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**NEW JERSEY
DIVISION OF
TAXATION**

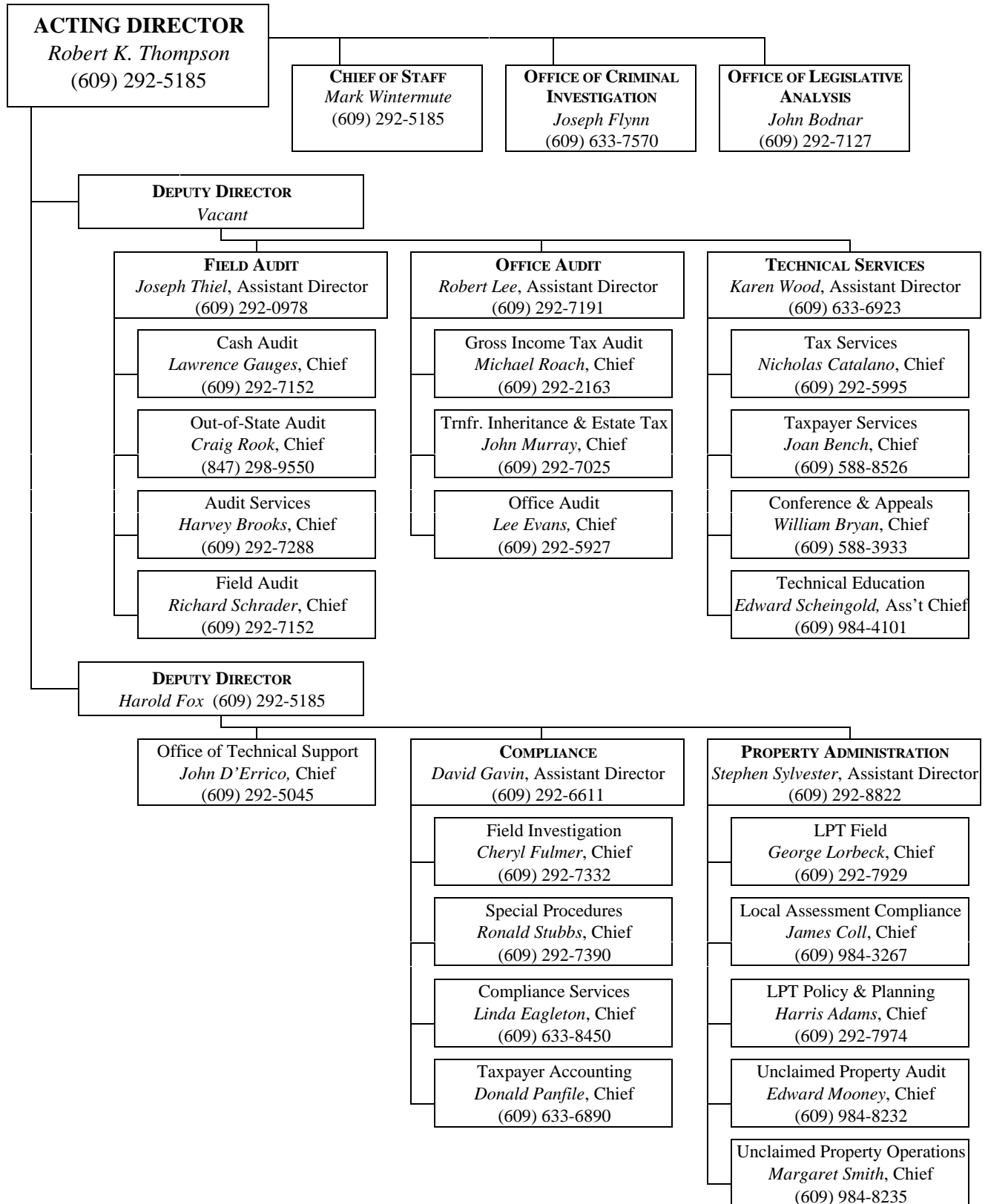
MISSION STATEMENT

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

DIVISION OF TAXATION HIGHLIGHTS

- NJ TeleFile program saved the State \$250,000 during the 1996 tax year. The program has been expanded for the 1997 tax year.
- Second year phase in of the property tax deduction/credit benefit.
- Division of Taxation developed a new exemption certificate, Form ST-3NR, Resale Certificate for Non-New Jersey Vendors, for use by qualified out-of-State vendors picking up merchandise in New Jersey or drop shipping merchandise to a New Jersey address.
- New Jersey accepts Uniform Sales & Use Tax Certificate - Multijurisdiction issued by the Multistate Tax Commission.
- Pilot program instituted to now accept New Jersey sales tax quarterly returns through the internet.
- Receipt of e-mail correspondence sent to the Division continues to steadily increase.
- New Jersey S corporation tax rate reduced to 0.5% for S corporations with annual net income of \$100,000 or less for accounting years ending on or after July 1, 1998.
- Mandatory employer trip reduction program repealed.
- New Jersey Redevelopment Authority created to assist in the revitalization of New Jersey's urban areas.
- War veterans' organizations permitted to conduct certain income-producing activities and retain property tax exempt status.
- Division received \$260,448.54 from the Federal Bureau of Investigation as part of New Jersey's share of Federal forfeiture money stemming from Operation Red Daisy, a joint Federal-State investigation of the bootleg motor fuel industry.

DIVISION OF TAXATION ORGANIZATION



FIELD AUDIT

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

Field Audit

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

Field Audit Activity was significantly impacted by the hiring of 44 additional cash auditors in fiscal year 1997. This hiring complemented the first hiring of 50 cash auditors in fiscal year 1996.

Under the cash audit program initiated in 1996, special emphasis has been placed on the audit of approximately 12,000 retail liquor licensees. The audit of the liquor industry is expected to continue for several years. During fiscal year 1997, an additional 44 auditors were dedicated to the audit of pizzerias, gas stations and other types of cash businesses yet to be identified. The cash audit programs are intended to strengthen compliance and collection efforts as well as level the playing field for compliant businesses. Under this program, there were 1,547 completed audits generating \$50.8 million in audit assessments during fiscal year 1997.

During the 1997 fiscal year, the 17 regional audit groups completed 4,277 audits. The completed audits, which included the cash initiative, generated assessments of \$97.3 million. The distribution of the assessments by tax is as follows:

Tax	FY 1996	FY 1997
Sales & Use	\$ 79,797,999	\$46,651,430
Corporation Business	52,812,354	19,562,877
Business Personal Prop.	44,963	80,561
Gross Income	3,442,324	4,346,598
Litter	718,718	712,784
Miscellaneous Other	5,868,224	2,875,931
Total Tax	\$142,684,582	\$74,230,181
Penalty and Interest	51,038,735	23,103,542
Total Assessments	\$193,723,317	\$97,333,723

Out-of-State Audit

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

Completions of audits by the Out-of-State Audit Branch for fiscal year 1996 and fiscal year 1997 were 327 and 220 audits respectively which generated assessments totaling \$46 million and \$17 million respectively. The distribution of assessments by tax is as follows:

Tax	FY 1996	FY 1997
Sales & Use	\$21,006,680	\$ 7,816,007
Corporation Business	11,469,233	3,182,249
Business Personal Prop.	1,281	101,317
Litter	557,703	1,121,778
Gross Income	0	8,139
Total Tax	\$33,034,897	\$12,229,490
Penalty and Interest	12,971,669	4,812,635
Total Assessments	\$46,006,566	\$17,042,125

The average assessments for each auditor for these two fiscal years were \$2,147,832 and \$917,230 respectively. Collections versus assessments on closed audits since inception of the Branch through the end of this fiscal year is 76.3%.

Miscellaneous Tax

The Branch's functions have been consolidated into the Audit Services Branch.

Audit Services

The Audit Services Branch is responsible to support every aspect of the Division's Audit Activity. In addition to that rather large task they also serve as the Division's resource for miscellaneous and excise tax refunds, adjustments and reconciliations, public utility tax administration, and the Division's word processing center. It is fair to say that auditors can make productive use of their time because the specially skilled auditors and technicians in Audit Services take all of the non-revenue tasks out of the Field and Office Audit staffs' hands.

Beginning with audit selection, trained auditors and technicians manipulate and compare reporting histories, research outside documents and plan for third party information to select the most effective audit targets.

To that end the Branch processes large amounts of raw data from diverse locations such as Division databases, taxpayer files and records, I.R.S. tapes, and U.S. Customs Service tapes.

In order to continue to increase the auditors' efficiency, the Branch was responsible for the creation and is responsible for the continued development and maintenance of SmartPapers. SmartPapers are the primary computer tool of auditors and the continued work of Audit Services provides increasing capabilities all the time. In addition to the research and development task, maintenance of the field auditors' laptops, desktop computers and peripheral equipment occupy increasing time and effort as new technologies provide increased capabilities, and the need for immediate information creates usage of additional information links.

Finally, Audit Services provides audit billing capabilities for the entire activity. This process includes the creation of the bill adjustment and segregation of existing deficiencies and delinquencies and the appropriate disposition of the audit file with the application of payment, transfer for an administrative hearing or by securing the liability for future collection actions.

Independently this Branch handles the administrative functions for Motor Fuels Tax, Petroleum Products Gross Receipts Tax, Tobacco Taxes and Alcoholic Beverage Taxes, which are too small to be totally mainstreamed. In this respect they issue refunds, reconcile accounts, license, determine proper bonding, provide taxpayer service and generally satisfy the needs of senior management and State government as it relates to the numerous minor State taxes.

This Branch was also responsible for the creation and now maintains a Local Area Network for Audit Activity relied on by both the Gross Income Tax Branch and the highly successful Nexus team. It is fair to say that these audit work forces would be largely ineffective without the LAN capabilities maintained by this Branch.

Certainly of great importance is the work of the Public Utility Tax Unit which spent many months working with the Treasurer's Office to accomplish the conversion of the State's taxation of energy. This group administered the Gross Receipts and Franchise Tax in all aspects and will be heavily involved in the oversight of the changes affecting this industry.

Finally, the Word Processing Section provides the capability to produce massive quantities of production for any area of the Division using centralized resources that can take peak needs away from individuals not capable of such volume. Their services have allowed the Division to reduce its clerical work force and still produce high quality documents in short turnaround times in great volume. The true potential of this group is still being recognized as we pursue new sources of work.

OFFICE AUDIT

The Office Audit Activity is comprised of several different branches.

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

Office Audit

The primary responsibility of this Branch is the audit and refund of the 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. Additional responsibilities include the examination of corporate taxpayers in order to issue Tax Lien Certificates, Tax Clearance Certificates, and Certificates of Reinstatement of Corporate Charter.

Changes occurring during the past year include the merging of one of the regular audit groups into the other four, the splitting of the Corporate Service Audit Group into two separate groups, and the transfer of the Nexus Audit Group from the Audit Service Branch. The group has the responsibility to discover and examine out-of-State entities to determine whether they have an unreported tax filing and paying responsibility. Last fiscal year the group had assessments in excess of \$56 million.

During fiscal year 1997, the ten audit groups of the Branch generated assessments, including penalty and interest, in excess of \$108 million, while issuing 23,205 tax certificates of various types. The distribution of assessments by tax is as follows:

Tax	Amount
Corporation Business	\$ 83,886,087
Sales & Use	1,776,630
Gross Income	293,913
Miscellaneous Others	5,723,744
Total Tax	<u>\$ 91,680,374</u>
Penalty and Interest	<u>17,271,967</u>
Total Assessments	\$108,952,341

Gross Income Tax Audit

The Gross Income Tax Audit Branch's responsibility is the auditing of gross income tax returns filed with the Division, using a variety of criteria developed within the Branch utilizing information from the Internal Revenue Service, neighboring states, and other New Jersey agencies where applicable.

The Branch also pursues delinquent resident and nonresident taxpayers separately and in joint projects with other Division branches and the Internal Revenue Service.

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

During fiscal year 1997, the six audit teams of the Gross Income Tax Audit Branch completed the following cases using computer-assisted and manual audit techniques:

	FY 1997
Cases Reviewed	43,361
No. of Assessments	10,497
Amount Assessed	\$26,902,870
No. of Collections	8,577
Amount Collected	\$18,350,814

Transfer Inheritance and Estate Tax

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

During the fiscal year, 7,471 assessments, including 541 nonresident, and 1,306 estate tax assessments were made. The Branch processed 56,084 self-executing waivers (Form L-8) and 6,688 requests for real estate waivers (Form L-9). In addition to the formal waivers generated through use of Form L-9, the Branch issued 50,560 additional waivers.

Revenue in the amount of \$325,243,841 was collected. Approximately 37 percent (\$121,951,293) of this amount was attributable to the New Jersey Estate Tax.

TECHNICAL SERVICES

Conference and Appeals

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

All incoming protests are reviewed by the Branch's Problem Resolution Section for compliance with the statutory and regulatory provisions for Protests and Appeals. During the fiscal year the Problem Resolution Section forwarded to the Conference Section backlog 1,007 cases, 59.8% of the total incoming protests.

The Risk Management Section 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 Conference Section provides informal administrative hearings. Cases are assigned to conferees for 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 such non-monetary issues as nexus, subjectivity determinations and the denial of claims by organizations claiming exempt status.

Final Determinations are appealable to the Tax Court of New Jersey. The Appeals Section of the Branch tracks and manages these cases, acting as the Division's liaison with the Deputy Attorney General assigned to defend the Division of Taxation. During the fiscal year, 118 new appeals were filed and 65 cases were concluded.

Eighty-nine percent (89%) of all cases received into the Conference Section backlog were generated by Audit Activity. Of the cases received into the Conference Section backlog, fifty-two percent (52%) were generated by Field Audit and twenty-eight percent (28%) were generated by Gross Income Tax Audit.

This fiscal year, the Conference and Appeals Branch finalized 1,405 cases and collected over \$4.1 million. On average, less than 9% of the cases protested to the Conference and Appeals Branch proceed to the Tax Court of New Jersey.

Tax Services

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

As a subunit of the Tax Services Branch, the Exempt Organization Section processes and makes determinations on applications for Sales and Use Tax Exempt Organization Permits. For fiscal year 1997, the Exempt Organization Section mailed over 1,000 applications, ruled on over 850 completed applications and issued over 100 denials of exempt organization status.

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*. A total of 21 rules and notices were proposed, adopted and published in fiscal year 1997.

In fiscal year 1997, the Branch researched and wrote over 2,000 taxpayer advice letters and answered approximately 13,000 telephone inquiries on technical matters.

Taxpayer Services

Taxpayer Services is responsible for encouraging voluntary compliance by providing taxpayers the information and assistance they need to meet their New Jersey tax responsibilities. As a result of modern technology, two out of three taxpayers used one or more of the following automated services during the year:

- **NJ TeleFile Program** is the latest use of technology to improve our services to taxpayers. During the 1996 tax season, over 144,000 taxpayers filed their returns by NJ TeleFile and had their refund checks mailed within two weeks. This innovative filing method saved the State \$250,000 in processing costs and greatly reduced data storage costs.
- **Automated Tax Information System** offers taxpayers four types of assistance from a Touch-tone phone:

Automated Refund Inquiry System provides information about current year tax refunds (used by 366,000 taxpayers in 1997)

Homestead Rebate InfoLine provides information on the status of current year homestead rebates (used by 176,000 taxpayers in 1997)

New Jersey TaxTalk offers information on 70 different topics (used by 82,000 taxpayers in 1997)

Forms Request System allows callers to order tax forms and publications (used by 120,000 taxpayers in 1997)

- **NJ TaxFax** service makes State income tax forms and other technical information available to fax machine users. During 1997, 50,000 forms were sent to taxpayers via TaxFax.

Taxpayer Services Activity includes the following:

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

Office of Communication is responsible for tax publications including the instructions for individual income tax returns, technical bulletins, brochures and notices, and the quarterly newsletter for tax practitioners, the *New Jersey State Tax News*. The Office of Communication also is responsible for preparing replies to general taxpayer correspondence and referrals. One-third of the mail received is e-mail.

Taxpayer Forms Services mails out forms in response to taxpayers' requests and also handles bulk mailing for special projects. During 1997, 430,000 items were mailed.

- Taxpayer Services statistics:

	FY 1997
Phone calls	1.7 million
Correspondence	40,000
On-line Adjustments	92,000
Revenue Collected	\$3,727,016

- Major publications included production of the *Annual Report*, *Package NJX*, a number of new business-related About New Jersey Taxes bulletins and a booklet of frequently asked questions on the property tax deduction/credit.

- NJ TeleFile program will be expanded during the next fiscal year to allow over 1.3 million New Jersey residents to file their returns by TeleFile.

Technical Education Office

The Technical Education Office supports Division employees, the taxpaying public and the practitioner community through a variety of efforts. Responsible for all internal technical training and staff development initiatives, the TEO provides technical support for employees on new and emerging technologies to increase employee efficiency. The Technical Education Office administers and delivers training programs on Integrity Awareness, Economic Reality and many other topics.

Additionally, the TEO administers the Division's Speakers Bureau and the Small Business Workshop series. The TEO participates in corporate seminars to promote business activity in New Jersey and supports voluntary tax compliance through the VITA (Voluntary Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs.

The TEO has responsibility for the Division's Home Page. Since its inception in 1996, the Home Page has expanded to provide information on a wealth of programs and initiatives. Forms and publications can be accessed on the page as well as instructions and updates on most Division efforts. Interesting Home Page statistics include:

- 606,447 Total "hits" on Home Page
- 262,276 Requests for forms through the Home Page
- 146,694 Requests for publications through the Home Page
- 118,458 Visits to the FAQ (Frequently Asked Questions) site

The Division's Home Page can be accessed at:

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

COMPLIANCE

Special Procedures

The Special Procedures Branch is primarily responsible for the collection of overdue tax liabilities. During fiscal year 1997 the Branch collected \$26,694,722. 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's lien in another state wherein assets of a debtor may have been located and/or the instituting of wage garnishment proceedings.

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

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

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

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

Compliance Services

The Compliance Services Branch (formerly Office Collections) is a multi-functional Branch that provides services to the Division, to the tax paying public and to other State agencies. Some of the specific functions are as follows:

Compliance Services, Data Group. This section is primarily responsible for planning, designing and implementing the new programs and projects for the Compliance Activity with emphasis on maintenance, revision and diagnosis in the area of database management, data

processing and office automation. The automation of the Casual Sales program is a prime example of the work of this unit. This group also prepared and conducted training workshops on the use of laptop computers for Field personnel, designed a comprehensive Inventory Reporting system for our Delinquency Unit, and on a continuing basis provides database assistance to all Compliance Branches as well as the Director's office and his staff.

ABC Clearance Section. This section is responsible for issuing the Alcoholic Beverage Retail Liquor License Clearance Certificate to holders of those licenses prior to their annual license renewal. Phase II of a three year phase-in was completed. Over 7,300 licenses were reviewed. Outstanding sales tax was collected and clearance certificates issued on 7,009 licensees.

Delinquency Section. This section sends notices to taxpayers and is responsible for securing delinquent tax returns and payments in order to bring taxpayers in compliance with regulatory filing provisions. With the Personal Income Tax Delinquency program that was implemented this year the Delinquency Section has a delinquency program for 14 of the 26 taxes administered by the Division of Taxation.

Deferred Payment Section. This section provides a framework for taxpayers to repay deficient taxes utilizing a formal payment plan. This Activity was recently updated to better serve taxpayer's needs and to allow more sophisticated monitoring of payment plans.

Casual Sales Section. This section coordinates its efforts with the Division of Motor Vehicles to verify and collect the appropriate sales tax on motor vehicles, boats and aircraft. The culmination of this effort is the notification to taxpayers when discrepancies arise in the sales tax due and the amount paid. Purchases of motor vehicles by out-of-State taxpayers are also examined.

This Branch is also responsible for the **Set-Off Program** which holds payments due State vendors and applies the payments toward deficient taxes; **SOIL**, Set-Off of Individual Liability, a program designed to withhold personal gross income tax refunds and homestead rebates from taxpayers who have outstanding tax debts; **Lottery**, this unit must verify to the New Jersey Lottery Commission that taxes of prospective lottery machine agents are current; and **CATCH**, where Citizens Against Tax CHears can send referrals to the Division reporting possible non-compliance issues.

In addition, this Branch provided technical support for two contracts between the Division and PAYCO, General American Credits, a private collection agency contracted

to pursue delinquent and deficient taxes for the Division of Taxation.

Taxpayer Accounting

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

The Taxpayer Accounting Branch answered nearly 118,000 pieces of correspondence and 31,000 phone calls, reviewed about 122,000 bills and 55,000 refunds, adjusted, updated, or corrected approximately 215,000 accounts, and collected more than \$6.3 million.

Investigations

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

In fiscal year 1997, Investigations conducted 174 seizures of business and/or personal assets based on outstanding Certificates of Debt. One hundred eight (108) of the seizures involved liquor licenses. Twenty-seven auctions were necessary.

Investigations has continued to utilize their statutory authority to make an immediate, on-site assessment of tax due (referred to as a "jeopardy assessment"). The targets are primarily out-of-State transient vendors who failed to register their business, to collect and remit State taxes, such as sales tax, or to file tax returns. Failure to satisfy the jeopardy assessment results in immediate seizure of assets and vehicles.

Highlights

- **Certificates of Debt Filed.** In conjunction with 6,007 cases, 12,559 Certificates of Debt were filed in the Superior Court totaling \$122,988,813.
- **Cases Referred to Attorney General for Collection.** One thousand eight hundred forty-five (1,845) cases

were referred to the Office of the Attorney General for collection actions. Collections of \$3,360,179 were received on A.G. referral cases.

- **Closing Agreements Approved.** Thirteen (13) Closing Agreements were approved, 74 requests were denied and another 57 denials resulted in full payment with statutory abatement. Collections on Closing Agreement cases totaled \$1,689,531.
- **Bankruptcy Activity.** The Bankruptcy Section filed 1,026 Proofs of Claim for \$30,445,936; 148 Amended Proofs of Claim for \$7,378,579 and 149 Administrative Proofs of Claim totaling \$6,743,167. Collections on insolvency matters totaled \$5,310,546.
- **Bulk Sales Activity.** The Bulk Sales Section received 3,363 Notices of Sale during the fiscal year. Collections for the year were \$9,470,226 which represented an increase of 44% over the previous year.

Seven hundred forty-four (744), or 22%, of these notices received pertained to transfers of Retail Liquor Licenses. Project personnel recommended 92 cases for audit. In all, 146 audits were completed resulting in \$5,142,668 in assessments, an average of \$35,224 per taxpayer. Collections of \$4,751,160 were realized from this project. Of this amount, \$283,924 were as a result of discovery of unreported transfers of liquor licenses.
- **Canvassing/Sweep Activity.** Field Investigators contacted almost 22,000 business locations as a result of increased efforts to seek out non-compliant New Jersey vendors as well as transient out-of-State vendors. Investigators registered a total of 3,070 new taxpayers as a direct result of this activity.
- **Jeopardy Assessments/Seizures.** Field Investigators levied 956 jeopardy assessments, executed 33 jeopardy seizures and collected \$1,090,887 as a result of these actions.
- **Alcoholic Beverage Project.** Compliance ABC Project collections for fiscal year ending June 1997 were \$58,788,911.
- **Audit/Compliance Cash Project.** Investigations and Audit are working jointly on a Cash Audit Project focusing on various segments of the cash economy. The cash audit process is enhanced as a result of information provided by investigators throughout the audit.
- **Collections.** Compliance Activity collections for fiscal year 1997 were \$121,168,490. PAYCO collected \$32,716,550.

PROPERTY ADMINISTRATION

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

LOCAL PROPERTY

Policy and Planning

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

Field Assistance and Appraisal

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

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

Other major activities are:

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

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

Railroad Property/Tax Maps

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

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

UNCLAIMED PROPERTY

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

Audit

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

Operations

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

Claims Processing Unit validates a claim for property held by us, and processes payment, with interest. Each year an average of 20,000 claims are received.

Intestate Estates Unit supervises and oversees the administration of intestate (no will, no apparent heir) estates through the court appointment of an administrator. If the search for heirs is unsuccessful, the administrator turns over the proceeds to the State, minus estate expenses and statutory fees. This figure averages \$2.5 million per year.

Highlights

- 117 applications for the Tax Assessors' Exams were filed in 1997.
- 16 revaluation programs were implemented in 1997 at an average cost of \$39.70 per line item and a total cost of \$2,079,548. There were 17 reassessment programs implemented in 1997.
- \$103,040,719 in Realty Transfer Fees was generated with \$51,752,946 deposited into the General Fund and \$22,902,196 credited to the Neighborhood Preservation Nonlapsing Revolving Fund for fiscal year 1997.
- Unclaimed Property receives approximately \$40–50 million in assets yearly.
- Fiscal year 1997 value of securities portfolio is approximately \$90 million.

OFFICE OF TECHNICAL SUPPORT

The Office of Technical Support acts as a liaison between the Office of Telecommunications and Information Systems (OTIS), other State and Federal agencies, and the end users of data processing resources within Taxation, recommends and evaluates new technological concepts for the Division and aids in the automated and manual systems design required by new legislation. Support of these systems includes the use of programming like facilities such as FDF-PC, DCF, NOW, Natural and TSO. The Office of Technical Support has the general responsibility for the design and specification of all New Jersey tax forms, site inspection of prospective vendors and overall form quality assurance. In addition, the branch has responsibility for telecommunications, including the Wide Area Network (WAN) and the fiber optic equipment, supplies technical support, performs special project work, provides numerous management information reports, and maintains the TAXNET Help Desk.

The TAXNET Help Desk assists Division personnel to better utilize the Division's data systems, provides a vehicle for the identification and resolution of system problems and performs system table and file maintenance. During 1997, the TAXNET Help Desk answered 4,856 telephone calls and completed 1,501 problem notification forms and 2,487 employee changes. In addition, 1,526 Telecommunication Request/Problem Detail Reports involving troubleshooting, removing and installing of telephone devices or other telecommunication equipment were completed.

The Office of Technical Support reviews data processing requests for technical soundness and overall Division desirability. Priorities for these requests are then set by the Small Projects Prioritization Committee (SPPC). During 1997, a total of 155 such requests were evaluated.

This Branch continues to maintain various micro-based systems supporting a variety of applications throughout the Division. Included in this group are systems for the administration of Correspondence Tracking, Attorney Fee collection, and Fixed Asset Inventory.

The Office of Technical Support participated in the change and design of many systems due to legislative and/or Division initiatives. These include:

- Completion of systemic modifications required by legislation to provide for a property tax deduction on

the Gross Income tax return for homeowners and tenants.

- Continued implementation of legislation accelerating payment requirements for Employer taxpayers and allowing setoffs against payments to contracted State vendors for State tax debt owed.
- Developing an in-house claims processing system to validate claims for unclaimed property held by the State Treasurer and generate payments and notifications.
- Expansion of the use of third-party vendors and matching programs with other agencies such as New York State and the IRS to assist in collection efforts of known and unknown delinquent taxpayers.
- Continued conversion of the Division's printing applications to laser generated output including billing and delinquency notices for the business taxes.
- Implementing a security insert for the various gross income tax packets to conceal the taxpayer's social security number and provide each taxpayer with a payment voucher and extension request for processing through remittance processors.
- Continuing to assist with expanding the use of the new image technology to other tax processing applications such as Corporation Business Tax returns.
- Commencing Network projects including the Barrack Street building rewiring, server hardware and software upgrade, remote PC connection to the network, Internet connectivity and remote connection for out-of-State offices.
- Initiating program modifications to ensure the Division's mainframe systems are year 2000 compliant and continuing to assess the impact of the year 2000 on its PC based operations.
- Implementing a pilot program to accept sales tax quarterly returns through the Internet.
- Initiating a PC based program for inputting SR-1A documents at the county level and eliminating the need for data entry by the Division.
- Updating the Division's Taxpayer Registration File with addresses from the United States Postal Service National Change of Address database as mandated by the USPS to maintain postal discounts for large mailings.

CHIEF OF STAFF

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

Management Services

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

Facilities Management. Responsible for providing building maintenance and management services for 11 office buildings located throughout New Jersey, as well as coordinating maintenance and management services for the Division's out-of-State locations. Facilities Management also has the responsibility for managing and maintaining the Division's property, equipment inventory and distribution of supplies to the entire Division.

Mail Services. Provides pickup and delivery service of mail for the entire Division, including field offices. This office processes approximately 13 to 14 million pieces of mail annually.

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

Disclosure

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

Fiscal, Personnel and Labor Relations

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

OFFICE OF LEGISLATIVE ANALYSIS

The Office of Legislative Analysis is responsible for reviewing all tax bills introduced in the Legislature. It evaluates the potential administrative, fiscal and policy implications of proposals which are scheduled or likely to be scheduled for legislative action; it proposes amendments to insure that a bill can be effectively implemented, prepares Bill Comments and Fiscal Notes, and recommends positions to be taken by the State Treasurer.

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

Highlights

- Monitored and tracked 651 bills relating to the Division of Taxation.
- Prepared 170 Legislative Recommendations and Bill Comments.
- Prepared 121 Fiscal Notes.
- Testified before various Assembly and Senate Committees.
- Provided information on New Jersey legislative tax developments to many persons and organizations seeking such information.
- Tax bills were considered at 60 Assembly and 65 Senate Committee Meetings.
- Seventeen bills affecting the Division were signed into law.

OFFICE OF CRIMINAL INVESTIGATION

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

The activities within the Office of Criminal Investigation are:

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

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

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

Internal Security Unit. Handles sensitive matters, including integrity investigations (attempts by outsiders to corrupt Division employees and also allegations that employees have committed ethical or criminal violations), background investigations of prospective employees, and assaults and threats by persons who impede the functions of the Division. The unit also provides training, to enable new employees to recognize possible compromising situations. Examples of cases worked during the fiscal year include attempted bribery of an auditor, theft of checks from the Division mails, various physical threats to employees, and preparation of tax returns in violation of the Treasury Code of Ethics.

Highlights

- 115 cases were forwarded to prosecutors, 694 information items were evaluated resulting in the initiation of 85 criminal cases. Total of 189 ongoing criminal investigations.
- 168 criminal investigations of cigarette tax violations were initiated. 26 of these cases involved the seizure of contraband cigarettes and the seizure of 2 vehicles. Destroyed 18,906 cartons of confiscated cigarettes valued at \$378,124.
- 558 background investigations and 71 integrity investigations were conducted.

Alcoholic Beverage Tax

Description

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

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

Rate

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

P.L. 1997, C. 153 reduces the tax rate on hard apple ciders from \$0.70/gallon to \$0.12/gallon.

Disposition of Revenues

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

Atlantic City Casino Parking Fee

Description

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

Rate

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

Disposition of Revenues

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

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, authorizes municipalities in Cape May County to require certain businesses to collect an additional 2% retail sales tax on tourism-related retail sales and/or pay a tourism development fee. At present, businesses in Wildwood, North Wildwood and Wildwood Crest are affected.

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

Rate

The tax rate is 2% on tourism-related retail sales. The tax is in addition to the 6% State sales tax. Thus, sales subject to the Cape May Tourism and the State sales tax are taxable at 8%.

Disposition of Revenues

Revenues are collected by the State Treasurer and are to be placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for tourism promotion projects and activities.

Cigarette Tax

Description

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

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

Rate

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

A distributor is allowed a 1.13% discount on the purchase of 1,000 or more stamps or meter impressions.

Disposition of Revenues

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

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, or maintaining an office in New Jersey.

The tax applies to all domestic corporations and all foreign corporations having a taxable status unless specifically exempt. The tax also applies to joint-stock companies or associations, business trusts, limited partnership associations, financial business corporations, and New Jersey banking corporations, including national banks.

The tax is measured by that portion of the net income allocable to New Jersey. The tax applies to net income for the firm's accounting period (calendar year or fiscal year), or any part thereof during which the corporation has a taxable status within New Jersey.

Exempt from the tax are certain agricultural cooperative associations; building and loan associations and savings and loan associations; Federal corporations which are exempt from state taxation; corporations created under the Limited-Dividend Housing Corporation law; nonprofit cemetery corporations; nonprofit corporations without capital stock; non-stock Mutual Housing Corporations; railroad and canal corporations; street, railway, gas, light, power and other corporations using the public streets; utilities subject to gross receipts or unit-based franchise and additional excise tax and insurance companies subject to premiums tax; and international banking facilities.

Rate

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

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

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

The tax rate for corporations with less than \$100,000 in net income is 7.5% for privilege periods beginning on or after July 1, 1996. The tax rate for shareholders in S corporations is 2.63% for privilege periods ending on or before June 30, 1998 and 2% thereafter. The tax rate for S corporations with less than \$100,000 in net income is 1.13% for privilege periods ending on or before June 30, 1998 and 0.5% thereafter.

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

Disposition of Revenues

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

Article VIII, Section II 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.

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 1 $\frac{3}{4}$ % based upon allocated net income to the tax based upon allocated net worth. The 1958 amendment also changed the tax year from a calendar year for all corporations to a privilege period coinciding with the accounting year for each taxpayer.

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

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

Net Income Tax rates have changed as follows:

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

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

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

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

Two changes in 1993 brought New Jersey corporation tax law closer to alignment with Federal corporation tax law. Chapter 172 allows corporations to use the Federal modified accelerated cost recovery system for depreciation of property under the New Jersey Corporation Business Tax for property placed in service for accounting years beginning after July 7, 1993. Chapter 173 allows, for the first time, a Subchapter S election under New Jersey law. Under New Jersey Subchapter S, a corporation pays a reduced tax rate on that portion of entire net income not subject to Federal corporate income tax. The income from the S corporation is taxed under the gross income tax to the individual who receives it.

The allocation formula for multistate corporations was changed in 1995. Under prior law, multistate corporation income was allocated to New Jersey based on equally weighted New Jersey property, payroll and sales compared to total property, payroll and sales. The new formula counts sales twice, so that sales account for half the allocation formula (C. 245, P.L. 1995). After July 1, 1996 the Corporation Business Tax rate for businesses that have entire net incomes of \$100,000 or less is 7.5% instead of 9%. S corporations with net incomes of \$100,000 or less are taxed at 1.13% instead of 2.63% (C. 246, P.L. 1995). The rate on S corporations was changed in 1997 to a flat 2% or 0.5% for S corporations with \$100,000 or less annual income (C. 40, P.L. 1997).

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 pay-

ments are due on or before the 15th day of the 4th, 6th, 9th and 12th month of the tax year.

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

Banking and Financial Corporations

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

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

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

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

Chapter 171, P.L. 1975 provides that during each of the years 1976, 1977 and 1978, each financial business corporation shall pay as taxes, the greater of (1) a sum equal to the amount such financial business corporation paid under the Financial Business Tax Act in the calendar year 1975, or (2) a sum equal to the total of the taxes payable by such financial business corporation pursuant to the Corporation Business Tax Act. Chapter 40, P.L. 1978 extended the save harmless provision through 1979. It expired in 1980.

Investment Companies

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

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

Regulated Investment Company means any corporation which, for a period covered by its reports, is registered

and regulated under the Investment Company Act of 1940 (54 Stat. 789), as amended.

The Corporation Business Tax on regulated investment companies was eliminated (P.L. 1983, C. 75), approved on February 24, 1983. Regulated investment companies in New Jersey were formerly taxed on both entire net worth and entire net income. These taxes are now eliminated and a flat tax of \$250 per year is imposed.

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

Deferred Pre-Dissolution Payment

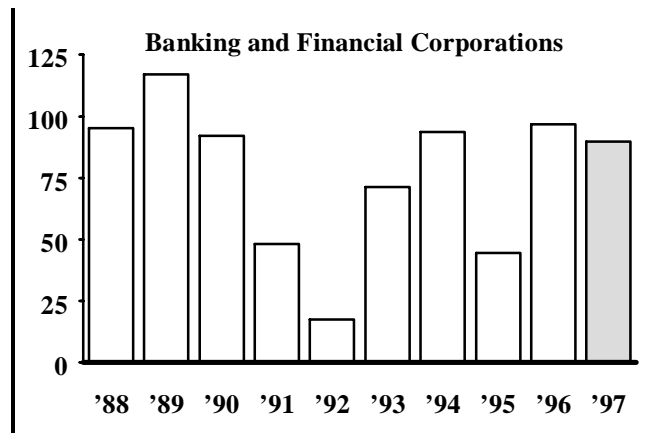
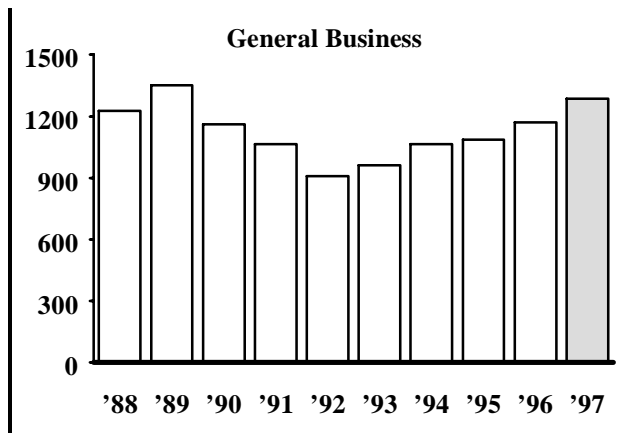
Chapter 367, P.L. 1973, approved in 1974, eliminates the requirement for a certificate obtained in case of merger or consolidation involving a domestic or foreign corporation qualified to transact business in New Jersey. It also pro-

vides alternatives to actual payment of taxes, or payment on account of such taxes by providing in lieu thereof, for a written undertaking to be given by a domestic corporation, or a foreign corporation authorized to transact business in New Jersey, to pay all taxes when payable on behalf of a corporation which otherwise would have to pay all taxes prior to taking certain corporate actions.

Allocation Factor

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

Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
1988	\$1,227,591,049
1989	1,350,581,694 ¹
1990	1,162,835,737
1991	1,063,089,390
1992	909,618,920
1993	960,753,965
1994	1,063,141,745
1995	1,085,502,032
1996	1,171,509,159
1997	1,286,447,475

Fiscal Year	Collections
1988	\$ 95,328,007
1989	117,155,793
1990	92,089,805
1991	48,200,249
1992	17,411,936
1993	71,375,391
1994	93,738,713
1995	44,499,198
1996	96,860,000
1997	89,716,792

¹ Includes tax receipts from windfall profits court decision.

Corporation Income Tax

Description

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

Rate

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

Disposition of Revenues

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

Gross Income Tax

Description

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

Rate

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

Exemptions

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

- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse who does not file separately.
- Taxpayer's dependent, \$1,500.
- Taxpayer's dependent under age 22 and attending college full time, additional \$1,000.

Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee.
- Unreimbursed medical expenses in excess of 2% of gross income.
- Property tax deduction (or credit).

Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This shall not exceed the proportion of tax otherwise due that the amount of the taxpayer's income bears to the taxpayer's entire New Jersey income.
- Amounts withheld by an employer and payments of estimated tax.
- Amounts paid by an S corporation on behalf of a shareholder.
- Excess unemployment and disability insurance contributions withheld.
- Property tax credit (or deduction).

Withholding Requirement

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

Those with prior year withholdings of \$20,000 or more are required to remit the income tax withheld by means of Electronic Funds Transfer (EFT) on or before the Wednesday of the week following the week containing the payday(s) on which taxes were withheld.

Disposition of Revenues

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

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

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

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

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

*For tax years beginning before January 1, 1994, filers with incomes of \$3,000 or less for the entire year (\$1,500 or less for married persons filing separately) pay no tax. Effective January 1, 1994, filers with incomes of \$7,500 or less for the entire year (\$3,750 or less for married persons filing separately) pay no tax.

History

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

Pension income for those eligible for Social Security by reason of age (62 years or over) or disability is exempt as follows: first \$10,000 for a married couple filing jointly; \$5,000 for a married person filing separately; and \$7,500 for a single taxpayer (C. 40, P.L. 1977). C. 273, P.L. 1977 extended the exclusion allowed for pensions to other

types of retirement income. The exclusion applies to taxpayers who are 62 years of age or older and whose earned income is not more than \$3,000. An additional exclusion was provided for taxpayers age 62 or older who are not covered by either Social Security or Railroad Retirement benefits.

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

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

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

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

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

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

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

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

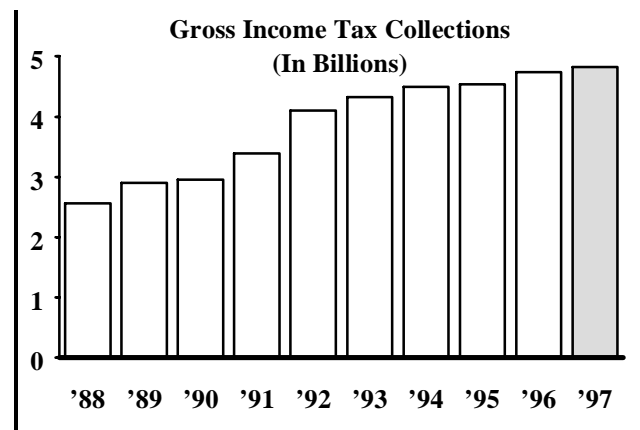
A 5% reduction in the gross income tax rates (to 1.9% – 6.650%) was enacted for tax year 1994 (C. 2, P.L. 1994).

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

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

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

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



Fiscal Year	Collections
1988	\$2,564,305,127
1989	2,902,892,244
1990	2,957,634,330
1991	3,391,026,222 ¹
1992	4,101,895,000
1993	4,325,304,359
1994	4,493,659,929 ²
1995	4,540,081,765 ³
1996	4,733,786,100 ⁴
1997	4,825,410,635

¹ Rates increased to 2% – 7% effective January 1, 1991.

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

³ Rates reduced to 1.7%–6.58% effective January 1, 1995.

⁴ Rates reduced to 1.4%–6.37% effective January 1, 1996.

Homestead Rebate Program

Chapter 61, P.L. 1990 created a new Homestead Property Tax Rebate program to provide rebates for both homeowners and tenants. The new program replaced certain other direct property tax relief programs: (1) the original Homestead Rebate program (C. 72, P.L. 1976) which

provided rebates to homeowners; (2) the residential property tax deduction and credit provided to both homeowners and tenants on their income tax returns under C. 304, P.L. 1985; and (3) the tenant credit program (C. 47, P.L. 1976, as amended).

The application for the new Homestead Property Tax Rebate was combined with the resident income tax return beginning with the tax return for 1990, and benefits were linked to income level and amount of property tax paid. Under 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 tax paid, either directly or through rent. Those with incomes over \$100,000 were not eligible for a rebate.

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

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

Insurance Premiums Tax

Description

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

Rate

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

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

Disposition of Revenues

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

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

Landfill Closure And Contingency Tax

Description

This tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. In addition, the owner or operator must make a monthly payment of \$1.00 per ton or \$0.30 per cubic yard for the host community benefit surcharge for all solid waste accepted for disposal.

Rate

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

Disposition of Revenues

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

Litter Control Tax

Description

The Litter Control Tax is imposed on all gross receipts from sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor or retailer of such products. Any retailer with less than \$250,000 in annual retail sales of litter-generating products is exempt from this tax.

Litter-generating products include beer, cigarettes, cleaning agents and toiletries, distilled spirits, food, glass containers, metal containers, groceries, tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products, empty containers, soft drinks, and wine. The tax expires December 31, 2000.

Rate

Manufacturers, wholesalers and distributors of litter-generating products pay a tax of $\frac{3}{100}$ of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are taxed at the rate of $\frac{2.25}{100}$ of 1% (.0225%) on all gross receipts from retail sales of litter-generating products.

Disposition of Revenues

Revenues are deposited in the Clean Communities Account Fund.

Local Property Tax

Description

An *ad valorem* tax—The local property tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned

by each taxpayer. The tax applies to real estate and tangible personal property of telephone, telegraph and messenger systems companies.

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

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

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

Rate

The local property tax rate is determined each year in each municipality by relating the total amount of tax levy to the total of all assessed valuations taxable. Expressed in \$1 per \$100 of taxable assessed value, the tax rate is a multiplier for use in determining the amount of tax levied upon each property. See Appendix A for the 1996 general and effective property tax rates in each municipality.

Disposition of Revenues

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

History

It may be said that the property tax originated in 1670 with a levy of one half penny per acre of land to support the central government. Through the middle of the 19th century property taxes were levied upon real estate and upon certain personal property at arbitrary rates within certain limits called “certainties.” In 1851 the concepts of a general property tax and uniform assessments according to actual value were developed (Public Laws 1851, p. 273).

For almost a century following the 1851 legislation, a continuing effort was made to accomplish uniform taxation under a general property tax. In 1875 a

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

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

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

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

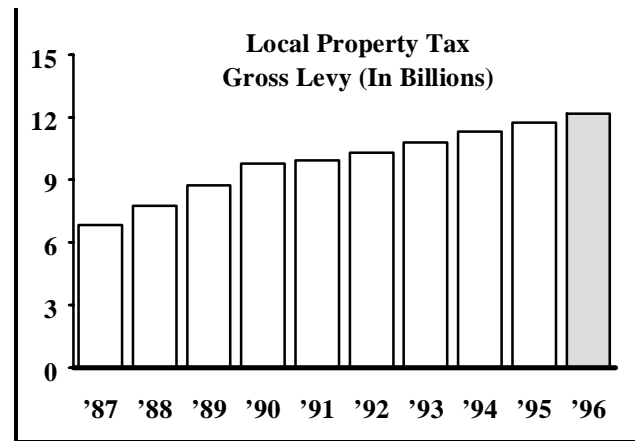
Personal property provisions of Chapter 51, Laws of 1960 were replaced by Chapter 136, Laws of 1966. For taxes payable in 1968 and until 1993, personal property used in business (other than the businesses of local exchange telephone, telegraph and messenger system companies and other public utilities)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

The 1966 law also provided for replacement of local personal property tax revenues from four tax sources: (1) Retail Gross Receipts Tax, (2) Corporation Business (Net Income) Tax, (3) Business Personal Property Tax and (4) Unincorporated Business Tax. This revenue replacement program was terminated (C. 3, P.L. 1977).

Legislation was passed providing for an annual appropriation of not less than \$158.7 million.

The decision in *Switz v. Middletown Township, et al.*, 23 N.J. 580 (1957) required that all taxable property be assessed at “true value” (100% assessment). This was the beginning of a series of New Jersey court decisions which have been a major factor in development of uniform real estate tax assessment.

A long period of legislative history has developed numerous exemptions and various special property tax treatments. These are found principally in R.S. 54:4-3.3 and in R.S. 54:4-3.6. Generally exempt are government-owned property, and property of religious, educational, charitable and various types of non-profit organizations. In addition, qualified veterans and senior citizens are permitted tax deductions of \$50 and \$250, respectively.



Fiscal Year	Gross Tax Levy
1987	\$ 6,829,752,376
1988	7,755,666,442
1989	8,726,832,862
1990	9,782,223,329
1991	9,921,553,312
1992	10,324,378,978
1993	10,757,596,440
1994	11,286,354,001
1995	11,746,914,124
1996	12,177,920,307

Motor Fuels Tax

Description

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

Rate

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

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

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

Disposition of Revenues

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

Petroleum Products Gross Receipts Tax

Description

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

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

Act; and receipts from sales to the United States or the State of New Jersey.

Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. This rate is converted to a cents-per-gallon basis and adjusted semi-annually to be at or above \$0.04/ gallon. The current rate through December 31, 1997 is \$0.04 per gallon.

Disposition of Revenues

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

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 (Municipal Use)

Description

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

The rate is either 2% or 5% of a proportion of the gross receipts of the taxpayer for the preceding calendar year.

The proportion of gross receipts subject to tax is the ratio of the taxpayer's total length of lines or mains which are located in, on or over any street, highway or other public place to the whole length of lines or mains.

Measurements of lengths of lines or mains exclude service connections.

Administration

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

Rate

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

Disposition of Revenues

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

Public Utility Gross Receipts Tax (Municipal Use)

Description

Public Utility Gross Receipts Tax is in addition to the Franchise Tax and is in lieu of the local taxation of certain properties of the following public utilities: street railway, traction, sewerage, and water corporations in New Jersey.

Administration

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

Rate

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

Disposition of Revenues

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

Public Utility Energy Unit Tax (Municipal Use)

Description

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

Administration

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

Rate

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

Disposition of Revenues

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

Public Utility Excise Tax (State Use)

Description

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

Rate (Calendar Year Basis)

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

0.9375% —upon gross receipts of all utilities except telephone and telegraph (0.5% for telephone and telegraph).

Disposition of Revenues

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

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).

Realty Transfer Fee

Description

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

The realty transfer fee does not apply to the following transfers: consideration of less than \$100; by or to any government; made solely to provide or release debt security; which confirm or correct a deed previously recorded; on a sale for delinquent taxes; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as "ancient deeds"; acknowledged or proved on or before July 3,

1968; between husband and wife or parent and child; conveying a cemetery plot; in specific performance of a final judgment; releasing a right of reversion; transfers on which tax was previously paid; to effect distribution of an estate; or as a result of a divorce decree.

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

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

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

Rate

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

Disposition of Revenues

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

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

All amounts paid to the State Treasurer in payment of the additional fee of \$0.75 for each \$500 of consideration recited in the deed in excess of \$150,000 shall be credited to the Neighborhood Preservation Nonlapsing Revolving Fund. In fiscal year 1997, \$22,902,196 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

Resource Recovery Investment Tax

Description

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

Sales And Use Tax

Description

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

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

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

Major exemptions include: advertising services for newspapers and magazines; casual sales except motor vehicles and registered boats; clothing, except furs; farm supplies and equipment; flags of New Jersey and the United States; food for off-premises consumption; food sold in school cafeterias; prescription drugs and other medical aids; motor fuels; periodicals and textbooks; professional and personal services; real estate sales; tangible personal

property used in research and development; transportation of persons or property; public utilities; production machinery and equipment; non-prescription drugs.

Rate

The rate of tax is 6% on taxable sales.

Disposition of Revenues

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

History

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

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

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

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

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

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

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

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

Recycling equipment was exempted from sales tax effective January 12, 1982 (C. 546, P.L. 1981).

The sales and use tax rate increased to 6%, effective January 3, 1983 (C. 227, P.L. 1982).

Non-prescription drugs, household paper products and soaps and detergents were exempted from sales tax, effective July 1, 1983.

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

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

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

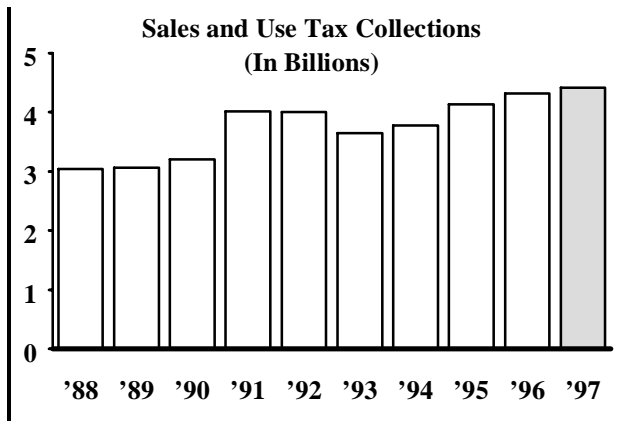
The sales and use tax rate decreased to 6%, effective July 1, 1992 (C. 11, P.L. 1992).

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

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

Certain radio and television broadcast production equipment was exempted from sales and use tax effective April 1, 1996 (C. 317, P.L. 1995).

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



Fiscal Year	Collections
1988	\$3,041,633,453
1989	3,066,770,144
1990	3,202,569,956
1991	4,013,147,198 ¹
1992	4,009,960,467
1993	3,651,122,672 ²
1994	3,778,506,912
1995	4,133,278,016
1996	4,318,372,824
1997	4,415,427,600

¹ Rate increased to 7% on July 1, 1990.

² Rate decreased to 6% on July 1, 1992.

Urban Enterprise Zones

The New Jersey Urban Enterprise Zones Act (C. 303, P.L. 1983), approved August 15, 1983, provides tax advantages and other business tools to enhance development efforts in the State's economically distressed urban centers. Under the program qualified municipalities apply to the Urban Enterprise Zone Authority to have a portion of the municipality designated as an Urban Enterprise Zone. Businesses must apply to the local municipal zone coordinator to be certified as a "qualified business" before they can take advantage of these benefits.

Initially ten zones (the maximum number provided under the statute) were established in: Bridgeton, Camden, Elizabeth, Jersey City, Kearny, Millville/Vineland, Newark, Orange, Plainfield and Trenton. Chapter 367, P.L. 1993, approved January 5, 1994, allowed for the designation of ten additional enterprise zones. This increased the number of zones from 10 to 20, adding Asbury Park-Long Branch, Carteret, Lakewood, Mount Holly, Passaic, Paterson, Perth Amboy, Phillipsburg,

Pleasantville and Union City. Seven new zones were added in 1996: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton and West New York.

The benefits conferred on qualified businesses that choose to operate within a designated Urban Enterprise Zone include:

- Corporation Business Tax credits for hiring new employees;
- Sales and Use Tax exemption for purchases of building materials, most tangible personal property and most services for business use;
- Unemployment tax rebates;
- Authorization to impose State sales tax at 50% of the regular rate (3%);
- Skills training programs to meet employment demands;
- Priority for funding by Local Development Financing Fund;
- Possible exemptions from certain State and municipal regulations;
- Possible eligibility for reduced utility rates;
- Possible eligibility for energy assistance funds from the Department of Commerce and Economic Development.

Sales Tax Benefits

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

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

A qualified business may purchase items of tangible personal property (office and business equipment, supplies, furnishings, fixtures, etc.) and taxable services (construction work, repair and installation services, etc.) which are for the exclusive use of the business at its loca-

tion 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.

Savings Institution Tax

Description

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

Excluded from tax are:

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

Rate

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

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

Disposition of Revenues

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

Solid Waste Importation Tax

Description

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

Solid Waste Recycling Tax

Description

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

Rate

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

Disposition of Revenues

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

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 1997 is \$1.10 per ton or \$0.33 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 refineries, storage or transfer terminals, pipelines, deep water ports or drilling platforms used to refine, store, produce, handle, transfer, process or transport hazardous substances, including petroleum products, to insure compensation for cleanup costs and damages due to discharge of hazardous substances.

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

Rate

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

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

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

Disposition of Revenues

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

Tobacco Products Wholesale Sales And Use Tax

Description

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

Cigarettes are exempt from this tax.

Rate

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

Disposition of Revenues

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

Transfer Inheritance And Estate Taxes

Description

The transfer inheritance tax applies to the transfer of all personal property and New Jersey real property having an aggregate value of \$500 or more in estates of resident decedents. In estates of nonresident decedents, the tax applies to real property and tangible personal property located in the State of New Jersey.

The Estate Tax is imposed in addition to the Transfer Inheritance Tax on estates of resident decedents where the State inheritance taxes paid are not sufficient to fully absorb the Federal Estate Tax credit allowable.

Rate

The Transfer Inheritance Tax rates depend on the amount received and the relationship between the decedent and the beneficiary. No tax is imposed on immediate family (direct ancestors or descendants—Class A) or spouses. Class C beneficiaries (sibling of decedent, spouse or widow/er of a child of decedent) are taxed at 11%–16%, with the first \$25,000 exempt. Class D beneficiaries (all others) are taxed at 15%–16%, with no tax on bequests of less than \$500. Charitable institutions are exempt from tax.

Estate taxes are determined by Federal law, since the tax is designed to absorb the Federal credit available for State taxes paid. During and prior to 1997, there was no tax

due on Federal taxable estates of less than \$600,000. However, under provisions of The Taxpayer Relief Bill of 1997 (H.R. 1040), which was passed by Congress on July 31, 1997, the applicable exclusion amount will be \$1,000,000 in 2006 when fully phased in. Prior to being fully phased in, the exclusion will be:

1998	\$625,000
1999	650,000
2000	675,000
2001	675,000
2002	700,000
2003	700,000
2004	850,000
2005	950,000

Exemptions From Transfer Inheritance Tax

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

Disposition of Revenues

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

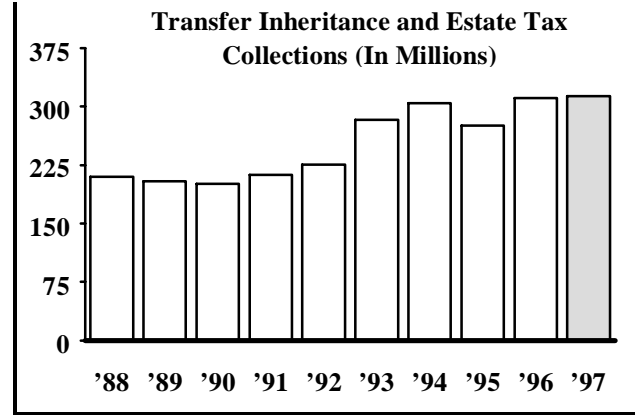
History

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

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

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

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



Fiscal Year	Collections
1988	\$209,958,420
1989	204,344,684
1990	200,954,216
1991	212,825,520
1992	225,210,867
1993	283,812,642
1994	304,770,334
1995	275,823,814
1996	310,655,978
1997	313,447,496

**NEW JERSEY
DIVISION OF
TAXATION**

MISSION STATEMENT

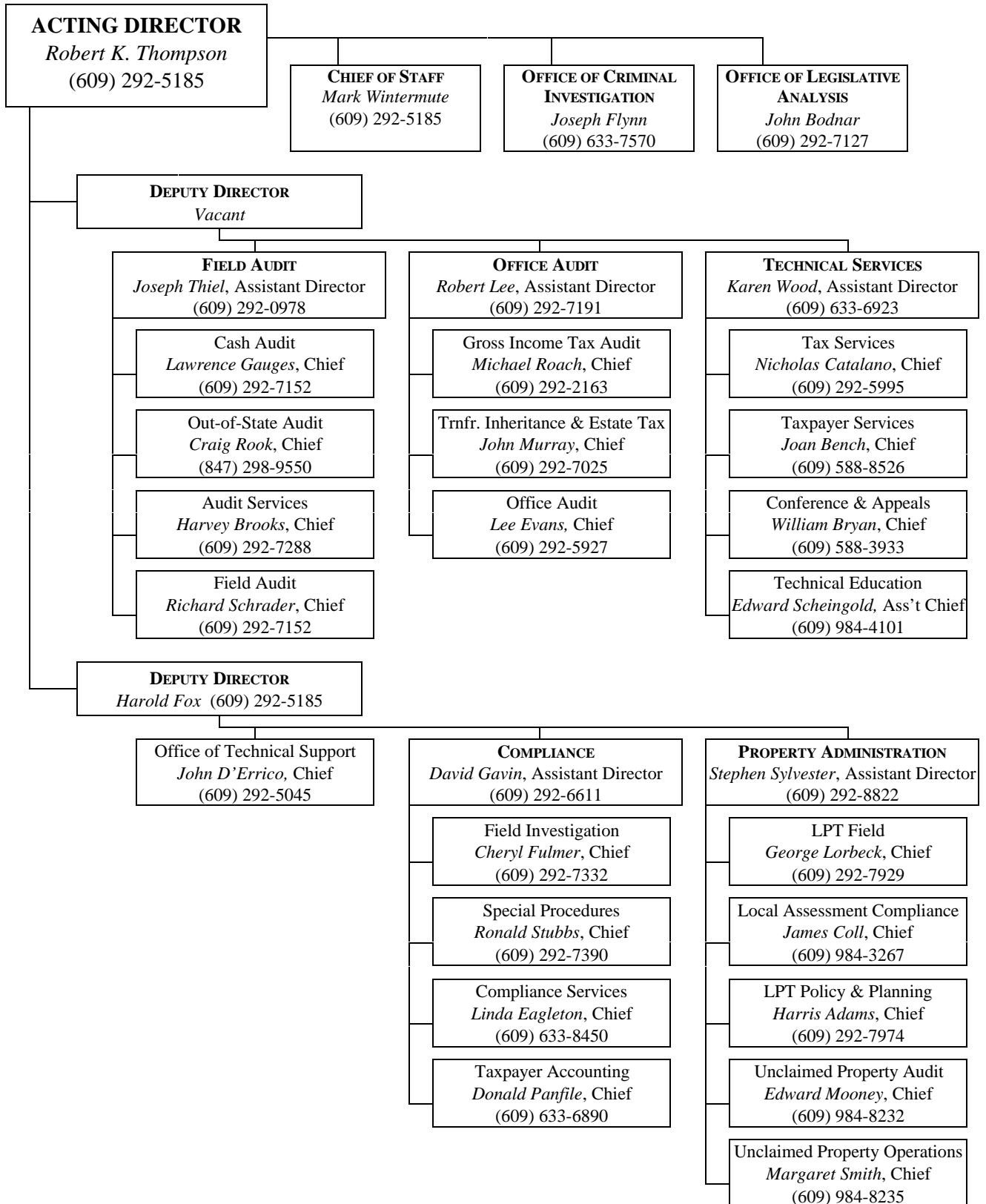
*The mission of
the Division of Taxation
is to administer
the State's tax laws
uniformly, equitably, and efficiently
to maximize State revenues
to support public services;
and, to ensure that
voluntary compliance
within the taxing statutes
is achieved
without being an impediment
to economic growth.*

DIVISION OF TAXATION HIGHLIGHTS

- NJ TeleFile program saved the State \$250,000 during the 1996 tax year. The program has been expanded for the 1997 tax year.
- Second year phase in of the property tax deduction/credit benefit.
- Division of Taxation developed a new exemption certificate, Form ST-3NR, Resale Certificate for Non-New Jersey Vendors, for use by qualified out-of-State vendors picking up merchandise in New Jersey or drop shipping merchandise to a New Jersey address.
- New Jersey accepts Uniform Sales & Use Tax Certificate - Multijurisdiction issued by the Multistate Tax Commission.
- Pilot program instituted to now accept New Jersey sales tax quarterly returns through the internet.
- Receipt of e-mail correspondence sent to the Division continues to steadily increase.
- New Jersey S corporation tax rate reduced to 0.5% for S corporations with annual net income of \$100,000 or less for accounting years ending on or after July 1, 1998.
- Mandatory employer trip reduction program repealed.
- New Jersey Redevelopment Authority created to assist in the revitalization of New Jersey's urban areas.
- War veterans' organizations permitted to conduct certain income-producing activities and retain property tax exempt status.
- Division received \$260,448.54 from the Federal Bureau of Investigation as part of New Jersey's share of Federal forfeiture money stemming from Operation Red Daisy, a joint Federal-State investigation of the bootleg motor fuel industry.

- Field Investigators contacted almost 22,000 business locations as a result of increased efforts to seek out non-compliant New Jersey vendors as well as transient out-of-State vendors.
- Compliance collections from the Alcoholic Beverage Project were \$58,788,911.
- Office Audit Branch generated assessments, including penalty and interest, in excess of \$108 million, while issuing 23,205 tax certificates of various types.
- Gross Income Tax Audit Branch assessed over \$26 million using computer-assisted and manual audit techniques.

DIVISION OF TAXATION ORGANIZATION



FIELD AUDIT

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

Field Audit

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

Field Audit Activity was significantly impacted by the hiring of 44 additional cash auditors in fiscal year 1997. This hiring complemented the first hiring of 50 cash auditors in fiscal year 1996.

Under the cash audit program initiated in 1996, special emphasis has been placed on the audit of approximately 12,000 retail liquor licensees. The audit of the liquor industry is expected to continue for several years. During fiscal year 1997, an additional 44 auditors were dedicated to the audit of pizzerias, gas stations and other types of cash businesses yet to be identified. The cash audit programs are intended to strengthen compliance and collection efforts as well as level the playing field for compliant businesses. Under this program, there were 1,547 completed audits generating \$50.8 million in audit assessments during fiscal year 1997.

During the 1997 fiscal year, the 17 regional audit groups completed 4,277 audits. The completed audits, which included the cash initiative, generated assessments of \$97.3 million. The distribution of the assessments by tax is as follows:

Tax	FY 1996	FY 1997
Sales & Use	\$ 79,797,999	\$46,651,430
Corporation Business	52,812,354	19,562,877
Business Personal Prop.	44,963	80,561
Gross Income	3,442,324	4,346,598
Litter	718,718	712,784
Miscellaneous Other	5,868,224	2,875,931
Total Tax	\$142,684,582	\$74,230,181
Penalty and Interest	51,038,735	23,103,542
Total Assessments	\$193,723,317	\$97,333,723

Out-of-State Audit

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

Completions of audits by the Out-of-State Audit Branch for fiscal year 1996 and fiscal year 1997 were 327 and 220 audits respectively which generated assessments totaling \$46 million and \$17 million respectively. The distribution of assessments by tax is as follows:

Tax	FY 1996	FY 1997
Sales & Use	\$21,006,680	\$ 7,816,007
Corporation Business	11,469,233	3,182,249
Business Personal Prop.	1,281	101,317
Litter	557,703	1,121,778
Gross Income	0	8,139
Total Tax	\$33,034,897	\$12,229,490
Penalty and Interest	12,971,669	4,812,635
Total Assessments	\$46,006,566	\$17,042,125

The average assessments for each auditor for these two fiscal years were \$2,147,832 and \$917,230 respectively. Collections versus assessments on closed audits since inception of the Branch through the end of this fiscal year is 76.3%.

Miscellaneous Tax

The Branch's functions have been consolidated into the Audit Services Branch.

Audit Services

The Audit Services Branch is responsible to support every aspect of the Division's Audit Activity. In addition to that rather large task they also serve as the Division's resource for miscellaneous and excise tax refunds, adjustments and reconciliations, public utility tax administration, and the Division's word processing center. It is fair to say that auditors can make productive use of their time because the specially skilled auditors and technicians in Audit Services take all of the non-revenue tasks out of the Field and Office Audit staffs' hands.

Beginning with audit selection, trained auditors and technicians manipulate and compare reporting histories, research outside documents and plan for third party information to select the most effective audit targets.

To that end the Branch processes large amounts of raw data from diverse locations such as Division databases, taxpayer files and records, I.R.S. tapes, and U.S. Customs Service tapes.

In order to continue to increase the auditors' efficiency, the Branch was responsible for the creation and is responsible for the continued development and maintenance of SmartPapers. SmartPapers are the primary computer tool of auditors and the continued work of Audit Services provides increasing capabilities all the time. In addition to the research and development task, maintenance of the field auditors' laptops, desktop computers and peripheral equipment occupy increasing time and effort as new technologies provide increased capabilities, and the need for immediate information creates usage of additional information links.

Finally, Audit Services provides audit billing capabilities for the entire activity. This process includes the creation of the bill adjustment and segregation of existing deficiencies and delinquencies and the appropriate disposition of the audit file with the application of payment, transfer for an administrative hearing or by securing the liability for future collection actions.

Independently this Branch handles the administrative functions for Motor Fuels Tax, Petroleum Products Gross Receipts Tax, Tobacco Taxes and Alcoholic Beverage Taxes, which are too small to be totally mainstreamed. In this respect they issue refunds, reconcile accounts, license, determine proper bonding, provide taxpayer service and generally satisfy the needs of senior management and State government as it relates to the numerous minor State taxes.

This Branch was also responsible for the creation and now maintains a Local Area Network for Audit Activity relied on by both the Gross Income Tax Branch and the highly successful Nexus team. It is fair to say that these audit work forces would be largely ineffective without the LAN capabilities maintained by this Branch.

Certainly of great importance is the work of the Public Utility Tax Unit which spent many months working with the Treasurer's Office to accomplish the conversion of the State's taxation of energy. This group administered the Gross Receipts and Franchise Tax in all aspects and will be heavily involved in the oversight of the changes affecting this industry.

Finally, the Word Processing Section provides the capability to produce massive quantities of production for any area of the Division using centralized resources that can take peak needs away from individuals not capable of such volume. Their services have allowed the Division to reduce its clerical work force and still produce high quality documents in short turnaround times in great volume. The true potential of this group is still being recognized as we pursue new sources of work.

OFFICE AUDIT

The Office Audit Activity is comprised of several different branches.

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

Office Audit

The primary responsibility of this Branch is the audit and refund of the 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. Additional responsibilities include the examination of corporate taxpayers in order to issue Tax Lien Certificates, Tax Clearance Certificates, and Certificates of Reinstatement of Corporate Charter.

Changes occurring during the past year include the merging of one of the regular audit groups into the other four, the splitting of the Corporate Service Audit Group into two separate groups, and the transfer of the Nexus Audit Group from the Audit Service Branch. The group has the responsibility to discover and examine out-of-State entities to determine whether they have an unreported tax filing and paying responsibility. Last fiscal year the group had assessments in excess of \$56 million.

During fiscal year 1997, the ten audit groups of the Branch generated assessments, including penalty and interest, in excess of \$108 million, while issuing 23,205 tax certificates of various types. The distribution of assessments by tax is as follows:

Tax	Amount
Corporation Business	\$ 83,886,087
Sales & Use	1,776,630
Gross Income	293,913
Miscellaneous Others	5,723,744
Total Tax	<u>\$ 91,680,374</u>
Penalty and Interest	<u>17,271,967</u>
Total Assessments	\$108,952,341

Gross Income Tax Audit

The Gross Income Tax Audit Branch's responsibility is the auditing of gross income tax returns filed with the Division, using a variety of criteria developed within the Branch utilizing information from the Internal Revenue Service, neighboring states, and other New Jersey agencies where applicable.

The Branch also pursues delinquent resident and nonresident taxpayers separately and in joint projects with other Division branches and the Internal Revenue Service.

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

During fiscal year 1997, the six audit teams of the Gross Income Tax Audit Branch completed the following cases using computer-assisted and manual audit techniques:

	FY 1997
Cases Reviewed	43,361
No. of Assessments	10,497
Amount Assessed	\$26,902,870
No. of Collections	8,577
Amount Collected	\$18,350,814

Transfer Inheritance and Estate Tax

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

During the fiscal year, 7,471 assessments, including 541 nonresident, and 1,306 estate tax assessments were made. The Branch processed 56,084 self-executing waivers (Form L-8) and 6,688 requests for real estate waivers (Form L-9). In addition to the formal waivers generated through use of Form L-9, the Branch issued 50,560 additional waivers.

Revenue in the amount of \$325,243,841 was collected. Approximately 37 percent (\$121,951,293) of this amount was attributable to the New Jersey Estate Tax.

TECHNICAL SERVICES

Conference and Appeals

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

All incoming protests are reviewed by the Branch's Problem Resolution Section for compliance with the statutory and regulatory provisions for Protests and Appeals. During the fiscal year the Problem Resolution Section forwarded to the Conference Section backlog 1,007 cases, 59.8% of the total incoming protests.

The Risk Management Section 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 Conference Section provides informal administrative hearings. Cases are assigned to conferees for 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 such non-monetary issues as nexus, subjectivity determinations and the denial of claims by organizations claiming exempt status.

Final Determinations are appealable to the Tax Court of New Jersey. The Appeals Section of the Branch tracks and manages these cases, acting as the Division's liaison with the Deputy Attorney General assigned to defend the Division of Taxation. During the fiscal year, 118 new appeals were filed and 65 cases were concluded.

Eighty-nine percent (89%) of all cases received into the Conference Section backlog were generated by Audit Activity. Of the cases received into the Conference Section backlog, fifty-two percent (52%) were generated by Field Audit and twenty-eight percent (28%) were generated by Gross Income Tax Audit.

This fiscal year, the Conference and Appeals Branch finalized 1,405 cases and collected over \$4.1 million. On average, less than 9% of the cases protested to the Conference and Appeals Branch proceed to the Tax Court of New Jersey.

Tax Services

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

As a subunit of the Tax Services Branch, the Exempt Organization Section processes and makes determinations on applications for Sales and Use Tax Exempt Organization Permits. For fiscal year 1997, the Exempt Organization Section mailed over 1,000 applications, ruled on over 850 completed applications and issued over 100 denials of exempt organization status.

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*. A total of 21 rules and notices were proposed, adopted and published in fiscal year 1997.

In fiscal year 1997, the Branch researched and wrote over 2,000 taxpayer advice letters and answered approximately 13,000 telephone inquiries on technical matters.

Taxpayer Services

Taxpayer Services is responsible for encouraging voluntary compliance by providing taxpayers the information and assistance they need to meet their New Jersey tax responsibilities. As a result of modern technology, two out of three taxpayers used one or more of the following automated services during the year:

- **NJ TeleFile Program** is the latest use of technology to improve our services to taxpayers. During the 1996 tax season, over 144,000 taxpayers filed their returns by NJ TeleFile and had their refund checks mailed within two weeks. This innovative filing method saved the State \$250,000 in processing costs and greatly reduced data storage costs.
- **Automated Tax Information System** offers taxpayers four types of assistance from a Touch-tone phone:

Automated Refund Inquiry System provides information about current year tax refunds (used by 366,000 taxpayers in 1997)

Homestead Rebate InfoLine provides information on the status of current year homestead rebates (used by 176,000 taxpayers in 1997)

New Jersey TaxTalk offers information on 70 different topics (used by 82,000 taxpayers in 1997)

Forms Request System allows callers to order tax forms and publications (used by 120,000 taxpayers in 1997)

- **NJ TaxFax** service makes State income tax forms and other technical information available to fax machine users. During 1997, 50,000 forms were sent to taxpayers via TaxFax.

Taxpayer Services Activity includes the following:

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

Office of Communication is responsible for tax publications including the instructions for individual income tax returns, technical bulletins, brochures and notices, and the quarterly newsletter for tax practitioners, the *New Jersey State Tax News*. The Office of Communication also is responsible for preparing replies to general taxpayer correspondence and referrals. One-third of the mail received is e-mail.

Taxpayer Forms Services mails out forms in response to taxpayers' requests and also handles bulk mailing for special projects. During 1997, 430,000 items were mailed.

- Taxpayer Services statistics:

	FY 1997
Phone calls	1.7 million
Correspondence	40,000
On-line Adjustments	92,000
Revenue Collected	\$3,727,016

- Major publications included production of the *Annual Report*, *Package NJX*, a number of new business-related About New Jersey Taxes bulletins and a booklet of frequently asked questions on the property tax deduction/credit.

- NJ TeleFile program will be expanded during the next fiscal year to allow over 1.3 million New Jersey residents to file their returns by TeleFile.

Technical Education Office

The Technical Education Office supports Division employees, the taxpaying public and the practitioner community through a variety of efforts. Responsible for all internal technical training and staff development initiatives, the TEO provides technical support for employees on new and emerging technologies to increase employee efficiency. The Technical Education Office administers and delivers training programs on Integrity Awareness, Economic Reality and many other topics.

Additionally, the TEO administers the Division's Speakers Bureau and the Small Business Workshop series. The TEO participates in corporate seminars to promote business activity in New Jersey and supports voluntary tax compliance through the VITA (Voluntary Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs.

The TEO has responsibility for the Division's Home Page. Since its inception in 1996, the Home Page has expanded to provide information on a wealth of programs and initiatives. Forms and publications can be accessed on the page as well as instructions and updates on most Division efforts. Interesting Home Page statistics include:

- 606,447 Total "hits" on Home Page
- 262,276 Requests for forms through the Home Page
- 146,694 Requests for publications through the Home Page
- 118,458 Visits to the FAQ (Frequently Asked Questions) site

The Division's Home Page can be accessed at:

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

COMPLIANCE

Special Procedures

The Special Procedures Branch is primarily responsible for the collection of overdue tax liabilities. During fiscal year 1997 the Branch collected \$26,694,722. 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's lien in another state wherein assets of a debtor may have been located and/or the instituting of wage garnishment proceedings.

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

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

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

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

Compliance Services

The Compliance Services Branch (formerly Office Collections) is a multi-functional Branch that provides services to the Division, to the tax paying public and to other State agencies. Some of the specific functions are as follows:

Compliance Services, Data Group. This section is primarily responsible for planning, designing and implementing the new programs and projects for the Compliance Activity with emphasis on maintenance, revision and diagnosis in the area of database management, data

processing and office automation. The automation of the Casual Sales program is a prime example of the work of this unit. This group also prepared and conducted training workshops on the use of laptop computers for Field personnel, designed a comprehensive Inventory Reporting system for our Delinquency Unit, and on a continuing basis provides database assistance to all Compliance Branches as well as the Director's office and his staff.

ABC Clearance Section. This section is responsible for issuing the Alcoholic Beverage Retail Liquor License Clearance Certificate to holders of those licenses prior to their annual license renewal. Phase II of a three year phase-in was completed. Over 7,300 licenses were reviewed. Outstanding sales tax was collected and clearance certificates issued on 7,009 licensees.

Delinquency Section. This section sends notices to taxpayers and is responsible for securing delinquent tax returns and payments in order to bring taxpayers in compliance with regulatory filing provisions. With the Personal Income Tax Delinquency program that was implemented this year the Delinquency Section has a delinquency program for 14 of the 26 taxes administered by the Division of Taxation.

Deferred Payment Section. This section provides a framework for taxpayers to repay deficient taxes utilizing a formal payment plan. This Activity was recently updated to better serve taxpayer's needs and to allow more sophisticated monitoring of payment plans.

Casual Sales Section. This section coordinates its efforts with the Division of Motor Vehicles to verify and collect the appropriate sales tax on motor vehicles, boats and aircraft. The culmination of this effort is the notification to taxpayers when discrepancies arise in the sales tax due and the amount paid. Purchases of motor vehicles by out-of-State taxpayers are also examined.

This Branch is also responsible for the **Set-Off Program** which holds payments due State vendors and applies the payments toward deficient taxes; **SOIL**, Set-Off of Individual Liability, a program designed to withhold personal gross income tax refunds and homestead rebates from taxpayers who have outstanding tax debts; **Lottery**, this unit must verify to the New Jersey Lottery Commission that taxes of prospective lottery machine agents are current; and **CATCH**, where Citizens Against Tax Cheats can send referrals to the Division reporting possible non-compliance issues.

In addition, this Branch provided technical support for two contracts between the Division and PAYCO, General American Credits, a private collection agency contracted

to pursue delinquent and deficient taxes for the Division of Taxation.

Taxpayer Accounting

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

The Taxpayer Accounting Branch answered nearly 118,000 pieces of correspondence and 31,000 phone calls, reviewed about 122,000 bills and 55,000 refunds, adjusted, updated, or corrected approximately 215,000 accounts, and collected more than \$6.3 million.

Investigations

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

In fiscal year 1997, Investigations conducted 174 seizures of business and/or personal assets based on outstanding Certificates of Debt. One hundred eight (108) of the seizures involved liquor licenses. Twenty-seven auctions were necessary.

Investigations has continued to utilize their statutory authority to make an immediate, on-site assessment of tax due (referred to as a "jeopardy assessment"). The targets are primarily out-of-State transient vendors who failed to register their business, to collect and remit State taxes, such as sales tax, or to file tax returns. Failure to satisfy the jeopardy assessment results in immediate seizure of assets and vehicles.

Highlights

- **Certificates of Debt Filed.** In conjunction with 6,007 cases, 12,559 Certificates of Debt were filed in the Superior Court totaling \$122,988,813.
- **Cases Referred to Attorney General for Collection.** One thousand eight hundred forty-five (1,845) cases

were referred to the Office of the Attorney General for collection actions. Collections of \$3,360,179 were received on A.G. referral cases.

- **Closing Agreements Approved.** Thirteen (13) Closing Agreements were approved, 74 requests were denied and another 57 denials resulted in full payment with statutory abatement. Collections on Closing Agreement cases totaled \$1,689,531.
- **Bankruptcy Activity.** The Bankruptcy Section filed 1,026 Proofs of Claim for \$30,445,936; 148 Amended Proofs of Claim for \$7,378,579 and 149 Administrative Proofs of Claim totaling \$6,743,167. Collections on insolvency matters totaled \$5,310,546.
- **Bulk Sales Activity.** The Bulk Sales Section received 3,363 Notices of Sale during the fiscal year. Collections for the year were \$9,470,226 which represented an increase of 44% over the previous year.

Seven hundred forty-four (744), or 22%, of these notices received pertained to transfers of Retail Liquor Licenses. Project personnel recommended 92 cases for audit. In all, 146 audits were completed resulting in \$5,142,668 in assessments, an average of \$35,224 per taxpayer. Collections of \$4,751,160 were realized from this project. Of this amount, \$283,924 were as a result of discovery of unreported transfers of liquor licenses.
- **Canvassing/Sweep Activity.** Field Investigators contacted almost 22,000 business locations as a result of increased efforts to seek out non-compliant New Jersey vendors as well as transient out-of-State vendors. Investigators registered a total of 3,070 new taxpayers as a direct result of this activity.
- **Jeopardy Assessments/Seizures.** Field Investigators levied 956 jeopardy assessments, executed 33 jeopardy seizures and collected \$1,090,887 as a result of these actions.
- **Alcoholic Beverage Project.** Compliance ABC Project collections for fiscal year ending June 1997 were \$58,788,911.
- **Audit/Compliance Cash Project.** Investigations and Audit are working jointly on a Cash Audit Project focusing on various segments of the cash economy. The cash audit process is enhanced as a result of information provided by investigators throughout the audit.
- **Collections.** Compliance Activity collections for fiscal year 1997 were \$121,168,490. PAYCO collected \$32,716,550.

PROPERTY ADMINISTRATION

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

LOCAL PROPERTY

Policy and Planning

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

Field Assistance and Appraisal

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

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

Other major activities are:

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

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

Railroad Property/Tax Maps

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

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

UNCLAIMED PROPERTY

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

Audit

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

Operations

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

Claims Processing Unit validates a claim for property held by us, and processes payment, with interest. Each year an average of 20,000 claims are received.

Intestate Estates Unit supervises and oversees the administration of intestate (no will, no apparent heir) estates through the court appointment of an administrator. If the search for heirs is unsuccessful, the administrator turns over the proceeds to the State, minus estate expenses and statutory fees. This figure averages \$2.5 million per year.

Highlights

- 117 applications for the Tax Assessors' Exams were filed in 1997.
- 16 revaluation programs were implemented in 1997 at an average cost of \$39.70 per line item and a total cost of \$2,079,548. There were 17 reassessment programs implemented in 1997.
- \$103,040,719 in Realty Transfer Fees was generated with \$51,752,946 deposited into the General Fund and \$22,902,196 credited to the Neighborhood Preservation Nonlapsing Revolving Fund for fiscal year 1997.
- Unclaimed Property receives approximately \$40–50 million in assets yearly.
- Fiscal year 1997 value of securities portfolio is approximately \$90 million.

OFFICE OF TECHNICAL SUPPORT

The Office of Technical Support acts as a liaison between the Office of Telecommunications and Information Systems (OTIS), other State and Federal agencies, and the end users of data processing resources within Taxation, recommends and evaluates new technological concepts for the Division and aids in the automated and manual systems design required by new legislation. Support of these systems includes the use of programming like facilities such as FDF-PC, DCF, NOW, Natural and TSO. The Office of Technical Support has the general responsibility for the design and specification of all New Jersey tax forms, site inspection of prospective vendors and overall form quality assurance. In addition, the branch has responsibility for telecommunications, including the Wide Area Network (WAN) and the fiber optic equipment, supplies technical support, performs special project work, provides numerous management information reports, and maintains the TAXNET Help Desk.

The TAXNET Help Desk assists Division personnel to better utilize the Division's data systems, provides a vehicle for the identification and resolution of system problems and performs system table and file maintenance. During 1997, the TAXNET Help Desk answered 4,856 telephone calls and completed 1,501 problem notification forms and 2,487 employee changes. In addition, 1,526 Telecommunication Request/Problem Detail Reports involving troubleshooting, removing and installing of telephone devices or other telecommunication equipment were completed.

The Office of Technical Support reviews data processing requests for technical soundness and overall Division desirability. Priorities for these requests are then set by the Small Projects Prioritization Committee (SPPC). During 1997, a total of 155 such requests were evaluated.

This Branch continues to maintain various micro-based systems supporting a variety of applications throughout the Division. Included in this group are systems for the administration of Correspondence Tracking, Attorney Fee collection, and Fixed Asset Inventory.

The Office of Technical Support participated in the change and design of many systems due to legislative and/or Division initiatives. These include:

- Completion of systemic modifications required by legislation to provide for a property tax deduction on

the Gross Income tax return for homeowners and tenants.

- Continued implementation of legislation accelerating payment requirements for Employer taxpayers and allowing setoffs against payments to contracted State vendors for State tax debt owed.
- Developing an in-house claims processing system to validate claims for unclaimed property held by the State Treasurer and generate payments and notifications.
- Expansion of the use of third-party vendors and matching programs with other agencies such as New York State and the IRS to assist in collection efforts of known and unknown delinquent taxpayers.
- Continued conversion of the Division's printing applications to laser generated output including billing and delinquency notices for the business taxes.
- Implementing a security insert for the various gross income tax packets to conceal the taxpayer's social security number and provide each taxpayer with a payment voucher and extension request for processing through remittance processors.
- Continuing to assist with expanding the use of the new image technology to other tax processing applications such as Corporation Business Tax returns.
- Commencing Network projects including the Barrack Street building rewiring, server hardware and software upgrade, remote PC connection to the network, Internet connectivity and remote connection for out-of-State offices.
- Initiating program modifications to ensure the Division's mainframe systems are year 2000 compliant and continuing to assess the impact of the year 2000 on its PC based operations.
- Implementing a pilot program to accept sales tax quarterly returns through the Internet.
- Initiating a PC based program for inputting SR-1A documents at the county level and eliminating the need for data entry by the Division.
- Updating the Division's Taxpayer Registration File with addresses from the United States Postal Service National Change of Address database as mandated by the USPS to maintain postal discounts for large mailings.

CHIEF OF STAFF

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

Management Services

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

Facilities Management. Responsible for providing building maintenance and management services for 11 office buildings located throughout New Jersey, as well as coordinating maintenance and management services for the Division's out-of-State locations. Facilities Management also has the responsibility for managing and maintaining the Division's property, equipment inventory and distribution of supplies to the entire Division.

Mail Services. Provides pickup and delivery service of mail for the entire Division, including field offices. This office processes approximately 13 to 14 million pieces of mail annually.

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

Disclosure

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

Fiscal, Personnel and Labor Relations

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

OFFICE OF LEGISLATIVE ANALYSIS

The Office of Legislative Analysis is responsible for reviewing all tax bills introduced in the Legislature. It evaluates the potential administrative, fiscal and policy implications of proposals which are scheduled or likely to be scheduled for legislative action; it proposes amendments to insure that a bill can be effectively implemented, prepares Bill Comments and Fiscal Notes, and recommends positions to be taken by the State Treasurer.

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

Highlights

- Monitored and tracked 651 bills relating to the Division of Taxation.
- Prepared 170 Legislative Recommendations and Bill Comments.
- Prepared 121 Fiscal Notes.
- Testified before various Assembly and Senate Committees.
- Provided information on New Jersey legislative tax developments to many persons and organizations seeking such information.
- Tax bills were considered at 60 Assembly and 65 Senate Committee Meetings.
- Seventeen bills affecting the Division were signed into law.

OFFICE OF CRIMINAL INVESTIGATION

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

The activities within the Office of Criminal Investigation are:

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

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

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

Internal Security Unit. Handles sensitive matters, including integrity investigations (attempts by outsiders to corrupt Division employees and also allegations that employees have committed ethical or criminal violations), background investigations of prospective employees, and assaults and threats by persons who impede the functions of the Division. The unit also provides training, to enable new employees to recognize possible compromising situations. Examples of cases worked during the fiscal year include attempted bribery of an auditor, theft of checks from the Division mails, various physical threats to employees, and preparation of tax returns in violation of the Treasury Code of Ethics.

Highlights

- 115 cases were forwarded to prosecutors, 694 information items were evaluated resulting in the initiation of 85 criminal cases. Total of 189 ongoing criminal investigations.
- 168 criminal investigations of cigarette tax violations were initiated. 26 of these cases involved the seizure of contraband cigarettes and the seizure of 2 vehicles. Destroyed 18,906 cartons of confiscated cigarettes valued at \$378,124.
- 558 background investigations and 71 integrity investigations were conducted.

1996 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Atlantic			Englewood Cliffs Bor.	1.250	1.189
Absecon City	2.837	2.751	Fair Lawn Borough	2.490	2.313
Atlantic City	2.952	2.763	Fairview Borough	3.050	2.635
Brigantine City	2.632	2.469	Fort Lee Borough	2.310	2.474
Buena Borough	2.735	2.499	Franklin Lakes Borough	1.580	1.488
Buena Vista Township	2.290	1.987	Garfield City	2.530	2.687
Corbin City	3.667	2.953	Glen Rock Borough	2.880	2.277
Egg Harbor City	3.865	3.475	Hackensack City	3.400	3.051
Egg Harbor Township	2.183	2.002	Harrington Park Borough	2.800	2.315
Estell Manor City	2.156	1.906	Hasbrouck Heights Bor.	2.390	2.404
Folsom Borough	2.539	2.151	Haworth Borough	2.430	2.225
Galloway Township	2.601	2.433	Hillsdale Borough	2.350	2.110
Hamilton Township	2.905	2.669	Hohokus Borough	2.010	1.614
Hammonton Town	3.344	2.474	Leonia Borough	3.070	2.552
Linwood City	2.830	2.871	Little Ferry Borough	2.610	2.456
Longport Borough	1.147	1.203	Lodi Borough	3.120	2.776
Margate City	1.758	1.813	Lyndhurst Township	2.380	2.415
Mullica Township	2.581	2.566	Mahwah Township	1.810	1.517
Northfield City	2.755	2.840	Maywood Borough	2.800	2.134
Pleasantville City	3.151	3.211	Midland Park Borough	2.540	2.281
Port Republic City	2.464	2.470	Montvale Borough	1.980	1.786
Somers Point City	3.375	2.657	Moonachie Borough	1.710	1.316
Ventnor City	2.271	2.335	New Milford Borough	2.330	2.320
Weymouth Township	2.757	1.922	North Arlington Borough	2.330	2.207
Bergen			Northvale Borough	2.930	2.443
Allendale Borough	2.330	2.155	Norwood Borough	2.440	2.047
Alpine Borough	0.940	0.858	Oakland Borough	2.600	2.438
Bergenfield Borough	3.330	3.313	Old Tappan Borough	1.860	1.814
Bogota Borough	3.470	2.980	Oradell Borough	2.390	2.233
Carlstadt Borough	1.760	1.438	Palisades Park Borough	2.500	2.621
Cliffside Park Borough	2.120	1.904	Paramus Borough	1.990	1.576
Closter Borough	2.560	2.157	Park Ridge Borough	2.030	1.933
Cresskill Borough	2.500	2.240	Ramsey Borough	2.500	2.129
Demarest Borough	2.280	2.310	Ridgefield Borough	1.840	1.720
Dumont Borough	2.670	2.751	Ridgefield Park Village	2.830	2.798
Elmwood Park Borough	2.090	2.153	Ridgewood Village	2.610	2.328
East Rutherford Borough	1.590	1.212	River Edge Borough	2.400	2.346
Edgewater Borough	2.450	2.132	Rivervale Township	2.210	2.021
Emerson Borough	3.270	2.434	Rochelle Park Township	2.300	1.987
Englewood City	2.960	2.665	Rockleigh Borough	0.990	0.950
			Rutherford Borough	2.640	2.467

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Bergen (continued)			Shamong Township	2.083	2.109
Saddle Brook Township	2.010	1.782	Southampton Township	2.029	1.865
Saddle River Borough	0.860	0.815	Springfield Township	2.233	2.216
South Hackensack Twp.	2.320	2.000	Tabernacle Township	2.275	2.229
Teaneck Township	3.010	2.911	Washington Township	1.868	1.908
Tenafly Borough	2.500	2.265	Westampton Township	2.434	2.406
Teterboro Borough	1.200	1.225	Willingboro Township	3.028	2.917
Upper Saddle River Bor.	1.870	1.695	Woodland Township	2.160	2.088
Waldwick Borough	2.750	2.481	Wrightstown Borough	1.876	1.743
Wallington Borough	2.240	2.190			
Washington Township	2.160	1.931	Camden		
Westwood Borough	2.490	2.132	Audubon Borough	5.080	2.925
Woodcliff Lake Borough	2.030	1.851	Audubon Park Borough	10.100	10.009
Wood Ridge Borough	2.750	2.159	Barrington Borough	5.210	3.081
Wycoff Township	1.850	1.696	Bellmawr Borough	3.280	3.083
			Berlin Borough	2.950	2.886
Burlington			Berlin Township	2.680	2.811
Bass River Township	2.757	2.670	Brooklawn Borough	3.229	3.333
Beverly City	3.177	3.067	Camden City	4.847	3.949
Bordentown City	3.025	2.985	Cherry Hill Township	2.920	2.659
Bordentown Township	2.832	2.759	Chesilhurst Borough	2.860	3.250
Burlington City	2.220	2.319	Clementon Borough	3.239	3.372
Burlington Township	2.433	2.305	Collingswood Borough	6.004	3.225
Chesterfield Township	2.123	2.169	Gibbsboro Borough	4.120	2.852
Cinnaminson Township	2.508	2.292	Gloucester City	2.911	3.124
Delanco Township	2.579	2.419	Gloucester Township	2.830	2.828
Delran Township	2.349	2.286	Haddon Township	3.020	3.042
Eastampton Township	2.758	2.629	Haddonfield Borough	2.760	2.905
Edgewater Park Township	2.648	2.511	Haddon Heights Borough	5.070	3.199
Evesham Township	2.455	2.327	Hi Nella Borough	5.940	3.536
Fieldsboro Borough	2.753	2.511	Laurel Springs Borough	3.340	3.394
Florence Township	2.954	2.905	Lawnside Borough	7.101	3.091
Hainesport Township	2.249	2.178	Lindenwold Borough	5.120	3.237
Lumberton Township	2.673	2.718	Magnolia Borough	3.601	3.680
Mansfield Township	1.992	1.975	Merchantville Borough	3.190	3.236
Maple Shade Township	2.752	2.757	Mount Ephraim Borough	5.050	3.231
Medford Township	2.347	2.253	Oaklyn Borough	2.910	2.934
Medford Lakes Borough	2.900	2.773	Pennsauken Township	8.240	3.044
Moorestown Township	2.672	2.345	Pine Hill Borough	3.413	3.355
Mt. Holly Township	3.286	3.008	Pine Valley Borough	3.010	2.113
Mt. Laurel Township	2.281	2.263	Runnemede Borough	3.150	3.078
New Hanover Township	1.644	1.656	Somerdale Borough	3.430	3.290
North Hanover Township	1.783	1.813	Stratford Borough	2.860	2.969
Palmyra Borough	2.732	2.682	Tavistock Borough	2.435	2.358
Pemberton Borough	2.556	2.327	Voorhees Township	3.710	2.822
Pemberton Township	2.403	2.446	Waterford Township	2.928	3.067
Riverside Township	2.477	2.363	Winslow Township	2.960	2.825
Riverton Borough	3.096	2.767	Woodlynne Borough	5.620	3.888

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Cape May			Newark City	22.850	3.705
Avalon Borough	0.910	0.941	North Caldwell Township	5.110	2.163
Cape May City	1.610	1.542	Nutley Township	11.360	3.165
Cape May Point Borough	0.870	0.894	Orange City Township	25.960	4.275
Dennis Township	1.820	1.749	Roseland Borough	7.390	2.228
Lower Township	2.310	2.307	S. Orange Village Twp.	3.730	3.595
Middle Township	2.260	2.239	Verona Township	5.750	2.669
North Wildwood City	2.260	2.332	West Caldwell Township	2.870	2.717
Ocean City	1.580	1.597	West Orange Township	6.310	3.249
Sea Isle City	1.540	1.440	Gloucester		
Stone Harbor Borough	1.210	1.037	Clayton Borough	2.560	2.597
Upper Township	1.371	1.346	Deptford Township	2.180	2.266
West Cape May Borough	1.950	1.775	East Greenwich Township	2.160	2.076
West Wildwood Borough	2.150	1.943	Elk Township	2.290	2.535
Wildwood City	2.840	3.048	Franklin Township	3.650	2.411
Wildwood Crest Borough	1.660	1.868	Glassboro Borough	2.870	2.863
Woodbine Borough	2.110	1.967	Greenwich Township	2.080	1.959
Cumberland			Harrison Township	2.270	2.264
Bridgeton City	3.300	2.944	Logan Township	1.920	1.716
Commercial Township	2.780	2.541	Mantua Township	2.630	2.551
Deerfield Township	2.810	2.508	Monroe Township	2.560	2.478
Downe Township	2.330	2.302	National Park Borough	2.750	2.712
Fairfield Township	3.110	2.212	Newfield Borough	2.480	2.211
Greenwich Township	3.110	2.931	Paulsboro Borough	3.270	2.631
Hopewell Township	3.050	2.608	Pitman Borough	2.850	2.823
Lawrence Township	2.590	2.579	S. Harrison Township	2.050	2.047
Maurice River Township	4.500	2.518	Swedesboro Borough	2.330	2.143
Millville City	3.600	2.821	Washington Township	2.290	2.223
Shiloh Borough	4.150	2.939	Wenonah Borough	2.550	2.583
Stow Creek Township	2.830	2.336	West Deptford Township	2.240	2.101
Upper Deerfield Twp.	2.000	2.209	Westville Borough	4.460	2.761
Vineland City	2.780	2.537	Woodbury City	2.950	2.764
Essex			Woodbury Heights Bor.	3.240	2.647
Belleville Township.	11.770	3.662	Woolwich Township	2.190	1.951
Bloomfield Township	3.590	3.326	Hudson		
Caldwell Borough Twp.	12.240	2.896	Bayonne City	3.848	3.495
Cedar Grove Township	7.480	2.232	East Newark Borough	5.543	2.705
East Orange City	19.700	5.249	Guttenberg Town	3.434	3.312
Essex Fells Township	9.380	1.803	Harrison Town	3.363	2.757
Fairfield Township	2.020	1.968	Hoboken City	2.952	2.957
Glen Ridge Township	8.960	3.548	Jersey City	4.187	3.758
Irvington Township	20.520	4.564	Kearny Town	5.253	3.035
Livingston Township	9.330	2.486	North Bergen Township	3.351	3.490
Maplewood Township	8.780	3.459	Secaucus Town	2.238	2.373
Millburn Township	4.210	1.985	Union City	3.723	4.046
Montclair Township	3.300	3.200	Weehawken Township	2.541	2.910

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Hudson (continued)					
West New York Town	4.253	3.984	Cranbury Township	2.810	2.149
			Dunellen Borough	6.420	2.849
			East Brunswick Township	4.540	2.455
Hunterdon			Edison Township	2.170	2.048
Alexandria Township	2.150	2.179	Helmetta Borough	3.570	1.969
Bethlehem Township	2.090	2.031	Highland Park Borough	3.880	3.436
Bloomsbury Borough	2.340	2.291	Jamesburg Borough	2.890	2.987
Califon Borough	2.540	2.393	Metuchen Borough	2.700	2.537
Clinton Town	2.610	2.487	Middlesex Borough	4.210	2.623
Clinton Township	2.120	2.061	Milltown Borough	4.190	2.329
Delaware Township	1.920	1.903	Monroe Township	2.170	1.792
East Amwell Township	2.020	2.218	New Brunswick City	3.170	3.190
Flemington Borough	2.610	2.514	North Brunswick Twp.	4.360	2.295
Franklin Township	2.140	2.302	Old Bridge Township	2.990	2.927
Frenchtown Borough	2.450	2.334	Perth Amboy City	2.860	2.975
Glen Gardner Borough	2.520	2.587	Piscataway Township	3.160	2.251
Hampton Borough	3.040	2.907	Plainsboro Township	2.270	2.253
High Bridge Borough	2.870	2.826	Sayreville Borough	2.280	2.081
Holland Township	1.450	1.437	South Amboy City	5.010	2.611
Kingwood Township	1.900	1.894	South Brunswick Twp.	2.230	2.162
Lambertville City	2.210	2.151	South Plainfield Bor.	3.160	2.365
Lebanon Borough	2.280	2.214	South River Borough	4.370	2.836
Lebanon Township	1.970	1.952	Spotswood Borough	5.230	2.772
Milford Borough	2.440	2.140	Woodbridge Township	4.440	2.374
Raritan Township	2.420	2.326			
Readington Township	1.990	1.870	Monmouth		
Stockton Borough	2.100	2.058	Aberdeen Township	3.421	3.114
Tewksbury Township	1.880	1.845	Allenhurst Borough	1.619	1.416
Union Township	1.760	1.796	Allentown Borough	3.716	2.634
West Amwell Township	1.780	1.825	Asbury Park City	3.803	4.039
			Atlantic Highlands Bor.	2.871	2.641
Mercer			Avon By The Sea Bor.	2.185	1.999
East Windsor Township	3.170	3.072	Belmar Borough	2.677	2.650
Ewing Township	2.640	2.475	Bradley Beach Borough	2.982	2.808
Hamilton Township	8.440	2.581	Brielle Borough	1.839	1.975
Hightstown Borough	3.550	3.452	Colts Neck Township	1.716	1.636
Hopewell Borough	2.370	2.301	Deal Borough	0.981	0.982
Hopewell Township	2.180	2.213	Eatontown Borough	2.514	2.343
Lawrence Township	2.350	2.330	Englishtown Borough	2.164	2.204
Pennington Borough	2.410	2.289	Fair Haven Borough	2.403	2.329
Princeton Borough	1.920	2.061	Farmingdale Borough	2.803	2.570
Princeton Township	1.840	1.940	Freehold Borough	2.811	2.748
Trenton City	3.410	3.351	Freehold Township	2.213	2.045
Washington Township	2.410	2.296	Hazlet Township	2.758	2.604
West Windsor Township	2.790	2.548	Highlands Borough	3.582	3.173
			Holmdel Township	2.116	1.922
Middlesex			Howell Township	2.226	2.191
Carteret Borough	3.180	2.962	Interlaken Borough	1.741	1.639

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Monmouth (continued)			Kinnelon Borough	2.420	2.076
Keansburg Borough	3.113	3.502	Lincoln Park Borough	5.410	2.769
Keyport Borough	2.805	2.865	Long Hill Township	3.140	2.017
Little Silver Borough	2.459	2.396	Madison Borough	3.300	1.913
Loch Arbour Village	2.882	2.726	Mendham Borough	2.050	1.807
Long Branch City	3.250	3.129	Mendham Township	1.850	1.676
Manalapan Township	2.557	2.233	Mine Hill Township	2.650	2.620
Manasquan Borough	2.165	2.159	Montville Township	3.310	1.855
Marlboro Township	2.544	2.163	Morris Township	1.720	1.656
Matawan Borough	3.352	3.159	Morris Plains Borough	4.260	2.065
Middletown Township	2.542	2.462	Morristown Town	2.230	2.124
Millstone Township	2.263	2.167	Mountain Lakes Borough	2.180	2.188
Monmouth Beach Bor.	2.182	2.008	Mt. Arlington Borough	2.610	2.492
Neptune Township	2.847	2.715	Mt. Olive Township	4.500	2.298
Neptune City Borough	3.045	2.593	Netcong Borough	2.640	2.773
Ocean Township	2.605	2.400	Parsippany-Troy Hills Twp.	4.150	2.391
Oceanport Borough	2.279	2.250	Pequannock Township	2.320	2.205
Red Bank Borough	3.099	2.874	Randolph Township	4.460	2.249
Roosevelt Borough	4.691	3.955	Riverdale Borough	2.050	2.072
Rumson Borough	2.131	1.963	Rockaway Borough	2.370	2.312
Sea Bright Borough	2.269	2.279	Rockaway Township	4.290	2.378
Sea Girt Borough	1.246	1.378	Roxbury Township	4.890	2.314
Shrewsbury Borough	2.387	2.333	Victory Gardens Borough	3.180	3.850
Shrewsbury Township	3.749	3.642	Washington Township	4.640	2.210
South Belmar Borough	2.055	2.430	Wharton Borough	2.570	2.528
Spring Lake Borough	1.358	1.365			
Spring Lake Heights Bor.	2.141	1.866	Ocean		
Tinton Falls Borough	2.543	2.572	Barneget Township	3.013	2.950
Union Beach Borough	2.669	2.923	Barneget Light Borough	1.076	1.053
Upper Freehold Township	2.102	2.014	Bay Head Borough	1.178	1.085
Wall Township	2.073	2.039	Beach Haven Borough	1.608	1.513
West Long Branch Bor.	2.369	2.238	Beachwood Borough	2.354	2.333
			Berkeley Township	2.022	1.903
Morris			Brick Township	2.318	2.224
Boonton Town	2.320	2.236	Dover Township	2.244	2.126
Boonton Township	3.930	1.814	Eagleswood Township	2.432	2.587
Butler Borough	4.080	2.742	Harvey Cedars Borough	1.333	1.266
Chatham Borough	2.200	1.775	Island Heights Borough	2.708	2.496
Chatham Township	2.080	1.704	Jackson Township	2.878	2.727
Chester Borough	2.330	2.293	Lacey Township	1.821	1.756
Chester Township	2.150	1.941	Lakehurst Borough	2.794	2.777
Denville Township	2.730	2.009	Lakewood Township	2.812	2.702
Dover Town	5.710	2.991	Lavallette Borough	1.358	1.303
East Hanover Township	1.970	1.538	Little Egg Harbor Twp.	2.756	2.857
Florham Park Borough	1.620	1.404	Long Beach Township	1.187	1.197
Hanover Township	3.080	1.573	Manchester Township	2.531	2.403
Harding Township	1.340	0.922	Mantoloking Borough	0.881	0.867
Jefferson Township	2.330	2.198	Ocean Township	3.182	3.092

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Ocean (continued)			Somerset		
Ocean Gate Borough	2.590	2.500	Bedminster Township	1.380	1.295
Pine Beach Borough	2.139	2.078	Bernards Township	1.650	1.567
Plumsted Township	2.056	1.966	Bernardsville Borough	1.780	1.589
Point Pleasant Borough	2.332	2.266	Bound Brook Borough	3.190	3.127
Pt. Pleasant Beach Bor.	1.998	1.862	Branchburg Township	2.110	1.957
Seaside Heights Borough	2.586	2.661	Bridgewater Township	2.780	1.717
Seaside Park Borough	2.086	1.965	Far Hills Borough	1.720	1.253
Ship Bottom Borough	1.364	1.359	Franklin Township	2.110	2.067
South Toms River Bor.	2.653	2.499	Green Brook Township	2.070	1.970
Stafford Township	2.144	2.136	Hillsborough Township	2.130	2.137
Surf City Borough	1.287	1.320	Manville Borough	2.490	2.438
Tuckerton Borough	2.831	2.829	Millstone Borough	2.360	2.309
Passaic			Montgomery Township	2.700	2.077
Bloomington Borough	3.310	3.116	North Plainfield Borough	3.400	3.160
Clifton City	2.340	2.351	Peapack-Gladstone Bor.	1.620	1.527
Haledon Borough	2.940	3.189	Raritan Borough	2.290	2.257
Hawthorne Borough	2.440	2.353	Rocky Hill Borough	3.740	1.740
Little Falls Township	2.660	2.151	Somerville Borough	4.310	3.271
North Haledon Borough	4.060	2.513	South Bound Brook Bor.	3.380	3.290
Passaic City	3.890	3.739	Warren Township	1.780	1.648
Paterson City	19.600	4.252	Watchung Borough	1.820	1.699
Pompton Lakes Borough	3.470	3.285	Sussex		
Prospect Park Borough	2.820	3.149	Andover Borough	2.070	2.343
Ringwood Borough	3.250	3.104	Andover Township	2.900	2.615
Totowa Borough	2.030	2.012	Branchville Borough	1.800	1.722
Wanaque Borough	3.520	3.063	Byram Township	2.960	2.897
Wayne Township	2.400	2.253	Frankford Township	2.370	2.342
West Milford Township	3.530	3.018	Franklin Borough	5.150	3.177
West Paterson Borough	2.500	2.432	Fredon Township	2.480	2.445
Salem			Green Township	2.680	2.558
Alloway Township	3.770	1.987	Hamburg Borough	2.860	2.898
Carneys Point Township	2.460	2.060	Hampton Township	2.380	2.496
Elmer Borough	2.790	2.521	Hardyston Township	2.920	2.769
Elsinboro Township	2.620	2.423	Hopatcong Borough	2.640	2.836
Lower Alloways Crk. Twp.	1.140	0.880	Lafayette Township	2.570	2.493
Mannington Township	2.430	2.088	Montague Township	2.430	2.316
Oldmans Township	2.330	2.092	Newton Town	2.770	2.569
Penns Grove Borough	3.310	3.142	Ogdensburg Borough	3.260	3.326
Pennsville Township	2.200	2.034	Sandyston Township	2.220	2.196
Pilesgrove Township	3.270	1.998	Sparta Township	3.150	2.373
Pittsgrove Township	2.800	2.113	Stanhope Borough	3.610	3.194
Quinton Township	3.930	2.115	Stillwater Township	2.550	2.444
Salem City	3.920	3.005	Sussex Borough	3.370	2.521
Upper Pittsgrove Twp.	2.410	2.045	Vernon Township	2.410	2.329
Woodstown Borough	2.810	2.515	Walpack Township	0.660	0.547
			Wantage Township	2.560	2.384

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Union			Warren		
Berkeley Heights Twp.	4.300	1.908	Allamuchy Township	2.360	2.245
Clark Township	4.130	2.340	Alpha Borough	2.830	2.694
Cranford Township	2.690	2.330	Belvidere Town	2.980	2.768
Elizabeth City	9.650	2.758	Blairstown Township	2.390	1.801
Fanwood Borough	6.090	2.652	Franklin Township	2.350	2.240
Garwood Borough	4.840	2.767	Frelinghuysen Township	2.620	2.454
Hillside Township	11.230	3.625	Greenwich Township	2.370	2.280
Kenilworth Borough	1.930	2.024	Hackettstown Town	3.220	2.764
Linden City	2.600	2.409	Hardwick Township	2.480	2.395
Mountainside Borough	3.360	1.744	Harmony Township	1.920	1.889
New Providence Borough	3.900	2.113	Hope Township	2.990	2.394
Plainfield City	3.390	3.231	Independence Township	2.540	2.445
Rahway City	3.010	3.149	Knowlton Township	2.640	2.478
Roselle Borough	4.300	4.480	Liberty Township	2.630	2.490
Roselle Park Borough	6.400	3.285	Lopatcong Township	2.170	2.191
Scotch Plains Township	4.870	2.430	Mansfield Township	3.190	2.632
Springfield Township	3.080	2.287	Oxford Township	3.040	2.907
Summit City	1.820	1.714	Pahaquarry Township	6.620	5.857
Union Township	8.430	2.533	Phillipsburg Town	2.650	2.627
Westfield Town	3.820	2.173	Pohatcong Township	2.480	2.368
Winfield Township	99.640	11.955	Washington Borough	3.500	3.451
			Washington Township	2.760	2.725
			White Township	1.900	1.876

Abstract of Ratables and Exemptions 1996

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
	TAXABLE VALUE				Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	
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	\$ 6,079,031,472	\$ 11,088,748,260	\$ 17,167,779,732	\$ 4,438,100	\$ 17,163,341,632	\$ 137,764,174
Bergen	32,847,395,385	37,043,249,776	69,890,645,161	6,922,100	69,883,723,061	325,412,002
Burlington	5,960,065,257	13,297,760,985	19,257,826,242	21,741,000	19,236,085,242	180,532,637
Camden	4,727,235,016	12,276,169,764	17,003,404,780	36,397,120	16,967,007,660	199,889,314
Cape May	7,177,666,600	5,868,577,200	13,046,243,800	4,280,250	13,041,963,550	72,173,128
Cumberland	862,427,573	2,921,302,517	3,783,730,090	57,883,130	3,725,846,960	48,314,571
Essex	6,434,610,302	10,654,275,266	17,088,885,568	2,706,300	17,086,179,268	134,596,978
Gloucester	3,094,620,007	7,791,178,040	10,885,798,047	24,992,505	10,860,805,542	92,642,570
Hudson	7,430,818,082	11,640,387,211	19,071,205,293	10,245,600	19,060,959,693	160,200,687
Hunterdon	3,878,125,902	5,958,647,304	9,836,773,206	0	9,836,773,206	45,082,460
Mercer	5,619,874,469	10,283,324,258	15,903,198,727	9,743,810	15,893,454,917	148,195,609
Middlesex	12,421,214,530	22,255,410,109	34,676,624,639	48,380,800	34,628,243,839	335,742,814
Monmouth	16,218,882,839	22,201,120,297	38,420,003,136	15,879,150	38,404,123,986	320,576,153
Morris	11,264,522,634	18,183,371,168	29,447,893,802	387,200	29,447,506,602	235,193,030
Ocean	14,178,674,293	16,234,063,927	30,412,738,220	23,980,500	30,388,757,720	207,983,281
Passaic	8,799,339,428	11,231,665,166	20,031,004,594	1,854,400	20,029,150,194	123,120,155
Salem	566,668,355	1,912,483,915	2,479,152,270	43,557,800	2,435,594,470	26,888,496
Somerset	8,302,126,941	13,698,297,201	22,000,424,142	5,200,399	21,995,223,743	125,878,505
Sussex	2,933,110,730	4,850,575,875	7,783,686,605	1,602,520	7,782,084,085	40,887,712
Union	8,415,776,900	12,423,128,400	20,838,905,300	9,700	20,838,895,600	142,545,724
Warren	1,749,744,729	3,507,649,210	5,257,393,939	2,591,245	5,254,802,694	42,931,822
TOTALS	\$168,961,931,444	\$255,321,385,849	\$424,283,317,293	\$322,793,629	\$423,960,523,664	\$3,146,551,822

Abstract of Ratables and Exemptions 1996 (continued)

	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	
COUNTY	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	True Value of Class II Railroad Property (C.139, L. 1966)	EQUALIZATION		Net Valuation on Which County Taxes Are Apportioned (Col. 6 + 9 –10(a) + 10(b))
					(a) Amounts Deducted Under R.S. 54:3-17 to 19	(b) Amounts Added Under R.S. 54:3-17 to 19 and N.J.S.A. 54:11D-7	
Atlantic	\$ 17,301,105,806			\$ 85,771	\$ 118,966,307	\$ 1,200,358,143	\$ 18,382,583,413
Bergen	70,209,135,063			182,697	405,223,067	7,202,044,626	77,006,139,319
Burlington	19,416,617,879			0	53,709,767	800,763,978	20,163,672,090
Camden	17,166,896,974			26,899	155,465,172	3,043,730,209	20,055,188,910
Cape May	13,114,136,678			0	260,101,950	287,032,231	13,141,066,959
Cumberland	3,774,161,531			0	35,139,011	538,121,428	4,277,143,948
Essex	17,220,776,246			1,770,080		19,535,040,368	36,757,586,694
Gloucester	10,953,448,112			0	72,711,167	683,928,190	11,564,665,135
Hudson	19,221,160,380			10,987,473		1,377,578,875	20,609,726,728
Hunterdon	9,881,855,666			0	75,559,187	275,505,844	10,081,802,323
Mercer	16,041,650,526			549,486	208,304,367	3,416,818,157	19,250,713,802
Middlesex	34,963,986,653			1,367,492	74,116,252	9,271,650,753	44,162,888,646
Monmouth	38,724,700,139			182,556	218,177,294	2,270,292,912	40,776,998,313
Morris	29,682,699,632			660,258	21,950,332	12,135,662,144	41,797,071,702
Ocean	30,596,741,001			409,163	69,978,692	1,200,588,798	31,727,760,270
Passaic	20,152,270,349			459,703	83,644,594	3,376,250,984	23,445,336,442
Salem	2,462,482,966			0	0	556,521,159	3,019,004,125
Somerset	22,121,102,248			338,311	8,387,148	2,933,892,957	25,046,946,368
Sussex	7,822,971,797			0	85,434,467	665,915,445	8,403,452,775
Union	20,981,441,324			692,500	129,815,408	11,873,845,666	32,726,164,082
Warren	5,297,734,516			0	4,110,598	366,107,353	5,659,731,271
TOTALS	\$427,107,075,486			\$17,712,389	\$2,080,794,780	\$83,011,650,220	\$508,055,643,315

Abstract of Ratables and Exemptions 1996 (continued)

Col. 12—APPORTIONMENT OF TAXES

Section A							
County Taxes							
COUNTY	I	II				III	IV
	Total County Taxes Apportioned (Including Total Net Adjustments)	ADJUSTMENTS RESULTING FROM				Net County Taxes Apportioned	Municipal Budget State Aid (R.S. 52:27D-118.40)
		(a)		(b)			
		County Equalization Table Appeals (R.S. 54:51A-4)	Appeals and Corrected Errors (R.S. 54:4-49; R.S. 54:4-53)				
	Deduct	Add	Deduct	Add			
	Overpayment	Underpayment	Overpayment	Underpayment			
Atlantic	\$ 86,240,777.67			\$ 1,668,447.48		\$ 84,572,330.19	
Bergen	203,574,896.85			4,906,333.85		198,668,563.00	
Burlington	99,586,298.24			488,298.24		99,098,000.00	\$ 55,000.00
Camden	165,868,636.00			898,057.00		164,970,579.00	
Cape May	55,315,115.73			215,556.07		55,099,559.66	280,972.00
Cumberland	41,524,762.57			530,103.57		40,994,659.00	
Essex	274,729,749.10			12,134,890.10		262,594,859.00	
Gloucester	64,788,041.11			1,179,041.11		63,609,000.00	
Hudson	162,575,375.71			5,862,594.57	\$442,458.86	157,155,240.00	
Hunterdon	37,612,785.46			116,785.46		37,496,000.00	
Mercer	105,909,425.51			552,730.51		105,356,695.00	
Middlesex	183,388,712.60			2,656,712.60		180,732,000.00	
Monmouth	185,077,132.21	\$74,526.61	\$74,526.61	1,177,132.21		183,900,000.00	
Morris	121,691,726.15			1,124,598.52		120,567,127.63	
Ocean	145,139,731.15			647,540.15		144,492,191.00	
Passaic	145,289,687.59			2,089,117.75		143,200,569.84	
Salem	26,547,988.07			225,506.50		26,322,481.57	
Somerset	109,098,923.37			698,913.37		108,400,010.00	
Sussex	37,151,958.00			588,334.00		36,563,624.00	20,866.00
Union	154,379,082.36			1,878,814.36		152,500,268.00	
Warren	39,860,676.17			104,414.46		39,756,261.71	
TOTALS	\$2,445,351,481.62	\$74,526.61	\$74,526.61	\$39,743,921.88	\$442,458.86	\$2,406,050,018.60	\$356,838.00

Abstract of Ratables and Exemptions 1996 (continued)

Col. 12—APPORTIONMENT OF TAXES

COUNTY	Section A	Section B			Section C	
	County Taxes				Local Taxes to be Raised for	
	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV)	(a) County Library Taxes	(b) Local Health Service Taxes (R.S. 26:3A2-19)	(c) County Open Space Preservation Trust Fund Tax	I DISTRICT SCHOOL PURPOSES	
					(a) As Required by District School Budget	(b) Regional Consolidated and Joint School Budgets
Atlantic	\$ 84,572,330.19	\$ 3,367,300.00	\$ 3,000,241.00	\$ 459,564.60	\$ 156,333,967.50	\$ 27,461,671.03
Bergen	198,668,563.00				835,792,201.06	108,723,425.15
Burlington	99,043,000.00	4,990,000.00			244,979,428.35	57,172,455.83
Camden	164,970,579.00	3,535,830.00			264,232,434.12	44,816,296.65
Cape May	54,818,587.66	2,985,479.39		1,314,106.70	69,159,455.50	9,840,801.00
Cumberland	40,994,659.00		1,156,359.00	427,714.39	40,991,022.00	3,266,355.46
Essex	262,594,859.00				428,051,455.58	82,624,230.73
Gloucester	63,609,000.00	1,736,064.45			128,071,786.41	17,075,404.92
Hudson	157,155,240.00				262,656,493.50	0.00
Hunterdon	37,496,000.00	3,174,305.00			97,082,223.44	46,412,087.74
Mercer	105,356,695.00	6,838,535.00		1,915,129.38	149,215,560.00	114,498,939.72
Middlesex	180,732,000.00			4,416,290.92	613,039,947.25	24,007,981.43
Monmouth	183,900,000.00	6,062,302.00	959,135.00	4,000,000.00	411,611,357.68	132,511,750.47
Morris	120,567,127.63			6,269,560.76	396,241,579.60	121,433,746.82
Ocean	144,492,191.00	12,520,000.00	4,000,000.00		227,161,533.95	113,974,523.22
Passaic	143,200,569.84				274,079,640.60	23,508,478.96
Salem	26,322,481.57				23,112,637.00	9,154,358.50
Somerset	108,400,010.00	5,163,716.00		3,590,000.00	210,917,256.26	74,727,363.45
Sussex	36,542,758.00	2,637,267.00	1,387,483.00		95,349,848.50	37,140,588.32
Union	152,500,268.00				354,391,903.75	60,516,530.16
Warren	39,756,261.71	2,490,924.00		1,131,946.00	57,987,757.33	19,738,625.00
TOTALS	\$2,405,693,180.60	\$55,501,722.84	\$10,503,218.00	\$23,524,312.75	\$5,340,459,489.38	\$1,128,605,614.56

Abstract of Ratables and Exemptions 1996 (continued)

Col. 12—APPORTIONMENT OF TAXES				Col. 13		
COUNTY	Section C Local Taxes to be Raised for		Section D Total Tax Levy on Which Tax Rate is Computed	REAL PROPERTY EXEMPT FROM TAXATION		
	I DISTRICT SCHOOL PURPOSES	II LOCAL MUNICIPAL PURPOSES		(a) Public School Property	(b) Other School Property	(c) Public Property
	(c) As Required by Local Municipal Budget		(Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII)			
Atlantic	\$ 3,727,113.57	\$ 182,560,362.24	\$ 461,482,550.13	\$ 469,868,100	\$ 33,700,100	\$ 1,300,485,300
Bergen	1,332,100.00	501,816,231.76	1,646,332,520.97	1,788,987,707	584,297,700	4,090,807,870
Burlington	111,486.00	78,395,999.05	484,692,369.23	516,843,350	71,581,500	1,626,054,302
Camden		118,045,398.49	595,600,538.26	667,291,550	185,706,400	1,065,659,944
Cape May		80,311,163.48	218,429,593.73	125,950,700	20,052,600	644,008,650
Cumberland	452,113.75	23,852,690.65	111,140,914.25	165,501,250	28,419,700	401,450,011
Essex	8,975,823.39	364,382,294.27	1,146,628,662.97	640,144,800	427,363,400	2,241,868,000
Gloucester		58,834,950.88	269,327,206.66	329,728,000	175,906,700	348,402,300
Hudson	15,814,737.51	258,888,518.08	694,514,989.09	539,045,300	361,874,200	2,327,228,930
Hunterdon		24,913,050.44	209,077,666.62	175,248,020	4,629,200	576,126,596
Mercer	748,303.00	106,687,635.44	485,260,797.54	415,662,160	1,318,297,497	1,878,020,300
Middlesex	5,274,679.81	223,402,281.71	1,050,873,181.12	1,554,164,500	815,952,100	1,092,693,000
Monmouth	60,241.00	205,436,292.60	944,541,078.75	811,248,200	161,901,899	1,745,784,967
Morris		201,601,012.84	846,113,027.65	612,473,775	235,436,200	1,519,243,446
Ocean	3,831,895.00	154,214,770.49	660,194,913.66	529,187,200	69,785,800	1,935,945,299
Passaic	677,892.00	206,507,162.43	647,973,743.83	499,898,050	192,334,500	1,314,663,800
Salem	128,043.75	4,856,522.12	63,574,042.94	87,042,500	13,571,500	137,079,350
Somerset		82,266,123.62	485,064,469.33	397,389,900	80,551,725	692,780,382
Sussex		40,256,039.40	213,313,984.22	216,300,200	16,223,700	424,831,989
Union	2,062,119.50	236,228,400.09	805,699,221.50	592,688,300	196,081,800	1,743,696,500
Warren		16,979,320.24	138,084,834.28	126,541,011	40,705,072	179,512,456
TOTALS	\$43,196,548.28	\$3,170,436,220.32	\$12,177,920,306.73	\$11,261,204,573	\$5,034,373,293	\$27,286,343,392

Abstract of Ratables and Exemptions 1996 (continued)

COUNTY	Col. 13				Col. 14	
	REAL PROPERTY EXEMPT FROM TAXATION				AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
	(d) Church and Charitable Property	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation (a + b + c + d + e + f)	(a) Surplus Revenue Appropriated	(b) Miscellaneous Revenues Anticipated
Atlantic	\$ 208,506,400	\$ 15,523,500	\$ 723,862,900	\$ 2,751,946,300	\$ 13,976,471.51	\$ 77,369,687.13
Bergen	950,435,000	342,355,600	3,186,565,100	10,943,448,977	64,043,926.00	226,556,773.39
Burlington	389,931,688	14,354,100	504,273,201	3,123,038,141	37,004,950.00	88,742,046.20
Camden	521,967,000	25,201,900	579,111,300	3,044,938,094	29,558,961.56	164,510,156.54
Cape May	174,583,510	2,440,000	237,959,900	1,204,995,360	15,536,638.55	53,317,932.69
Cumberland	116,450,350	5,650,075	66,151,109	783,622,495	9,811,671.58	45,184,089.83
Essex	697,441,300	46,462,100	1,685,496,420	5,738,776,020	45,897,219.22	458,941,079.99
Gloucester	238,987,800	8,083,700	87,988,000	1,189,096,500	16,455,689.86	52,583,435.78
Hudson	622,441,843	159,102,200	3,071,674,588	7,081,367,061	15,509,204.46	337,988,438.19
Hunterdon	141,760,525	10,980,900	80,167,984	988,913,225	17,995,861.00	31,690,792.80
Mercer	424,628,520	17,068,903	555,454,000	4,609,131,380	22,304,948.99	179,381,396.70
Middlesex	727,423,100	89,332,400	1,121,622,900	5,401,188,000	37,324,719.23	247,187,438.82
Monmouth	591,981,727	54,374,100	1,119,106,650	4,484,397,543	60,902,075.93	164,789,151.83
Morris	569,160,275	51,811,425	435,216,872	3,423,341,993	41,277,016.07	129,310,390.76
Ocean	327,254,000	10,477,200	225,939,286	3,098,588,785	42,226,846.72	107,666,367.12
Passaic	619,010,500	76,350,400	320,569,892	3,022,827,142	20,822,567.00	151,878,483.56
Salem	64,146,200	1,338,300	79,235,300	382,413,150	6,158,027.98	35,337,284.14
Somerset	297,413,900	21,897,100	402,538,321	1,892,571,328	30,640,165.38	70,213,619.19
Sussex	105,104,090	3,205,300	105,471,300	871,136,579	11,603,214.00	28,667,774.41
Union	570,071,000	159,974,800	324,177,000	3,586,689,400	40,179,200.00	201,073,484.83
Warren	101,985,230	12,644,516	120,594,298	581,982,583	12,829,495.69	24,265,193.01
TOTALS	\$8,460,683,958	\$1,128,628,519	\$15,033,176,321	\$68,204,410,056	\$592,058,870.73	\$2,876,655,016.91

Abstract of Ratables and Exemptions 1996 (continued)

COUNTY	Col. 14		Col. 15		Col. 16
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET		DEDUCTIONS ALLOWED		Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
	(c) Receipts from Delinquent Tax and Liens	(d) Total of Miscellaneous Revenues (a + b + c)	(a) Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	(b) Veterans Deductions	
Atlantic	\$ 20,897,350.92	\$ 112,243,509.56	\$ 1,237,750	\$ 506,700	
Bergen	28,927,205.00	319,527,904.39	4,223,725	2,178,552	75,493,447,993
Burlington	12,898,037.11	138,645,033.31	1,800,650	1,129,550	19,997,247,628
Camden	19,427,442.80	213,496,560.90	3,357,600	1,209,700	19,844,450,689
Cape May	11,436,000.00	80,290,571.24	784,750	336,400	13,072,535,518
Cumberland	6,259,912.77	61,255,674.18	1,211,500	297,450	3,878,731,925
Essex	50,205,448.62	555,043,747.83	2,068,400	952,600	35,977,746,271
Gloucester	10,998,040.92	80,037,166.56	1,449,925	627,850	11,461,642,405
Hudson	36,130,536.17	389,628,178.82	1,689,500	514,650	19,982,309,447
Hunterdon	5,851,554.00	55,538,207.80	327,250	242,000	10,078,510,863
Mercer	15,997,823.00	217,684,168.69	1,953,750	740,050	18,994,934,512
Middlesex	24,078,051.79	308,590,209.84	3,485,763	1,698,350	43,664,376,246
Monmouth	26,119,563.91	251,810,791.67	1,803,250	1,279,150	40,546,955,106
Morris	15,077,834.00	185,665,240.83	1,209,000	971,220	41,385,984,816
Ocean	23,499,397.32	173,392,611.16	4,375,250	1,890,350	31,643,545,213
Passaic	19,781,040.00	192,482,090.56	2,038,000	832,650	23,087,062,134
Salem	4,698,603.92	46,193,916.04	438,625	182,550	2,879,874,873
Somerset	9,486,287.85	110,340,072.42	925,950	555,200	24,679,600,031
Sussex	8,454,431.00	48,725,419.41	503,050	303,850	8,341,777,403
Union	19,556,082.00	260,808,766.83	2,599,000	1,147,500	31,361,864,975
Warren	6,341,323.49	43,436,012.19	542,750	242,350	5,590,654,261
TOTALS	\$376,121,966.59	\$3,844,835,854.23	\$38,025,438	\$17,838,672	\$500,217,181,917

1996 Assessed Value of Partial Exemptions and Abatements (Summary Addendum to Abstract of Ratables)

COUNTY	Chapter 441 P.L. 1992 R.S. 40A: 21-1	Residential	Multiple Dwelling	Commercial and Industrial	Fallout Shelter	Air/Water Pollution	Water Supply Sewage Disposal	Automatic Fire Suppression Systems	Total Assessed Value (Col. 3 of Abstract)
Atlantic	-	\$ 2,835,100	-	\$ 1,603,000	-	-	-	-	\$ 4,438,100
Bergen	-	6,459,600	-	-	-	\$ 462,500	-	-	6,922,100
Burlington	-	6,183,900	-	9,362,400	\$ 1,000	4,993,700	\$1,200,000	-	21,741,000
Camden	-	12,835,420	-	23,561,700	-	-	-	-	36,397,120
Cape May	\$4,279,250	-	-	-	1,000	-	-	-	4,280,250
Cumberland	-	7,926,900	\$ 105,000	47,914,230	-	1,875,500	61,500	-	57,883,130
Essex	-	829,600	-	918,000	101,800	737,900	119,000	-	2,706,300
Gloucester	-	4,687,200	-	6,784,280	-	13,507,725	13,300	-	24,992,505
Hudson	-	4,968,100	2,763,900	-	-	13,600	2,500,000	-	10,245,600
Hunterdon	-	-	-	-	-	-	-	-	0
Mercer	-	1,991,370	-	1,577,020	4,124,230	1,988,390	62,800	-	9,743,810
Middlesex	-	19,658,100	-	23,799,300	-	4,923,400	-	-	48,380,800
Monmouth	-	10,841,450	-	616,300	-	1,820,200	2,601,200	-	15,879,150
Morris	-	45,000	-	-	2,000	198,400	141,800	-	387,200
Ocean	-	742,700	-	7,729,200	5,800	15,055,300	447,500	-	23,980,500
Passaic	-	747,600	-	832,000	-	-	274,800	-	1,854,400
Salem	-	528,300	-	43,029,500	-	-	-	-	43,557,800
Somerset	-	5,015,349	-	185,050	-	-	-	-	5,200,399
Sussex	-	271,820	-	1,330,700	-	-	-	-	1,602,520
Union	-	-	-	-	-	-	-	\$9,700	9,700
Warren	-	651,835	-	729,610	-	1,209,800	-	-	2,591,245
TOTALS	\$4,279,250	\$87,219,344	\$2,868,900	\$169,972,290	\$4,235,830	\$46,786,415	\$7,421,900	\$9,700	\$322,793,629

1996 Equalized Value Based On In Lieu Of Taxes

COUNTY	Chapter 12 P.L. 1977 R.S. 54:4-3.104	New Jersey Housing Finance Agency	Short Term in Lieu of Tax Agreements	Total as Reflected in Col. 10(b) of Abstract
Atlantic	-	-	-	-
Bergen	-	-	-	-
Burlington	-	-	-	-
Camden	-	-	-	-
Cape May	-	-	-	-
Cumberland	-	-	-	-
Essex	-	\$87,211,900	-	\$ 87,211,900
Gloucester	-	-	-	-
Hudson	-	-	-	-
Hunterdon	-	-	-	-
Mercer	-	-	-	-
Middlesex	-	-	-	-
Monmouth	-	-	\$ 786,334	786,334
Morris	-	-	29,553,563	29,553,563
Ocean	-	-	-	-
Passaic	-	-	-	-
Salem	-	-	-	-
Somerset	-	-	-	-
Sussex	-	-	-	-
Union	-	-	-	-
Warren	-	-	-	-
TOTALS	0	\$87,211,900	\$30,339,897	\$117,551,797

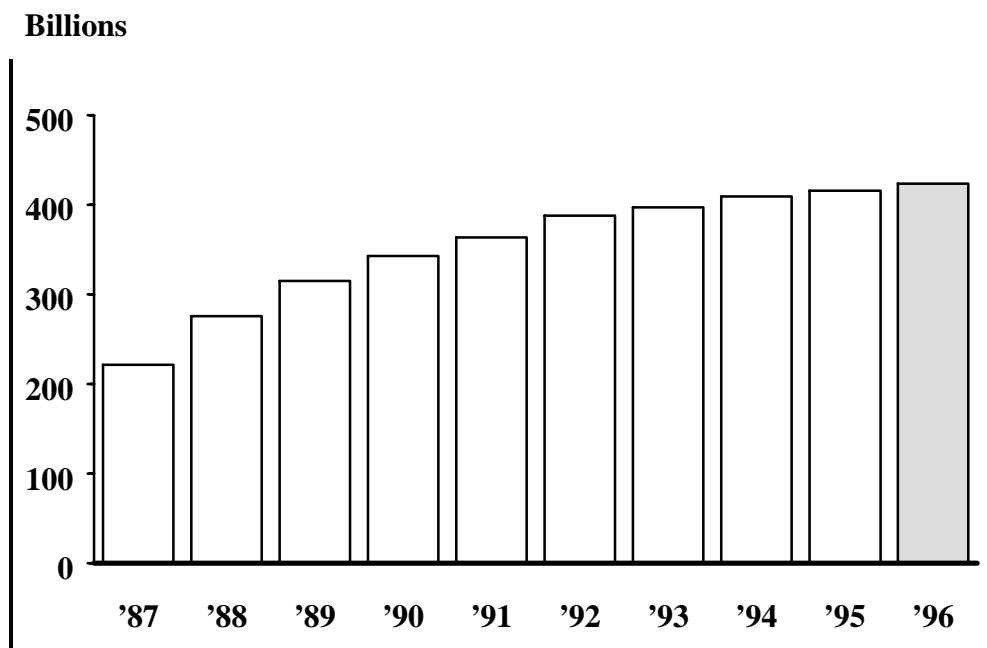
Summary of 1996 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1)

Col. 1	Col. 2							Col. 3
COUNTY	Total Number of Tax Appeals	Number of Appeals in Each Class of Property						Original Amount of Assessments Involved
		Class 1	Class 2	Class 3A	Class 3B	Class 4	Other	
		Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial Industrial Apartment		
Atlantic	5,127	1,016	3,671	28	4	396	12	\$ 1,560,085,030
Bergen	5,654	500	3,730	3	1	1,401	19	2,815,508,562
Burlington	730	123	389	13	9	190	6	354,908,710
Camden	1,766	169	1,223	6	1	363	4	382,587,733
Cape May	1,388	109	1,091	0	0	188	0	293,759,800
Cumberland	351	153	148	5	7	38	0	50,015,700
Essex	5,036	371	2,859	0	0	1,792	14	724,636,000
Gloucester	665	173	339	22	16	109	6	163,871,420
Hudson	8,414	577	5,474	0	0	2,361	2	1,653,390,885
Hunterdon	481	138	263	13	7	57	3	144,280,677
Mercer	2,168	293	1,597	15	2	254	7	733,224,030
Middlesex	4,656	293	3,824	5	3	526	5	913,190,550
Monmouth	3,306	373	2,422	30	6	461	14	787,431,550
Morris	1,257	255	718	5	4	270	5	356,575,825
Ocean	4,703	1,089	3,329	7	5	247	26	642,739,914
Passaic	2,802	262	1,745	3	3	787	2	481,751,966
Salem	107	31	50	0	1	25	0	48,600,600
Somerset	1,067	148	777	13	7	119	3	429,113,068
Sussex	1,589	517	909	35	14	93	21	224,867,600
Union	1,698	95	710	0	0	884	9	476,859,635
Warren	434	77	259	20	1	77	0	89,416,050
TOTALS	53,399	6,762	35,527	223	91	10,638	158	\$13,326,815,305

Summary of 1996 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

COUNTY	Col. 4	Col. 5	Col. 6	Col. 7						
	Total Amount of Assessment Reductions Granted	Total Amount of Assessment Increases Granted	Net Total Assessment	Number of Appeals in Each Filing Fee Category						
				\$5.00	\$25.00	\$100.00	\$150.00	No Fee	Other	Total
Atlantic	\$ 129,004,230	\$ 1,719,300	\$ 1,432,800,100	3,085	1,049	119	70	804	0	5,127
Bergen	284,517,722	2,419,315	2,533,410,155	1,328	2,023	475	244	1,584	0	5,654
Burlington	40,288,635	1,730,300	316,350,375	331	164	41	50	134	10	730
Camden	29,050,717	267,760	353,804,776	923	378	65	51	349	0	1,766
Cape May	36,114,180	131,600	257,777,220	764	495	73	17	37	2	1,388
Cumberland	11,779,360	62,400	38,298,740	269	55	12	5	9	1	351
Essex	56,007,500	0	668,628,500	3,198	1,334	168	30	306	0	5,036
Gloucester	13,474,889	1,328,300	151,724,831	297	112	25	17	1	213	665
Hudson	130,516,245	0	1,522,874,640	5,087	2,689	364	113	161	0	8,414
Hunterdon	19,742,901	65,651	124,603,427	175	144	20	9	0	133	481
Mercer	66,335,240	1,784,200	668,672,990	964	385	115	60	644	0	2,168
Middlesex	55,557,350	472,400	858,105,600	1,242	537	137	81	2,657	2	4,656
Monmouth	78,517,639	3,625,500	712,539,411	1,620	1,201	211	64	190	20	3,306
Morris	26,727,335	2,068,015	331,916,505	489	478	134	33	123	0	1,257
Ocean	47,616,903	1,287,700	596,410,711	2,913	751	105	51	883	0	4,703
Passaic	450,128,486	31,623,480	63,246,960	1,568	733	95	36	4	366	2,802
Salem	2,124,700	0	46,475,900	52	34	3	5	6	7	107
Somerset	42,371,629	2,015,900	388,757,339	200	296	43	15	513	0	1,067
Sussex	30,529,100	3,202,631	197,541,131	553	249	19	4	2	762	1,589
Union	29,025,835	396,300	448,230,100	718	534	151	51	0	244	1,698
Warren	10,927,410	1,913,400	80,402,040	178	157	80	17	2	0	434
TOTALS	\$1,590,358,006	\$56,114,152	\$11,792,571,451	25,954	13,798	2,455	1,023	8,409	1,760	53,399

Total Taxable Value Land and Improvements in New Jersey 1987 – 1996



1996 County Values

Atlantic	\$ 17,167,779,732	Middlesex	\$ 34,676,624,639
Bergen	69,890,645,161	Monmouth	38,420,003,136
Burlington	19,257,826,242	Morris	29,447,893,802
Camden	17,003,404,780	Ocean	30,412,738,220
Cape May	13,046,243,800	Passaic	20,031,004,594
Cumberland	3,783,730,090	Salem	2,479,152,270
Essex	17,088,885,568	Somerset	22,000,424,142
Gloucester	10,885,798,047	Sussex	7,783,686,605
Hudson	19,071,205,293	Union	20,838,905,300
Hunterdon	9,836,773,206	Warren	5,257,393,939
Mercer	15,903,198,727	Total	\$424,283,317,293

Public Utility Taxes 1997
(Energy Unit, Franchise and Gross Receipts)

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

Classification	Number of Companies	Energy Based Taxes*	Franchise Taxes*		Gross Receipts Taxes*	
			Gross Receipts	Tax	Gross Receipts	Tax
Electric Energy	3	\$266,540,635				
Gas Energy	3	89,538,765				
Electric & Gas Energy	2	542,612,775				
Municipal Electric Energy	1	1,603,521				
	9					
Water.....	49		\$ 457,151,412	\$23,437,920	\$484,884,149	\$37,284,110
Sewer.....	19		17,523,703	895,720	21,194,670	1,619,692
Telephone & Telegraph	3		1,246,755,028	61,576,768	0	0
	71					
	80					
Total		\$900,295,696	\$1,721,430,143	\$85,910,408	\$506,078,819	\$38,903,802
Administrative Cost		301,290		27,837		11,916
Net Tax Apportioned		\$899,994,406		\$85,882,571		\$38,891,886
Total Net Tax Apportioned (Energy Unit, Franchise and Gross Receipts)						\$1,024,768,863

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

**NEW JERSEY
DIVISION OF
REVENUE**

MISSION STATEMENT

*The mission of
the Division of Revenue
is to define and effectively administer
policies and procedures related to
the management of cash receipts,
accounts receivable, and
collections and refunds
on a centralized basis.*

DIVISION OF REVENUE HIGHLIGHTS

- Governor Christine Todd Whitman issued Executive Reorganization Plan No. 001-1997 on January 14, 1997. This Plan, which became effective on March 15, 1997, created the Division of Revenue. The Plan transferred the responsibility for various debt collection and receipt processing functions to the newly created Division of Revenue.
- The purpose of the Plan is to consolidate revenue management within a single organization. Centralizing revenue management will provide for clearly defined and controlled policies and procedures, especially relating to the processing of cash receipts and the management of accounts receivable and collection of delinquent receivables.
- The results will be more effective and expeditious revenue processing with reduced expenditures, increased efficiencies, and the elimination of overlapping and duplication effort.

Management Services

Management Services is responsible for representing the Division of Revenue throughout State government, as well as supplying Division-wide support in the areas of management services, fiscal and procurement matters, personnel matters, and labor relations.

Facilities Management

Facilities Management provides building maintenance and management services for the building that houses the Division. It is also responsible for managing and maintaining the Division's property, equipment inventory, and distribution of supplies.

Mail Services

Mail Services provides mail pickup and delivery service for the Division of Revenue and the Division of Taxation. Almost 15 million pieces of incoming mail are handled each year by this unit.

Fiscal, Personnel and Labor Relations

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

Internal Audit

The Internal Audit unit is responsible for conducting financial, compliance and operational audits within the Division of Revenue to ensure that the goals of senior management are being performed in the most appropriate and efficient manner. The three areas in the Division that are being monitored are (1) Revenue Management, (2) Centralized Collections, and (3) Processing Operations. The Chief reports directly to the State Treasurer to maintain a position of objectivity and independence to achieve the audit mission and responsibilities. However, for practical purposes, the Chief reports to the Director of the Division of Revenue.

In addition to preparing audit reports, this unit assists in developing manuals for existing and new revenue systems to ensure that they are the most appropriate for the needs of the Division.

The Internal Audit unit also reviews audit reports issued by the Office of Legislative Services as they relate to revenue issues and makes recommendations to senior management. This also involves keeping abreast of current and pending legislation that would have an impact on the Division of Revenue.

In fiscal year 1997, the unit began a close-out audit on the Division of Law's Recovery 1 computer system to ensure that the approximately \$173 million in DMV surcharge debt has been properly converted to the Division's vendor contracted to perform centralized collections.

Processing Operations

Processing Operations is responsible for the processing of all tax returns, forms, and for the deposit of State revenues received and debts collected, as well as administering the programs that allow the public to submit electronic documents and payments to the Division of Revenue. The data systems functions for the Division of Revenue are also a part of this unit. It consists of three bureaus: Processing, Technology and Agency Internet, and Alternate Filing.

Processing

This unit is responsible for the initial processing of all State tax returns, and the depositing of accompanying revenue. The unit also receives, sorts, and routes general correspondence concerning tax matters and billing and delinquency notices for the Division of Taxation.

Incoming documents and checks are extracted from their envelopes and reviewed for completeness by the Document Processing Section. These documents and checks are then prepared and routed to the appropriate area for additional processing by one of three methods: remittance processing devices, digital image scanners, or traditional data entry.

Imaged-enabled remittance processors take an image of the return and remittance, read taxpayer-specific information encoded on the return, read taxpayer-entered information from the tax return, and balance the amount due to the amount paid. Over 3.2 million returns and checks were processed through the remittance processors during fiscal year 1997.

Gross Income Tax returns and Homestead Property Tax Rebate applications are processed through full-page digital imaging scanners. Intelligent Character Recognition devices read information from hand printed returns and information entered into a machine-readable area generated by commercial tax preparation software packages. Over 2.4 million returns were processed through this system during the last tax season. This was an increase of 1.3 million returns over its initial year of implementation. Enhancements will continue to be made so that virtually every Gross Income Tax return will be scanned through the Document Processing System.

The Data Capture Section performs verification or correction of information not recognized through the automated process of Intelligent Character Recognition (ICR) and traditional data entry of those items requiring this method of processing. After processing activities are

completed, all remittances are prepared for deposit and the revenue is recorded into the New Jersey Comprehensive Financial System (NJCFIS) through an automated interface or through on-line entries.

In fiscal year 1997, this unit received and processed over 8.6 million tax return with associated revenue of \$13.5 billion.

Technology and Agency Interface

Technology and Agency Interface supports all the processing and office automation needs of the Division of Revenue. This includes acting as liaison to the Office of Telecommunications and Information Systems (OTIS), Federal agencies, and other State clients. This unit is responsible for the end user support of all processing and image systems within the Division of Revenue. The unit is also obligated to evaluate and integrate the appropriate new technology into Division processing operations.

This unit has participated in the change and enhancement of existing processing systems. This includes :

- Document Processing System modifications and enhancements for the 1997 tax processing system.
- Remittance Processing System and network modifications for Year 2000 compliance and Intelligent Character Recognition.
- Installation and support of a Division-wide office automation network and server.

Alternate Filing

The Alternate Filing unit is tasked with exploring, evaluating, and implementing alternate methods of filing returns and remitting payments to the State. The two major programs currently in place are electronic filing of individual income tax returns and electronic payments of business taxes.

The Division of Revenue participates in the Federal/State Electronic Filing Program (ELF). This program allows for the filing of State and Federal individual income tax returns as well as New Jersey homestead rebate applications. Income tax returns can be refunds, zero balance, or balance due returns. During this second full year of the program the Division received 109,358 individual income tax returns, up from the 67,561 returns for the prior year.

The Electronic Funds Transfer Program (EFT) provides for the payment of most taxes. For fiscal year 1997, the Division received 1,053,270 transactions, up from the 393,952 of the previous year. The respective dollar figures were \$7.1 billion versus \$6.1 billion for the prior

year. During 1997, there was a total of 55,424 registered participants (30,714 mandatory and 24,710 voluntary). This total is an increase of 19,270 over the prior year.

This unit is currently exploring methods to expand these programs to build on the prior years' successes as well as applying these electronic processes to additional areas.

Revenue Administration

Revenue Management

This unit is primarily responsible for managing all the functions as they relate to the proper accounting and reporting of Statewide revenue. In this regard, this unit will have a clear understanding of all relative promulgations in financial accounting as issued by the Government Accounting Standards Board (GASB). Also, it is responsible for developing and maintaining a Statewide system and policy for accounts receivable and case management, which is in full compliance with Government GAAP.

Accounts Receivable

This unit is responsible for all revenue deposited by the Division of Revenue. It records the transactions in the New Jersey Comprehensive Financial System (NJCFSS) and reconciles the NJCFSS accounts with the bank deposits. Also, this unit processes dishonored checks and updates records so that the feeder systems can be updated and corrected to indicate that no payment occurred.

Policy and Procedures

This unit implements standard, consistent, results-based performance measurements for accounts receivable and collections to facilitate accurate monitoring of accounts receivable at the State level and permit evaluation of each agency's collection efforts. These standards include measurements of the amount of total voluntary collections versus total billings for each type of receivable, the cost of collection efforts versus the amounts collected from these efforts (cost per dollar collected or dollars recovered per dollar spent, including mailings and postage, telephone costs, personnel costs, legal costs, etc.), the length of time required to resolve accounts receivable (days to collection), past due accounts receivable as a percentage of total receivable (past due percentage), write-offs as a percentage of past due accounts receivable (write-off percentage), and protests/appeals as a percentage of past due accounts receivable (protest/appeal percentage).

Dishonored Check Unit

This unit is the final step in the accounting system of processing remittances that have been dishonored or otherwise unpaid by the makers' banks. It also serves as the first step in processing replacement funds and adjusting taxpayers' accounts.

Client Registration

This unit was formerly known as the Taxpayer Registration Branch while it was part of the Division of Taxation. However, when the Division of Revenue was created, the name was changed to Client Registration. At the present time, the main responsibility of this unit is maintaining registration information on all businesses and individuals that are required by law to report and pay taxes in the State of New Jersey. The unit is also responsible for registration activities and related activities such as issuing licenses and certificates. The tax eligibility information that is maintained on the registration file facilitates the identification of taxpayers who fail to file required returns and mailing return forms and notices to taxpayers.

Highlights

- During fiscal year 1997, this unit added 85,132 new taxpayers and made changes to over 138,000 accounts. It approved 15,754 cigarette retail licenses, 5,391 vending machine licenses, 97 distributors, 231 wholesale, 146 manufacturer licenses, 652 motor fuel retail licenses and 475 transport licenses.

Transaction Audit

The Transaction Audit unit is responsible for resolving the problem situations preventing both individual and business tax returns from posting. This includes identifying system irregularities, developing enhanced computer processing criteria affecting the acceptance of returns, and correction taxpayer errors. The primary mission is to establish an environment where all documents will be accepted without manual intervention.

Highlights

- During the 1997 tax season, nearly 215,400 income tax and homestead rebate-rejected items were resolved.

Revenue Accounting

The Revenue Accounting unit accounts for all revenues deposited by the Division of Revenue. This unit maintains the Cigarette Tax System responsible for the distribution of cigarette tax stamps and records all related revenue. This unit reconciles all revenues with the State's financial system, disburses revenues allocated to county or local tax jurisdictions, processes tax payments for electronic invoices and smaller taxpayer base taxes that are not processed through the Division's mainframe computer system, and records all dishonored checks against tax payments processed by the Division.

Highlights

- The Cigarette Tax unit sold and shipped 614.8 million tax stamps for revenue totaling \$243 million.
- The Revenue Accounting unit processed 72,574 electronic invoices for revenue totaling \$1.6 million.

Revenue Collections

Revenue Collections is responsible for a comprehensive program for recovery of delinquent State revenues, for maintaining computerized subsidiary accounts receivable records, and related work as required.

Enforcement Services

This unit performs collection enforcement activities on past-due accounts receivable for some executive branch agencies, and assists all State agencies in the recovery and resolution of their accounts receivable by providing specialized collections services in an efficient and cost-effective manner.

Investigative Services

This unit provides investigative activities. The scope of these investigations is to find debtor addresses and telephone numbers; locate debtor assets such as bank accounts, investment accounts, accounts receivable, real property, or employers; and locate corporate officer information for business accounts.

Enforcement Action Services

This unit is responsible for coordinating the automated and follow-up of wage garnishments, asset levies, real property liens, judgments, and other enforcement actions. Also, this unit is the point of contact for debtors to release real property liens, for courts in obtaining judgments, for employers in the execution of wage garnishments, and for banks or other institutions for the execution of levies. The use of judgments and the procedures to obtain judgments for delinquent liabilities are standardized across all liabilities.

Policy & Procedure Section

This unit develops consistent guidelines and procedures for use of collection enforcement tools including wage garnishments, real property liens, seizures, tax refund offsets, and vendor offsets for the firm and consistent treatment of debtors across all debt types. It is also responsible for streamlining and simplifying the procedures and legal requirements for use of enforcement tools such as wage garnishments, judgment execution, and for developing policies and procedures to expand the use of professional license and permit revocations and denials for debtors.

Set-Off of Individual Liability Program (SOIL)

In 1981, the Set-Off of Individual Liability (SOIL) Program was established by P.L. 1981, c.239. This unit administers the policies and procedures of the Program pursuant to N.J.A.C. 18:35-2.1 to 18:35-2.13.

The SOIL Program assists other State, county and local agencies, and the Internal Revenue Service (IRS) in their collection efforts by setting-off the Gross Income Tax refund and/or Homestead Rebate of taxpayers who are indebted to participating agencies. It also administers the set-off program that permits the State to take payments due State vendors who owe taxes without the need to file a Certificate of Debt.

Currently, there are 49 State agencies, 24 county agencies, 10 State colleges, the IRS, and 598 municipal tax collector offices participating in the Program.

Highlights

- For the SOIL year ending in fiscal year 1996, \$13,235,764.95 was set-off. This figure is broken down by agency in the following table:

Department of Human Services Division of Family Development Child Support	\$ 3,835,975.51
Department of Labor	2,216,868.57
Department of Higher Education	1,900,665.22
Department of Human Services Division of Family Development Office of Information Systems	1,280,165.54
Municipal Tax Offices	1,125,611.55
Office of the Public Defender	928,671.02
Department of the Treasury Division of Taxation	778,695.63
Department of Health-Hospitals	605,507.65
New Jersey State Colleges	233,498.98
Internal Revenue Service	44,007.27
All Other Agencies	286,098.01
Total	\$13,235,764.95

Collections Unit

This unit is responsible for the consolidation of Statewide debt and for the management of that debt until it is written off.

Policy and Procedures Unit

This unit is charged with developing and implementing Statewide policies, procedures, and guidelines that assist in the collection of delinquent debt. The policies, procedures, and guidelines include data sharing across agencies for collection activity purposes, reducing the current time frame between collection actions, requiring the timely transfer of receivable items to the Division of Revenue for further collection action, establishing the frequency and timing of billings and delinquency notices, establishing the content and format of billing and delinquency notices, establishing the requirements for sending delinquent accounts to the Division of Revenue for further collection activity, and establishing the data gathering and verification procedures.

Problem Resolution Unit

This unit is responsible for resolving disputes between the agencies and the debtors, specialized liability and financial problems such as misapplied or lost payments, and specialized information requests initiated by debtors or other agencies. This Unit ensures that both the debtors and the agencies have a timely and accurate mechanism for problem or complaint resolution.

Delinquency Unit

This unit notifies debtors who are delinquent in paying their debts. This unit insures that all installment agreements are recorded consistently on the collection case management system and that the appropriate enforcement actions will be taken in a timely manner if the debtor defaults on the agreement.

Contract Management

In addition to serving as the liaison between the contract vendors and the agencies, this unit is responsible for managing two major collection contracts, PAYCO American Corporation and Lockheed-Martin IMS. Since 1993, PAYCO has been contracted to provide services for collecting deficient taxes for the Division of Taxation. Since 1996, Lockheed-Martin IMS has been contracted to provide services for the collecting New Jersey Merit Rating Plan surcharges for the Division of Motor Vehicles. This unit also ensures that the contract vendors' activities comply with the provisions of the

contracts and monitors collection activities of the contract vendors.

Highlights

- PAYCO collected \$27.4 million in deficient taxes in fiscal year 1997.
- Lockheed-Martin IMS collected \$112.4 million in surcharges in fiscal year 1997.

**Table 1—Major State Tax Collections (Net)
Fiscal Years 1995–1997**

Tax Source	1997¹	% of Total	1996	% of Total	1995	% of Total	% Change 1996–97
Collected by the Division:							
Alcoholic Beverage (General Fund)	\$ 76,111,054	0.5%	\$ 75,157,676	0.5%	\$ 76,783,234	0.5%	1.3
Business Personal Property (Repealed)	(49,839)	– 0.0	(132,508)	– 0.0	3,033,933	0.0	– 62.4
Cigarette Corporation:	241,841,067	1.6	245,652,979	1.7	251,196,387	1.8	– 1.6
Corporation Business	1,286,447,475	8.6	1,171,509,159	8.0	1,085,502,032	7.7	9.8
CBT Banks & Financials	89,716,792	0.6	96,860,000	0.7	44,499,198	0.3	– 7.4
*Corporation Income ²	0	0.0	(953,439)	– 0.0	662,639	0.0	– 100.0
Environmental Taxes:							
Landfill Closure and Contingency	1,527,022	0.0	1,546,542	0.0	1,623,498	0.0	– 1.3
Litter Control	13,429,253	0.1	11,712,671	0.1	10,717,649	0.1	14.7
Public Community Water Systems	2,806,748	0.0	2,927,024	0.0	3,495,591	0.0	– 4.1
Resource Recovery Investment	922,412	0.0	6,760,149	0.0	11,867,010	0.1	– 86.4
Solid Waste Importation	608,262	0.0	4,166,605	0.0	6,475,842	0.0	– 85.4
Solid Waste Recycling	4,224,031	0.0	4,224,030	0.0	7,546,091	0.1	0.0
Solid Waste Services	3,067,827	0.0	2,897,289	0.0	2,994,754	0.0	5.9
Spill Compensation	16,889,425	0.1	14,328,193	0.1	16,782,320	0.1	17.9
Gross Income ³	4,825,410,635	32.3	4,733,786,100	32.4	4,540,081,765	32.1	1.9
Insurance Premiums	280,746,901	1.9	274,161,796	1.9	273,552,549	1.9	2.4
Miscellaneous Revenues	4,520,549	0.0	3,410,927	0.0	3,118,153	0.0	32.5
Motor Fuels	463,020,371	3.1	448,730,936	3.1	456,869,731	3.2	3.2
Petroleum Products	194,355,768	1.3	192,257,756	1.3	194,125,981	1.4	1.1
Public Utility Excise (State Use)	133,958,284	0.9	135,476,198	0.9	139,585,844	1.0	– 1.1
Public Utility Excise (Mun. Use)	1,001,393,284	6.7	1,004,742,718	6.9	1,056,620,686	7.5	– 0.3
Railroad Franchise	2,248,326	0.0	3,462,862	0.0	3,993,314	0.0	– 35.1
Railroad Property	2,539,978	0.0	2,757,071	0.0	2,572,216	0.0	– 7.9
Realty Transfer ⁴	51,882,018	0.3	45,854,799	0.3	44,284,190	0.3	13.1
Sales:							
Sales and Use	4,415,427,600	29.5	4,318,372,824	29.5	4,133,278,016	29.2	2.2
Atlantic City Lux & Promo (Loc. Use)	28,738,199	0.2	21,862,812	0.1	22,242,451	0.2	31.4
Tobacco Products Wholesale	7,744,968	0.1	5,847,085	0.0	4,839,141	0.0	32.5
Cape May County Tourism	11,410,833	0.1	11,247,042	0.1	10,268,552	0.1	1.5
Casino Parking Fee	15,918,978	0.1	15,440,106	0.1	15,404,065	0.1	3.1
Savings Institution	16,459,890	0.1	15,263,926	0.1	18,377,138	0.1	7.8
Transfer Inheritance and Estate	313,447,496	2.1	310,655,978	2.1	275,823,814	2.0	0.9
Taxes Collected by the Division	\$13,506,765,607	90.4%	\$13,179,987,306	90.1%	\$12,718,217,784	89.9%	2.5
Collected Outside the Division:							
Boxing-Wrestling-TV	\$ 726,084	0.0	\$ 328,455	0.0	\$ 469,816	0.0	121.1
Casino Revenue ⁵	309,414,622	2.1	305,692,655	2.1	288,847,866	2.0	1.2
Casino Control	50,146,760	0.3	52,941,375	0.4	53,635,315	0.4	– 5.3
Lottery	650,024,961	4.3	662,119,573	4.5	647,812,212	4.6	– 1.8
Motor Fuels Use	1,655,561	0.0	12,314,423	0.1	9,824,673	0.1	– 86.6
Motor Vehicle Fees	426,214,707	2.9	417,952,649	2.9	422,597,692	3.0	2.0
Outdoor Advertising	739,945	0.0	240,000	0.0	240,000	0.0	208.3
Taxes Collected Outside the Division	\$ 1,438,922,640	9.6%	\$ 1,451,589,130	9.9%	\$ 1,423,427,574	10.1%	– 0.9
Total Major State Tax Collections	\$14,945,688,247	100.0%	\$14,631,576,436	100.0%	\$14,141,645,358	100.0%	2.1

*No longer reported separately.

¹The 1997 figures are subject to adjustment.

²1997 included with Corporation Business.

³Rate reductions enacted beginning in calendar year 1994.

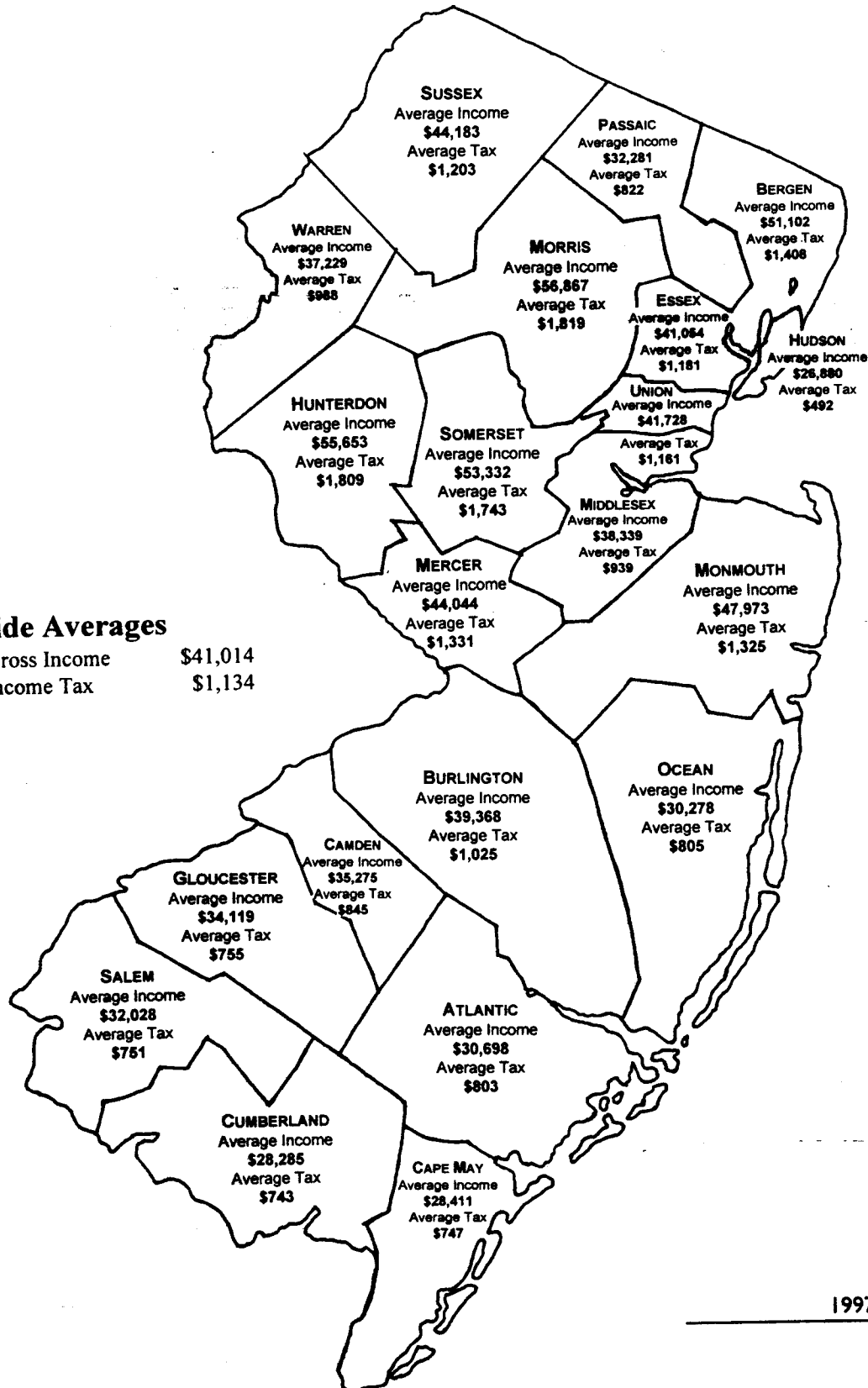
⁴1997 does not include part dedicated to Low Income Housing \$22,928,624.

⁵1997 does not include \$375,000 Boarding House Rental Assistance.

Individual Income Tax Returns County Profile 1995

County	No. of Returns	NJ Taxable Income	Tax Liability
Atlantic	95,679	\$ 2,964,738,000	\$ 78,337,000
Bergen	398,270	21,803,698,000	617,905,000
Burlington	167,818	6,806,868,000	178,673,000
Camden	198,798	7,397,847,000	182,043,000
Cape May	41,780	1,223,177,000	32,046,000
Cumberland	53,532	1,566,801,000	39,475,000
Essex	288,646	12,691,493,000	372,928,000
Gloucester	91,709	3,218,981,000	70,830,000
Hudson	208,259	5,759,905,000	106,057,000
Hunterdon	49,727	2,949,421,000	99,209,000
Mercer	137,141	6,563,236,000	202,096,000
Middlesex	294,885	11,610,382,000	286,954,000
Monmouth	250,743	12,662,676,000	356,611,000
Morris	193,649	11,817,723,000	389,217,000
Ocean	188,625	5,894,506,000	149,511,000
Passaic	198,905	6,529,516,000	166,765,000
Salem	24,514	808,128,000	18,199,000
Somerset	132,793	7,657,174,000	256,029,000
Sussex	57,059	2,538,473,000	70,235,000
Union	199,924	8,914,532,000	248,041,000
Warren	41,456	1,594,762,000	41,804,000
County Unknown	57,522	3,142,437,000	99,567,000
Totals	3,371,434	\$146,116,474,000	\$4,062,532,000

Average Gross Income and Average Income Tax By County — Tax Year 1995



**Sales and Use Tax Collections by Business Type
Return Years 1994–1996
(Dollar Amounts in Thousands)**

Business Type	Number of Vendors			Total Collections		
	1994	1995	1996	1994	1995	1996
Exempt Organizations	387	387	387	\$ 1,906	\$ 6,131	\$ 2,353
Manufacturing	12,824	12,745	12,602	168,810	182,735	202,804
Service	83,624	81,211	78,772	1,057,020	1,093,115	1,126,995
Wholesale	11,224	11,052	10,933	161,825	164,296	180,712
Construction	18,642	18,231	17,639	85,678	81,589	85,809
Retail	91,020	89,463	89,501	2,198,027	2,244,691	2,301,706
Government	13	13	19	101	209	2,737
Not Classified	10,055	9,334	7,705	49,193	50,447	48,522
Totals	227,789	222,436	217,558	\$3,722,560	\$3,823,213	\$3,951,638

1997 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 2%.

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	OH	PA
Beer On-Premises	T	E	T	T	T	T	T	T
Beer Off-Premises	T	E	T	E ¹	T	T	T	T
Cigarettes	T	E	T	T	T	T	T	T
Clothing	E ²	E	T	E ³	E	T	T	E
Food Off-Premises	E ⁴	E	E ⁴	E ⁴	E ⁴	E ⁴	E	E ⁴
Liquor On-Premises	T	E	T	T	T	T	T	T
Liquor Off-Premises	T	E	T	E ¹	T	T	T	T
Manufacturing Equipment	E	E	E	E	E	E	E	E
Motor Fuels	T	E	E	E ⁵	E	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 \$49.99 and under; however, single article \$50.00 or over is taxable.

³ Single item \$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.

1997 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
CORPORATION NET INCOME	10.5%	8.7%	7%	9.5%	7.5% ¹ , 9%	9%	8.85%	5.1%– 8.9%	9.99%
PERSONAL INCOME	*3%– 4.5%	*0%– 6.9%	*2%– 5%	5.95%, 12%	*1.4%– 6.37%	*4%– 6.85%	*2.96%– 4.46%	*0.693%– 7.004%	2.8%
*Graduated Rates									
MOTOR FUELS¹									
• Excise Tax/Gal.									
Gasoline	\$0.36	\$0.23	\$0.235	\$0.21	\$0.105 ²	\$0.08	0	\$0.22	\$0.12
Diesel	\$0.18	\$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 1/2 the general motor fuels tax rate (\$0.0525 per gallon).									
ALCOHOL									
• Excise Tax/Gal.									
Beer	\$0.20	\$0.156	\$0.09	\$0.11	\$0.12	\$0.16	\$0.28 ²	\$0.18	\$0.08
Wine	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$0.70	\$0.70	\$0.189– \$0.717	\$0.189– \$0.717 ²	\$0.32– \$1.50	\$0.005/ unit proof
Liquor	\$4.50	\$2.50, \$3.75	\$1.50	\$4.05	\$4.40	\$2.54, \$6.44	\$3.54– \$7.44 ²	\$3.38	\$1.00–\$1.30/ proof gallon plus 18% of net price
• 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.									
TOBACCO									
• Excise Tax									
Cigarettes (20/pack)	\$0.50	\$0.24	\$0.36	\$0.76	\$0.80 ²	\$0.56	\$0.64 ¹	\$0.24	\$0.31
Other Tobacco (% of Wholesale Price)	20%	15%	0	25%	48% ²	20%	20%	17%	0
• Sales Tax	6%	None	5%	5%	6%	4%	8.25% ¹	5%	6%
¹ New York City rate includes New York State rate.									
² New rates effective 1/1/98.									

Major State Tax Rates (continued)

(On July 1, 1997)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Missouri	*1.5–6%	6.25%	4.225%	\$0.17	\$0.17
Montana	*2–11	6.75	None	0.27	0.18
Nebraska	*2.62–6.99	*5.58–7.81	5	0.248	0.34
Nevada	None	None	6.5	0.24	0.35
New Hampshire	5 ²	7	None	0.18	0.37
New Jersey	*1.4%–6.37	7.5, 9	6	0.105	0.40
New Mexico	*1.7–8.5	*4.8–7.6	5	0.17	0.21
New York	*4–6.85	9	4	0.08	0.56
North Carolina	*6–7.75	7.5	4	0.226	0.05
North Dakota	*2.67–12	*3–10.5	5	0.20	0.44
Ohio	*0.693–7.004 ²	*5.1–8.9	5	0.22	0.24
Oklahoma	*0.5–7	6	4.5	0.16	0.23
Oregon	*5–9	6.6	None	0.24	0.68
Pennsylvania	2.8	9.99	6	0.12	0.31
Rhode Island	27.5 ³	9	7	0.28	0.71
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.21	0.33
Tennessee	6 ²	6	6	0.20	0.13
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–7	5	4.75	0.245	0.515
Vermont	25 ³	*5.5–8.25	5	0.15	0.44
Virginia	*2–5.75	6	3.5	0.175	0.025
Washington	None	None	6.5	0.23	0.825
West Virginia	*3–6.5	9	6	0.205	0.17
Wisconsin	*4.9–6.93	7.9	5	0.238	0.44
Wyoming	None	None	4	0.08	0.65
US AVERAGE	2.6%–6.0%	5.5%–6.6%	5.2%	\$0.19	\$0.36

*Graduated Rates

¹Applied to percent of adjusted gross income ranging from 25% to 100%.

²Imposed on interest and dividend income only.

³Of Federal adjusted gross income.

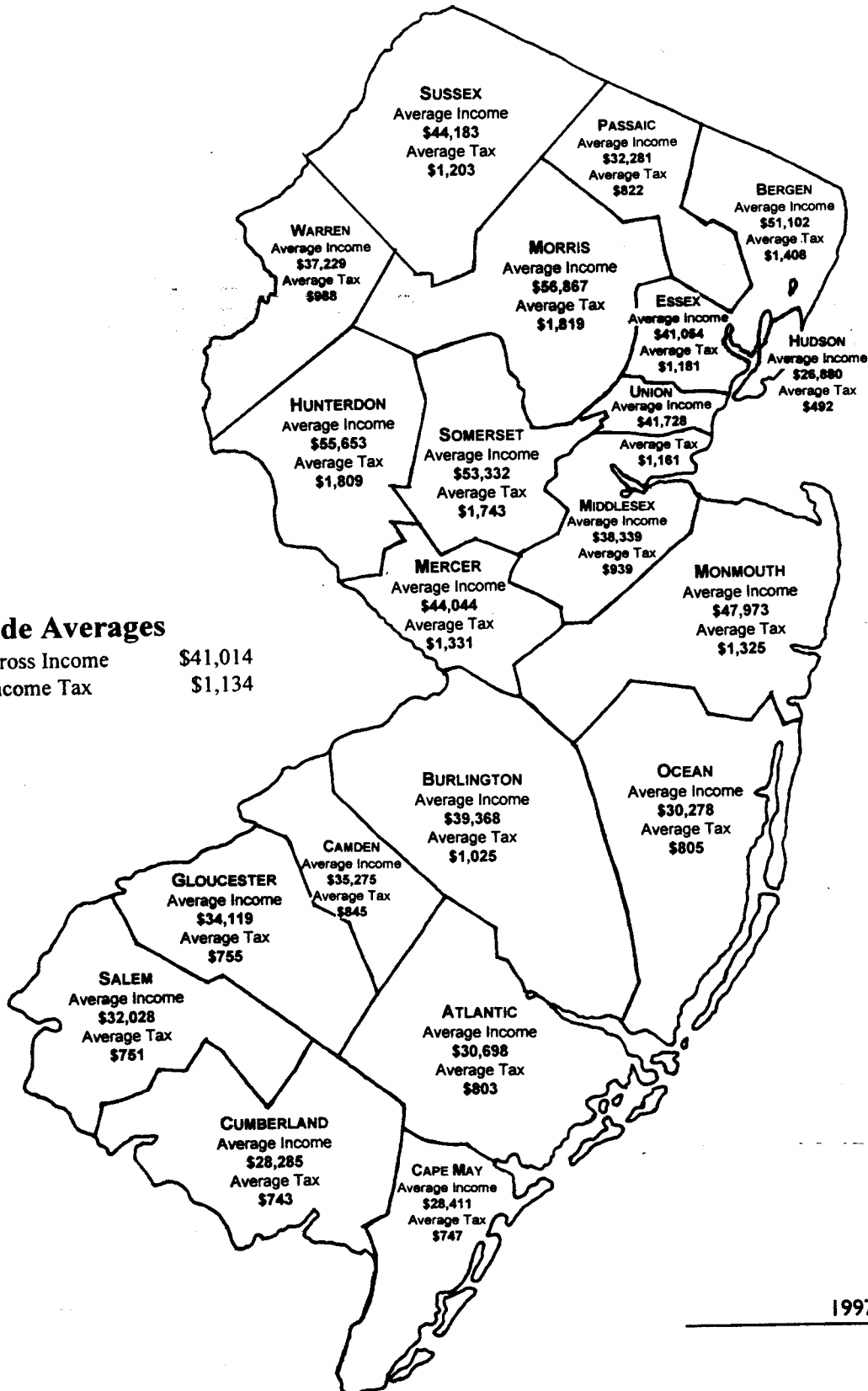
Major State Tax Rates (On July 1, 1997)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Alabama	*2%–5%	5%	4%	\$0.16	\$0.165
Alaska	None	*1–9.4	None	0.08	0.29
Arizona	*3–5.6	9	5	0.18	0.58
Arkansas	*1–7	*1–6.5	4.625	0.185	0.315
California	*1–9.3	8.84	6	0.18	0.37
Colorado	5	5	3	0.22	0.20
Connecticut	*3–4.5 ¹	10.5	6	0.36	0.50
Delaware	*0–6.9	8.7	None	0.23	0.24
Dist. of Columbia	*6–9.5	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	*2–10	*4.4–6.4	4	0.16	0.60
Idaho	*2–8.2	8	5	0.25	0.28
Illinois	3	4.8	6.25	0.19	0.44
Indiana	3.4	3.4	5	0.15	0.155
Iowa	*0.4–9.98	*6–12	5	0.20	0.36
Kansas	*4.4–7.74	4	4.9	0.18	0.24
Kentucky	*2–6	*4–8.25	6	0.15	0.03
Louisiana	*2–6	*4–8	4	0.20	0.20
Maine	*2–8.5	*3.5–8.93	6	0.19	0.37
Maryland	*2–5	7	5	0.235	0.36
Massachusetts	5.95, 12	9.5	5	0.21	0.76
Michigan	4.4	2.3	6	0.15	0.75
Minnesota	*6–8.5	9.8	6.5	0.20	0.48
Mississippi	*3–5	*3–5	7	0.18	0.18

*Graduated Rates

¹Applied to percent of adjusted gross income ranging from 25% to 100%.

Average Gross Income and Average Income Tax By County — Tax Year 1995



Sales and Use Tax Collections by Business Type
Return Years 1994–1996
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	1994	1995	1996	1994	1995	1996	1994-5	1995-6
Exempt Organizations	387	387	387	\$ 1,906	\$ 6,131	\$ 2,353	221.6%	- 61.6%
Manufacturing	12,824	12,745	12,602	168,810	182,735	202,804	8.2	11.0
Service	83,624	81,211	78,772	1,057,020	1,093,115	1,126,995	3.4	3.1
Wholesale	11,224	11,052	10,933	161,825	164,296	180,712	1.5	10.0
Construction	18,642	18,231	17,639	85,678	81,589	85,809	- 4.8	5.2
Retail	91,020	89,463	89,501	2,198,027	2,244,691	2,301,706	2.1	2.5
Government	13	13	19	101	209	2,737	107.1	1,207.1
Not Classified	10,055	9,334	7,705	49,193	50,447	48,522	2.5	- 3.8
Totals	227,789	222,436	217,558	\$3,722,560	\$3,823,213	\$3,951,638	2.7%	3.4%

1997 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 2%.

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	OH	PA
Beer On-Premises	T	E	T	T	T	T	T	T
Beer Off-Premises	T	E	T	E ¹	T	T	T	T
Cigarettes	T	E	T	T	T	T	T	T
Clothing	E ²	E	T	E ³	E	T	T	E
Food Off-Premises	E ⁴	E	E ⁴	E ⁴	E ⁴	E ⁴	E	E ⁴
Liquor On-Premises	T	E	T	T	T	T	T	T
Liquor Off-Premises	T	E	T	E ¹	T	T	T	T
Manufacturing Equipment	E	E	E	E	E	E	E	E
Motor Fuels	T	E	E	E ⁵	E	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 \$49.99 and under; however, single article \$50.00 or over is taxable.

³ Single item \$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.

1997 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
CORPORATION NET INCOME	10.5%	8.7%	7%	9.5%	7.5%, 9%	9%	8.85%	5.1%– 8.9%	9.99%
PERSONAL INCOME	*3%– 4.5%	*0%– 6.9%	*2%– 5%	5.95%, 12%	*1.4%– 6.37%	*4%– 6.85%	*2.96%– 4.46%	*0.693%– 7.004%	2.8%

*Graduated Rates

MOTOR FUELS¹• **Excise Tax/Gal.**

Gasoline	\$0.36	\$0.23	\$0.235	\$0.21	\$0.105²	\$0.08	0	\$0.22	\$0.12
Diesel	\$0.18	\$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 1/2 the general motor fuels tax rate (\$0.0525 per gallon).

ALCOHOL• **Excise Tax/Gal.**

Beer	\$0.20	\$0.156	\$0.09	\$0.11	\$0.12	\$0.16	\$0.28 ²	\$0.18	\$0.08
Wine	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$0.70	\$0.70	\$0.189– \$0.717	\$0.189– \$0.717 ²	\$0.32– \$1.50	\$0.005/ unit proof
Liquor	\$4.50	\$2.50, \$3.75	\$1.50	\$4.05	\$4.40	\$2.54, \$6.44	\$3.54– \$7.44 ²	\$3.38	\$1.00– \$1.30/proof gallon plus 18% of net price 6%
• Sales Tax	6%	None	5%	5% ¹	6%	4%	8.25% ²	5%	

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.

TOBACCO• **Excise Tax**

Cigarettes (20/pack)	\$0.50	\$0.24	\$0.36	\$0.76	\$0.80²	\$0.56	\$0.64 ¹	\$0.24	\$0.31
Other Tobacco (% of Wholesale Price)	20%	15%	0	25%	48%²	20%	20%	17%	0
• Sales Tax	6%	None	5%	5%	6%	4%	8.25% ¹	5%	6%

¹ New York City rate includes New York State rate.

² New rates effective 1/1/98.

Major State Tax Rates (continued)

(On July 1, 1997)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20- Pack) (\$)
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Nevada	None	None	6.5	0.24	0.35
New Hampshire	5 ²	7	None	0.18	0.37
New Jersey	*1.4%–6.37	7.5, 9	6	0.105	0.40
New Mexico	*1.7–8.5	*4.8–7.6	5	0.17	0.21
New York	*4–6.85	9	4	0.08	0.56
North Carolina	*6–7.75	7.5	4	0.226	0.05
North Dakota	*2.67–12	*3–10.5	5	0.20	0.44
Ohio	*0.693–7.004 ²	*5.1–8.9	5	0.22	0.24
Oklahoma	*0.5–7	6	4.5	0.16	0.23
Oregon	*5–9	6.6	None	0.24	0.68
Pennsylvania	2.8	9.99	6	0.12	0.31
Rhode Island	27.5 ³	9	7	0.28	0.71
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.21	0.33
Tennessee	6 ²	6	6	0.20	0.13
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–7	5	4.75	0.245	0.515
Vermont	25 ³	*5.5–8.25	5	0.15	0.44
Virginia	*2–5.75	6	3.5	0.175	0.025
Washington	None	None	6.5	0.23	0.825
West Virginia	*3–6.5	9	6	0.205	0.17
Wisconsin	*4.9–6.93	7.9	5	0.238	0.44
Wyoming	None	None	4	0.08	0.65
US AVERAGE	2.6%–6.0%	5.5%–6.6%	5.2%	\$0.19	\$0.36

*Graduated Rates

¹Applied to percent of adjusted gross income ranging from 25% to 100%.

²Imposed on interest and dividend income only.

³Of Federal adjusted gross income.

Major State Tax Rates (On July 1, 1997)

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Arkansas	*1–7	*1–6.5	4.625	0.185	0.315
California	*1–9.3	8.84	6	0.18	0.37
Colorado	5	5	3	0.22	0.20
Connecticut	*3–4.5 ¹	10.5	6	0.36	0.50
Delaware	*0–6.9	8.7	None	0.23	0.24
Dist. of Columbia	*6–9.5	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	*2–10	*4.4–6.4	4	0.16	0.60
Idaho	*2–8.2	8	5	0.25	0.28
Illinois	3	4.8	6.25	0.19	0.44
Indiana	3.4	3.4	5	0.15	0.155
Iowa	*0.4–9.98	*6–12	5	0.20	0.36
Kansas	*4.4–7.74	4	4.9	0.18	0.24
Kentucky	*2–6	*4–8.25	6	0.15	0.03
Louisiana	*2–6	*4–8	4	0.20	0.20
Maine	*2–8.5	*3.5–8.93	6	0.19	0.37
Maryland	*2–5	7	5	0.235	0.36
Massachusetts	5.95, 12	9.5	5	0.21	0.76
Michigan	4.4	2.3	6	0.15	0.75
Minnesota	*6–8.5	9.8	6.5	0.20	0.48
Mississippi	*3–5	*3–5	7	0.18	0.18

*Graduated Rates

¹Applied to percent of adjusted gross income ranging from 25% to 100%.