600	19,333,605,718
Hunterdon	4,506,139,361	7,568,239,792	12,074,379,153	69,700	12,074,309,453
Mercer	7,105,728,893	13,632,217,779	20,737,946,672	12,844,730	20,725,101,942
Middlesex	13,695,733,916	25,117,112,775	38,812,846,691	101,673,000	38,711,173,691
Monmouth	17,474,605,554	25,787,843,832	43,262,449,386	16,829,450	43,245,619,936
Morris	17,341,955,491	25,832,875,497	43,174,830,988	340,200	43,174,490,788
Ocean	15,272,581,847	19,198,052,814	34,470,634,661	2,910,800	34,467,723,861
Passaic	8,890,116,024	11,659,639,924	20,549,755,948	1,466,700	20,548,289,248
Salem	668,257,773	2,118,085,962	2,786,343,735	302,400	2,786,041,335
Somerset	12,077,122,631	20,869,323,355	32,946,445,986	4,478,400	32,941,967,586
Sussex	3,040,494,817	5,385,706,718	8,426,201,535	680,480	8,425,521,055
Union	9,558,318,170	13,921,106,630	23,479,424,800	7,664,700	23,471,760,100
Warren	1,795,232,278	4,398,964,639	6,194,196,917	4,795,350	6,189,401,567
TOTALS	$193,359,981,644	$301,443,291,929	$494,803,273,573	$946,164,257	$493,857,109,316

Abstract of Ratables and Exemptions 2001 (continued)

	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9		Col. 10
					TRUE VALUE		EQUALIZATION
COUNTY	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per $100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	(a) U.E.Z. Abatement Expired	(b) Class II Railroad Property (C.139, L. 1966)	(a) Amounts Deducted Under R.S. 54:3-17 to R.S. 54:3-19
Atlantic	$ 80,582,866	$ 18,913,323,754					$ 7,178,909
Bergen	189,184,528	76,934,988,068					317,298,402
Burlington	113,026,088	22,033,182,622					52,308,296
Camden	120,823,643	19,833,054,384					55,696,033
Cape May	35,909,841	15,536,719,739					194,049,552
Cumberland	33,091,740	4,132,573,490					49,329,785
Essex	60,322,151	18,774,885,851					317,413,181
Gloucester	224,977,950	12,461,293,935					12,981,020
Hudson	85,814,357	19,419,420,075					
Hunterdon	50,699,224	12,125,008,677					
Mercer	105,988,908	20,831,090,850			$1,371,768		
Middlesex	187,753,875	38,898,927,566					12,732,069
Monmouth	213,681,471	43,459,301,407					67,414,174
Morris	161,085,031	43,335,575,819					883,459,255
Ocean	130,334,771	34,598,058,632					75,965,727
Passaic	66,799,958	20,615,089,206					2,396,551
Salem	18,757,663	2,804,798,998					3,019,472
Somerset	97,492,107	33,039,459,693					2,062,684,860
Sussex	46,959,082	8,472,480,137					
Union	72,756,947	23,544,517,047					
Warren	35,765,767	6,225,167,334					67,696,082
TOTALS	$2,131,807,968	$495,988,917,284			$1,371,768		$4,181,623,368

Abstract of Ratables and Exemptions 2001 (continued)

COUNTY	Col. 10 EQUALIZATION (b) Amounts Added Under R.S. 54:3-17 to R.S. 54:3-19 and N.J.S.A. 54:11D-7	Col. 11 Net Valuation on Which County Taxes Are Apportioned (Col. 6 – 9(a) + 9(b) – 10(a) + 10(b))	Col. 12—APPORTIONMENT OF TAXES, Section A County Taxes, I Total County Taxes Apportioned (Including Total Net Adjustments)	II Adjustments Resulting From: County Equalization Table Appeals (R.S. 54:51A-4) (a) Deduct Overpayment	(b) Add Underpayment	Appeals and Corrected Errors (R.S. 54:4-49; R.S. 54:4-53) (c) Deduct Overpayment	(d) Add Underpayment
Atlantic	$ 1,912,912,749	$ 20,819,057,594	$ 92,308,310.65			$ 799,094.66	$ 129,486.65
Bergen	17,870,900,949	94,488,590,615	207,812,861.50			1,073,580.50	
Burlington	1,755,804,432	23,736,678,758	114,822,735.17			155,096.08	450.91
Camden	1,413,361,730	21,190,720,081	182,450,108.00			472,194.00	
Cape May	2,757,322,634	18,099,992,821	65,471,211.00			54,560.61	
Cumberland	625,866,329	4,709,110,034	42,363,024.85			146,122.85	
Essex	24,550,202,905	43,007,675,575	282,042,623.46			1,597,480.46	
Gloucester	802,397,315	13,250,710,230	80,023,473.89			75,397.00	107,999.11
Hudson	4,613,921,281	24,033,341,356	188,312,202.38			2,419,070.38	
Hunterdon	1,679,307,631	13,804,316,308	54,346,879.77			30,541.77	
Mercer	1,796,009,290	22,625,728,372	125,933,673.99			261,486.99	
Middlesex	10,997,431,685	49,883,627,182	192,621,755.49			490,609.15	872,853.66
Monmouth	8,465,314,027	51,857,201,260	218,753,500.11			168,308.11	
Morris	10,247,369,247	52,699,485,811	140,776,216.10			396,505.36	3,125.42
Ocean	5,125,234,278	39,647,327,183	188,448,485.83			139,872.94	1,382.11
Passaic	5,857,869,510	26,470,562,165	154,766,859.91			1,182,053.72	
Salem	427,701,787	3,229,481,313	31,135,994.46			232,433.78	250.24
Somerset	852,901,975	31,829,676,808	126,672,197.03			172,197.03	
Sussex	1,226,831,583	9,699,311,720	47,987,748.00			143,008.00	
Union	14,210,193,352	37,754,710,399	160,467,298.34			534,531.34	
Warren	525,214,094	6,682,685,346	44,674,267.32			74,229.61	7,209.29
TOTALS	$117,714,068,783	$609,519,990,931	$2,742,191,427.25			$10,618,374.34	$1,122,757.39

Abstract of Ratables and Exemptions 2001 (continued)

Col. 12—APPORTIONMENT OF TAXES

COUNTY	Section A County Taxes III Net County Taxes Apportioned	IV Municipal Budget State Aid (R.S. 52:27D-118.40)	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII – IV – Addendum 1(a))	Section B (a) County Library Taxes	(b) County Health Taxes	(c) County Open Space Taxes
Atlantic	$ 91,638,702.64		$ 91,638,702.64	$ 4,292,800.00	$ 3,506,691.00	$ 4,163,704.10
Bergen	206,739,281.00		206,739,281.00			4,268,955.36
Burlington	114,668,090.00		114,668,090.00	5,762,000.00		9,494,000.00
Camden	181,977,914.00		181,977,914.00	6,076,821.00		2,119,072.00
Cape May	65,416,650.39		65,416,650.39	3,899,866.63		1,809,999.28
Cumberland	42,216,902.00		42,216,902.00		1,150,063.00	470,911.00
Essex	280,445,143.00		280,445,143.00			4,300,767.56
Gloucester	80,056,076.00		80,056,076.00	2,080,362.00		2,650,142.00
Hudson	185,893,132.00		185,893,132.00			
Hunterdon	54,316,338.00		54,316,338.00	4,065,504.00		4,140,000.00
Mercer	125,672,187.00		125,672,187.00	7,395,600.00		4,515,837.00
Middlesex	193,004,000.00		193,004,000.00			4,996,925.75
Monmouth	218,585,192.00		218,585,192.00	8,225,782.00	1,127,835.00	10,000,000.00
Morris	140,382,836.16		140,382,836.16			17,127,332.89
Ocean	188,309,995.00		188,309,995.00	18,208,000.00	6,100,000.00	4,800,000.00
Passaic	153,584,806.19		153,584,806.19			2,647,056.23
Salem	30,903,810.92	47,982.00	30,855,828.92			
Somerset	126,500,000.00		126,500,000.00	7,816,809.00		9,535,999.36
Sussex	47,844,740.00	$20,866.00	47,823,874.00	3,206,468.00	1,015,117.00	1,917,690.00
Union	159,932,767.00		159,932,767.00			2,831,603.27
Warren	44,607,247.00	20,054.00	44,587,193.00	3,074,215.00		2,673,074.00
TOTALS	$2,732,695,810.30	$88,902.00	$2,732,606,908.30	$74,104,227.63	$12,899,706.00	$94,463,069.80

Abstract of Ratables and Exemptions 2001 (continued)

Col. 12—APPORTIONMENT OF TAXES

Section C
Local Taxes to be Raised for

COUNTY	I DISTRICT SCHOOL PURPOSES (a) District School Budget (Adjusted by Addendum 1(b))	(b) Regional Consolidated and Joint School Budgets	(c) Local School Budget	II LOCAL MUNICIPAL PURPOSES (a) Local Municipal Budget (Adjusted by Addendum 1(c))	(b) Local Municipal Open Space
Atlantic	$ 196,527,435.00	$ 31,006,701.54	$ 5,499,586.26	$ 199,906,128.18	
Bergen	1,041,730,633.00	138,056,253.12	1,087,663.00	587,875,322.56	$ 936,685.02
Burlington	312,682,745.00	79,091,411.24	7,413,406.00	101,007,398.90	2,678,629.88
Camden	331,502,304.25	33,968,718.52		140,357,149.07	613,009.00
Cape May	84,655,375.00	11,118,400.00		91,086,938.38	
Cumberland	42,163,090.50	5,244,927.77	56,376.25	29,599,304.31	
Essex	499,018,098.98	103,406,977.25	7,057,485.15	417,513,876.65	211,790.70
Gloucester	175,207,982.02	25,366,545.81		82,347,490.85	741,879.61
Hudson	269,440,442.00		12,513,017.50	308,026,216.39	
Hunterdon	132,425,361.84	70,420,930.03		31,292,350.68	3,032,925.37
Mercer	181,169,566.50	169,629,317.47	1,288,513.00	130,158,459.91	3,317,524.42
Middlesex	770,502,381.00	37,881,687.75	1,972,647.89	294,386,678.39	3,986,724.87
Monmouth	547,563,874.81	183,708,929.23	17,615.20	250,928,855.49	3,308,568.49
Morris	528,018,623.19	160,067,164.61		245,902,141.34	7,364,084.25
Ocean	281,252,222.00	145,146,454.58	4,628,756.00	191,728,465.57	1,034,718.84
Passaic	330,906,712.00	28,196,116.00	220,340.00	239,405,275.77	247,146.00
Salem	30,286,870.50	12,344,326.98		7,612,017.25	15,000.00
Somerset	315,058,611.29	100,203,426.66		109,736,374.59	10,134,729.88
Sussex	121,927,316.49	44,944,550.56		49,419,368.46	838,116.21
Union	441,854,102.00	44,631,155.25	2,263,847.50	306,317,585.95	190,569.44
Warren	72,380,325.00	26,437,545.00		22,425,579.39	1,066,637.81
TOTALS	$6,706,274,072.37	$1,450,871,539.37	$44,019,253.75	$3,837,032,978.08	$39,718,739.79

Abstract of Ratables and Exemptions 2001 (continued)

	Col. 12	Col. 13			
	Section D Total Tax Levy on Which Tax Rate is Computed	REAL PROPERTY EXEMPT FROM TAXATION			
COUNTY	(Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII(a), (b))	(a) Public School Property	(b) Other School Property	(c) Public Property	(d) Church and Charitable Property
Atlantic	$ 536,541,748.72	$ 532,644,800	$ 33,893,900	$ 1,575,032,810	$ 187,092,300
Bergen	1,980,694,793.06	1,794,180,350	583,474,700	4,209,560,370	980,940,000
Burlington	632,797,681.02	597,372,170	73,437,300	1,782,334,826	412,810,770
Camden	696,614,987.84	782,451,019	195,117,500	1,409,343,439	646,756,528
Cape May	257,987,229.68	128,903,500	22,717,700	606,758,350	192,778,510
Cumberland	120,901,574.83	183,971,200	23,621,300	720,361,100	127,724,500
Essex	1,312,748,779.29	708,876,900	489,196,900	2,486,352,100	690,269,900
Gloucester	368,450,478.29	382,354,300	182,624,500	389,959,800	269,691,250
Hudson	775,872,807.89	621,766,600	375,454,200	2,506,075,280	677,078,840
Hunterdon	299,693,409.92	202,019,320	3,706,700	651,951,290	149,012,975
Mercer	623,147,005.30	525,577,100	1,534,698,150	2,357,317,612	513,654,900
Middlesex	1,306,731,045.65	1,824,400,700	838,203,300	1,278,038,550	819,761,650
Monmouth	1,223,466,652.22	977,742,399	196,128,200	1,820,358,655	574,734,677
Morris	1,098,862,182.44	720,243,900	263,896,400	1,993,997,536	676,335,500
Ocean	841,208,611.99	555,597,739	53,962,600	2,004,325,049	379,834,580
Passaic	755,207,452.19	502,303,200	223,105,700	1,351,357,225	634,073,100
Salem	81,114,043.65	87,889,450	17,966,800	155,583,822	70,970,400
Somerset	678,985,950.78	461,658,200	91,250,600	958,328,828	333,789,800
Sussex	271,092,500.72	237,216,400	17,572,400	462,182,479	112,098,190
Union	958,021,630.41	652,108,200	205,124,900	1,791,869,200	612,752,600
Warren	172,644,569.20	166,494,873	49,067,842	230,767,396	117,631,750
TOTALS	$14,992,785,135.09	$12,645,772,320	$5,474,221,592	$30,741,855,717	$9,179,792,720

Abstract of Ratables and Exemptions 2001 (continued)

	Col. 13			Col. 14	
	REAL PROPERTY EXEMPT FROM TAXATION			AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
COUNTY	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation (a + b + c + d + e + f)	(a) Surplus Revenue Appropriated	(b) Miscellaneous Revenues Anticipated
Atlantic	$ 16,844,800	$ 814,426,919	$ 3,159,935,529	$ 22,482,930.04	$ 88,002,615.92
Bergen	369,799,400	2,890,580,150	10,828,534,970	96,181,375.85	239,229,844.79
Burlington	13,759,000	512,125,629	3,391,839,695	45,243,875.84	111,319,941.32
Camden	31,015,700	512,422,110	3,577,106,296	25,242,155.94	204,045,242.51
Cape May	2,550,500	267,825,250	1,221,533,810	18,821,037.00	65,496,183.87
Cumberland	6,660,900	197,609,200	1,259,948,200	10,019,869.11	49,424,178.36
Essex	46,493,100	730,690,650	5,151,879,550	52,413,093.23	575,219,464.44
Gloucester	8,196,800	144,852,300	1,377,678,950	20,156,171.67	63,371,552.11
Hudson	161,641,000	3,018,422,122	7,360,438,042	15,108,822.73	449,848,951.99
Hunterdon	11,654,300	85,014,800	1,103,359,385	19,298,349.00	36,700,992.43
Mercer	26,232,300	707,646,400	5,665,126,462	31,384,232.34	198,914,348.65
Middlesex	105,312,800	1,251,338,500	6,117,055,500	48,355,675.51	280,771,165.22
Monmouth	67,306,000	1,247,208,600	4,883,478,531	75,965,161.27	185,802,171.29
Morris	63,703,500	628,181,365	4,346,358,201	59,717,515.29	146,571,774.96
Ocean	11,516,900	305,888,686	3,311,125,554	56,427,428.16	130,377,219.76
Passaic	77,141,600	362,122,303	3,150,103,128	32,229,885.25	167,314,363.45
Salem	1,459,100	84,647,636	418,517,208	8,716,921.02	33,571,550.40
Somerset	26,487,767	504,521,406	2,376,036,601	44,899,371.05	85,331,743.12
Sussex	3,349,100	131,072,000	963,490,569	17,202,871.59	32,275,837.78
Union	170,217,600	399,415,400	3,831,487,900	41,590,000.00	215,182,576.82
Warren	11,917,716	137,045,658	712,925,235	14,077,219.00	29,235,926.88
TOTALS	$1,233,259,883	$14,933,057,084	$74,207,959,316	$755,533,960.89	$3,388,007,646.07

Abstract of Ratables and Exemptions 2001 (continued)

COUNTY	Col. 14 — AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET: (c) Receipts from Delinquent Tax and Liens	Col. 14 — (d) Total of Miscellaneous Revenues (a + b + c)	Col. 15 — DEDUCTIONS ALLOWED: (a) Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	Col. 15 — (b) Veterans Deductions	Col. 16 — Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
Atlantic	$ 6,211,209.00	$ 116,696,754.96	$ 942,850	$ 1,435,900	$ 19,883,675,282
Bergen	24,460,342.00	359,871,562.64	3,085,150	5,505,450	88,039,234,368
Burlington	13,959,966.00	170,523,783.16	1,462,500	3,233,150	23,584,657,455
Camden	15,733,256.07	245,020,654.52	2,613,150	3,146,900	20,934,075,402
Cape May	6,210,328.33	90,527,549.20	547,000	946,200	18,022,461,127
Cumberland	5,185,806.28	64,629,853.75	1,005,500	810,700	4,578,475,652
Essex	56,522,465.26	684,155,022.93	1,436,475	2,293,100	42,238,739,325
Gloucester	10,928,499.00	94,456,222.78	1,294,250	1,832,050	13,148,843,587
Hudson	9,683,744.50	474,641,519.22	1,174,750	1,251,300	23,427,122,725
Hunterdon	4,893,786.92	60,893,128.35	244,650	683,050	12,457,511,239
Mercer	15,628,940.79	245,927,521.78	1,476,000	1,948,050	22,381,463,910
Middlesex	13,144,085.01	342,270,925.74	2,665,650	4,498,550	49,420,756,280
Monmouth	29,070,078.95	290,837,411.51	1,416,500	3,505,300	51,653,695,669
Morris	16,740,948.20	223,030,238.45	944,683	2,637,725	52,342,002,106
Ocean	17,045,040.00	203,849,687.92	4,156,517	5,867,650	39,562,578,062
Passaic	9,101,381.07	208,645,629.77	1,496,325	2,150,850	26,173,126,026
Salem	4,032,441.64	46,320,913.06	363,250	514,050	3,120,562,757
Somerset	7,034,221.61	137,265,335.78	691,700	1,499,351	31,491,724,058
Sussex	7,391,218.00	56,869,927.37	405,400	866,954	9,636,671,186
Union	18,961,047.00	275,733,623.82	2,056,900	2,935,200	35,989,757,866
Warren	5,174,808.88	48,487,954.76	424,300	689,150	6,616,035,347
TOTALS	$297,113,614.51	$4,440,655,221.47	$29,903,500	$48,250,630	$594,703,169,429

Abstract of Ratables and Exemptions 2001 (continued)

COUNTY	Addendum 1: STATE AID ADJUSTMENT FOR BUSINESS PERSONAL PROPERTY TAX (a) County Adjustment	(b) School Adjustment	(c) Municipal Adjustment	Addendum 2: REGIONAL EFFICIENCY AID PROGRAM (R.E.A.P.) DISTRIBUTION SUMMARY (a) Eligible Property Assessments	(b) Municipal R.E.A.P. Aid
Atlantic				$ 6,176,323,380	
Bergen		$ 287,521		23,577,989,394	
Burlington		12,943	$92,222	5,841,623,416	
Camden		626,152		3,332,838,818	
Cape May		11,199		1,482,578,000	
Cumberland		45,764		1,373,365,900	
Essex		2,147,274		5,098,547,650	
Gloucester		140,828		3,687,188,600	
Hudson				2,577,546,749	
Hunterdon				4,202,028,900	
Mercer		84,540		128,327,100	
Middlesex		1,334,333		16,993,683,400	
Monmouth		1,743,538		12,596,950,554	$411,875
Morris		643,887		9,839,412,110	
Ocean		21,125		3,989,094,900	
Passaic		66,790			
Salem		99,141		1,163,077,100	
Somerset		236,270		16,807,004,255	
Sussex				900,238,366	
Union					
Warren				957,564,900	
TOTALS		$7,501,305	$92,222	$120,725,383,492	$411,875

Abstract of Ratables and Exemptions 2001 (continued)

COUNTY	Addendum 2: REGIONAL EFFICIENCY AID PROGRAM (R.E.A.P.) DISTRIBUTION SUMMARY (c) School R.E.A.P. Aid	(d) County R.E.A.P. Aid	(e) Total R.E.A.P. Aid	Addendum 3: POLICE AND FIRE AND PFRS (a) County Portion	(b) Municipal Portion
Atlantic			$ 1,564,526		
Bergen			2,514,357		
Burlington			1,111,280		
Camden			429,624		
Cape May			120,448	$319,899.53	$293,213.14
Cumberland			252,970		
Essex			571,028		
Gloucester			607,993		
Hudson			6,996,767		
Hunterdon			197,793		
Mercer			33,415		
Middlesex			1,210,822		
Monmouth	$368,189	$30,405	810,469		243,657.00
Morris			308,318		
Ocean			256,427		
Passaic					
Salem			296,800		
Somerset			1,363,581		
Sussex			66,582		
Union					
Warren			120,561		
TOTALS	$368,189	$30,405	$18,833,761	$319,899.53	$536,870.14

2001 Assessed Value of Partial Exemptions and Abatements
(Summary Addendum to Abstract of Ratables)

COUNTY	Pollution Control	Fire Suppression	Fallout Shelter	Water/ Sewage Facility	UEZ Abatement	Home Improvement	Multi-Family Dwelling	Class 4 Abatement
Atlantic	–	–	–	–	–	–	–	–
Bergen	$ 450,000	–	–	–	–	–	–	–
Burlington	2,629,100	$ 670,900	$ 1,000	$ 2,400,000	$ 461,900	–	–	$ 7,270,200
Camden	79,000	–	–	–	–	$ 247,500	–	538,800
Cape May	–	–	1,000	–	–	–	–	–
Cumberland	3,863,500	–	–	–	–	–	–	–
Essex	352,900	–	101,800	–	26,173,400	36,000	–	–
Gloucester	13,325,925	–	–	13,300	–	50,000	–	982,700
Hudson	235,100	–	–	2,500,000	–	102,200	$7,738,900	–
Hunterdon	–	–	–	–	–	–	–	–
Mercer	–	–	1,454,300	62,800	9,762,600	–	–	–
Middlesex	3,864,000	1,405,600	–	–	–	1,016,600	–	370,500
Monmouth	1,820,200	–	–	2,601,200	–	23,300	–	–
Morris	198,400	–	–	141,800	–	–	–	–
Ocean	48,600	447,500	5,800	–	–	–	–	–
Passaic	340,700	–	–	–	800,100	–	–	282,100
Salem	–	–	–	–	–	–	–	–
Somerset	–	–	–	–	–	2,355,100	–	–
Sussex	–	–	–	–	–	–	–	4,080
Union	127,000	–	–	–	7,537,700	–	–	–
Warren	1,209,800	–	101,700	–	3,468,800	–	–	4,950
TOTALS	$28,544,225	$2,524,000	$1,665,600	$7,719,100	$48,204,500	$3,830,700	$7,738,900	$9,453,330

2001 Assessed Value of Partial Exemptions and Abatements (continued)

(Summary Addendum to Abstract of Ratables)

COUNTY	Dwelling Abatement	Dwelling Exemption	New Dwelling/ Conversion Abatement	New Dwelling/ Conversion Exemption	Multiple Dwelling Abatement	Multiple Dwelling Exemption	Commercial/ Industrial Exemption	Total Assessed Value (Col. 3 of Abstract)
Atlantic	–	$ 2,543,100	–	–	–	$ 25,000	$ 29,679,700	$ 32,247,800
Bergen	$ 375,400	6,160,900	–	–	–	–	156,000	7,142,300
Burlington	2,271,200	3,851,900	–	–	$ 10,000	–	3,538,000	23,104,200
Camden	1,142,852	12,195,000	–	–	–	–	39,977,700	54,180,852
Cape May	5,200	1,546,000	–	$ 3,076,410	177,000	–	1,305,300	6,110,910
Cumberland	–	8,533,700	–	–	–	–	38,782,720	51,179,920
Essex	14,300	366,000	–	–	–	–	–	27,044,400
Gloucester	–	5,210,900	–	–	–	–	20,646,540	40,229,365
Hudson	6,677,600	–	$9,326,600	30,653,100	3,234,400	162,977,000	327,423,700	550,868,600
Hunterdon	69,700	–	–	–	–	–	–	69,700
Mercer	14,530	1,484,100	10,500	–	–	–	55,900	12,844,730
Middlesex	15,471,300	12,941,400	–	–	–	2,809,900	63,793,700	101,673,000
Monmouth	2,840,900	6,926,100	–	1,772,650	–	–	845,100	16,829,450
Morris	–	–	–	–	–	–	–	340,200
Ocean	–	972,400	–	–	–	–	1,436,500	2,910,800
Passaic	–	–	–	–	–	43,800	–	1,466,700
Salem	–	252,400	–	–	–	–	50,000	302,400
Somerset	–	1,704,700	–	–	–	–	418,600	4,478,400
Sussex	–	–	–	–	–	–	676,400	680,480
Union	–	–	–	–	–	–	–	7,664,700
Warren	–	–	–	–	–	–	10,100	4,795,350
TOTALS	$28,882,982	$64,688,600	$9,337,100	$35,502,160	$3,421,400	$165,855,700	$528,795,960	$946,164,257

Summary of 2001 County Tax Board Appeals Reported

Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

	Col. 1	Col. 2								
		NUMBER OF DISPOSITIONS								
COUNTY	Total Number of Tax Appeals	Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Property Tax Deduction Granted	Property Tax Deduction Denied
Atlantic	1,252	97	287	245	13	49	327	120	29	0
Bergen	2,747	147	174	1,388	0	69	661	293	0	0
Burlington	571	220	191	70	0	25	3	40	8	2
Camden	724	19	22	316	0	65	10	67	219	2
Cape May	207	40	22	67	2	15	3	51	5	1
Cumberland	216	38	14	108	0	3	1	22	26	0
Essex	2,885	92	326	720	0	395	976	293	56	2
Gloucester	241	8	47	56	0	9	9	47	5	0
Hudson	1,339	474	248	209	4	5	112	279	0	0
Hunterdon	352	69	45	163	0	30	6	27	0	0
Mercer	473	99	21	239	0	66	10	24	0	0
Middlesex	594	15	10	102	0	47	119	152	2	0
Monmouth	723	81	54	207	0	96	66	204	3	2
Morris	813	110	132	320	0	72	68	103	1	1
Ocean	1,675	190	537	245	3	325	62	94	97	8
Passaic	1,430	158	163	66	0	99	556	61	2	0
Salem	59	11	5	19	0	2	0	17	0	0
Somerset	1,106	385	122	409	0	58	72	45	13	0
Sussex	247	2	26	35	0	17	3	8	0	0
Union	671	8	38	178	0	29	327	82	4	1
Warren	229	29	12	130	0	19	10	20	3	2
TOTALS	18,554	2,292	2,496	5,292	22	1,495	3,401	2,049	473	21

Summary of 2001 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 2					Col. 3			
	NUMBER OF DISPOSITIONS					NUMBER OF APPEALS IN EACH CLASS OF PROPERTY			
						Class 1	Class 2	Class 3A	Class 3B
COUNTY	Farmland Assessment Granted	Farmland Assessment Denied	Classification	R.E.A.P. Credit	Other	Vacant Land	Residential	Farm Regular	Farm Qualified
Atlantic	0	1	1	0	83	195	962	1	1
Bergen	0	0	0	15	0	277	1,979	3	3
Burlington	1	0	8	0	3	162	287	3	1
Camden	0	0	4	0	0	28	555	0	0
Cape May	0	0	1	0	0	18	171	0	0
Cumberland	0	0	4	0	0	25	128	9	12
Essex	0	0	0	0	25	158	1,497	0	0
Gloucester	0	0	0	0	60	54	143	2	5
Hudson	0	0	8	0	0	112	605	0	0
Hunterdon	0	0	6	0	6	52	249	22	3
Mercer	0	0	14	0	0	51	343	2	0
Middlesex	0	0	0	0	147	140	260	8	21
Monmouth	0	0	10	0	0	203	334	8	1
Morris	5	0	0	0	1	263	456	3	6
Ocean	0	0	114	0	0	310	1,294	0	1
Passaic	0	0	0	0	325	144	678	1	0
Salem	1	1	1	0	2	16	25	2	0
Somerset	1	0	0	0	1	91	927	15	5
Sussex	0	0	1	0	155	81	100	16	20
Union	0	0	0	0	4	57	292	0	0
Warren	0	0	4	0	0	24	116	10	8
TOTALS	8	2	176	15	812	2,461	11,401	105	87

Summary of 2001 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

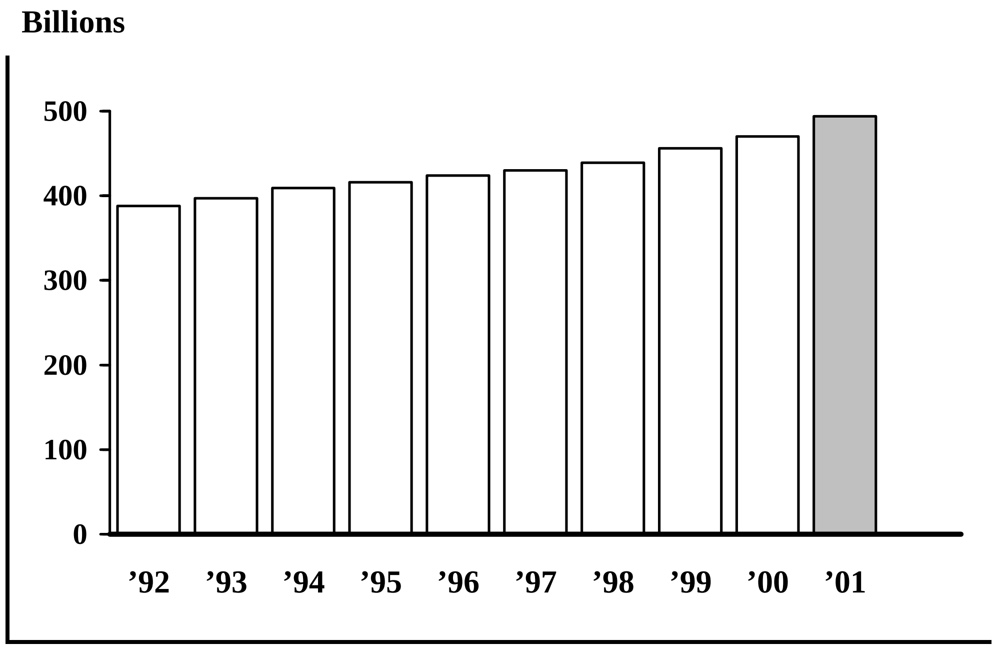
	Col. 3		Col. 4	Col. 5	Col. 6	Col. 7
	NUMBER OF APPEALS IN EACH CLASS OF PROPERTY					
COUNTY	Class 4 Commercial Industrial Apartment	Other	Original Amount of Assessments	Total Assessment Reductions Granted	Total Assessment Increases Granted	Net Total Assessments (Col. 4 – 5 + 6)
Atlantic	91	2	$ 160,295,200	$ 19,030,100	$ 1,608,000	$ 142,873,100
Bergen	467	18	1,438,937,671	92,997,923	125,914	1,346,065,662
Burlington	117	1	123,082,475	12,139,975	90,000	111,032,500
Camden	134	7	123,883,650	12,998,896	9,400	110,894,154
Cape May	18	0	70,059,500	4,638,427	421,400	65,842,473
Cumberland	38	4	37,377,800	6,585,320	2,179,600	32,972,080
Essex	1,218	12	472,383,800	20,072,275	339,500	452,651,025
Gloucester	34	3	41,126,000	4,010,600	17,968,200	55,083,600
Hudson	622	0	419,439,260	38,364,585	0	381,074,675
Hunterdon	26	0	109,203,450	9,052,413	203,800	100,354,837
Mercer	77	0	76,736,500	14,988,700	16,100	61,763,900
Middlesex	157	8	310,598,531	15,679,074	3,355,700	298,275,157
Monmouth	176	1	238,735,125	12,803,925	213,700	226,144,900
Morris	85	0	332,994,240	25,427,450	604,900	308,171,690
Ocean	68	2	239,982,400	16,871,250	850,100	223,961,250
Passaic	601	6	234,151,530	141,271,160	424,600	93,304,970
Salem	16	0	19,174,200	8,515,550	0	10,658,650
Somerset	67	1	556,192,133	58,943,816	5,496,298	502,744,615
Sussex	21	9	50,375,038	6,873,057	666,600	44,168,581
Union	317	5	159,309,400	4,953,700	20,700	154,376,400
Warren	66	5	83,218,678	7,331,028	66,800	75,954,450
TOTALS	4,416	84	$5,297,256,581	$533,549,224	$34,661,312	$4,798,368,669

Summary of 2001 County Tax Board Appeals Reported
Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

Col. 8

	NUMBER OF APPEALS IN EACH FILING FEE CATEGORY							
COUNTY	**$5**	**$25**	**$100**	**$150**	**Classification $25**	**Other $25**	**No Fee**	**Total**
Atlantic	941	126	14	9	21	4	137	1,252
Bergen	342	908	304	106	4	0	1,083	2,747
Burlington	345	45	21	14	9	0	137	571
Camden	326	117	13	15	13	0	240	724
Cape May	114	45	18	17	2	0	11	207
Cumberland	115	20	7	2	4	1	67	216
Essex	1,709	750	135	13	53	0	225	2,885
Gloucester	149	35	5	5	0	0	47	241
Hudson	537	452	100	24	8	0	218	1,339
Hunterdon	59	235	35	4	5	0	14	352
Mercer	322	61	20	2	7	0	61	473
Middlesex	290	124	51	20	0	0	109	594
Monmouth	338	277	53	26	9	4	16	723
Morris	252	161	148	32	5	192	23	813
Ocean	944	304	26	12	126	0	263	1,675
Passaic	764	341	33	6	15	0	271	1,430
Salem	31	10	2	4	3	3	6	59
Somerset	75	626	103	29	0	0	273	1,106
Sussex	65	37	2	5	1	0	137	247
Union	331	272	47	9	1	0	11	671
Warren	97	68	16	6	10	0	32	229
TOTALS	8,146	5,014	1,153	360	296	204	3,381	18,554

Total Taxable Value
Land and Improvements in New Jersey
1992 – 2001



2001 County Values

Atlantic	$ 18,864,988,688
Bergen	76,752,945,840
Burlington	21,943,260,734
Camden	19,766,411,593
Cape May	15,506,920,808
Cumberland	4,150,661,670
Essex	18,741,608,100
Gloucester	12,276,545,350
Hudson	19,884,474,318
Hunterdon	12,074,379,153
Mercer	20,737,946,672
Middlesex	$ 38,812,846,691
Monmouth	43,262,449,386
Morris	43,174,830,988
Ocean	34,470,634,661
Passaic	20,549,755,948
Salem	2,786,343,735
Somerset	32,946,445,986
Sussex	8,426,201,535
Union	23,479,424,800
Warren	6,194,196,917
Total	**$494,803,273,573**

Taxes Administered by the Public Utility Tax Section for 2002 (Calendar Year Due)

Public Utility Taxes (Excise, Franchise, and Gross Receipts Taxes), Transitional Energy Facility Assessment (TEFA), and Uniform Transitional Utility Assessment (UTUA)

Assessed by the State and Available for Appropriation and Distribution to Municipalities
Distribution Subject to Budgetary and Statutory Limitations and Restrictions

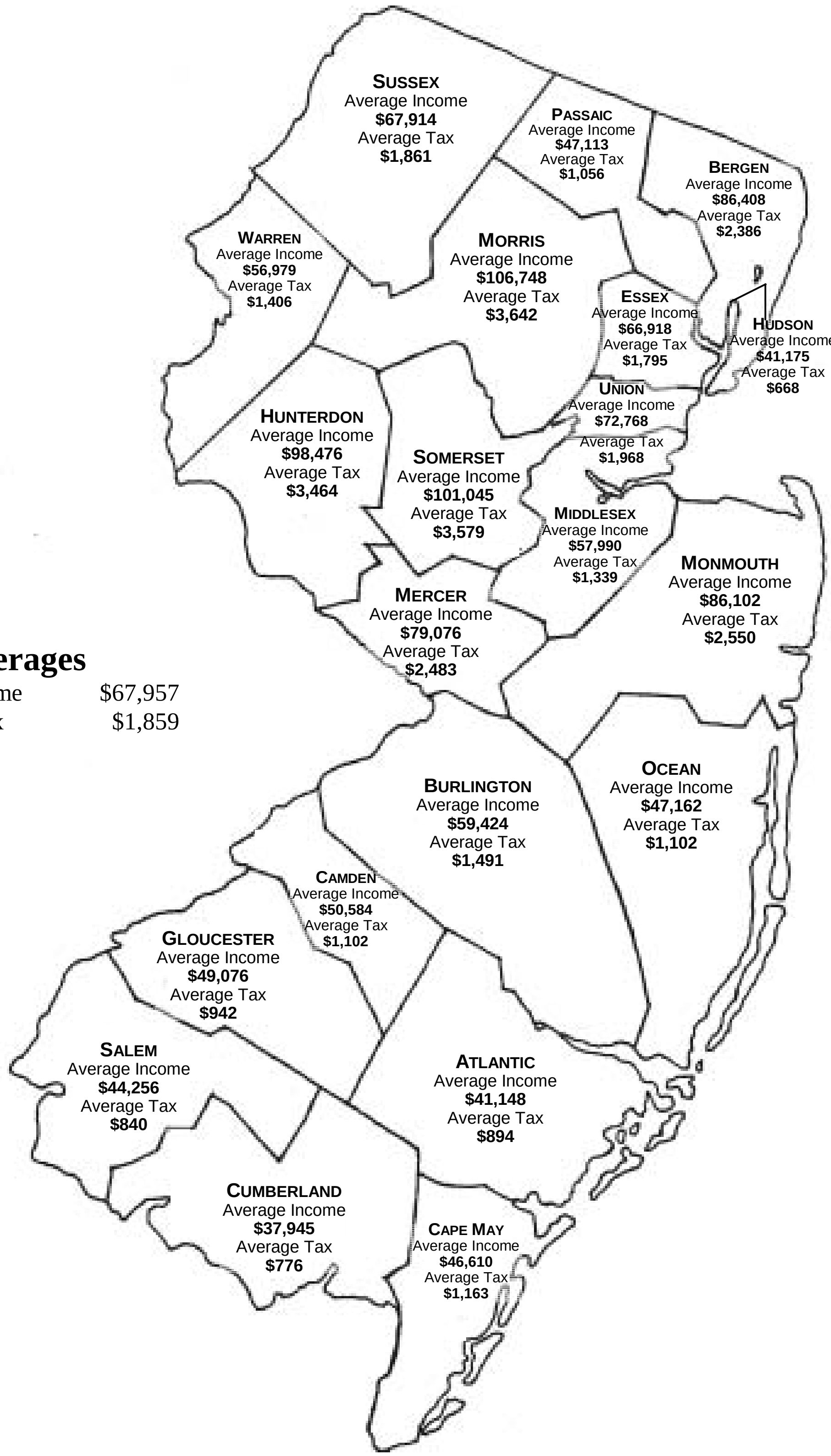
		PUBLIC UTILITY TAXES					
Classification	**No. of Companies**	**Excise Taxes**	**Franchise Taxes**	**Gross Receipts Taxes**	**TEFA**	**UTUA (CBT)**	**UTUA (S&U-EN)**
Sewer Companies	19	$ 402,245	$ 1,054,774	$ 2,017,984	NA	NA	NA
Water Companies	47	9,443,304	27,892,505	44,384,743	NA	NA	NA
Energy Companies...........	14	NA	NA	NA	$221,373,081	$49,489,133	$286,371,545
Telephone Companies	3	NA	NA	NA	NA	38,887,975	NA
Totals................................	83	$9,845,549	$28,947,279	$46,402,727	$221,373,081	$88,377,108	$286,371,545

Total Net Tax Assessed...$681,317,289

Individual Income Tax Returns
County Profile 2000

County	No. of Returns	NJ Taxable Income	Net Charged Tax
Atlantic	99,817	$ 3,666,187,000	$ 89,280,000
Bergen	395,916	31,833,166,000	944,578,000
Burlington	174,253	9,433,421,000	259,895,000
Camden	198,194	9,061,218,000	218,395,000
Cape May	41,286	1,735,609,000	48,029,000
Cumberland	52,925	1,799,576,000	41,073,000
Essex	294,593	18,167,038,000	528,909,000
Gloucester	95,563	4,231,077,000	89,978,000
Hudson	220,315	8,312,184,000	147,184,000
Hunterdon	52,552	4,800,751,000	182,032,000
Mercer	138,575	10,179,165,000	344,139,000
Middlesex	300,590	15,859,479,000	402,432,000
Monmouth	261,159	20,880,509,000	666,023,000
Morris	196,037	19,625,717,000	713,871,000
Ocean	209,077	8,787,142,000	230,372,000
Passaic	203,036	8,550,404,000	214,366,000
Salem	24,136	965,809,000	20,286,000
Somerset	136,081	12,909,782,000	487,098,000
Sussex	59,394	3,668,660,000	110,510,000
Union	199,497	13,403,133,000	392,547,000
Warren	43,401	2,231,221,000	61,031,000
County Unknown	88,966	8,077,941,000	286,429,000
Totals	**3,485,363**	**$218,179,189,000**	**$6,478,457,000**

Average Gross Income and Average Income Tax By County — Tax Year 2000



Statewide Averages

Average Gross Income	$67,957
Average Income Tax	$1,859

Sales and Use Tax Collections by Business Type
Return Years 1999–2001
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	1999	2000	2001	1999	2000	2001	1999–2000	2000–2001
Exempt Organizations	745	744	724	$ 2,900	$ 2,917	$ 3,343	0.6%	14.6%
Manufacturing	13,515	13,358	12,978	249,242	266,040	255,590	6.7	–3.9
Service	80,902	78,502	75,237	1,376,679	1,425,415	1,438,045	3.5	0.9
Wholesale	11,757	11,535	11,001	237,995	247,860	244,947	4.1	–1.2
Construction	18,238	17,831	16,997	101,622	108,286	110,600	6.6	2.1
Retail	94,392	91,813	86,353	2,843,402	3,019,478	3,095,832	6.2	2.5
Government	29	31	34	507	843	2,564	66.3	204.2
Not Classified	7,154	7,283	7,393	70,173	91,971	112,721	31.1	22.6
Totals	**226,732**	**221,097**	**210,717**	**4,882,520**	**$5,162,810**	**$5,263,642**	**5.7%**	**2.0%**

2002 Major Taxes
Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
CORPORATION NET INCOME	7.5%	8.7%	7%	9.5%	**6.5%, 7.5%, 9%**	7.5%	8.85%	5.1%, 8.5%	9.99%
PERSONAL INCOME	*3%– 4.5%	*2.2%– 5.95%	*2%– 4.75%	5.3%	***1.4%– 6.37%**	*4%– 6.85%	*2.907%– 3.648%	*0.743%– 7.5%	2.8%

*Graduated Rates

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
MOTOR FUELS[1]									
• **Excise Tax/Gal.**									
Gasoline	$0.25	$0.23	$0.235	$0.21	**$0.105[2]**	$0.08	0	$0.22	$0.12
Diesel	$0.26	$0.22	$0.2425	$0.21	**$0.135**	$0.08	0	$0.22	$0.12
• **Sales Tax**	6%	0.5%	0	5%	**0**	4%	4.25%	0	0

[1] Various other taxes are applied to motor fuels in the states of Delaware, New Jersey, New York, Ohio and Pennsylvania.
[2] Liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways is taxed at ½ the general motor fuels tax rate ($0.0525 per gallon).

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
ALCOHOL									
• **Excise Tax/Gal.**									
Beer	$0.19	$0.16	$0.09	$0.11	**$0.12**	$0.125	$0.245[2]	$0.18	$0.08
Wine	$0.60– $1.50	$0.97	$0.40	$0.55– $0.70	**$0.70**	$0.1893	$0.1893	$0.30– $1.48	See Footnote 4
Liquor	$2.05, $4.50	$2.50, $3.75	$1.50	$4.05	**$4.40**	$2.54, $6.44	$3.54, $7.44[2]	See Footnotes 3 and 4	See Footnote 4
• **Sales Tax**	6%	None	5%	5%[1]	**6%**	4%	8.25%[2]	5%	6%

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

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
TOBACCO									
• **Excise Tax**									
Cigarettes (20/pack)	$1.11	$0.24	$1.00	$1.51	**$1.50**	$1.50	$1.50	$0.55	$1.00
Other Tobacco (% of Wholesale Price)	20%	15%	15%	75%	**48%**	20%	20%	17%	0
• **Sales Tax**	6%	None	5%	5%	**6%**	4%	4.25%	5%	6%

2002 Major Taxes
Comparison with Nearby States (continued)

SALES AND USE	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
YEAR OF ADOPTION	1947	–	1947	1966	**1966**	1965	1965	1934	1953
CURRENT RATE	6%	None	5%	5%	**6%**	4%[1]	8.25%[2]	5%[3]	6%[4]

[1] State rate is 4%; counties and municipalities may impose additional tax up to 4% plus an additional metropolitan area surcharge of .25%.
[2] New York City rate includes New York State rate.
[3] State rate is 5%; each county may impose an additional 1.5%.
[4] State rate is 6%; City of Philadelphia imposes an additional 1% for a total of 7%.

SALES AND USE TAX EXEMPTIONS
(T—Taxable; E—Exempt)

	CT	DE*	MD	MA	NJ	NY	NYC	OH	PA
Beer On–Premises	T	E	T	T	**T**	T	T	T	T
Beer Off–Premises	T	E	T	E[1]	**T**	T	T	T	T
Cigarettes	T	E	T	T	**T**	T	T	T	T
Clothing	E[2]	E	T	E[3]	**E**	T	T	T	E
Food Off–Premises	E[4]	E	E[4]	E[4]	**E[4]**	E[4]	E[4]	E[4]	E[4]
Liquor On–Premises	T	E	T	T	**T**	T	T	T	T
Liquor Off–Premises	T	E	T	E[1]	**T**	T	T	T	T
Manufacturing Equipment	E	E	E	E	**E**	E	E	E	E
Motor Fuels	E	E	E	E[5]	**E**	T	T	E	E

*Delaware does not impose sales and use taxes. Gross receipts taxes of varying amounts (less than 1%) imposed on different types of sales.
[1] If purchased as "take-out" item from a package store.
[2] Single article $74.99 and under; however, single article $75.00 or over is taxable.
[3] Single article $175 and under; however, single article over $175 is taxed on the amount in excess of $175.
[4] If purchase is in same form and condition as found in supermarket; however, prepared food ready to be eaten and snack food are subject to tax.
[5] If fuel is subject to excise tax. If not for "on road use," it is not subject to excise tax and, therefore, subject to sales tax. Example: Contractor has a bulldozer for "off road use" which runs on diesel fuel. The fuel is not subject to excise tax; therefore, it is now subject to sales tax, unless used in performance of a government contract.

Major State Tax Rates
(On July 1, 2002)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) ($)	Cigarettes (20–Pack) ($)
Alabama	*2%–5%	6.5%	4%	$0.16	$0.165
Alaska	None	*1–9.4	None	0.08	1.00
Arizona	*2.87–5.04	6.968	5.6	0.18	0.58
Arkansas	*1–7	*1–6.5	5.125	0.215	0.315
California	*1–9.3	8.84	6.0	0.18	0.87
Colorado	4.63	4.63	2.9	0.22	0.20
Connecticut	*3–4.5[1]	7.5	6	0.25	1.11
Delaware	*2.2–5.95	8.7	None	0.23	0.24
Dist. of Columbia	*5–9.3	9.975	5.75	0.20	0.65
Florida	None	5.5	6	0.04	0.339
Georgia	*1–6	6	4	0.075	0.12
Hawaii	*1.4–8.25	*4.4–6.4	4	0.16	1.20
Idaho	*1.6–7.8	7.6	5	0.25	0.28
Illinois	3	4.8	6.25	0.19	0.98
Indiana	3.4	8.5	6	0.18	0.55
Iowa	*0.36–8.98	*6–12	5	0.20	0.36
Kansas	*3.5–6.45	4	5.3	0.21	0.79
Kentucky	*2–6	*4–8.25	6	0.15	0.03
Louisiana	*2–6	*4–8	4	0.20	0.36
Maine	*2–8.5	*3.5–8.93	5	0.22	1.00
Maryland	*2–4.75	7	5	0.235	1.00
Massachusetts	5.3	9.5	5	0.21	1.51
Michigan	4.0	1.9	6	0.19	1.25
Minnesota	*5.35–7.85	9.8	6.5	0.20	0.48
Mississippi	*3–5	*3–5	7	0.18	0.18

Major State Tax Rates (continued)
(On July 1, 2002)

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	*2.51–6.68	*5.58–7.81	5.3	0.245	0.64
Nevada	None	None	6.5	0.23	0.35
New Hampshire	5[2]	8.5	None	0.18	0.52
New Jersey	***1.4–6.37**	**6.5, 7.5, 9**	**6**	**0.105**	**1.50**
New Mexico	*1.7–8.2	*4.8–7.6	5	0.17	0.21
New York	*4–6.85	7.5	4	0.08	1.50
North Carolina	*6–8.25	6.9	4.5	0.221	0.05
North Dakota	*2.1–5.54	*3–10.5	5	0.21	0.44
Ohio	*0.743–7.5	5.1, 8.5	5	0.22	0.55
Oklahoma	*0.5–7	6	4.5	0.16	0.23
Oregon	*5–9	6.6	None	0.24	0.68
Pennsylvania	2.8	9.99	6	0.12	1.00
Rhode Island	25[3]	9	7	0.30	1.32
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.22	0.33
Tennessee	6[2]	6.5	7	0.20	0.20
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–7	5	4.75	0.245	0.695
Vermont	24[3]	*7–9.75	5	0.19	0.44
Virginia	*2–5.75	6	3.5	0.175	0.025
Washington	None	None	6.5	0.23	1.425
West Virginia	*3–6.5	9	6	0.205	0.17
Wisconsin	*4.6–6.75	7.9	5	0.281	0.77
Wyoming	None	None	4	0.14	0.12
US AVERAGE	2.54%–5.56%	3.93%–6.80%	4.73%	$0.192	$0.58

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