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2005/2006

Annual  
Report

State of New Jersey  
Department of the Treasury  
Division of Taxation

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July 2007

The Honorable Jon S. Corzine  
Governor

Members of the New Jersey Legislature

Dear Governor Corzine and Legislators:

I am pleased to present the *Annual Report of the Division of Taxation* for fiscal years 2005 (ended June 30, 2005) and 2006 (ended June 30, 2006).

The Division of Taxation continues to explore the most effective ways to improve taxpayer compliance and increase revenues. Our efforts to expand the use of paperless filing and payment continue to yield excellent results. The number of taxpayers filing and paying electronically — particularly individuals filing New Jersey gross income tax returns — increases each year. For tax year 2003, over one million individual income tax returns were filed electronically rather than on paper. For tax year 2005, that number exceeded two million.

We continue to improve our enforcement efforts through the use of computer technology. Employing specially designed software applications, we analyze data from other State and Federal agencies to identify businesses and individuals who have failed to meet their New Jersey tax filing and payment obligations, and then target those taxpayers for auditing and billing.

I trust that this report provides a useful overview of the Division's operations. The accomplishments described here would not be possible without our employees; they are our greatest strength. Their resourcefulness, professionalism, and dedication ensure that we will continue to meet our goal of ensuring the efficient administration of New Jersey's tax laws and regulations.

Respectfully submitted,



Maureen Adams  
Acting Director

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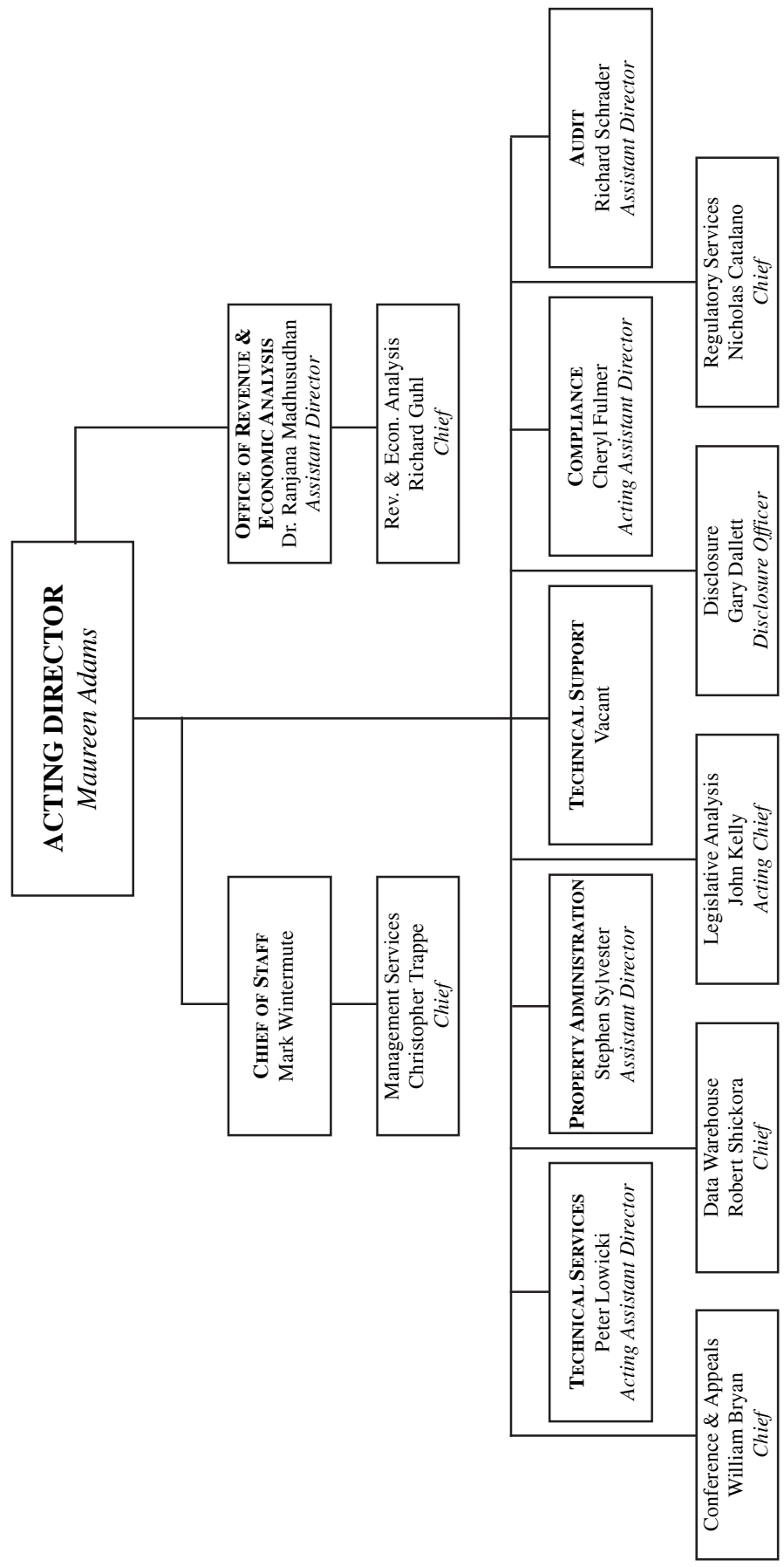
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**New Jersey Division of Taxation**

# **ORGANIZATION AND ACTIVITIES**

**DIVISION OF TAXATION ORGANIZATION**  
 (CURRENT AS OF 07/01/07)



## AUDIT

This Activity is responsible for ensuring tax compliance with all New Jersey tax statutes through the audit of tax returns and examination of taxpayer records and through the collection of outstanding tax liabilities. The Division's voluntary disclosure and nexus programs are also administered by Audit Activity. This Activity consists of five branches: In-State Field Audit, Out-of-State Field Audit, Audit Services/Office of Criminal Investigation, Office Audit, and Individual Tax Audit.

### In-State Field Audit

The In-State Field Audit Branch performs audits on resident and other local businesses to ensure compliance with existing tax statutes. Examinations of the taxpayer's accounting records are comprehensive and include all taxes administered by the Division, with special emphasis on Corporation Business Tax and Sales Tax. Audits are typically performed on-site at the taxpayer's place of business.

The Branch is comprised of 24 groups strategically located in six district offices throughout the State. Also included in the Branch's activity are the Sales Tax Refund and UEZ Refund Sections, which are responsible for the review and issuance of all sales tax refund claims. Field Audit district offices are located in Trenton (Hamilton Township), Toms River, Camden, Northfield, Newark, and Jersey City.

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

### Out-of-State Field Audit

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

### Office Audit

The primary responsibility of the Office Audit Branch is the audit and refund of Corporation Business Tax. Other taxes audited include the Financial Business Tax, Insur-

ance Premiums Tax, Ocean Marine Tax, Retaliatory Tax, various Sanitary Landfill Taxes, and Spill Compensation and Control Tax.

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

### Individual Tax Audit

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

**Gross Income Tax Audit.** The Gross Income Tax Audit Section is responsible for auditing Gross Income Tax returns filed with the State of New Jersey. The audits are done using a variety of criteria developed within the Branch, utilizing information from the Internal Revenue Service, neighboring states, and other New Jersey agencies, where applicable. The section is also responsible for approving Business Employment Incentives Program (BEIP) grants, as well as pursuing delinquent resident and nonresident taxpayers both separately and in joint projects with other Division branches and the Internal Revenue Service.

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

### Audit Services/Office of Criminal Investigation

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

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

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

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## TECHNICAL SERVICES

### Customer Services

The Customer Services Branch encourages voluntary compliance with New Jersey tax laws by providing taxpayers with the information and assistance they need to meet their tax responsibilities. Additionally, the Branch provides assistance to New Jersey residents in applying for and obtaining property tax rebates they may be eligible to receive. Customer Services provides assistance through phone services, automated systems, e-mail, and the Internet as described below.

**Customer Service Center** is a state-of-the-art telephone facility which can handle over 10,000 calls a day. Agents provide information and assistance on all taxes and programs administered by the Division of Taxation.

**E-Mail Unit** receives and reviews most of the e-mail received by the Division. The majority of these inquiries are resolved directly by unit staff via e-mail or telephone.

**Web Development and Training** develops and maintains the Division's Web and Intranet sites. The team also designs and conducts internal technical training for desktop software applications and other systems used Division-wide. In addition, they create PowerPoint and other media presentations used in various Division outreach events.

**NJ WebFile** provides taxpayers the means to prepare and file their income tax returns on a personal computer using the Division's secure Internet site. There is nothing to buy and no filing fees.

**NJ Homestead Rebate Telefile** allows homeowners to file their homestead rebate applications by phone 24 hours a day/7 days a week during the rebate filing season.

**Business Taxes Telefile** provides an easy, paperless method for filing various business taxes and fees using a Touch-tone phone.

**Automated Tax Information System** offers taxpayers a wide variety of information and assistance from a Touch-tone phone including the Automated Refund Inquiry System, the Homestead Rebate InfoLine, New Jersey TaxTalk, and the Forms Request System.

**NJ TaxFax** makes State tax forms and other technical information available to fax machine users.



## Information and Publications

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

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

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

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

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

## Taxpayer Accounting

The Taxpayer Accounting Branch provides assistance to taxpayers by resolving discrepancies with their accounts. In some cases, this consists of reviewing tax returns to verify the correctness of processing before issuing a refund or bill. In other cases, this means reviewing correspondence submitted by taxpayers who disagree with the processing of their returns. The Branch also oversees the Electronic Filing Mandate Program for tax practitioners and provides speakers to interested groups on tax-related matters.

**Correspondence and Review Units** review tax returns and correspondence to correct errors in processing. The units adjust accounts and issue refunds or bills along with letters explaining the nature of any adjustments.

**Income Tax Fraud Detection Unit** reviews tax returns that may have been filed fraudulently. The unit issues letters requesting documentation and adjusts accounts. The unit works closely with the Division's Office of Criminal Investigation and often refers accounts to that office for additional action.

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

**Walk-In Assistance Units** are available in each of the Division's public offices and provide in-person assistance to taxpayers regarding their account issues or other related tax matters. Tax returns and publications are available, and tax filings and payments are accepted by these units.

## COMPLIANCE

### Special Procedures

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

**ABC Licensing.** The ABC Licensing Section is responsible for examining the tax records of each business holding a valid New Jersey Retail Liquor License that disposes of its assets either by sale, transfer, or assignment, other than in the normal course of business, and issues Tax Clearance Certificates for the transfer of the licenses. This section also issues Tax Clearance Certificates to the municipalities for compliant licensees for the annual renewal of Retail Alcoholic Beverage Licenses.

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

**Bankruptcy.** The primary function of the Bankruptcy Section is to collect delinquent taxes from debtors who have filed for protection under Federal or State Insolvency Statutes by submitting Proofs of Claim to the appropriate courts of jurisdiction. This section works closely with the Attorney General's Office to represent the State's interests in Bankruptcy Court proceedings.

**Bulk Sales.** This section is responsible for examining the tax records of each business, except those holding a New Jersey Retail Liquor License, that disposes of its assets either by sale, transfer, or assignment, other than in the normal course of business. A Tax Clearance Certificate is issued when all conditions are satisfied.

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

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

### Compliance Services

The Compliance Services Branch provides services for the taxpaying public and for other sections of the Division of Taxation, and works with other State agencies such as the Motor Vehicle Commission and the Lottery Commission.

**License Verification Section** reviews the tax records of businesses that are licensed by State agencies to confirm that the business is complying with all required laws. If this review reveals unsatisfied tax liabilities or filing obligations, the taxpayer's business license may be subject to suspension.

**Delinquency Section** issues delinquency notices when taxpayers fail to file required tax returns when due, and secures delinquent returns and payments. The program covers most taxes administered by the Division.

**Deferred Payment Section** provides a method for taxpayers to pay deficient taxes under a formal payment plan and monitors active payment plans to ensure compliance. Recent enhancements provide more sophisticated monitoring of payment plans and allow taxpayers to make payments using electronic funds transfer.

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

**Set-Off Programs.** The Compliance Services Branch administers four set-off programs: **Vendor Set-Off**, that holds payments due to State vendors and applies the payments toward deficient taxes; **SOIL**, Set-Off of Individual Liability, that withholds gross income tax refunds and property tax rebates from taxpayers who have outstanding tax debts; **FOIL**, Federal Offset of Individual Liabilities, that withholds Federal income tax refunds and applies them against State tax liabilities; and **TOP**, Treasury Offset Program, that withholds Federal payments due to businesses and applies the payments toward State tax deficiencies.

**CATCH**, Citizens Against Tax CHEats [*sic*]. This unit receives and reviews reports of possible noncompliance and refers them to the appropriate Division branch or State agency for evaluation and action.

**Contract Liaison Unit.** This unit provides quality assurance, administrative, and technical support in connection with publicly awarded contracts between the Division and

private collection companies that pursue delinquent and deficient taxes for the Division.

## Field Investigations

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

**Out-of-State Businesses.** Investigators work with the New Jersey State Police, the Division of Motor Vehicles, and local law enforcement agencies at weigh stations and other inspection sites to check out-of-state commercial vehicles. Investigators also visit locations such as construction sites and warehouses to identify nonregistered or noncompliant out-of-state vendors. When necessary, investigators utilize the authority granted in N.J.S.A. 54:49-5, and 54:49-7 to make a jeopardy assessment and demand immediate payment. Failure to satisfy the jeopardy assessment may result in immediate seizure of available assets.

**Canvassing/Educating.** Investigators visit new businesses to verify that they are registered and that the owners understand their tax responsibilities. Transient vendors at flea markets, art and craft shows, entertainment venues, and special events are also canvassed regularly. To combat the underground cash economy, investigators issue on-the-spot jeopardy assessments against uncooperative transient vendors if necessary.

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

**Tax Enforcement** involves personal contact with businesses and individuals to secure delinquent tax returns, collect outstanding taxes, and enforce registration and licensing requirements. If necessary to protect the State's interest, a Certificate of Debt, which is an administrative judgment, is filed with the New Jersey Superior Court, followed by the issuance of a Warrant of Execution to collect the tax debt. Before assets are seized, the taxpayer is given a final warning and encouraged to make payment arrangements. Thereafter, the personal and business assets of the noncompliant tax debtor are subject to seizure and sale at public auction.

## PROPERTY ADMINISTRATION

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

### Unclaimed Property

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

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

### Operations

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

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

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

**Intestate Estates Unit** supervises and oversees the administration of intestate (no will, no apparent heir) estates through the court appointment of an administrator. If the search for heirs is unsuccessful, the administrator turns

over proceeds to the State, minus estate expenses and statutory fees.

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

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

## Local Property

### *Policy and Planning*

*Legislative Analyses/Deductions, Exemptions, Abatements/Correspondence Unit* reviews and prepares comments on proposed legislation concerning property tax matters; reviews and develops policies and practices for property tax deduction, exemption, abatement programs, and preferential reduced farmland assessment; responds to inquiries of the general public, State and local tax officials, and members of the Legislature with respect to property tax issues; prepares correspondence, written guidelines, regulations, and educational materials regarding local property taxation.

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

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

*Local Assessor Compliance Unit* reviews certain information that pertains to municipal tax assessors, such as tenure and term of office. The unit also conducts periodic inspections of tax assessors' offices for compliance with statutory responsibilities, in particular, auditing municipalities that are reimbursed by the State for granting qualified senior citizens' and veterans' property tax deductions. It also carries on investigations to facilitate

homeowner rebate updates with respect to cooperative and continuing care ownerships.

### *Field Assistance*

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

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

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

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

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

*PAMS Initiative.* The Property Assessment Management System (PAMS) will be a centralized, Web-based (thin client) .NET system owned and operated by the State that replaces MOD IV and its peripheral systems currently provided by various private firms across the State. PAMS will integrate, streamline, and standardize the property-related business functions at all levels of government for the following property assessment and tax collection-related functions: parcel management; sales information

and analysis; appeal scheduling and disposition; computer-assisted mass appraisal (CAMA); tax collection, billing, and reporting. PAMS will first be implemented in three counties (Camden, Hunterdon, Salem) by the end of calendar year 2007. All 21 counties are expected to be online by December 2010.

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

Information Services assists management in determining the operating policies, procedures, and priorities for all of Property Administration's data processing systems (MOD IV, PAMS, WAGERS, Sales Ratio, etc.) and Web pages.

Information Services will be responsible for the system administration of PAMS.

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

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

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

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

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## SYSTEMS & TECHNOLOGY

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

Additionally, the Systems and Technology Activity is responsible for micro-based systems that support applications throughout the Division and telecommunications, including the Wide Area Network (WAN) and fiber optic equipment. Personnel also work with representatives of external organizations as needed to assist in providing many of these services.

Overall, the Systems and Technology Activity provides for the implementation of new technological solutions that enhance the mission of the Division.

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

### **Business Tax Systems and MIS Support**

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

**Forms.** Unit personnel coordinate the design and specifications of New Jersey tax forms, applications, and many related publications. The analysts work in conjunction with the Division of Revenue to ensure that all of the form requirements are met for the processing of the documents. They also coordinate with the Division of Purchase and Property and printing contractors to provide quality products consistent with these requirements. In addition, they perform site inspections of vendor production facilities and supervise the production process to ensure quality control.

**TULIPS & TAXNET Help Desk.** The personnel of this unit possess expertise in the various tax and data systems used within the Division. They assist Division personnel on a daily basis in resolving problems encountered using these systems. They also manage automated case flow for collection activities within the Division and perform numerous complex maintenance functions for the many systems in place throughout Taxation.

**Business Tax Systems and Corporation Tax.** Analysts maintain and enhance existing tax systems and develop

new systems. They have the ultimate responsibility of ensuring that the business tax systems conform with all statutes, policies, and procedures of the Division. These groups coordinate their efforts with the Office of Information Technology (OIT) in order to ensure that the operational needs of the Division are met. They provide technical assistance to Division personnel and aid in problem resolution with respect to the various systems. These analysts also act as liaisons for the Division with other State, Federal, and local agencies as required.

## Individual Tax Systems and IT Support

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

**Individual Tax Systems.** Analysts from this unit determine systemic needs and provide data processing support including the development, monitoring, and maintenance of the individual income tax system and the various property tax relief programs. They have the ultimate responsibility of ensuring that the income tax and rebate systems conform with all statutes, policies, and procedures of the Division. Individual Tax Systems Analysts also design all income tax forms and applications for the property tax relief programs.

**Network and Desktop Support.** This unit administers the Division's WAN and ensures the availability of all network devices and services, including the Division's e-mail system and remote access for all field office employees. In addition, they provide desktop hardware and software support for all in-house and field locations.

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

## CHIEF OF STAFF

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

### Management Services

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

**Facilities Management.** Responsible for coordinating building maintenance and management services for 13 office locations throughout New Jersey and for the Division's out-of-State locations. Facilities Management monitors all construction projects and coordinates physical moves for all Taxation locations. In addition, Facilities Management is responsible for security and providing employees with photo identification and building access cards.

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

**Mail Services/Property & Forms.** Responsible for the pickup, sorting, recording, and delivery of mail, forms, and supplies for the Division, including field offices. This unit manages and maintains the Division's surplus property, equipment, and forms inventories.

**Taxpayer Forms Services.** Responsible for mailing forms and publications in response to taxpayers' requests, and bulk mailing for special projects from various branches of the Division.

### Internal Security Unit

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

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## OFFICE OF REVENUE AND ECONOMIC ANALYSIS

The Office of Revenue and Economic Analysis (OREA) is responsible for providing revenue estimates of 12 major revenue sources, which account for 84% of the State Budget, and analyzing alternative revenue options. OREA monitors New Jersey and national economic trends, generates fiscal impact estimates of proposed legislation, evaluates tax policy initiatives, conducts revenue analysis, and prepares economic and revenue outlook reports for: the Governor's Budget message, the State Treasurer's testimony at Budget hearings, and rating agency presentations. OREA assists the Office of Management and Budget and the Office of the State Auditor with the fiscal year-end accrual process, provides assistance to the Office of Public Finance with the updating of bond offering documents, and generates income tax data by municipality to assist the Department of Education in determining the amount of school aid for the State. OREA provides analytical support to the Division Director for various tax study commission reports and also prepares briefing documents for transition teams. The Office tracks changes in Federal legislation and monitors interstate developments in fiscal policy. In addition, OREA conducts special studies and provides research support to the Treasurer and the Governor's Office.

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## COUNSEL TO THE DIRECTOR

### Data Warehouse

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

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

### Disclosure

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

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

## OFFICE OF COUNSEL SERVICES

### Conference and Appeals

The Conference and Appeals Branch provides taxpayers with a forum in which disputed tax matters can be reviewed and resolved. The Branch processes taxpayer protests related to most State taxes, conducts informal administrative conferences, and issues final determinations on behalf of the Director. These conferences may be conducted via correspondence, telephone, or in person. The Branch also interacts with the Office of the Attorney General on the litigation of most State taxes as well as property tax rebate programs.

All incoming protests are separated into two tracks: an individual tax track and a business tax track. The Review Section within each particular tax track evaluates all protests for compliance with the statutory and regulatory provisions governing protests and appeals. At this time, a determination is also made as to whether or not the State is at risk relative to the collection of protested business tax assessments. Taxpayers may be asked to pay the outstanding assessment, furnish a surety bond, or furnish a letter of credit to stay collection. Absent adequate surety, a Certificate of Debt will be filed and, where appropriate, a "Finding of Responsible Person" will be issued. The Review Section within each particular tax track also pursues collection of any unprotested components of an assessment during the pendency of the protested components.

The mission of the Conferences Section is to provide informal administrative hearings to taxpayers that receive an adverse tax determination. The conferees hold a fair and efficient informal administrative conference seeking a resolution of all tax matters before them. After the conference process, the conferee issues a Final Determination on tax assessments and/or refund denials, as well as miscellaneous and nonmonetary issues.

Final Determinations may be appealed to the Tax Court of New Jersey. Once a case is appealed, our Appeals Section manages the case forward, acting as the Division's liaison and working in unison with the Deputy Attorney General assigned to defend the Division of Taxation. The Appeals Section is proactive to ensure that the Director's position is well presented and clearly understood.

### Office of Legislative Analysis

The Office of Legislative Analysis (OLA) is responsible for reviewing all tax bills introduced in the legislature. It evaluates the potential administrative, fiscal, and policy implications of proposals which are scheduled or likely to be scheduled for legislative action; proposes amendments to ensure that a bill can be effectively implemented; prepares bill comments and fiscal notes; and recommends positions to be taken by the State Treasurer.

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

### Regulatory Services

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

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

The Executive Secretary function for the Sales and Use Tax Review Commission resides in the Branch. Duties involve providing policy analysis concerning proposed legislation that would either expand or contract the base of the New Jersey Sales and Use Tax law, scheduling and holding Commission meetings, and issuing an annual report for the Commission.

As Treasury's Brownfield representative, a member of this Branch interviews and approves all applicants requesting consideration under the Brownfield and Contaminated Site Remediation Act (N.J.S.A. 58:10B-1) and the



Municipal Landfill Site Closure Remediation and Redevelopment Act (N.J.S.A. 13:1E-116.1), and generates all reimbursements permissible under such statutes.

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

**New Jersey Division of Taxation**

**TAXES AND PROGRAMS ADMINISTERED**

**Table 1— Major State Revenue Collections (Net) Fiscal Years 2004–2006**

Revenue Source	2006 <sup>1</sup>	% of Total	2005	% of Total	2004	% of Total	% Change 2005–06
<b>Collected by the Division:</b>							
Alcoholic Beverage Tax (total revenue) \$	101,964,933	0.4%	\$ 99,359,042	0.4%	\$ 98,357,152	0.5%	2.6%
Casino Parking Fee <sup>2</sup>	18,077,080	0.1	16,296,824	0.1	15,952,127	0.1	10.9
Cigarette Tax (total revenue)	787,599,472	3.0	788,627,954	3.3	767,167,296	3.6	- 0.1
Corporation Taxes:							
Corporation Business <sup>3</sup>	3,007,830,476	11.4	2,368,105,017	9.8	2,370,169,715	11.3	27.0
CBT Banks & Financials	153,839,428	0.6	105,380,894	0.4	141,432,025	0.7	46.0
Cosmetic Medical Procedures Tax <sup>4</sup>	9,914,307	0.0	7,451,094	0.0	-	-	33.1
Domestic Security Fee	23,352,332	0.1	23,957,566	0.1	22,487,568	0.1	- 2.5
Environmental Taxes:							
Landfill Closure and Contingency	2,060,434	0.0	2,252,637	0.0	2,316,540	0.0	- 8.5
Litter Control	16,069,457	0.1	15,447,061	0.1	14,704,529	0.1	4.0
Public Community Water Systems	2,438,483	0.0	2,508,464	0.0	3,380,912	0.0	- 2.8
Solid Waste Services	5,679,032	0.0	5,413,611	0.0	5,584,396	0.0	4.9
Spill Compensation	23,687,278	0.1	28,192,067	0.1	18,289,389	0.1	- 16.0
Gross Income Tax	10,506,564,988	39.8	9,537,938,903	39.6	7,400,732,606	35.1	10.2
Hotel/Motel Occupancy Fee/Tax	78,949,297	0.3	78,023,679	0.3	85,198,185	0.4	1.2
Insurance Premiums Tax	537,118,903	2.0	454,450,566	1.9	438,101,299	2.1	18.2
Medical Malpractice Fund Assessments <sup>5</sup>	2,091,421	0.0	1,734,294	0.0	-	-	20.6
Miscellaneous Revenues	865,717	0.0	752,412	0.0	758,900	0.0	15.1
Mobile Telecommunications Fee <sup>6</sup>	123,778,272	0.5	114,943,508	0.5	-	-	7.7
Motor Fuels Tax	550,908,041	2.1	547,324,724	2.3	566,830,724	2.7	0.7
Motor Vehicle Tire Fee <sup>7</sup>	9,970,498	0.0	9,118,645	0.0	-	-	9.3
Nursing Home Provider Assessment (tot. rev.) <sup>8</sup>	135,203,228	0.5	135,374,379	0.6	-	-	- 0.1
Petroleum Products Tax	224,843,155	0.9	248,533,858	1.0	216,247,008	1.0	- 9.5
Public Utility Excise Tax	10,931,381	0.0	10,366,672	0.0	9,320,698	0.0	5.4
Railroad Franchise Tax	1,257,669	0.0	932,170	0.0	620,559	0.0	34.9
Railroad Property Tax	3,478,869	0.0	3,483,936	0.0	3,659,744	0.0	- 0.1
Sales Taxes:							
Sales and Use	6,853,417,869	26.0	6,552,199,925	27.2	6,261,700,380	29.7	4.6
Atlantic City Lux & Promo (Loc. Use)	26,949,448	0.1	26,644,777	0.1	35,161,029	0.2	1.1
Tobacco Products Wholesale	13,840,113	0.1	11,513,882	0.0	10,345,355	0.0	20.2
Cape May County Tourism (Loc. Use)	5,697,761	0.0	4,653,211	0.0	5,734,824	0.0	22.4
Savings Institution Tax <sup>9</sup>	21,909	0.0	(1,671,211)	0.0	(11,912,325)	-0.1	N/A
<b>Transfer Inheritance and Estate Taxes</b>	<b>610,847,697</b>	<b>2.3</b>	<b>520,775,959</b>	<b>2.2</b>	<b>516,007,975</b>	<b>2.4</b>	<b>17.3</b>
Revenue Collected by the Division	\$23,849,248,948	90.3%	\$21,720,086,520	90.2%	\$18,998,348,610	90.2%	9.8%
<b>Collected Outside the Division:</b>							
State Athletic Control Board (tot. rev.) \$	862,357	0.0%	\$ 925,010	0.0%	\$ 584,833	0.0%	- 6.8%
Casino Revenue <sup>10</sup>	502,296,968	1.9	475,661,253	2.0	468,071,678	2.2	5.6
Casino Control	68,049,750	0.3	64,361,166	0.3	64,645,888	0.3	5.7
Lottery	844,155,935	3.2	812,046,973	3.4	794,971,914	3.8	4.0
Motor Vehicle Fees (total revenue)	478,883,888	1.8	459,760,624	1.9	433,360,177	2.1	4.2
Outdoor Advertising (total revenue)	9,363,048	0.0	5,906,029	0.0	7,417,174	0.0	58.5
Realty Transfer (total revenue)	655,488,165	2.5	531,377,732	2.2	297,534,743	1.4	23.4
Revenue Collected Outside the Division	\$ 2,559,100,111	9.7%	\$ 2,350,038,787	9.8%	\$ 2,066,586,407	9.8%	8.9
<b>Total Major State Revenue Collections</b>	<b>\$ 26,408,349,059</b>	<b>100.0%</b>	<b>\$24,070,125,307</b>	<b>100.0%</b>	<b>\$21,064,935,016</b>	<b>100.0%</b>	<b>9.7%</b>

<sup>1</sup> The 2006 figures are subject to adjustment.<sup>2</sup> 50% of the Casino Parking Fee is deposited into the Casino Revenue Fund for Fiscal Years 2004 – 2006 (P.L. 2003, C. 116).<sup>3</sup> Includes the on-budget amount of CBT-energy tax.<sup>4</sup> Initiated on June 29, 2004, and effective on September 1, 2004.<sup>5</sup> Figure includes only Attorney Fee collections. Fund initiated on June 7, 2004.<sup>6</sup> Initiated on June 29, 2004, and applies to billing periods ending on or after July 1, 2004.<sup>7</sup> Initiated on June 29, 2004, and effective on August 1, 2004.<sup>8</sup> Initiated on July 1, 2003, and amended on June 29, 2004.<sup>9</sup> Repealed for privilege periods/taxable years beginning after 2001; negative entry reflects refunds paid for prior years.<sup>10</sup> Figure includes Atlantic City Casino Taxes and Fees, including 50% of the Casino Parking Fee, effective July 1, 2003.

Note: Some entries for prior years may be revised from earlier versions.

**Totals may not add due to independent rounding.**

## Statutory Responsibilities

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

<b>Tax</b>	<b>N.J.S.A. Citation</b>	<b>Tax</b>	<b>N.J.S.A. Citation</b>
Alcoholic Beverage Tax .....	54:41-1 <i>et seq.</i>	Nursing Home Assessment .....	26:2H-92 <i>et seq.</i>
Atlantic City Casino Taxes and Fees .....	5:12-148.1 to 5:12-148.3 5:12-148.8 5:12-173.2	Outdoor Advertising Fee .....	54:4-11.1 <i>et seq.</i>
Atlantic City Luxury Sales Tax .....	40:48-8-15 <i>et seq.</i> 54:32B-24.1 <i>et seq.</i>	Petroleum Products Gross Receipts Tax .....	54:15B-1 <i>et seq.</i>
Atlantic City Tourism Promotion Fee .....	40:48-8.45 <i>et seq.</i>	Property Tax Relief Programs .....	54:4-8.67 <i>et seq.</i> Homestead Rebate .....
Cape May County Tourism Sales Tax ...	40:54D-1 to 10	NJ SAVER Rebate .....	54:4-8.57 <i>et seq.</i> 54:4-8.58a and 54:4-8.58b
Cigarette Tax .....	54:40A-1 <i>et seq.</i> 56:7-18 <i>et seq.</i>	Property Tax Reimbursement .....	54:4-8.67 <i>et seq.</i>
Corporation Business (Net Income and Net Worth) Tax .....	54:10A-1 <i>et seq.</i> CBT Banking Corporation .....	Public Community Water System Tax .....	58:12A-1 <i>et seq.</i>
CBT Banking Corporation .....	54:10A-1 <i>et seq.</i>	Public Utility Taxes:	
CBT Financial Corporation .....	54:10A-1 <i>et seq.</i>	Public Utility Excise, Franchise and Gross Receipts Taxes .....	54:30A-49 <i>et seq.</i>
Cosmetic Medical Procedures Gross Receipts Tax .....	54:32E-1 <i>et seq.</i>	Railroad Franchise Tax .....	54:29A-1 <i>et seq.</i>
Domestic Security Fee .....	App.A:9-78	Railroad Property Tax .....	54:29A-1 <i>et seq.</i>
Gross Income Tax .....	54A:1-1 <i>et seq.</i>	Realty Transfer Fee .....	46:15-5 <i>et seq.</i>
Hotel/Motel Occupancy Fee and Municipal Occupancy Tax .....	54:32D-1 <i>et seq.</i>	Sales and Use Tax .....	54:32B-1 <i>et seq.</i>
Insurance Premiums Tax .....	54:16-1 <i>et seq.</i> 54:16A-1 <i>et seq.</i> 54:17-4 <i>et seq.</i> 54:18A-1 <i>et seq.</i>	Savings Institution Tax .....	54:10D-1 <i>et seq.</i>
Landfill Closure and Contingency Tax .....	13:1E-100 <i>et seq.</i>	Solid Waste Services Tax .....	13:1E-1 <i>et seq.</i>
Litter Control Fee .....	13:1E-213 <i>et seq.</i>	Spill Compensation And Control Tax .....	58:10-23.11 <i>et seq.</i>
Local Property Tax .....	54:4-1 <i>et seq.</i>	Tobacco Products Wholesale Sales and Use Tax .....	54:40B-1 to 14
Medical Malpractice Fund Assessments .....	17:30D-29	Transfer Inheritance and Estate Taxes:	
Motor Fuels Tax .....	54:32F-1 <i>et seq.</i>	Transfer Inheritance .....	54:33-1 <i>et seq.</i>
Motor Vehicle Tire Fee .....	54:32F-1 <i>et seq.</i>	Estate .....	54:38-1 <i>et seq.</i>
		Transitional Energy Facility Assessment .....	54:30A-100 <i>et seq.</i>
		Uniform Transitional Utility Assessment .....	54:30A-114 <i>et seq.</i>
		9-1-1 System and Emergency Response Assessment .....	52:17C-17 <i>et seq.</i>

## Alcoholic Beverage Tax

### Description

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

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

### Rate

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

### Disposition of Revenues

Revenues are deposited in the State Treasury for general State use, except that beginning on July 1, 1992, \$11 million of the tax revenue is deposited annually into the Alcohol Education, Rehabilitation and Enforcement Fund. A small percentage also goes to the New Jersey Wine Promotion Account.

## Atlantic City Casino Taxes and Fees

### Description

P.L. 2003, C. 116, imposes various taxes and fees on: the value of rooms, food, beverages, or entertainment given away for free or at a reduced price as a “complimentary”; multi-casino progressive slot machine revenue; the adjusted net income of casino licensees; casino hotel room occupancies; and casino hotel parking.

P.L. 2004, C.128, enacted August 30, 2004, provides for the gradual phase-out of the tax on the above casino “complimentaries” until the tax expires on June 30, 2009. It also transfers from the Division of Taxation to the Ca-

sino Control Commission the responsibility for administering the Casino Complimentaries Tax, the Casino Adjusted Net Income Tax, the Multi-Casino Slot Machine Tax, the Casino Parking Fee, and the \$3 Casino Hotel Occupancy Fee. The Division of Taxation will not be collecting these taxes and fees effective September 2004.

### Rate

Taxes and fees are assessed at the following rates:

- 4.25% on the value of rooms, food, beverages, or entertainment given away for free or at a reduced price as a “complimentary.”
- 8.0% on multi-casino progressive slot machine revenue.
- 7.5% on the adjusted net income of casino licensees.
- \$3 per day fee on each hotel room occupied by a guest in a casino hotel.
- \$3 per day minimum casino hotel parking charge.

### Disposition of Revenues

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

## Atlantic City Luxury Sales Tax

### Description

The Atlantic City Luxury Sales Tax applies to the receipts from specified retail sales within Atlantic City, including sales of alcoholic beverages for on-premises consumption; cover, minimum, or entertainment charges; room rental in hotels, inns, rooming, or boarding houses; hiring of rolling chairs, beach chairs, and cabanas; and tickets of admission within Atlantic City.

Casual sales, sales to New Jersey or its political subdivisions, sales exempt under Federal law, and sales by a church or nonprofit charitable organization are exempt.

### Rate

The rate of tax is 3% on sales of alcoholic beverages sold by the drink and 9% on other taxable sales. The maximum combined Atlantic City rate and New Jersey State sales tax rate (excluding the State occupancy fee) may not exceed 13% effective July 15, 2006. The State sales tax

rate is reduced to the extent that the city rate exceeds 7%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 13%. Formerly, the maximum combined Atlantic City rate and the New Jersey sales tax rate could not exceed 12%.

### Disposition of Revenues

Revenues are forwarded to the Sports and Exposition Authority for funding and operating Atlantic City Convention facilities.

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## Atlantic City Tourism Promotion Fee

### Description

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

### Rate

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

### Disposition of Revenues

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

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## Cape May County Tourism Sales Tax

### Description

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

nesses in Wildwood, North Wildwood, and Wildwood Crest are affected.

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

### Rate

The tax rate is 2% on tourism-related retail sales. The tax is in addition to the State sales tax (7% effective July 15, 2006). Thus, sales subject to the Cape May Tourism and the State sales tax are taxable at 9%.

“The Phase 2 Tourism Funding Act” imposes a 1.85% tourism assessment on the rent for any occupancy of a room in a hotel, motel, or other transient accommodation. The assessment is effective for all room rentals on or after April 1, 2003.

### Disposition of Revenues

Revenues are collected by the State Treasurer and are placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for tourism promotion projects and activities. The 1.85% tourism assessment is administered by the Division of Taxation, and revenues collected are deposited in a tourism assessment fund.

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## Cigarette Tax

### Description

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

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

**Rate**

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

A distributor is allowed a .00174757% discount on the purchase of 1,000 or more stamps or meter impressions.

**Disposition of Revenues**

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

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## Corporation Business Tax

**Description**

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

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

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

Exempt from the tax are certain agricultural cooperative associations; Federal corporations which are exempt from state taxation; corporations created under the limited-dividend housing corporation law; nonprofit cemetery

corporations; nonprofit corporations without capital stock; nonstock mutual housing corporations; railroad and canal corporations; sewerage and water corporations; insurance companies subject to premiums tax; and certain municipal electric corporations.

**Rate**

The tax rate is 9% upon entire net income, or the portion of entire net income allocated to New Jersey. For tax years beginning in calendar year 2002 and thereafter, the minimum Corporation Business Tax is \$500 or \$2,000 for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is \$5 million or more. Rates for New Jersey S corporations were also changed in 2002. New Jersey S corporations with an entire net income of \$100,000 or less are still subject to the minimum tax, but if entire net income exceeds \$100,000, the rate for periods ending on or before June 30, 2006, is 1.33%. For periods ending on or after July 1, 2006, but on or before June 30, 2007, the rate is 0.67%

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

For privilege periods ending on or after July 1, 2006, but before July 1, 2009, each taxpayer shall be assessed and must pay a surtax equal to 4% of the amount of tax liability remaining after applying credits against liability, other than credits for installment payments, estimated payments made with a request for extension to file a return, or overpayments from a prior privilege period.

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

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

The minimum tax for affiliated or controlled groups remains the same, \$2,000 for each member of a group that has a total payroll of \$5,000,000 or more for a privilege period.

### Disposition of Revenues

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

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

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

### History

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

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

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

Chapter 88, Laws of 1954, increased the tax on allocable net worth from  $\frac{8}{10}$  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

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

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

A new jobs investment tax credit, enacted in 1993 (C. 170), allows corporations to take a credit against Corporation Business Tax and property taxes for qualified investments in new or expanded business facilities resulting in new jobs in the State. The credit against Corporation Business Tax is for up to 50% of the portion of the tax that results from investment in new or expanded facilities. The credit was extended to midsize businesses by P.L. 2002, C. 40. P.L. 1993, Chapter 171, allows for a credit against Corporation Business Tax for investment in qualified equipment. The credit is 2% of the cost of qualified machinery purchased (the investment credit base). Taxpayers taking the 2% equipment credit may also take an employment credit of \$1,000 per new employee (up to a maximum of 3% of the investment credit base). A small business benefit was added by P.L. 2004, C. 65. Chapter 175 P.L. 1993 allows for a credit for increased research activities.

Two changes in 1993 brought New Jersey corporation tax law into closer alignment with Federal corporation tax



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

The allocation formula for multistate corporations was changed in 1995. Under prior law, multistate corporation income was allocated to New Jersey based on equally weighted New Jersey property, payroll, and sales compared to total property, payroll, and sales. The new formula counts sales twice, so that sales account for half the allocation formula (C. 245, P.L. 1995).

The legislature continued to provide additional tax benefits for corporation business taxpayers. These include a tax benefit certificate transfer program to assist certain emerging companies (C. 334, P.L. 1997), later modified by P.L. 1999, C. 140 and P.L. 2004 C. 65, and supplemented by a credit transfer program P.L. 2004, C. 65, the Small New Jersey Based High Technology Business Investment Tax Credit Act (C. 349, P.L. 1997), the carry-forward of net operating losses under the Corporation Business Tax for certain taxpayers (C. 350, P.L. 1997), the extension of the carryforward of the research and development tax credit (C. 351, P.L. 1997), and the Neighborhood and Business Child Care Tax Incentive Program (C. 102, P.L. 1999).

Other credits against Corporate Business Tax liability have also been enacted for effluent equipment (P.L. 2001, C. 321), neighborhood revitalization (P.L. 2001, C. 415), HMO credit (P.L. 2000, C. 12), the economic recovery tax credit (P.L. 2002, C. 43), and the remediation tax credit (P.L. 2003, C. 296).

Electric and telephone companies were subjected to the Corporation Business Tax effective January 1, 1999.

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

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

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

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

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

Chapter 43, P.L. 2002, includes some provisions for incentives in the form of Corporation Business Tax credits to qualifying taxpayers engaged in a business in the qualified municipality during the municipality's "period of rehabilitation and economic recovery."

P.L. 2004, C. 47, limits the Corporation Business Tax application of net operating losses to 50% of taxable income for tax years 2004 and 2005.

P.L. 2004, C. 65, decouples Corporation Business Tax from changes in Federal bonus depreciation and certain expensing principles under IRC section 179.

P.L. 2005, C. 127, uncouples Corporation Business Tax from many provisions of the IRC Section 199 deduction for certain qualified production activities income.

P.L. 2005, C. 318, allows Corporation Business Tax credit to businesses providing employment to qualified handicapped persons at sheltered workshops.

P.L. 2005, C. 345, provides a credit under the Corporation Business Tax for film production expenses incurred in New Jersey and provides for the transfer of those tax credits to other taxpayers.

P.L. 2006, C. 38, imposes a 4% surcharge on the Corporation Business Tax liability and increases the minimum tax.

### **Installment Payments of Estimated Tax**

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

- (a) If the total tax liability is \$500 or more, the taxpayer must make installment payments. These payments are due on or before the 15th day of the 4th, 6th, 9th, and 12th month of the tax year.
- (b) If the total tax liability is less than \$500, installment payments may be made as shown in (a) above or, in lieu of making installment payments, the taxpayer may make a payment of 50% of the total tax liability.

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

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

### **Partnerships**

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

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

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

P.L. 2005, C. 288 requires partners and other owners of pass-through entities to credit payments made on their behalf against estimated taxes to end double withholding.

### **Banking and Financial Corporations**

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

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

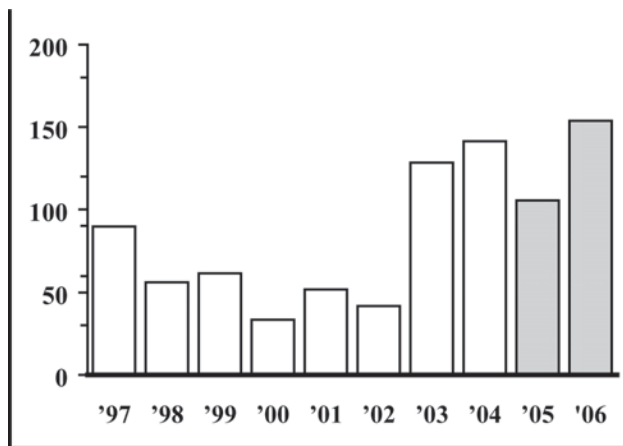
Formerly, banks were subject to a tax of 1.5% on net worth under the Bank Stock Tax Act. Bank Stock Tax was formerly administered by the Division of Taxation and the 21 separate County Boards of Taxation. The corporate tax upon banks is now administered solely by the Division.

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

Chapter 171, P.L. 1975, provides that during each of the years 1976, 1977, and 1978, each financial business corporation shall pay as taxes, the greater of (1) a sum equal to the amount such financial business corporation paid

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

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



Fiscal Year	Collections
1997	89,716,792
1998	56,234,674
1999	61,716,112
2000	33,483,692
2001	51,971,516
2002	41,649,356
2003	128,451,019
2004	141,432,025
<b>2005</b>	<b>105,380,894</b>
<b>2006</b>	<b>153,839,428</b>

### Investment Companies

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

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

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

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

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

### Deferred Predissolution Payment

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

### Allocation Factor

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

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

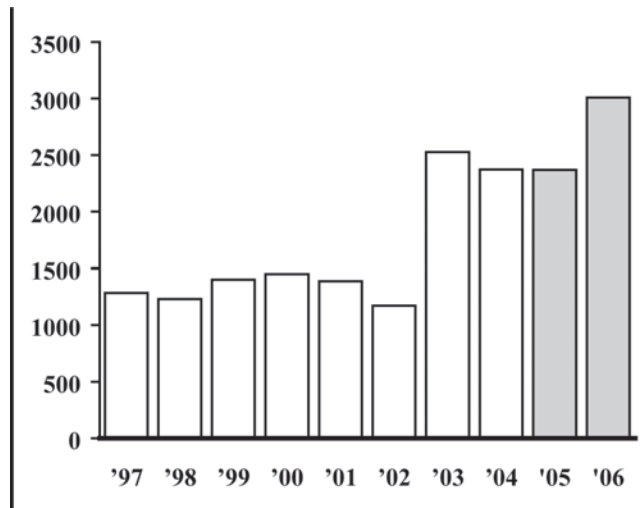
Chapter 40, P.L. 2002 also introduced an alternative minimum assessment (AMA) on apportioned gross receipts or gross profits of C corporations when the AMA exceeds the normal Corporation Business Tax. The assessment is based on either gross receipts or gross profits, with the taxpayer electing which formula to use. This formula must also be used for the next four tax periods. S corporations, professional corporations, investment

companies, and unincorporated businesses are exempt from the AMA. The AMA also applies to non-New Jersey businesses deriving income from New Jersey sources with or without physical presence in the State that are not currently subject to the Corporation Business Tax.

For privilege periods beginning after June 30, 2006, the AMA is \$0, except for taxpayers claiming exemption under Pub. L. 86-272, for whom the previously prescribed rate will continue. For privilege periods beginning after December 31, 2006, the AMA for taxpayers otherwise subject to the AMA that consent to jurisdiction and pay the Corporation Business Tax will be \$0.

The use of net operating losses is suspended for tax years 2002 and 2003. For 2004 and 2005 net operating losses were limited to 50% of taxable income.

**Corporation Business Tax Collections  
(In Millions)  
General Business Corporations**



Fiscal Year	Collections
1997	1,286,447,475
1998	1,231,629,172
1999	1,402,906,622
2000	1,452,135,808
2001	1,389,486,310
2002	1,171,456,857
2003	2,525,446,781
2004	2,370,169,715
<b>2005</b>	<b>2,368,105,017</b>
<b>2006</b>	<b>3,007,830,476</b>

## Cosmetic Medical Procedures Gross Receipts Tax

### Description

P.L. 2004, C. 53 imposes a gross receipts tax on the purchase of certain “cosmetic medical procedures.” Cosmetic medical procedures are medical procedures performed in order to improve the human subject’s appearance without significantly serving to prevent or treat illness or disease or to promote proper functioning of the body. The law provides that such procedures include, for example, cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peels, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry. They do not include reconstructive surgery or dentistry to correct or minimize abnormal structures caused by congenital defects, developmental abnormalities, trauma, infection, tumors, or disease, including procedures performed in order to improve function or give the person a more normal appearance. The tax also applies to amounts charged for goods or facility occupancies, such as hospitalization or clinic stays, required for or directly associated with the cosmetic medical procedure.

### Rate

The rate is 6% gross receipts tax on cosmetic medical procedures and related goods and occupancies.

### Disposition of Revenues

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

## Domestic Security Fee

### Description

A statutory assessment designated as the “Domestic Security Fee” is imposed under P.L. 2002, C. 34 on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented under rental agreements of not more than 28 days. This fee applies with respect to rental agreements in New Jersey entered into on or after August 1, 2002.

### Rate

The fee is assessed at the rate of \$5 per day on or after July 8, 2006, on all motor vehicle rental companies doing business in this State for each rental day a motor vehicle is rented under agreements of 28 days or less. The fee applies only to the first 28 days of a rental agreement with the same renter. Thus, the maximum rental fee in the aggregate is \$140 even if the actual rental extends beyond 28 days. Prior to July 8, 2006, the rate was assessed at \$2 per day.

### Disposition of Revenues

The fee is paid to the Division of Taxation for deposit in the New Jersey Domestic Security Account established in the General Fund.

## Gross Income Tax

### Description

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

### Rate

Rates for tax years beginning on or after January 1, 2004, range from 1.4% – 8.97%.

### Filing Threshold

For tax years beginning before January 1, 1994, filers with incomes of \$3,000 or less for the entire year (\$1,500 or less for married persons filing separately) pay no tax. For the 1994 to 1998 tax years, filers with incomes of \$7,500 or less for the entire year (\$3,750 or less for

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

### Exemptions

- Taxpayer, \$1,000.
- Taxpayer’s spouse or domestic partner who does not file separately, \$1,000.
- Taxpayer 65 years old or more, additional \$1,000; same for spouse age 65 or older who does not file separately.
- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse who does not file separately.
- Taxpayer’s dependent, \$1,500.
- Taxpayer’s dependent under age 22 and attending college full time, additional \$1,000.

### Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee.
- Unreimbursed medical expenses in excess of 2% of gross income; qualified medical savings account contributions; and for the “self-employed,” qualified health insurance costs.
- Property tax deduction (or credit).
- Qualified conservation contribution.
- Deduction for eligible taxpayers who provide primary care medical and/or dental services at a qualified practice located in or within five miles of a Health Enterprise Zone.

## Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This shall not exceed the proportion of tax otherwise due that the amount of the taxpayer's income bears to the taxpayer's entire New Jersey income.
- Amounts withheld by an employer and payments of estimated tax, including any payments made in connection with the sale or transfer of real property by a nonresident, estate, or trust.
- Amounts paid by an S corporation on behalf of a shareholder.
- Amounts paid by a partnership on behalf of a partner.
- New Jersey Earned Income Tax Credit.
- Excess unemployment and disability insurance contributions withheld.
- Property tax credit (or deduction).
- Sheltered Workshop Tax Credit.

## Withholding Requirement

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

Those with prior year withholdings of \$10,000 or more are required to remit the income tax withheld by means of Electronic Funds Transfer (EFT) on or before the Wednesday of the week following the week containing the payday(s) on which taxes were withheld.

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

## Disposition of Revenues

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

## History

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

For tax years beginning before January 1, 2000, pension income for those eligible for Social Security by reason of age (62 years or over) or disability was exempt as follows: first \$10,000 for a married couple filing jointly; \$5,000 for a married person filing separately; and

\$7,500 for a single taxpayer (C. 40, P.L. 1977). Chapter 273, P.L. 1977, extended the exclusion allowed for pensions to other types of retirement income. The exclusion applies to taxpayers who are 62 years of age or older and whose earned income is not more than \$3,000. An additional exclusion was provided for taxpayers age 62 or older who are not covered by either Social Security or Railroad Retirement benefits.

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

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

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

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

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

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

Chapter 173, P.L. 1993, included subchapter S corporation income in the New Jersey Gross Income Tax base, effective with taxable years beginning after July 7, 1993.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P.L. 2002, C. 43, effective beginning with the 2003 tax year, creates a tax credit for qualifying first-time homebuyer-occupants who have purchased residential property in a qualifying municipality during the municipality's "period of economic recovery."

P.L. 2003, C. 9, creates an exclusion for the income of victims who have died as a result of the September 11th terrorist attacks. The exclusion applies for tax year 2000 and all later years up to and including the year of death.

P.L. 2003, C. 246, allows a \$1,000 personal exemption for a domestic partner who does not file separately.

Effective beginning with the 2002 tax year, P.L. 2003 C. 256, exempts investment clubs from the \$150 per owner annual partnership filing fee and from the requirement that partnerships remit Gross Income Tax payments on behalf of their nonresident noncorporate partners. To meet the definition of "investment club," the partnership must have income below \$35,000 per individual (up to a total of \$250,000) and satisfy other limitations and criteria.

Chapter 40, P.L. 2004, imposes a tax rate of 8.97% on income over \$500,000, effective beginning with the 2004 tax year.

Chapter 55, P.L. 2004, requires that nonresidents, estates, and trusts pay estimated tax on gain from the sale or transfer of real property in New Jersey as a condition for recording the deed. The law is effective for sales or transfers occurring on and after August 1, 2004.

Effective beginning with the 2004 tax year, section 26 of P.L. 2004, C. 65, "decouples" the calculation of depreciation and section 179 expenses from recent Federal income tax provisions. Under these amendments, the expenses must be calculated by applying Federal code provisions as they were in effect on December 31, 2001 (or December 31, 2002, for section 179 expenses).

P.L. 2004, C. 139, effective for tax years beginning on or after January 1, 2005, allows a limited Gross Income Tax deduction to qualified primary care physicians and dentists practicing in or within 5 miles of a Health Enterprise Zone.

Effective for tax years beginning on or after January 1, 2004, Chapter 63 of P.L. 2005, provides a gross income exclusion for housing and subsistence allowances received by members of the active and reserve components of the U.S. Armed Forces and by members of the New Jersey National Guard while on State active duty.

P.L. 2005, C. 125, authorizes a multistate reciprocal refund set-off program under which the New Jersey Division of Taxation may "withhold" a taxpayer's Gross Income Tax refund to forward to another state for an income tax debt if the other state withholds New Jersey gross income tax claims from its personal income tax refunds.

P.L. 2005, C. 127, uncouples New Jersey income tax law from many provisions of the IRC Section 199 deduction for certain qualified production activities income.

P.L. 2005, C. 130, limits the pension and other retirement income exclusions to taxpayers with gross income of \$100,000 or less, effective for tax years beginning on or after January 1, 2005.

Chapter 210, P.L. 2005, requires employers to provide certain employees with written notification of the availability of both the Federal and New Jersey earned income tax credits.

P.L. 2005, C. 288, requires partners and other owners of pass-through entities to credit payments made on their behalf against estimated taxes to end "double withholding."

P.L. 2005, C. 298, provides for voluntary contributions by taxpayers on Gross Income Tax returns for the New Jersey World Trade Center Scholarship Fund.

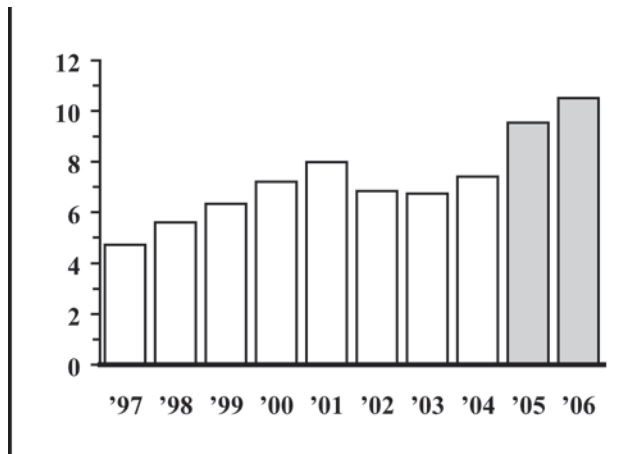
P.L. 2005, C. 318, allows Gross Income Tax credits to businesses providing employment to qualified handicapped persons at sheltered workshops.



P.L. 2005, C. 345, provides Gross Income Tax credits for film production expenses incurred in New Jersey and provides for the transfer of those tax credits to other taxpayers.

P.L. 2006, C. 36, authorizes the Director of the Division of Taxation to permit or mandate reasonable methods for filing and paying, which may include electronic methods of filing and paying. The law further requires tax practitioners who prepared or filed 100 or more 2005 New Jersey resident income tax returns to electronically file all 2006 New Jersey resident income tax returns. This requirement is extended, in 2007, to preparers who filed 50 or more Gross Income Tax returns in 2006. The law imposes a \$50 per return penalty for noncompliance with this mandate, which may be abated, in full or in part, at the Director's discretion.

**Gross Income Tax Collections  
(In Billions)**



Fiscal Year	Collections
1997	4,825,410,635
1998	5,590,578,933
1999	6,323,893,129
2000	7,205,260,486
2001	7,989,222,227
2002	6,836,992,402
2003	6,735,282,357
2004	7,400,732,606
<b>2005</b>	<b>9,537,938,903<sup>1</sup></b>
<b>2006</b>	<b>10,506,564,988</b>

<sup>1</sup> Rate on income over \$500,000 increased from 6.37% to 8.97% effective January 1, 2004.

## Hotel/Motel Occupancy Fee/ Municipal Occupancy Tax

### Description

P.L. 2003, C. 114, imposes a State Occupancy Fee and authorizes the imposition of a Municipal Occupancy Tax on charges for the rental of a room in a hotel, motel, or similar facility in most New Jersey municipalities.

### Rate

The State Occupancy Fee rate is 7% for occupancies from August 1, 2003, through June 30, 2004, and 5% for occupancies on and after July 1, 2004, or at a lower rate in cities in which such occupancies are already subject to tax:

- Atlantic City—1%
- Newark and Jersey City—1%
- The Wildwoods—3.15%

The majority of the municipalities that have enacted a municipal occupancy tax have authorized the tax rate to increase to 3% as of July 1, 2004; however, Cape May City (Cape May County), Glassboro Borough (Gloucester County), Berkeley Township (Ocean County), and Somers Point City (Atlantic County) impose the tax at the rate of 2%.

### Disposition of Revenues

The monies collected from the State Occupancy Fee are deposited to the General Fund and are statutorily allocated, in varying percentages, to the New Jersey State Council on the Arts for cultural projects; the New Jersey Historical Commission; the New Jersey Commerce and Economic Growth Commission for tourism advertising and promotion; and the New Jersey Cultural Trust. Any amount over the dedication is allocated to the General Fund. Collections from the Municipal Occupancy Tax are distributed back to the municipality.

## Insurance Premiums Tax

### Description

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

### Rate

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

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

### Disposition of Revenues

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

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

## Landfill Closure and Contingency Tax

### Description

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

### Rate

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

### Disposition of Revenues

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

## Litter Control Fee

### Description

The Litter Control Fee is imposed on all gross receipts from sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor, or retailer of such products. Any retailer with less than \$500,000 in annual retail sales of litter-generating products is exempt from this fee. Restaurants are exempt if more than 50% of their food and beverage sales are for on-premises consumption.

Litter-generating products include beer, cigarettes, cleaning agents and toiletries, distilled spirits, food, glass containers, metal containers, groceries, tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products, plastic and fiber containers, soft drinks, and wine.

### Rate

Manufacturers, wholesalers, and distributors of litter-generating products pay a fee of  $\frac{3}{100}$  of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are charged at the rate of  $\frac{2.25}{100}$  of 1% (.0225%) on all gross receipts from retail sales of litter-generating products. The fee is paid annually on March 15th of each year.

### Disposition of Revenues

Revenues are deposited in the Clean Communities Program Fund and are used for litter pickup and removal and to provide recycling grants to New Jersey counties and municipalities.

## Local Property Tax

### Description

An *ad valorem* tax—The local property tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned by each taxpayer. The tax applies to real estate and tangible personal property of telephone, telegraph, and messenger systems companies, and certain personal property of petroleum refineries.

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

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

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

### Rate

The local property tax rate is determined each year in each municipality by relating the total amount of tax levy to the total of all assessed valuations taxable. Expressed in \$1 per \$100 of taxable assessed value, the tax rate is a multiplier for use in determining the amount of tax levied upon each property. See Appendix A for the 2004 and 2005 general and effective property tax rates in each municipality.

### Disposition of Revenues

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

### History

It may be said that the property tax originated in 1670 with a levy of one half penny per acre of land to support

the central government. Through the middle of the 19th century property taxes were levied upon real estate and upon certain personal property at arbitrary rates within certain limits called “certainties.” In 1851 the concepts of a general property tax and uniform assessments according to actual value were developed (Public Laws 1851, p. 273).

For almost a century following the 1851 legislation, a continuing effort was made to accomplish uniform taxation under a general property tax. In 1875 a constitutional amendment provided that “property shall be assessed for taxes under general laws and by uniform rules according to its true value” (Article 4, Section 7, paragraph 12). Courts held that the 1875 amendment permitted classification of property for tax purposes and also exemption of certain classes from taxation, or the substitution of other kinds of tax “in lieu.” Thus began a long period of erosion of the “general property tax” concept. In 1884 a State Board of Assessors was created and given responsibility for assessment of railroad and canal property, thus setting the pattern for State assessment of certain classes of property.

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

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

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

Personal property provisions of Chapter 51, Laws of 1960, were replaced by Chapter 136, Laws of 1966. For taxes payable in 1968 and until 1993, personal property used in business (other than the businesses of local exchange telephone, telegraph, and messenger system companies and other public utilities) was subject to the Business Personal Property Tax instead of the local tax.

Personal property is no longer subject to any property tax and inventories of all businesses are excluded from property taxation.

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

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

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

A long period of legislative history has developed numerous exemptions and special property tax treatments. These are found principally in R.S. 54:4-3.3 and in R.S. 54:4-3.6. Generally exempt are government-owned property; and property of religious, educational, charitable, and various types of nonprofit organizations. R.S. 54:4-3.6 was amended to permit a religious or charitable organization to lease property to another exempt entity for a different exempt use without the loss of its property tax exemption. An amendment to R.S. 54:4-3.10 provided that property owned by any exempt firefighter's association, firefighter's relief association, or volunteer fire company would retain its tax-exempt status although the

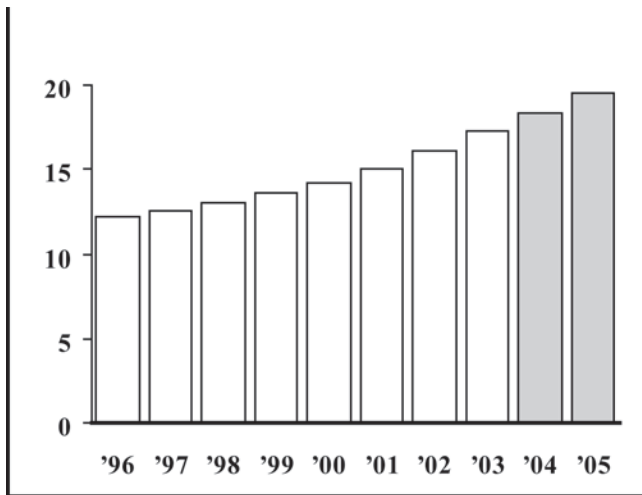
organization owning the property used the property for an income-producing purpose on an auxiliary basis provided that the auxiliary activity does not exceed 120 days annually and the net proceeds from the auxiliary activity are used to further the primary purpose of the organization or for other charitable purposes. Qualified senior citizens and disabled persons are permitted a tax deduction of \$250 annually as per N.J.S.A. 54:4-8.40 et seq. The veterans' deduction was increased from \$50 to \$100 for tax year 2000, \$150 for 2001, \$200 for 2002, and \$250 for 2003 and thereafter pursuant to N.J.S.A. 54:4-8.10 et seq. Wartime service periods were also expanded.

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

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

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

### Local Property Tax Gross Levy (In Billions)



Fiscal Year	Gross Tax Levy
1996	12,177,920,307
1997	12,579,899,717
1998	13,040,191,871
1999	13,558,860,459
2000	14,195,812,735
2001	14,992,785,135
2002	16,053,021,123
2003	17,254,024,652
<b>2004</b>	<b>18,377,494,023</b>
<b>2005</b>	<b>19,567,777,307</b>

## Medical Malpractice Fund Assessments

### Description

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

The fee applies to all attorneys licensed to practice law in New Jersey except those attorneys: (1) constitutionally or statutorily barred from the practice of law; (2) that can show that they do not maintain a bona fide office in New

Jersey for the practice of law; (3) who have retired completely from the practice of law; (4) on full-time duty in the Armed Forces, VISTA, or the Peace Corps and not engaged in the practice of law; (5) ineligible to practice law because they have not made their New Jersey Lawyers' Fund for Client Protection payment; or (6) newly admitted to the bar that have not practiced law for at least one year.

### Rate

The Division of Taxation assesses only the annual \$75 fee on attorneys. The fee expires in three years. Fees will be collected in the years 2004, 2005, and 2006.

### Disposition of Revenues

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

## Motor Fuels Tax

### Description

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

### Rate

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

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

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

## Disposition of Revenues

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

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## Motor Vehicle Tire Fee

### Description

P.L. 2004, C. 46, imposes a fee on the sale of new motor vehicle tires, including new tires sold as a component part of a motor vehicle, either sold or leased, that are subject to New Jersey sales tax. The tire fee is imposed per tire, including the spare tire sold as part of a motor vehicle. The tire fee also applies to sales of new tires in connection with a repair or maintenance service.

### Rate

The Motor Vehicle Tire Fee is \$1.50 per tire.

### Disposition of Revenues

The revenue collected from the Motor Vehicle Tire Fee is deposited in the Tire Management and Cleanup Fund established in the Department of Environmental Protection. Any additional revenue collected is available for appropriation to the Department of Transportation to support snow removal operations.

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## Nursing Home Assessment

### Description

The New Jersey "Nursing Home Quality of Care Improvement Fund Act" was signed into law on July 1, 2003, as P.L. 2003, C. 105, and was subsequently amended on June 29, 2004, as P.L. 2004, C. 41. The Act establishes a quarterly assessment on nursing homes in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes. The law was made effective as of July 1, 2004.

### Rate

The current rate is \$11.89 per non-Medicare day to applicable nursing homes. The annual assessment rate is calculated by the Department of Health and Senior Services,

and may be up to a maximum of 6% of the aggregate amount of annual revenues received by applicable nursing homes.

## Disposition of Revenues

The monies collected from the nursing home provider assessment are statutorily transferred, through appropriation, to the General Fund and allocated for the support of nursing home programs designated by the Commissioner of Health and Senior Services. The remaining monies, after the transfer to the General Fund, along with any Federal Medicaid funds received by the Commissioner, are distributed directly to qualifying nursing homes.

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## Outdoor Advertising Fee

### Description

Pursuant to N.J.S.A. 54:4-11.1, an Outdoor Advertising Fee is imposed on the gross amounts collected by a retail seller from an end user, whether payment is received in money or otherwise, for the sale of space on an outdoor advertising sign (billboard). The retail seller is the licensee or permit holder authorized by the New Jersey Department of Transportation to engage in the business of outdoor advertising and selling the space to the end user. The end user is the person purchasing the space for the person's own use in order to place his/her advertisement on the sign.

Although the fee is imposed on the retail seller, the law provides that the seller is not subject to the fee on gross amounts collected from a purchaser/end user that is exempt from New Jersey Sales and Use Tax pursuant to N.J.S.A. 54:32B-9(a) or (b). There is also an exemption for "fees received by an advertising agency that is not a related party of the retail seller and that are not received from the retail seller."

### Rate

The Outdoor Advertising Fee was originally imposed at a rate of 6% on the gross amounts collected by a retail seller for outdoor advertising space. P.L. 2004, C. 42, amended the section of the law which affects payment of the fee on amounts collected after June 30, 2006. From July 1, 2006, through June 30, 2007, the rate is reduced from 6% to 4%. For the period July 1, 2007, and thereafter, no fee is imposed.

## Disposition of Revenues

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

## Petroleum Products Gross Receipts Tax

### Description

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

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

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

### Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. In the case of fuel oils, aviation fuels, and motor fuels, this rate is converted to \$0.04 per gallon pursuant to C. 48, P.L. 2000, adopted on June 30, 2000. Eligible taxpayers may claim the Neighborhood Revitalization State Tax Credit against the petroleum products gross receipts tax pursuant to P.L. 2001, C. 415.

## Disposition of Revenues

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

## Property Tax Relief Programs

### Homestead Rebate Program

Chapter 61, P.L. 1990, created a new Homestead Property Tax Rebate Program to provide rebates for both homeowners and tenants. The new program replaced certain other direct property tax relief programs: (1) the original Homestead Rebate Program (C. 72, P.L. 1976) which provided rebates to homeowners; (2) the residential property tax deduction and credit provided to both homeowners and tenants on their income tax returns under C. 304, P.L. 1985; and (3) the tenant credit program (C. 47, P.L. 1976, as amended).

The application for the new homestead property tax rebate was combined with the resident income tax return beginning with the tax return for 1990, and benefits were linked to income level and amount of property taxes paid. Under this program rebates ranged from \$100 to \$500 for homeowners, and \$35 to \$500 for tenants, depending on the applicant's filing status, gross income, and the amount of property taxes paid, either directly or through rent. Those with incomes over \$100,000 were not eligible for a rebate.

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

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

Chapter 63, P.L. 1999, the NJ SAVER and Homestead Rebate Act, created the NJ SAVER Rebate Program, another new, direct property tax relief program to be phased in over five years beginning in 1999. Under the provisions of this Act, homeowners who qualified for both the homestead rebate and the NJ SAVER rebate received either the homestead rebate or the NJ SAVER rebate, depending which program provided the greater benefit. (See *NJ SAVER Rebate Program* on this page for a description of that program.) This same legislation increased the homestead rebate income threshold for tenants to \$100,000 and set the income threshold at \$40,000 for homeowners who were not 65 or older or blind or disabled. For 1998, tenants who were under 65, not blind or disabled, and who had income between \$40,000 and \$100,000 were eligible to receive a \$30 homestead rebate provided they filed a Homestead Rebate Application by June 15, 1999. The legislation increased this amount to \$40 for the 1999 tax year, \$60 for the 2000 tax year, \$80 for the 2001 tax year, and \$100 for 2002 and thereafter.

Chapter 159, P.L. 2001, increased the maximum benefit under the Homestead Rebate Program for homeowners and tenants who were 65 or older or disabled from \$500 to \$750 beginning with homestead rebates paid in calendar year 2001. For homestead rebates paid in 2002 and thereafter, the maximum amount would be indexed annually to the cost of living. This legislation also increased the maximum tenant homestead rebate paid in 2001 and thereafter to tenants who are not 65 or disabled to \$100, eliminating the three-year phase-in which, under the prior legislation (C. 63, P.L. 1999), was scheduled to end with rebates paid in 2003. It also increased the minimum rebate for tenants who were 65 or disabled to \$100.

Under State Budget provisions for fiscal year 2004, homestead rebates paid in 2003 were not adjusted by the cost-of-living increase.

From 1999 until 2004, both the Homestead Rebate and the NJ SAVER Rebate Programs provided property tax relief benefits to qualified homeowners. Chapter 40, P.L. 2004, the 2004 Homestead Property Tax Rebate Act, folded the NJ SAVER Rebate Program into the existing Homestead Rebate Program, and combined certain aspects of each, eliminating the NJ SAVER rebate for tax years 2004 and thereafter. The new program was given the acronym "FAIR" which stood for FAIR [*sic*] and Immediate Relief. The Act also provided that the NJ SAVER and homestead rebates for 2003 were to be calculated the same way, taking into account the applicant's filing status, gross income, and the amount of property taxes paid, either directly or through rent. Eligible applicants received

either the homestead rebate or the NJ SAVER rebate. The rebates ranged from \$500 to \$1,200 for homeowners, and from \$150 to \$825 for tenants. Homeowners with incomes over \$200,000 or tenants with incomes over \$100,000 were not eligible for a 2003 rebate.

For tax year 2004, rebate amounts were determined by income, filing status, whether a taxpayer was age 65 or older or eligible to claim an exemption as blind or disabled for the tax year, and whether the taxpayer was a homeowner or a tenant on October 1 of the tax year. Gross income could not exceed \$200,000 for eligible homeowners or \$100,000 for eligible tenants. Beginning with tax year 2004, tenants applied for the rebate on Form TR-1040, found in the income tax return booklet. A separate rebate application was mailed to homeowners. Only New Jersey residents who were either homeowners or tenants on October 1 and met the other requirements were eligible for a rebate for that year.

The State Budget for fiscal year 2006 limited rebate amounts paid for tax year 2004. Homeowners age 65 or older or disabled received rebates of \$500 to \$1,200. Homeowners under age 65 and not disabled received \$300 to \$350. Tenants age 65 or older or disabled received \$150 to \$825; and the rebate amount for tenants under age 65 and not disabled was \$75.

For tax year 2005 eligible homeowners who were age 65 or older or disabled received rebates ranging from \$500 to \$1,200. The State Budget for fiscal year 2007 limited rebate amounts for 2005 for eligible homeowners under age 65 and not disabled. Rebates for these homeowners ranged from \$200 to \$350. Tenants age 65 or older or disabled received from \$150 to \$825; and the rebate amount for tenants under age 65 and not disabled was \$75.

### **NJ SAVER Rebate Program**

Chapter 63, P.L. 1999, the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act), created the NJ SAVER Rebate Program. Under this program New Jersey residents, regardless of age or income, who owned, occupied, and paid property taxes on a home in New Jersey that was their principal residence on October 1 of any year were eligible to receive an NJ SAVER rebate for that year.

Rebates were calculated by multiplying the equalized value of a home by the effective school tax rate for the municipality in which the home was located. The equalized value for the calculation could not exceed \$45,000. Since school tax rates varied among municipalities, NJ



SAVER rebate amounts varied. The legislation provided for a five-year phase-in period beginning in 1999. The first rebate checks mailed in 1999 represented 20% of the maximum NJ SAVER rebate and homeowners received 40% of the maximum rebate in 2000.

Chapter 106, P.L. 2001, amended the original legislation (P.L. 1999, C. 63) to accelerate the phase-in period of the NJ SAVER Rebate Program from five years to four years. The legislation increased the amount to be paid in 2001 from 60% to 83⅓% of the full amount and provided for the full benefit amount to be paid in 2002.

The State Budget for fiscal year 2003 limited NJ SAVER rebates for 2001 to homeowners earning \$200,000 or less and limited rebates to the amounts paid for 2000.

As part of the State Budget for fiscal year 2004, NJ SAVER rebates for 2002 were not paid to any individual or married couple with gross income in excess of \$200,000. Additionally, the amount paid was limited to 50% of the prior year's NJ SAVER rebate check.

The 2004 Homestead Property Tax Rebate Act (P.L. 2004, C. 40) folded the NJ SAVER Rebate Program into the existing Homestead Rebate Program, and combined certain aspects of each, eliminating the NJ SAVER rebate for tax years 2004 and thereafter. See *Homestead Rebate Program* on page 39 for more information.

### Property Tax Reimbursement Program

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

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

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

Under the provisions of the State Budget for fiscal year 2004, only applicants who received a reimbursement for tax year 2001 and who met all the eligibility requirements, including the income limits for 2002, were eligible to receive a reimbursement for 2002. The amount applicants received for tax year 2002 could not exceed the amount they received for 2001. For 2003, reimbursements were issued to all eligible applicants for the difference between their 2003 property taxes and their base year property taxes. For eligible applicants who filed applications for the first time for 2002 but did not receive checks, the 2003 reimbursement represented the difference between the amount of their 2003 property taxes paid and the amount of their 2001 (base year) taxes. For 2004 and 2005, reimbursements were issued to all eligible applicants for the difference between their 2004 and/or 2005 property taxes and their base year property taxes.

### Other Benefits

**Property Tax Deduction/Credit:** Annual deduction or refundable credit given on the New Jersey resident income tax return. Qualified residents may deduct 100% of their property taxes due and paid or \$10,000, whichever is less. For tenants, 18% of rent paid during the year is considered property taxes paid. The minimum benefit is a refundable credit of \$50.

**Senior Citizens' or Disabled Persons' Property Tax Deduction:** Annual deduction of up to \$250 from property taxes for homeowners age 65 or older or disabled who meet certain income and residency requirements.

**Veterans' Deduction:** Annual deduction of up to \$250 from taxes due on the real or personal property of qualified war veterans and their unmarried surviving spouses.

**Property Tax Exemption for Disabled Veterans:** Full exemption from property taxes on a principal residence for certain totally and permanently disabled war veterans and their unmarried surviving spouses. Unmarried surviving spouses of servicepersons who died on wartime active duty may also qualify.

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## Public Community Water System Tax

### Description

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

### Rate

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

### Disposition of Revenues

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

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## Public Utility Franchise Tax

### Description

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

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

### Administration

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

### Rate

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

### Disposition of Revenues

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

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## Public Utility Gross Receipts Tax

### Description

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

### Administration

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

### Rate

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

### Disposition of Revenues

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

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## Public Utility Excise Tax

### Description

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

### Administration

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

### Rate (Calendar Year Basis)

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

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

### Disposition of Revenues

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

## Railroad Franchise Tax

### Description

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

### Rate

Railroad Franchise Tax is assessed at the rate of 10% upon the net railway operating income of the preceding year allocated to New Jersey. The minimum is \$100 for taxpayers having total railway operating revenues in the preceding year of \$1 million or less and \$4,000 for taxpayers with operating revenues in excess of \$1 million in the preceding year.

### Disposition of Revenues

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

## Railroad Property Tax

### Description

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

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

Class II: All other real estate *used for railroad purposes* including roadbed other than "main stem" (Class I), tracks, buildings, water tanks, riparian rights, docks, wharves, piers. Excluded is "tangible personal property":

rolling stock, cars, locomotives, ferryboats, all machinery, tools. Facilities used in passenger service are also excluded, being defined as Class III property.

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

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

### Exemptions

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

### Rate

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

### Disposition of Revenues

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

## Realty Transfer Fee

### Description

The Realty Transfer Fee is imposed upon the recording of deeds evidencing transfers of title to real property in the State of New Jersey. The Realty Transfer Fee is calculated based on the amount of consideration recited in the deed.

The Realty Transfer Fee does not apply to a deed: for a consideration of less than \$100; by or to the United States of America, this State, or any instrumentality, agency, or

subdivision thereof; solely in order to provide or release security for a debt or obligation; which confirms or corrects a deed previously recorded; on a sale for delinquent taxes or assessments; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as an "ancient deed" pursuant to R.S. 46:16-7; acknowledged or proved on or before July 3, 1968; between husband and wife, or parent and child; conveying a cemetery lot or plot; in specific performance of a final judgment; releasing a right of reversion; previously recorded in another county and full Realty Transfer Fee paid or accounted for, as evidenced by written instrument, attested by the grantee, and acknowledged by the county recording officer; by an executor or administrator of a decedent to a devisee or heir to effect distribution of the decedent's estate in accordance with the provisions of the decedent's will or the intestate laws of this State; recorded within 90 days following the entry of a divorce decree which dissolves the marriage between grantor and grantee; issued by a cooperative corporation, as part of a conversion of all of the assets of the cooperative corporation into a condominium, to a shareholder upon the surrender by the shareholder of all of the shareholder's stock in the cooperative corporation and the proprietary lease entitling the shareholder to exclusive occupancy of a portion of the property owned by the corporation.

**Rate**

In accordance with Chapter 66, Laws of 2004, as amended by Chapter 19, Laws of 2005, the level or rate of the Realty Transfer Fee is as follows:

**Standard Transactions and New Construction**

**Total Consideration not Over \$350,000**

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 2.00
150,000	200,000	3.35
200,000	350,000	3.90

**Total Consideration Over \$350,000**

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 2.90
150,000	200,000	4.25
200,000	550,000	4.80
550,000	850,000	5.30
850,000	1,000,000	5.80
1,000,000*		6.05

**Senior Citizens or Blind or Disabled Persons; Low and Moderate Income Housing**

**Total Consideration not Over \$350,000**

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$ 150,000	\$ 0.50
150,000	350,000	1.25

**Total Consideration Over \$350,000**

Consideration		Rate / \$500
<i>over</i>	<i>but not over</i>	
\$ 0	\$150,000	\$1.40
150,000	550,000	2.15
550,000	850,000	2.65
850,000	1,000,000	3.15
1,000,000*		3.40

\* Effective February 1, 2005, a 1% fee is imposed upon grantees (buyers) on property transfers for consideration in excess of \$1,000,000, for property class 2 "residential"; class 3A "farm property (regular)" if effectively transferred with other property to the same grantee; and cooperative units, which are class 4C. The 1% fee is imposed on the entire amount of such consideration recited in the deed. The 1% fee is not imposed upon organizations determined by the Federal Internal Revenue Service to be exempt from Federal income taxation that are the buyers in deeds for a consideration in excess of \$1,000,000.

**Disposition of Revenues**

The Realty Transfer Fees per \$500 of consideration will be allocated according to the type of transaction as follows:

**Standard (no exemption)**

**Total Consideration Not Over \$350,000**

Consideration		County Treasurer <sup>1</sup>	State Treasurer <sup>2</sup>	Neighborhood P.N.R. Fund
<i>over</i>	<i>but not over</i>			
0	\$ 150,000	\$ 0.75	\$ 1.25	0
\$ 150,000	200,000	0.75	1.85	\$ 0.75
200,000	350,000	0.75	2.40	0.75

**Total Consideration Over \$350,000**

Consideration		County Treasurer <sup>1</sup>	State Treasurer <sup>2</sup>	Neighborhood P.N.R. Fund
<i>over</i>	<i>but not over</i>			
0	\$ 150,000	\$ 0.75	\$ 2.15	0
\$ 150,000	200,000	0.75	2.75	\$ 0.75
200,000	550,000	0.75	3.30	0.75
550,000	850,000	0.75	3.80	0.75
850,000	1,000,000	0.75	4.30	0.75
1,000,000		0.75	4.55	0.75

**Senior Citizens or Blind or Disabled Persons;  
Low and Moderate Income Housing**

**Total Consideration Not Over \$350,000**

Consideration		County Treasurer	State Treasurer	Neighborhood P.N.R. Fund
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.50	0	0
\$ 150,000	350,000	0.50	0	\$ 0.75

**Total Consideration Over \$350,000**

Consideration		County Treasurer	State Treasurer <sup>3</sup>	Neighborhood P.N.R. Fund
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.50	\$ 0.90	0
\$ 150,000	550,000	0.50	0.90	\$ 0.75
550,000	850,000	0.50	1.40	0.75
850,000	1,000,000	0.50	1.90	0.75
1,000,000		0.50	2.15	0.75

**New Construction**

**Total Consideration Not Over \$350,000**

Consideration		County Treasurer <sup>1</sup>	State Treasurer <sup>2</sup>	Neighborhood P.N.R. Fund
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.75	\$ 1.00	\$ 0.25
\$ 150,000	200,000	0.75	0.60	2.00
200,000	350,000	0.75	1.15	2.00

**Total Consideration Over \$350,000**

Consideration		County Treasurer <sup>1</sup>	State Treasurer <sup>2</sup>	Neighborhood P.N.R. Fund
<i>over</i>	<i>but not over</i>			
\$ 0	\$ 150,000	\$ 0.75	\$ 1.90	\$ 0.25
\$ 150,000	200,000	0.75	1.50	2.00
200,000	550,000	0.75	2.05	2.00
550,000	850,000	0.75	2.55	2.00
850,000	1,000,000	0.75	3.05	2.00
1,000,000		0.75	3.30	2.00

<sup>1</sup>Under the Public Health Priority Funding Act of 1977, \$0.25 per \$500 of consideration is deposited into a special fund.

<sup>2</sup>Amount per \$500 of consideration is deposited as follows:

*Extraordinary Aid Account*

**Standard Transactions**

Not over \$150,000	\$ 0
Over \$150,000 but not over \$200,000	0.60
Over \$200,000	1.15

**New Construction**

Not over \$150,000	\$ 1.00
Over \$150,000 but not over \$200,000	0.60
Over \$200,000	1.15

*State General Fund*

Where the **total consideration is over \$350,000** a General Purpose Fee is imposed as follows:

Not over \$150,000	\$ 0.90
Over \$150,000 but not over \$550,000	0.90
Over \$550,000 but not over \$850,000	1.40
Over \$850,000 but not over \$1,000,000	1.90
Over \$1,000,000	2.15

<sup>3</sup>Entire amount is deposited into the State General Fund.

The proceeds of the Realty Transfer Fees collected by the county recording officer are accounted for and remitted to the county treasurer. In Fiscal Year 2005, a total of \$330,911,643.18 was paid to the State Treasurer in Realty Transfer Fees and deposited into the State General Fund. In Fiscal Year 2006, a total of \$423,029,400.89 was paid to the State Treasurer in Realty Transfer Fees and deposited into the State General Fund.

Amounts not in excess of \$25,000,000 paid during the State fiscal year to the State Treasurer from the payment of the State portion of the basic fee are credited to the Shore Protection Fund.

In Fiscal Year 2005, \$94,036,644.37 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund. In Fiscal Year 2006, \$109,340,188.79 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

A “supplemental fee” is allocated between the county Public Health Priority Fund and the State Extraordinary Aid Account. In Fiscal Year 2005, the Extraordinary Aid Account received \$107,759,391.88. In Fiscal Year 2006, the Extraordinary Aid Account received \$122,611,069.81.

**Changes for Fiscal Year 2007**

Chapter 33, P.L. 2006, enacted July 8, 2006, effective on August 1, 2006, provides that:

- A fee of 1% is imposed on Class 4A “commercial properties” for an entire consideration in excess of \$1 million as well as the classes already incurring the 1% fee.
- The 1% fee does not apply if real property transfer is incidental to a corporate merger or acquisition and the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition.
- Buyers (grantees) in deeds involving Class 4A sales recorded on or before November 15, 2006, that were transferred pursuant to a contract fully executed before July 1, 2006, who remit the 1% fee shall have it refunded by filing a Claim for Refund with the Division within one year following the recording date of the deed.
- Affidavit of Consideration for Use by Seller (Form RTF-1) is required for all Class 4 property deed recordings.
- A fee of 1% is imposed on nondeed transfers of a controlling interest in an entity which possesses, directly

or indirectly, a controlling interest in classified real property, payable to the Director, by the purchaser of the controlling interest.

## Sales and Use Tax

### Description

Sales and Use Tax applies to receipts from retail sale, rental, or use of tangible personal property or digital property; retail sale of producing, fabricating, processing, installing, maintaining, repairing, and servicing tangible personal property or digital property; maintaining, servicing, or repairing real property; certain direct-mail services; tattooing, tanning, and massage services; investigation and security services; information services; limousine services; sales of restaurant meals and prepared food; rental of hotel and motel rooms; certain admission charges; certain membership fees; parking charges; storage services; sales of magazines and periodicals; delivery charges; and telecommunications services, except as otherwise provided in the Sales and Use Tax Act.

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

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

Major exemptions include: sales of newspapers; magazines and periodicals sold by subscription and membership periodicals; casual sales except motor vehicles and registered boats; clothing; farm supplies and equipment; flags of New Jersey and the United States; unprepared food and food ingredients purchased for human consumption; food sold in school cafeterias; prescription and certain nonprescription drugs and other medical aids; motor fuels; textbooks; professional and personal services unless otherwise taxable under the Act; real estate sales; tangible personal property used in research and development; production machinery and equipment.

The Sales and Use Tax Act was amended, effective October 1, 2005, to conform New Jersey's law to the requirements of the Streamlined Sales and Use Tax Agreement (SSUTA), which is a multi-state effort to simplify and modernize the collection and administration of sales and use taxes. The adoption of the SSUTA resulted in significant changes in New Jersey's tax policy and administration, including uniform product definitions and changes in the taxability of specific items. In addition, the SSUTA provided for the creation of a new central registration system, certain amnesty provisions, and minor changes in the treatment of exemption certificates.

### Rate

The rate of tax is 7% on taxable sales occurring on or after July 15, 2006. Formerly, the tax rate was 6%.

### Disposition of Revenues

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

### History

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

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

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

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

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

Production machinery and equipment became exempt from Sales and Use Tax effective January 1, 1978.

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

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

Recycling equipment was exempted from Sales and Use Tax effective January 12, 1982 (C. 546, P.L. 1981).

The Sales and Use Tax rate increased to 6%, effective January 3, 1983 (C. 227, P.L. 1982).

Nonprescription drugs, household paper products, and soaps and detergents were exempted from Sales and Use Tax, effective July 1, 1983.

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

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

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

The Sales and Use Tax rate decreased to 6%, effective July 1, 1992 (C. 11, P.L. 1992).

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

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

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

Certain radio and television broadcast production equipment was exempted from Sales and Use Tax effective April 1, 1996 (C. 317, P.L. 1995).

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

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

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

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

Chapter 221, P.L. 1999, provides for expanded Sales and Use Tax exemptions for film and video industries.

Chapter 246, P.L. 1999, exempts repairs to certain aircraft from Sales and Use Tax.

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

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

"The Firearm Accident Prevention Act" (C. 253, P.L. 1999) exempts sales of firearm trigger locks from Sales and Use Tax.

"The Secure Firearm Storage Act" exempts sales of firearm vaults from Sales and Use Tax (C. 254, P.L. 1999).

Chapter 273, P.L. 1999, provides for general exemption from Sales and Use Tax of costs of purchase and repair of commuter ferryboats.

"Farm use" exemption was revised through C. 314, P.L. 1999.

Chapter 365, P.L. 1999, provides Sales and Use Tax exemptions for certain purchases by flood victims of Hurricane Floyd.

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

Chapter 90, P.L. 2001, provides for a Sales and Use Tax exemption for the sale and repair of limousines.

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

Chapter 45, P.L. 2002, brings the Sales and Use Tax Act into compliance with the Federal Mobile Telecommunications Sourcing Act.

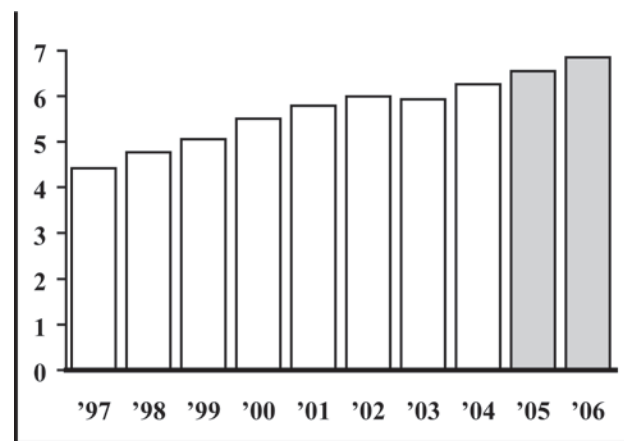
Chapter 136, P.L. 2003, provides that the receipts from rentals of tangible personal property between “related persons” are exempt from Sales and Use Tax.

Chapter 266, P.L. 2003, provides a Sales and Use Tax exemption for the sale of zero emission motor vehicles.

Through the enactment of P.L. 2005, C. 126, New Jersey joined a national coalition of states in conforming the New Jersey Sales and Use Tax Act to the provisions of the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA was developed over the course of several years through the joint effort of over 40 states participating in the Streamlined Sales and Use Tax Project. The underlying purpose of the Agreement is to simplify and modernize the administration of the sales and use tax laws of the member states in order to facilitate multistate tax administration and compliance. The provisions of the new law took effect on October 1, 2005.

Chapter 44, P.L. 2006, increased the Sales and Use Tax rate from 6% to 7%, effective July 15, 2006. The law also expanded the Sales and Use Tax base effective October 1, 2006, by imposing tax on various products and services that were not previously taxed as well as by limiting existing exemptions for other products and services.

**Sales and Use Tax Collections  
(In Billions)**



Fiscal Year	Collections
1997	4,415,427,600
1998	4,766,194,660
1999	5,054,437,769
2000	5,508,045,603
2001	5,758,670,303
2002	5,996,839,407
2003	5,936,057,141
2004	6,261,700,380
<b>2005</b>	<b>6,552,199,925</b>
<b>2006</b>	<b>6,853,417,869</b>

**Urban Enterprise Zones**

The New Jersey Urban Enterprise Zones Act (C. 303, P.L. 1983), approved August 15, 1983, provides tax advantages and other business tools to enhance development efforts in the State’s economically distressed urban centers. The statute was amended in 2002 to add Urban Enterprise Zone-impacted business districts. Urban Enterprise Zone-impacted business districts are areas that have been negatively impacted by the presence of 2 or more adjacent Urban Enterprise Zones. Under the program, qualified municipalities apply to the Urban Enterprise Zone Authority to have a portion of the municipality designated as an Urban Enterprise Zone or Urban Enterprise Zone-impacted business district. Businesses must apply to the local municipal zone coordinator to be certified as a “qualified business” before they can take advantage of these benefits.

Initially 10 zones (the maximum number provided under the statute) were established in: Bridgeton, Camden,



Elizabeth, Jersey City, Kearny, Millville/Vineland, Newark, Orange, Plainfield, and Trenton. Chapter 367, P.L. 1993, approved January 5, 1994, allowed for the designation of 10 additional enterprise zones. This increased the number of zones from 10 to 20, adding Asbury Park/Long Branch, Carteret, Lakewood, Mount Holly, Passaic, Paterson, Perth Amboy, Phillipsburg, Pleasantville, and Union City. In 1996, 7 new zones were added: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton, and West New York. In 2002, 3 additional zones were designated: Bayonne City, Roselle Borough, and a joint zone consisting of North Wildwood City, Wildwood City, Wildwood Crest Borough, and West Wildwood Borough (P.L. 2001 C. 347). Gloucester City was added effective April 1, 2004 (P.L. 2003, C. 285). New Brunswick was added as the 32nd zone effective July 1, 2004 (P.L. 2004, C. 75).

In 2002, legislation was passed which requires the Urban Enterprise Zone Authority to extend a zone's initial designation as an Urban Enterprise Zone if the particular enterprise zone meets certain requirements. The same legislation provides for the replacement of the final 5-year period of the 20-year Urban Enterprise Zone designation for the eligible zones with a new 16-year period.

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

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

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

### **Sales Tax Benefits**

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

for one year. Recertification is automatic unless the business changes or loses its qualified status.

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

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

Public Law 2004, C. 65, amended the Urban Enterprise Zones Act to include a Sales and Use Tax exemption for energy and utility service sold to certain qualified urban enterprise zone businesses. In order to be eligible, a qualified business, or a group of vertically integrated qualified businesses within a single redevelopment area, must employ at least 500 people within an enterprise zone, at least 50% of whom are directly employed in a manufacturing process.

P.L. 2005, C. 374, amended the exemption for energy and utility service sold to certain qualified urban enterprise zone businesses by changing "500 people" to "250 people." It also extended the exemption to qualifying Salem County businesses that employ at least 50 people.

P.L. 2006, C. 34, effective July 15, 2006, amended the Urban Enterprise Zones Act to require that to qualify as a UEZ business an applicant must meet all outstanding tax obligations. The law also requires that UEZ qualified businesses having annual gross receipts \$1,000,000 or more obtain exemption from Sales and Use Tax on purchases by filing a claim for refund of tax, rather than by using a point-of-purchase exemption certificate.

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## Savings Institution Tax

### Description

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

Excluded from tax are:

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

### Rate

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

### Disposition of Revenues

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

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## Solid Waste Services Tax

### Description

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

### Rate

The tax rate in 2005 was \$1.50 per ton or \$0.45 per cubic yard on all solid waste accepted for disposal. The tax rate in 2006 was \$1.55 per ton or \$0.465 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form was \$0.002 per gallon for both years. 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 coun-

ties based on the amount of waste generated and used for implementing county solid waste management plans.

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## Spill Compensation and Control Tax

### Description

The Spill Compensation and Control Tax is imposed on owners or operators of one or more major facilities used to refine, store, produce, handle, transfer, process, or transport hazardous substances, including petroleum products, to ensure compensation for cleanup costs and damages due to discharge of hazardous substances.

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

### Rate

1. Nonpetroleum hazardous substances—1.53% of fair market value;
2. Petroleum products—\$0.023 per barrel;
3. Precious metals—\$0.023 per barrel;
4. Elemental phosphorus—\$0.023 per barrel; and
5. Elemental antimony or antimony trioxide—\$0.023 per barrel, with annual approval.

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

The tax for an individual taxpayer facility which paid the tax in 1986 is capped at a certain percentage of the taxpayer's 1986 liability. Other tax cap benefits may apply.

### Disposition of Revenues

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

## Tobacco Products Wholesale Sales and Use Tax

### Description

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

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

### Rate

The Tobacco Products Wholesale Sales and Use Tax is imposed at the rate of 30% on the invoice price the distributor pays to buy the products from the manufacturer.

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

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

Distributors and wholesalers who also sell moist snuff at retail or otherwise use the moist snuff must pay a compensating use tax at the rate of \$0.75 per ounce of moist snuff, with a proportionate tax rate for fractional parts of an ounce of the net weight of moist snuff.

### Disposition of Revenues

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

## Transfer Inheritance and Estate Taxes

### Description

The Transfer Inheritance Tax applies to the transfer of all real and tangible personal property located in New Jersey and intangible personal property wherever situated in estates of resident decedents. In estates of nonresident decedents, the tax applies to real property and tangible personal property located in the State of New Jersey.

The Estate Tax is imposed in addition to the Transfer Inheritance Tax on the estates of resident decedents where inheritance, estate, succession, or legacy taxes paid are less than the Federal credit allowable either on the decedent's date of death if the date of death was on or before December 31, 2001, or under the provisions of the Internal Revenue Code in effect on December 31, 2001, if the decedent died after December 31, 2001.

### Rate

The Transfer Inheritance Tax rates depend on the amount received and the relationship between the decedent and the beneficiary. No tax is imposed on class A beneficiaries (father, mother, grandparents, descendants, spouses, or domestic partners). Class C beneficiaries (sibling of decedent or widow/er of a child of decedent) are taxed at 11%–16%, with the first \$25,000 exempt. Class D beneficiaries (not otherwise classified) are taxed at 15%–16%, with no tax on transfers having an aggregate value of less than \$500. Charitable institutions are exempt from tax.

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

During 2001 there was no Federal estate tax due on Federal estates of less than \$675,000. Under the provisions

of the Federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the applicable Federal exclusion amounts were increased to:

2002 and 2003	\$1.0 Million
2004 and 2005	1.5 Million
2006, 2007, and 2008	2.0 Million
2009	3.5 Million
2010	Tax Repealed

The New Jersey Estate Tax exclusion was frozen at the 2001 level for decedents dying in 2002 and thereafter. The Estate Tax is an amount equal to the Federal credit for inheritance, estate, succession, and legacy taxes allowable under provisions of the Internal Revenue Code in effect on December 31, 2001, less the total of such taxes paid to New Jersey, any other state, territory or possession of the United States, or the District of Columbia. For decedents dying after December 31, 2001, the reduction for taxes paid to other jurisdictions is limited to that portion of the credit which bears the same relationship to the total credit as the property subject to tax in the other jurisdiction bears to the property subject to tax in New Jersey.

### Exemptions From Transfer Inheritance Tax

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

### Disposition of Revenues

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

### History

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

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

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

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

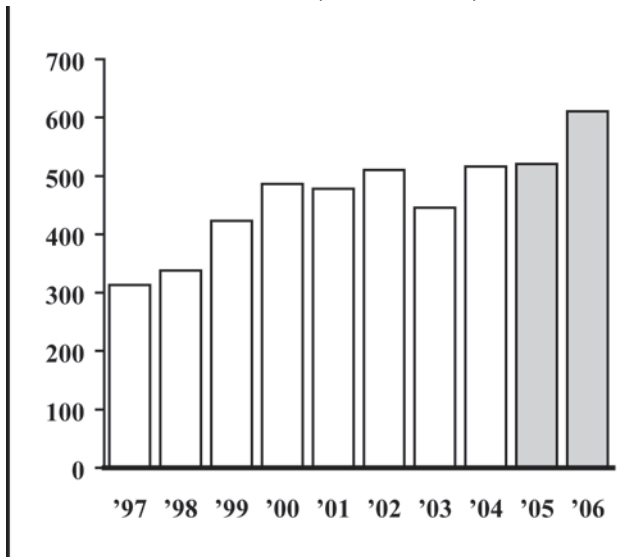
In July 2002, legislation (C. 31, P.L. 2002) was enacted changing the manner in which Estate Tax is computed for the estates of decedents dying after December 31, 2001. Under the changes made to the Federal estate tax law, New Jersey's Estate Tax would have been phased out over a three-year period.

P.L. 2003, C. 246, the Domestic Partnership Act, recognized domestic partnerships and provided certain rights and benefits to individuals participating in them. The Act made significant changes to the New Jersey Inheritance Tax for individuals dying on or after July 10, 2004. Transfers made to a surviving domestic partner were made exempt from the inheritance tax.

P.L. 2004, C. 132, enacted August 31, 2004, and effective on the 180th day following enactment, makes important changes in the way estates and trusts must be administered. This change would indirectly affect both inheritance and estate tax.

P.L. 2005, C. 331, provides a surviving domestic partner with the same intestacy rights as a surviving spouse. Additionally, a surviving domestic partner now has the right to take an elective share in a deceased partner's estate, be appointed administrator of the estate, and make funeral arrangements.

### Transfer Inheritance and Estate Tax Collections (In Millions)



Fiscal Year	Collections
1997	313,447,496
1998	337,679,941
1999	423,015,329
2000	485,948,339
2001	478,061,055
2002	510,367,419
2003	445,310,855
2004	516,007,975
<b>2005</b>	<b>520,775,959</b>
<b>2006</b>	<b>610,847,697</b>

## Transitional Energy Facility Assessment

### Description

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

### Administration

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

### Rate

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

### Disposition of Revenues

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

## Uniform Transitional Utility Assessment

### Description

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

### Administration

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

### Rate

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

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

### **Disposition of Revenues**

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

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## **9-1-1 System and Emergency Response Assessment**

### **Description**

P.L. 2004, C. 48, enacted June 29, 2004, for certain services, imposes a fee on periodic billings to mobile telecommunications and telephone exchange customers. This fee is charged by:

- Mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State; and
- Telephone exchange companies for each telephone voice grade access service line provided as part of that telephone exchange service.

The fee is not applicable to the Federal government, its agencies, or instrumentalities. On and after January 1, 2005, the law provides an exemption for State, county and municipal governments, and school districts from the fee imposed on telephone exchange services.

### **Rate**

The 9-1-1 System and Emergency Response Fee is \$.90 for each voice grade access service number and line to mobile telecommunications and telephone exchange customers.

### **Disposition of Revenues**

The revenue collected pursuant to the fee will serve to replace the current 9-1-1 infrastructure Statewide with a state-of-the-art enhanced 9-1-1 system. Revenue collected is also applied to pay for costs of funding the State's capital equipment, facilities, and operating expenses that arise from emergency preparedness, emergency response training, counter-terrorism measures, security at State facilities including transportation infrastructure, preparation for first responders to chemical or biohazard emergencies, and any expenses of the Office of Emergency Management in the Division of State Police in the Department of Law and Public Safety.

**New Jersey Division of Taxation**

# **LEGISLATION AND COURT DECISIONS**

## LEGISLATION

### Administration

#### **P.L. 2005, C. 124 — Enhanced Debt Collection Procedures**

Enacted on July 2, 2005, and effective immediately, provides enhanced procedures for the Department of Treasury in the collection of certain debts owed to a New Jersey State department or agency.

#### **P.L. 2006, C. 32 — Reciprocal Debt Collection Agreement With Federal Government**

Enacted on July 8, 2006, and becomes operative when the State Treasurer enters into a reciprocal debt collection and offset of indebtedness agreement with the Federal government, which is authorized by this act. The reciprocal agreement would allow the State to offset nontax debts owed to the Federal government against State tax refunds and against payments otherwise due to vendors and contractors providing goods and services to State public entities. Similarly the agreement would allow debts owed to the State of New Jersey to be offset against Federal payments otherwise due to vendors and contractors and to taxpayers.

The law amends one of the confidentiality provisions of Title 54 in order to allow the Division of Taxation to release relevant taxpayer information to the United States Treasury for purposes of implementing a reciprocal debt collection and offset of indebtedness agreement.

### Cigarette Tax

#### **P.L. 2005, C. 85 — Facilitating Tax Collection**

Enacted on May 4, 2005, and effective November 1, 2005, requires that retail sales of cigarettes may be made only when the purchaser is in the physical presence of the seller, unless the seller has fully complied with certain requirements, including collecting or verifying payment of applicable State cigarette and sales and use taxes and verifying certain information about the purchaser.

#### **P.L. 2005, C. 384 — Minimum Age for Sales and Purchases**

Enacted January 15, 2006, and effective April 15, 2006, raises the minimum age for the sale and purchase of cigarettes from 18 to 19 years of age. It also imposes personal liability on employees of retail dealers that are licensed

under the Cigarette Tax Act and specifies that they will be subject to penalties if they sell or provide tobacco products to a person younger than 19.

#### **P.L. 2006, C. 37 — Cigarette Tax Increase**

Enacted on July 8, 2006, raises the cigarette tax to \$0.12875 for each cigarette sold, effective July 15, 2006.

### Corporation Business Tax

#### **P.L. 2005, C. 127 — Uncoupling Certain Qualified Production Activities Income**

Enacted July 2, 2005, and effective immediately, applicable to privilege periods beginning after December 31, 2004, for corporation business tax purposes and to taxable years beginning after December 31, 2004, for gross income tax purposes, amends the Corporation Business Tax Act and the Gross Income Tax Act to disallow a deduction for certain qualified production activities income that was provided for Federal income tax purposes under the American Jobs Creation Act of 2004. The uncoupling does not apply to gross receipts from qualifying production property manufactured or produced by the taxpayer, but *will* apply to the activities that are described in Section 199 of the IRC, and *will* apply to qualified production property grown or extracted by the taxpayer.

#### **P.L. 2005, C. 318 — Tax Credit for Employing Handicapped Persons at Sheltered Workshops**

Enacted January 12, 2006, and effective immediately, applies to privilege periods and taxable years beginning after enactment.

The Act allows a credit against the corporation business tax or the gross income tax in an amount equal to 20% of the salary and wages paid by the taxpayer during the privilege period or taxable year for the employment of a handicapped person who qualifies as an “extended employee” pursuant to N.J.S.A. 34:16-40 and who has worked for the taxpayer in a “sheltered workshop” arrangement for at least the minimum amount of time set forth in the Act. The credit may not exceed 50% of the tax liability otherwise due.

#### **P.L. 2005, C. 345 — Tax Credit for Film Production Expenses**

Enacted January 12, 2006, and effective immediately, applies to qualified film production expenses incurred on or after the date of enactment. The credit provisions apply to privilege periods and taxable years beginning on or after July 1, 2005, and will expire with privilege periods and taxable years beginning after July 1, 2015.



“Qualified film production expenses” are expenses incurred in New Jersey for the production of a feature film or a television series or show of at least 15 minutes and intended for a national audience, and also include post-production costs incurred in New Jersey. Such expenses include, for example, wages paid to individuals employed in production, costs of editing, photography, sound synchronization, lighting, wardrobe, and facilities rental. Qualified expenses do not include expenses incurred in marketing or advertising a film.

The Act allows a credit against corporation business tax in an amount equal to 20% of the qualified film production expenses paid by the taxpayer during the privilege period, provided that at least 60% of the total production expenses (other than post-production) will be for services performed or goods used in New Jersey, and provided that the principal photography begins within 150 days after the credit application is approved.

The Act allows a similar credit against the gross income tax. The credit is applied against the gross income tax otherwise due after other credits are applied. If the credit exceeds the amount of tax otherwise due, the excess credit will be treated as an overpayment.

**P.L. 2006, C. 38 — Increase in Minimum Corporation Business Tax and Surcharge on Liability**

Enacted on July 8, 2006, and effective immediately, imposes a 4% surcharge on franchise tax (corporation business tax) liability for privilege periods ending on or after July 1, 2006, but before July 1, 2009, and raises the minimum tax as follows: \$500 for corporations with New Jersey gross receipts of less than \$100,000; \$750 for those with New Jersey gross receipts of at least \$100,000 but less than \$250,000; \$1,000 for those with New Jersey gross receipts of at least \$250,000 but less than \$500,000; \$1,500 for those with New Jersey gross receipts of at least \$500,000 but less than \$1,000,000; and \$2,000 for those with New Jersey gross receipts of \$1,000,000 or more.

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## Domestic Security Fee

**P.L. 2006, C. 42 — Increase in Rental Vehicle Surcharge**

Enacted July 8, 2006, and effective immediately, increases the rental motor vehicle surcharge from \$2 per day to \$5 per day.

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## Environmental Taxes

**P.L. 2004, C. 120 — Aid to Highlands Region**

Enacted on August 10, 2004, and effective immediately, establishes a Highlands Municipal Property Tax Stabilization Board which will establish procedures for determining the valuation base of a qualified Highlands municipality and determine the amounts needed to compensate a municipality for the decline in vacant land value resulting from implementation of the Highlands Water Protection and Planning Act. It will use information provided by the Division of Taxation, which, in turn, will receive information from county boards of taxation based on reports they receive from municipal tax assessors. The Act establishes a fund to be used in providing State aid to qualified Highlands municipalities.

**P.L. 2005, C. 141 — Repeal of Air Toxics Surcharge**

Enacted on July 7, 2005, and effective immediately, repeals the air toxics surcharge imposed under P.L. 2004, C. 51 (N.J.S.A.13:1D-59 et seq.), and applies retroactively to calendar year 2004 and calendar years thereafter.

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## Fur Clothing Gross Retail Receipts Tax and Use Tax

**P.L. 2006, C. 41 — Fur Clothing Retail Gross Receipts Tax and Fur Clothing Use Tax**

Enacted on July 8, 2006, and effective July 15, 2006, imposes a 6% tax, payable by retailers, on their gross receipts from the retail sale of fur clothing in New Jersey. “Fur clothing,” within the meaning of the act, means an item that is exempt from sales and use tax as “clothing” under the Sales and Use Tax Act, that is made of fur on the hide or pelt of an animal, and that has fur as “the component material of chief value of the article.”

The law also contains a use tax component. Although the gross receipts tax is imposed on the retail seller, the retail purchaser is liable for a fur clothing use tax on fur clothing received for use in New Jersey from a person who did not pay the fur clothing retail gross receipts tax.

## Gross Income Tax

### **P.L. 2005, C. 20 — Estimated Tax on Nonresidents' Sale of Real Property**

Enacted on January 19, 2005, and applied retroactively to August 1, 2004, clarified that nonresidents must pay a minimum estimated gross income tax of 2% of the consideration paid on their sale of real property in New Jersey.

### **P.L. 2005, C. 63 — Exclusion of Certain Military Housing Allowances From Gross Income**

Enacted April 7, 2005, and applicable immediately to tax years beginning on or after January 1, 2004, amends the Gross Income Tax Act by excluding from gross income the housing and subsistence allowances given to National Guard members on active duty and members of the active and reserve components of the United States Armed Forces.

### **P.L. 2005, C. 125 — Multistate Reciprocal Personal Income Tax Set-Off Program**

Enacted on July 2, 2005, and effective immediately, authorizes the implementation of a multistate reciprocal personal income tax set-off program which allows the Director of the Division of Taxation to withhold another state's tax claims from New Jersey gross income tax refunds if the other state withholds New Jersey gross income tax claims from its personal income tax refunds.

### **P.L. 2005, C. 127 — Uncoupling Certain Qualified Production Activities Income**

See Corporation Business Tax.

### **P.L. 2005, C. 130 — Pension and Other Retirement Income Exclusions**

Enacted on July 2, 2005, and effective immediately for taxable years beginning on or after January 1, 2005, eliminates the New Jersey gross income tax pension exclusion and other retirement income exclusion for certain taxpayers. The exclusions remain available for taxpayers that have gross income of not more than \$100,000.

### **P.L. 2005, C. 210 — Earned Income Tax Credit**

Enacted August 29, 2005, and effective immediately, requires the State Treasurer to develop a statement regarding the earned income tax credit allowed under Federal and State income tax laws, and requires the Commissioners of the Departments of Labor and Workforce Development, Human Services, Community Affairs, and all employers to notify certain people about these credits by means of the written statement developed by the Treasurer.

### **P.L. 2005, C. 288 — Treatment of Tax Payments Made By Pass-Through Entities on Behalf of the Owners**

Enacted January 9, 2006, and effective for privilege periods beginning on or after January 1, 2007, requires partners and other owners of pass-through entities (excluding qualified investment partnerships or investment clubs or entities listed on a United States stock exchange) to credit against their estimated gross income taxes certain payments that the entities have made on their behalf.

### **P.L. 2005, C. 297 — Director's Authority to Extend Gross Income Tax Deadlines**

Enacted January 9, 2006, and effective immediately, authorizes the Director of the Division of Taxation to extend the gross income tax filing or payment deadlines to coincide with similar extended dates established for Federal personal income tax returns.

### **P.L. 2005, C. 298 — Checkoff for New Jersey World Trade Center Scholarship Fund**

Enacted January 9, 2006, effective immediately, and applicable to tax years beginning on or after January 1, 2006, allows taxpayers to donate to the New Jersey World Trade Center Scholarship Fund by specifying that a certain amount of their income tax overpayments should go to that fund or by enclosing a contribution with their gross income tax returns.

### **P.L. 2005, C. 318 — Tax Credit for Employing Handicapped Persons at Sheltered Workshop**

See Corporation Business Tax.

### **P.L. 2005, C. 345 — Tax Credit for Film Production Expenses**

See Corporation Business Tax.

### **P.L. 2006, C. 36 — Electronic Filing of Tax Returns**

Enacted on July 8, 2006, and effective immediately, requires tax preparers to use electronic methods of filing gross income tax returns and of paying the tax for the returns prepared if the preparer prepared or filed at least 100 gross income tax returns the prior taxable year. The Act authorizes the Director of the Division of Taxation to prescribe methods of filing returns and paying taxes, but specifies that it does not authorize the Director to require electronic filing or tax remittance by either individuals preparing their own gross income tax returns or preparers who prepare the returns *pro bono*. The Act also allows the Director to extend the electronic filing requirement, beginning in taxable year 2007, by regulation, to preparers who filed 50 or more gross income tax returns the prior year, and it allows the Director to develop a procedure whereby a taxpayer might elect not to have the preparer file the taxpayer's return electronically. In addition, the

Act imposes penalties on taxpayers and tax preparers who fail to use electronic methods when required to do so by law.

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## Health Enterprise Zones

### **P.L. 2004, C. 139 — Health Enterprise Zones**

Enacted on September 2, 2004, and effective March 2, 2005, except that the gross income tax deduction provision will apply to entire tax years after enactment, i.e. beginning January 1, 2005. This Act creates “health enterprise zones” (HEZ) in communities which, based on their economic status and the extent of professional health services available, have been designated as “underserved areas.” It provides that qualified primary care physicians and dentists practicing in or within 5 miles of an HEZ will be allowed to deduct from gross income the portion of their net income allocable to qualified receipts of their practice in that geographic area. The Act also allows municipalities to exempt from real property tax structures housing a primary medical or dental care practice located in a HEZ. The amount of such exemption will be available as a rebate if the medical or dental care provider is a tenant, rather than owner, of the structure.

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## Inheritance/Estate Tax

### **P.L. 2004, C. 132 — Estates and Trusts Changes**

Enacted on August 31, 2004, and effective on the 180th day following enactment, makes important changes in the way estates and trusts must be administered in this State. It clarifies the meaning of critical terms, clarifies when “writings intended as wills” will be allowed, and makes changes in the provisions governing intestate succession.

### **P.L. 2005, C. 160 — Corrections Governing Wills and Estates**

Enacted July 19, 2005, and applied retroactively to February 27, 2005, makes minor technical changes in the provisions governing wills and estates.

### **P.L. 2005, C. 331 — Surviving Domestic Partners**

Enacted January 12, 2006, provides that a surviving domestic partner would have the same intestacy rights as a surviving spouse and would have authority to make funeral arrangements.

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## Insurance Premiums Tax

### **P.L. 2005, C. 128 — Taxable Premiums Cap**

Enacted July 2, 2005, and effective immediately for periods beginning January 1, 2005, amends the maximum tax rule capping taxable premiums at 12.5% of total premiums for any company whose taxable premiums in New Jersey exceed 12.5% of its total taxable premiums by excluding all health service corporations established pursuant to the provisions of P.L. 1985, C. 236 (N.J.S.A. 17:48A-1 et seq.) from the coverage of the cap. The law also imposes the insurance premiums tax on all premiums of health services corporations and on any life, accident, or health insurance corporation which a health services corporation owns stock in, controls, or otherwise becomes affiliated with.

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## Local Property Tax

### **P.L. 2004, C. 85 — Property Tax Convention Task Force**

Enacted on July 7, 2004, and effective immediately, establishes a Property Tax Convention Task Force to study and make recommendations regarding reform of the local real property tax system and appropriates \$250,000 to fund its activities.

### **P.L. 2004, C. 183 — Changes in Historic Site Property Tax Exemption**

Enacted on December 22, 2004, and effective immediately, revised the criteria for designation as an “historic site” for purposes of property tax exemption.

### **P.L. 2005, C. 44 — County Boards of Taxation**

Enacted on March 21, 2005, and effective immediately, increases the membership of County Boards of Taxation.

### **P.L. 2005, C. 64 — Expansion of Eligibility for Veteran’s Property Tax Deduction**

Enacted on April 7, 2005, and effective immediately, expands the definition of “veterans” who are eligible for various benefits. It includes “Operation Northern Watch” and “Operation Southern Watch,” occurring on or after August 27, 1992, among those operations that constitute “active service in time of war.” Participants in these operations are now eligible for the \$250 annual property tax deduction or the property tax exemption for 100% disabled veterans.

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## Miscellaneous

### **P.L. 2004, C. 128 — Phase-Out of Casino Complimentaries Tax**

Enacted on August 30, 2004, and effective immediately, provides for the gradual phase-out of the tax on casino “complimentaries” until the tax expires on June 30, 2009. It also transfers from the Division of Taxation to the Casino Control Commission the responsibility for administering the casino complimentaries tax, the casino adjusted net income tax, the multi-casino slot machine tax, the casino parking fee, and the \$3 casino hotel occupancy fee.

### **P.L. 2004, C. 129 — Casino Reinvestment Development Act Changes**

Enacted on August 25, 2004, and effective immediately, extends the investment alternative tax obligation of casino licensees from 35 to 50 years, authorizes the Casino Reinvestment Development Authority to approve five additional “entertainment retail districts,” and allows for grants to the Authority for 20 years from sales tax revenue generated in entertainment districts.

### **P.L. 2004, C. 181 — Local Tax Changes**

Enacted on December 22, 2004, and retroactive in application to September 21, 1999, repeals the December 31, 2004, expiration of certain municipalities’ authority to impose payroll taxes.

### **P.L. 2006, C. 35 — Nuclear Electric Generating Facility Fees**

Enacted on July 8, 2006, and effective immediately, requires the State Treasurer to make an annual assessment against operators of nuclear generating facilities.

### **P.L. 2006, C. 39 — Titling Fee on Certain Luxury and Fuel-Inefficient Cars**

Enacted on July 8, 2006, and applicable to new passenger automobiles required to have a certificate of ownership issued and filed on or after July 15, 2006, imposes a one-time 0.4% fee on ownership of new passenger automobiles with a sales price or lease price of at least \$45,000 or a fuel efficiency rating of less than 19 miles per gallon.

### **P.L. 2006, C. 43 — Annual Assessment on HMOs**

Enacted on July 8, 2006, and applicable to assessments for fiscal year 2007 and following, increases the annual assessment on the net written premiums of health maintenance organizations authorized to operate in New Jersey.

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## Property Tax Relief Programs

### **P.L. 2005, C. 121 — Increase in Homestead Rebate Appropriations**

Enacted on July 2, 2005, and effective immediately, makes a supplemental appropriation of \$400,000,000 to pay homestead rebate claims beginning July 1, 2005.

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## Realty Transfer Fee

### **P.L. 2005, C. 19 — Revisions**

Enacted on January 19, 2005, and effective February 1, 2005, and applicable to transfers of real property occurring on or after that date, made various changes in the statute imposing a 1% transfer fee on the buyer of real property purchased for more than \$1 million. It limits the fee to transfers of property that is classified as Class 2 residential; or property that includes both Class 3A farm property and a structure suitable for residential use, as well as any other real property transferred to the same grantee in conjunction with that transfer; or property that constitutes a “cooperative unit” within the meaning of N.J.S.A. 46:8D-3. It also exempts transfers to charitable organizations that are exempt from Federal income tax pursuant to 26 U.S.C.A. §501(c)(3).

### **P.L. 2006, C. 33 — Fees on Certain Purchases of Commercial Property**

Enacted July 8, 2006, and applicable to transfers of property on or after August 1, 2006, imposes a 1% fee on certain purchases of certain commercial property, or of a controlling interest in an entity possessing a controlling interest in certain commercial property, when the consideration for the purchase is more than \$1,000,000.

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## Sales and Use Tax

### **P.L. 2005, C. 126 — Streamlined Sales and Use Tax Changes**

Enacted on July 2, 2005, and effective October 1, 2005, conforms the State’s Sales and Use Tax Act to the Streamlined Sales and Use Tax Agreement. The law allows New Jersey to join with 42 other states and the District of Columbia to continue the task of modernizing the administration of sales and use tax by adopting common definitions and uniformly understood tax principles.

The law makes amendments and supplements to the New Jersey Sales and Use Tax Act that are necessary to make the laws conform to the terms of the Streamlined Sales and Use Tax Agreement. Significant areas of the Act that were changed include sections on leasing, direct mail operations, sales of food and clothing, and deductions for bad debts.

**P.L. 2006, C. 44 — Sales and Use Tax Rate Increase and Expansion of Tax Base**

Enacted July 8, 2006, increased the sales and use tax rate from 6% to 7%, and expanded the sales and use tax base by imposing tax on various transactions not previously taxed. The increase in the tax rate became operative July 15, 2006, and the expansion of the sales tax base became operative October 1, 2006.

The law extends the sales and use tax to sales and use of the following: “digital property”; prewritten software delivered electronically, except when used directly and exclusively in the conduct of the purchaser’s business, trade, or occupation; magazines and periodicals, except newspapers, membership periodicals, and magazines and periodicals sold by subscription.

The scope of the exemption for certain services has been limited by P.L. 2006, C. 44. The exemption for laundry, dry cleaning, tailoring, weaving, and pressing services now applies only when those services are performed on clothing. Two exceptions have been carved out of the exemption for installation services that result in a capital improvement: landscaping services that result in a capital improvement and floor covering installations that result in a capital improvement are no longer exempt from sales tax.

“Delivery charges” (e.g., shipping, postage, packing, handling) imposed by a seller for preparation and delivery of goods to the purchaser are now taxable (if the sale of the goods is taxable).

Charges for space for storage of tangible personal property, by someone in the business of furnishing such space for storage, are now subject to sales tax. Charges for parking, garaging, or storing a motor vehicle are also taxable, with certain exceptions.

Initiation fees, membership fees, and dues for use of the property of a health and fitness, athletic, sporting, or shopping club are now taxable, except for membership in a club whose members are predominantly age 18 or under.

The following services, not previously taxed, are now subject to sales tax: tanning services; massage, bodywork, or somatic services, except when provided pursuant to a

doctor’s prescription; tattooing and application of permanent body art and permanent cosmetic makeup; investigation and security services; information services; limousine services originating in this State (except in connection with funeral services).

**Tobacco Products Wholesale Sales and Use Tax**

**P.L. 2006, C. 37 — Change in Tobacco Products Wholesale Tax**

Enacted on July 8, 2006, extends the tobacco products wholesale tax to sales, uses, or distributions of moist snuff by a distributor or wholesaler to a retail dealer or a consumer, on or after August 1, 2006.

**Transitional Energy Facility Assessment**

**P.L. 2006, C. 40 — Modification of TEFA Phase-Out**

Enacted on July 8, 2006, and effective immediately, makes changes in the phase-out schedule for the transitional energy facility unit rate surcharges.

**Urban Enterprise Zones**

**P.L. 2004, C. 75 — New Zone Created**

Enacted on July 1, 2004, and effective immediately, establishes a new urban enterprise zone, the 32nd, located in New Brunswick in Middlesex County.

**P.L. 2005, C. 374 — Exemption for Sales of Energy to UEZ Businesses**

Enacted January 12, 2006, and effective immediately, amends the New Jersey Urban Enterprise Zones Act by extending eligibility for sales and use tax exemption on retail purchases of energy and utility services by those qualified UEZ businesses that employ at least 250 people (the previous threshold was 500 people), 50% of whom are directly employed in a manufacturing process, when the energy and utility purchased is for the exclusive use of the qualified business in the zone. The exemption is also extended to groups of two or more qualified UEZ businesses in a single “redevelopment area” (pursuant to N.J.S.A. 40A:12A-1 et seq.) when they collectively employ at least 250 people, at least 50% of them directly employed in a manufacturing process, and the energy and

utility service is for the exclusive use of each of such qualified businesses.

The Act also extends the exemption to business facilities located within a county that qualifies for 50% sales tax exemption, under certain circumstances, pursuant to N.J.S.A. 54:32B-8.45 (currently Salem County), provided that the business certifies that it employs at least 50 people at the facility, at least 50% of whom are directly employed in a manufacturing process, and provided that the energy and utility services are consumed exclusively at that facility.

**P.L. 2006, C. 34 — Purchases by Qualified UEZ Business**

Enacted on July 8, 2006, and effective July 15, 2006, amended both the Urban Enterprise Zones Act and the Sales and Use Tax Act in order to change the way qualified urban enterprise zone businesses may claim their sales tax exemption on purchases of goods and services for their use within the urban enterprise zone. While under previous law, qualified urban enterprise zone businesses were entitled to an exemption from sales tax at the time of purchase, under the amended law, only “qualified small businesses,” i.e., those whose gross receipts for the prior tax year were less than \$1,000,000, may continue to claim exemption at the point of purchase. Qualified urban enterprise zone businesses that are not “small” must instead pay the tax at the point of purchase and may then claim a refund within a year following the date of the transaction.

## COURT DECISIONS

### Administration

#### Power of Attorney

*Corallos, Inc. v. Director, Division of Taxation*, decided June 13, 2005; Tax Court No. 006766-2003 and 006985-2003. Vincenzo Carollo was the sole shareholder and president of the plaintiff (Corallos). Mr. Carollo is a 56-year-old with a fifth-grade education who can speak and understand English; however, he can read and write only a little English. Mr. Carollo has run a business for ten years and has obtained bank loans for the business. With help, Mr. Carollo testified that he could understand the terms of the loan documents that he was required to sign.

In an initial contact letter, the Division notified Corallos that an audit was to be conducted. The letter also included the Division's standard power of attorney (POA) form advising that if Corallos desired to be represented by someone else, that it should complete and return the document. The POA testified that he filled in the blanks on the POA form except for Mr. Carollo's signature, his title, the date signed, and the years covered under the POA. The POA form contained language indicating that the POA had authority to "executive consents extending the statutory period for assessments." Mr. Carollo acknowledged that it was his signature on the POA form naming his accountant as the POA. The POA form was faxed to the Division by the POA who testified that he did not explain the legal effect of the POA form to Mr. Carollo.

After the audit commenced, the POA signed a form that consented and agreed to extend the statute of limitations (SOL) for assessment to a date certain in the future at which time certain periods under audit would have been beyond the SOL period for assessment. Later, Corallos's POA signed a similar form extending the SOL for assessment further into the future. The POA testified that he was certain that he did not explain the consent form to Mr. Carollo.

During the audit, the auditor went to the POA's office to examine Corallos's books and records and obtained information from the POA concerning the business. The auditor visited the business where the POA introduced the auditor to Mr. Carollo. At the site visit, the auditor questioned the POA regarding business activities while in the presence of Mr. Carollo, who gave the auditor no reason to doubt the POA's authority to act. At one point, the POA did not respond to several of the auditor's telephone

inquires and the POA's receptionist indicated that the POA may not be representing Corallos. Thereafter, the auditor phoned Mr. Carollo who confirmed to the auditor that the POA represented Corallos. The audit later concluded with the issuance of the Division's notice of assessment related to final audit determination from which Corallos appealed.

Corallos claims that the consent forms signed by its POA to waive or extend the SOL for assessment past the date that the statute would expire were invalid because Corallos did not delegate that authority to its POA and therefore any reliance the Division placed on the POA form was unreasonable. Corallos also contends that there are deficiencies in the POA document: plaintiff's name is misspelled; the dates for which the POA is appointed are not specified; there is no title or date in the blanks next to Mr. Carollo's name; and the POA form states that it authorizes the POA to "executive" rather than "execute" consents extending the SOL. Furthermore, Corallos relies on the auditor's unsuccessful attempts to contact the POA as evidence that the POA could not have been reasonably relied upon.

The Court concluded that the consent forms to extend the SOL executed by Corallos's POA were valid waivers of the SOL because Mr. Carollo signed the POA form that expressly authorized the POA to consent to any extension of time to make assessments. The Court also determined that the Division reasonably relied on the POA document despite the defects in the document claimed by Corallos. Furthermore, the Court concluded that even if the Division should have required that the POA document be dated and the dates of the years at audit filled in, that the POA had apparent authority to waive the SOL because Mr. Carollo's actions would make one believe that the POA had authority to act.

#### Res Judicata

*Hamburg Music Corp. v. Robert Winter; Robert K. Thompson; David M. Gavin; Ronald Cavanaugh; Cheryl Fulmer; Harold Fox; Thomas McDonald; John Doe*, decided September 8, 2005; United States Court of Appeals for the Third Circuit No. 04-2738. This is an appeal from Hamburg's complaint in the United States District Court for the District of New Jersey claiming that its due process rights were violated because of the named defendants' seizure and sale of its liquor license at auction without advance notice.

Previously, the New Jersey State Tax Court dismissed Hamburg's complaint against the Division of Taxation because the complaint was untimely. On appeal to the

Appellate Division of the Superior Court, the Appellate Division affirmed the Tax Court's dismissal noting that Hamburg presented no factual foundation that its procedural due process rights were violated by the Division of Taxation's actions. Hamburg then filed a complaint against the above named defendants with the District Court, which dismissed the complaint for failure to prosecute. On a motion to reinstate the complaint, the District Court opined that even if the complaint was reinstated that it would be dismissed on grounds of res judicata or qualified immunity.

The Third Circuit ruled that the District Court did not abuse its discretion by refusing to reinstate the complaint and that the complaint presumably would have been dismissed on res judicata grounds because the New Jersey courts dealt with the same factual and legal arguments raised in the Federal action. In concluding, the Court quoted language in a Seventh Circuit case that "[f]ederal litigation is not a repechage round for losers of earlier contests, or for those who overslept and missed the starters' gun."

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## Cash Business Audits

### Mark-On Analysis

*Luigi II Pizza Restaurant and Luigi Corsaro, et al. v. Director, Division of Taxation*, decided March 31, 2005; Tax Court Nos. 004439-2000 and 004440-2000. Mr. Luigi Corsaro owned and operated Luigi's Pizza, a restaurant that sold pizzas, subs, pasta dishes, and other diners. Pursuant to an audit, the Division increased the corporation's gross sales and thereby assessed corporation business tax (CBT), sales and use tax (S&U), and litter control tax against the corporation as well as individual gross income tax against Mr. Corsaro and his spouse. The Division also issued a determination that Mr. Corsaro was a responsible person and therefore liable for the sales and use tax and gross income tax withholding liabilities of the corporation. Luigi's Pizza, Mr. Corsaro, and his spouse appealed the Division's assessments to the Tax Court directly from the audit determination.

In the process of auditing Luigi's Pizza, the auditor requested Luigi's Pizza's books and records. Although purchase records were available, Luigi's Pizza was unable to supply guest checks, log books, register receipts, etc. Consequently, the auditor determined that there was insufficient information available to conduct an audit and reconstructed Luigi's Pizza's gross receipts based upon a mark-on analysis of the food and drink purchases. The

auditor used the reconstructed gross receipts to adjust Luigi's Pizza's reported gross receipts on their CBT, S&U, and litter control tax returns. In turn, Luigi's Pizza's CBT income was also increased. These adjustments also resulted in the imposition of an individual gross income tax assessment against Mr. and Mrs. Corsaro.

The Court found that Luigi's Pizza did not maintain books, records, or any information useful to the Division that would confirm or deny their allegations and testimony. Although it retained bank deposit and purchase information, Luigi's Pizza failed to supply guest checks, register receipts, etc. The Court ruled: "Without actual books and records to support their claims, the presumption of correctness that attaches to the Director's assessment in this case is not overcome." Consequently, the Court upheld the Division's assessments as well as the determination that Luigi Corsaro was a responsible person of Luigi's Pizza.

### Markup Analysis

*Yilmaz, Inc. v. Director, Division of Taxation*, decided April 1, 2005; Tax Court No. 000240-2003. Plaintiff (Yilmaz) operated a restaurant and bar known as the Bridgewater Pub. Pursuant to an audit, the Division increased the corporation's gross sales utilizing a markup method and thereby issued corporation business tax (CBT) and sales and use tax (S&U) assessments against the corporation. The auditor also assessed gross income tax withholding (GIT-ER). Yilmaz protested the audit assessment to the Division's Conference and Appeals Branch (CAB) where several minor adjustments were made to the markup analysis that both increased and reduced the markup but reduced the S&U and CBT assessments overall; however, the conferee also denied Yilmaz's deduction for trucking expenses claimed on the CBT returns due to Yilmaz's failure to substantiate the deduction. Yilmaz then appealed CAB's final determination to the Tax Court contending that the Division utilized unreasonable and arbitrary assumptions in the markup analysis and failed to account for its inventories.

In Court it was determined that Yilmaz did not use guest checks and did not retain cash register tapes for any portion of the audit period. Allegedly, sales information from the cash register tapes was entered each night into a spreadsheet program after the cash registers were closed by Yilmaz. Plaintiff's accountant testified that the spreadsheet program became corrupted and consequently the information it contained was not reliable. Therefore, the accountant used the bank deposit method to determine CBT sales after making adjustments for loans, intercompany transfers, and cash payouts.



After testing Yilmaz's reported cost of goods sold for one tax year to determine if they were reported correctly, the auditor opined that Yilmaz had underreported CBT purchases by a ratio of 1.0516 of audited purchases to reported CBT purchases. The difference was entirely attributable to purchases of produce and cigarettes for which Yilmaz did not retain receipts. This ratio was applied to all other years under audit and increased Yilmaz's cost of goods sold (COGS) for each year. The auditor did not account for inventories in the computation of COGS because Yilmaz neither reported CBT inventories nor did he have any inventory records.

The auditor opined that Yilmaz's books and records were insufficient to verify reported gross sales and therefore resorted to a markup method to verify reported sales. Essentially, the auditor marked up the cost of food and beverages obtained from purchase invoices based upon their selling prices to determine a markup by category. Then the auditor multiplied the category markup by the amount of category purchases to determine the total gross sales for that year and an overall markup. Using the overall markup, the auditor recomputed the S&U and CBT gross sales for each year of the four-year audit period.

While comparing payroll to sales, the auditor concluded that payroll was insufficient to support the audited sales. Therefore, the auditor applied the ratio of reported wages and salaries to reported sales to determine audit wages and salaries based upon audited sales for each year of the audit period.

At trial, Yilmaz contested the amount of the Division's allowances for happy hour sales, specials, coupons, discounts, etc.; however, Yilmaz offered no books, records, or other documentation as to the correctness of its own claimed amounts. Yilmaz also contested the Division's denial of the trucking expense on the CBT return based upon Yilmaz's accountant's testimony that he calculated the expense based upon verbal information provided by Mr. Yilmaz. Apart from testimony, Yilmaz could not produce any evidence as to the salaries and wages paid to its employees.

The Court referenced case law ruling that the burden of establishing that the Division's assessment is incorrect is on the taxpayer and that a taxpayer's naked assertions are insufficient to overcome the Division's presumption of correctness. Moreover, the Court stated that cumulative naked assertions are also insufficient to overcome the presumption even as here where the accountant's testimony corroborated Yilmaz's testimony. The Court ruled that statutes and regulations require that the taxpayers

must retain records for the statute of limitations period and referred to *Alpha I* where the Tax Court ruled that a taxpayer who destroys records before the statute of limitations expires places itself in jeopardy for additional tax assessments.

The Court concluded that the Division is not required to establish that it used the most reasonable means to independently verify tax liabilities. The Division is permitted wide latitude to determine the tax due from such information as may be available, including external indices. Addressing Yilmaz's contention that the assessment's reasonableness was not supported by Yilmaz's lifestyle, the Court responded that it is within the Division's discretion to determine whether it is cost-effective to perform a lifestyle investigation into the owners of every bar and restaurant that appear to have underreported its sales and income. Furthermore, the Court ruled that the Division was not required to guess the amount of plaintiff's inventory.

The Court affirmed the Division's final determination holding that Yilmaz failed to overcome the Division's presumption of correctness. In a case involving only factual issues and the Division's methodology, such as the audit of a cash business, the presumption of correctness can only be overcome by cogent evidence that is "definite, positive, and certain in quality and quantity to overcome the presumption" focusing on the reasonableness of the underlying data and the methodology used. The Court ruled that although proof of an aberrant methodology will overcome the presumption of correctness, proof of an imperfect methodology will not overcome it.

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## Corporation Business Tax

### Net Operating Losses

*A.H. Robins Company, Inc. v. Director, Division of Taxation*, decided December 7, 2004; Supreme Court of New Jersey No. A-96 September Term 2003. The Chapter 11 Reorganization Plan granted A.H. Robins (Robins), the surviving entity in the bankruptcy, the rights and property of the company that initially filed for bankruptcy. One of those assets was a multi-million dollar New Jersey corporation business tax (CBT) net operating loss (NOL). Therefore, Robins filed a CBT refund claim that utilized the NOL. In accordance with N.J.S.A. 54:10A-4.5, which permits NOLs to be used only by the corporation that incurs the loss, the Director denied the refund because the surviving corporation was a different corporation than the entity that incurred the loss and that was later dissolved.

The New Jersey Supreme Court unanimously affirmed the Appellate Division's decision for substantially the reasons contained in the Appellate Division's opinion. Previously, the Appellate Division affirmed the Tax Court's decision upholding the Director based on the New Jersey Supreme Court's decision in *Richards Auto City, Inc.* Also, the Appellate Division affirmed the Tax Court's ruling that N.J.S.A. 54:10A-4.5 was constitutional despite its retroactivity provision.

### Alternative Legal Theory

*Chemical New Jersey Holdings, Inc. v. Director, Division of Taxation*, decided December 17, 2004; Appellate Division No. A-5175-02T2. In 1992 and 1993, plaintiff (Chemical) filed corporation business tax returns as an "investment company" on September 23, 1993, and October 13, 1994. In 1999, the Division assessed additional corporation business tax based on Chemical's filing as a common corporation after it determined that Chemical failed to qualify as an investment company. Chemical appealed timely to the Tax Court in February 2001 on the basis that it was denied its status as an "investment company." Approximately one year later, Chemical filed an amended complaint retracting its initial claim and alleged that its filing status should be as a "financial business corporation." Chemical never filed returns as a "financial business corporation" for either year at issue. The Tax Court held that Chemical was not entitled to change its filing status from an "investment company" to a "financial business corporation" more than seven years after it filed its original returns because the statute of limitations had run on amending the original returns and because the business decision rule bound it to its initial filing status.

The Appellate Division found that the Tax Court properly concluded that Chemical's choice to file as an "investment company" rather than a "financial business corporation" was a business decision; however, the Appellate Division opined that the business decision rule does not bar challenges to the assessed tax based upon these circumstances. Furthermore, the Appellate Division opined that the issue is the propriety of the Division's assessment, not whether plaintiff may re-file or seek a refund. The Appellate Division reasoned that the Division's denial of Chemical's filing status as an "investment company" was the basis of the Division's assessment and to resolve this issue Chemical's actual corporate status needed to be established. Noting that alternative legal theories may be presented at Tax Court because it is a trial *de novo*, the Appellate Division reversed and remanded the case to the Tax Court.

### Add-Back of PPGRT

*Ross Fogg Fuel Oil Co. v. Director, Division of Taxation*, decided June 7, 2005; Tax Court No. 006544-2003. The Division added back the petroleum products gross receipts tax (PPGRT) that plaintiff deducted in arriving at its reported taxable income for tax years 2000 and 2001.

In relevant part, N.J.S.A. 54:10A-4(k)(2)(C) states that New Jersey entire net income shall be determined without deducting taxes paid or accrued (1) to a state or a political subdivision thereof that are measured by profits or income, business presence, or business activity and (2) for the tax imposed by this act.

The Court inquired into whether the corporation business tax (CBT) required an add-back of New Jersey taxes other than the CBT itself and whether the term "a state" referred only to states other than New Jersey or included New Jersey. The legislative history indicated that N.J.S.A. 54:10A-4(k)(2)(C) was passed to equalize the tax burden on corporations doing business only in New Jersey. To effect that purpose, "a state" meant states other than New Jersey. Therefore, the Court determined that the add-back of taxes paid to "a state" did not include taxes paid to New Jersey, other than the CBT. The Court also reasoned that the PPGRT would not be "added-back" on the grounds it was similar to an excise or sales tax and was not a tax on "profits or income, or business presence or business activity" that was required by statute. Consequently, the Division's assessment was dismissed.

### Nexus and Physical Presence

*Lanco, Inc. v. Director, Division of Taxation*, decided August 24, 2005; Appellate Division No. A-3285-03T1. At issue is whether New Jersey may constitutionally subject a foreign corporation to the corporation business tax (CBT) where the foreign corporation, pursuant to a license agreement, derives royalty income from a corporation that operates a retail business in New Jersey and has no physical presence (real or personal property or personnel) in New Jersey.

The Tax Court previously held that subjecting plaintiff (Lanco) to the CBT would violate the Commerce Clause of the United States Constitution because Lanco did not have a physical presence in New Jersey. The Appellate Division disagreed and reversed the judgment of the Tax Court.<sup>1</sup>

The Appellate Division opined that the physical presence requirement that was needed to satisfy the Commerce Clause in the context of the sales and use tax arena in the United States Supreme Court decision in *Quill*<sup>2</sup>, as established by *National Bellas Hess*<sup>3</sup>, was not applicable to

taxes other than sales and use taxes. The Appellate Division quoted from *Quill* where it stated that “[w]e have not, in our review of other types of taxes, articulated the same physical-presence requirement that *Bellas Hess* established for sales and use taxes.” Turning to the issue of taxability in the income tax area, the Appellate Division held that the CBT may be constitutionally applied to impose tax on Lanco’s income derived from licensing fees attributable to New Jersey. In reaching its decision, the Appellate Division found persuasive the reasoning in *Geoffrey*<sup>4</sup>, *A&F Trademark*<sup>5</sup>, and *The Gap*<sup>6</sup>, as well as *Roadway Express*<sup>7</sup>, which stated that “the CBT statute is clearly intended to reach foreign corporations engaged in business activities to the full extent that is constitutionally permissible.”

Lanco has filed a Notice of Petition for Certification and a Notice of Appeal with the New Jersey Supreme Court.

- <sup>1</sup> *Lanco, Inc. v. Director, Division of Taxation*, 21 N.J. Tax 200 (Tax 2003).
- <sup>2</sup> *Quill Corp. v. North Dakota*, 504 U.S. 298, 112 S. Ct. 1904, 119 L. Ed. 2d 91 (1992).
- <sup>3</sup> *National Bellas Hess, Inc. v. Department of Revenue of Ill.*, 386 U.S. 753, 87 S. Ct. 1389, 18 L. Ed. 2d 505 (1967).
- <sup>4</sup> *Geoffrey Inc. v. South Carolina Tax Comm’n*, 437 S.E.2d 13, 18, cert. denied, 510 U.S. 992, 114 S. Ct. 550, 126 L. Ed. 2d 451 (1993).
- <sup>5</sup> *A & F Trademark, Inc. v. Tolson*, 605 S.E.2d 187 (N.C. Ct. App. 2004), petition for cert. filed, 73 U.S.L.W. 3719 (U.S. June 6, 2005) (No. 04-1625).
- <sup>6</sup> *Secy, Dep’t of Revenue v. Gap (Apparel), Inc.*, 886 So.2d 459, 461-62 (La. Ct. App. 2004).
- <sup>7</sup> *Roadway Express, Inc. v. Director, Division of Taxation*, 50 N.J. 471, 483 (1967), appeal dismissed, 390 U.S. 745, 88 S. Ct. 1443, 20 L. Ed. 2d 276 (1968).

### Net Operating Loss and Dividend Exclusion

*Ronson Corporation v. Director, Division of Taxation*, decided November 21, 2005; Appellate Division No. A-6776-03T2. In determining its corporation business tax income for tax year 1995, plaintiff (Ronson) used its net operating loss (NOL) carryover deduction from 1991, 1993, and 1994 to reduce its net income. From that figure, Ronson deducted its N.J.S.A. 54:10A-4(k)(5) dividend exclusion to reduce its income to a negative net income figure.

Ronson utilized the 1995 negative income as an NOL deduction for 1996 and then applied the dividend exclusion to generate another negative income figure that it used as an NOL carryover for 1997.

In 1998, 1999, and 2000, Ronson sought to reuse the NOL carryover that it had used in 1995 on the basis that the dividend exclusion would eliminate the 1995 net income and therefore the pre-1995 NOL carryover was available.

At issue was whether an NOL carryover must be applied to the first available income and before the subsidiary dividend exclusion, and whether the subsidiary dividend exclusion could generate or add to an NOL that could be carried forward.

After analyzing the relevant statutes, the Tax Court found that the statutes required that the NOL carryover must be used against available net income as soon as the income is available and that the NOL carryover be applied to entire net income before application of the dividend exclusion. Consequently, the pre-1995 NOL carryover had to be used in 1995 before utilizing the dividend exclusion. Secondly, the Tax Court stated that an NOL is statutorily defined as where there are excess deductions over gross income when computing entire net income without considering the NOL deduction and other statutory exclusions such as the dividend exclusion. Therefore, Ronson’s dividend exclusion could not create an NOL.

Ronson appealed to the Appellate Division claiming that the two relevant statutes, N.J.S.A. 54:10A-4(k)(5) and (6), contradict each other and that if the NOL carryover is applied first, then the purpose of the dividend exclusion could be negated because dividends could be subject to double taxation. Specifically, Ronson asserts that (k)(5) states that entire net income is calculated by excluding dividends whereas (k)(6) defines the NOL carryover deduction as the excess “of the amount of the loss over the sum of the entire net income, computed without the exclusions permitted in [N.J.S.A. 54:10A-4(k)(4) and N.J.S.A. 54:10A-4(k)(5)].”

The Appellate Division ruled that although (k)(5) creates a dividend exclusion from entire net income, it is not and does not change the definition of entire net income. Therefore, the Court determined that there was no inconsistency pertaining to the definition of entire net income. As to the argument regarding double taxation, the Appellate Division found that dividends would not be taxed in the situation where there was a profit, loss, or an NOL carryover and noted that the legislature was aware of the interplay between (k)(5) and (k)(6) because (k)(5) was amended at the same time (k)(6) was enacted in 1985. Consequently, the Appellate Division affirmed the decision of the Tax Court.

**Nexus: Activities of Delivery Drivers**

*Chester A. Asher, Inc. v. Director, Division of Taxation*, decided January 5, 2006; Tax Court No. 004061-2003. Plaintiff (Asher) is a Pennsylvania corporation that manufactures and sells candies and confection products. Asher's primary place of business is in Pennsylvania and it did not own or lease any real property in New Jersey during the years at issue.

Asher held a certificate of authority to conduct business in New Jersey and during the three years at issue consummated over \$8 million of gross sales to customers located in New Jersey. Asher's salespersons regularly visited customers in New Jersey to solicit orders that would be written up and faxed to the Pennsylvania headquarters. Daily deliveries were made in Asher trucks that advertised the company logo. Pursuant to company policy, the delivery drivers also would collect and return goods and damaged products from its customers as well as collect payments on delivery and on outstanding balances from certain New Jersey customers.

Asher claimed that the activities of its delivery drivers did not result in the loss of immunity granted under P.L. 86-272 as the activities were ancillary to the solicitation of sales. Alternatively, Asher contended that the delivery driver activities were immune under P.L. 86-272 because the activities were *de minimis*.

The Court's analysis centered on P.L. 86-272 and *Wrigley*. In general, P.L. 86-272 prohibits states from imposing a net income tax on income derived within the State from business activities involving interstate commerce where the only activities in the State involve the solicitation of orders. In *Wrigley*, the United States Supreme Court determined that Wrigley's activities of replacement of stale gum, as a matter of company policy on a continuing basis by sales representatives, supplying gum through agency stock checks, and the storage of gum exceeded the scope of the term solicitation of orders because the activities did not facilitate the requesting of sales and therefore were not protected activities under P.L. 86-272. However, the *Wrigley* Court recognized that an unprotected activity would not result in the loss of immunity from state income taxation where the activity was only *de minimis*; where the unprotected activity only established a trivial additional connection to the taxing state. The Court decided that Wrigley's unprotected activities taken together amounted to more than *de minimis* even though the activities were not large compared to Wrigley's other operations in the State.

Addressing the instant case, the Court decided that Asher's salesmen's activities did not exceed the bound-

aries of solicitation of orders of P.L. 86-272. However, the Court found that the activities of Asher's delivery drivers did not facilitate the requesting of sales and thereby exceeded the scope of solicitation of orders. The Court determined that the drivers' collecting of New Jersey customers' damaged, spoiled, or overshipped packages was an unprotected activity similar to the salespersons picking up stale gum in *Wrigley*. Furthermore, the Court determined that the drivers' collection activities existed independently of solicitation of orders and were therefore also unprotected activities.

Turning to the issue of whether the unprotected activities were *de minimis*, the Court found that the collection of money and returned goods from customers was regular and pursuant to company policy rather than picked up on a few occasions as a courtesy to the customer. Therefore, the Court concluded that the unprotected activities constituted more than a *de minimis* connection to New Jersey regardless of the total amount. Consequently, the Court held that Asher must file New Jersey corporation business tax returns for the years at issue as it was not protected by P.L. 86-272.

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## Gross Income Tax

**Refund Claim Raised in Complaint**

*William B. Smith and Mary Ann Smith v. Director, Division of Taxation*, decided January 27, 2005; Tax Court No. 001665-2000. Plaintiffs (Smiths) filed their 1994 joint New Jersey gross income tax return on April 15, 1995, and therein reported income from the gain on the husband's disposition of his interest in a limited partnership. On January 27, 1998, the Division issued a notice of deficiency that assessed tax on unreported 1994 partnership income from the cancellation of a mortgage on property in which the partnership held an interest. Although the Smiths challenged this issue, the Division's January 10, 2000, final determination upheld the assessment.

The Smiths filed a complaint in Tax Court on April 10, 2000, contesting the Division's final determination and, as a separate count, claimed for the first time that they were entitled to a refund on the reported income from the husband's disposition of his partnership interest due to the New Jersey Supreme Court's January 14, 1999, decision in *Koch v. Director, Division of Taxation*, 17 N.J. Tax 321 (A.D. 1997), certification granted 152 N.J. 12, 702 A.2d 351, reversed 157 N.J. 1, 722 A.2d 918. The Division moved to dismiss the refund claim on the grounds that the claim was untimely.

As a general rule, under N.J.S.A. 54A:9-8(a), refund claims must be filed within three years from when the return was filed or two years from when the tax was paid, whichever date is later. However, where a taxpayer is issued a notice of deficiency, N.J.S.A. 54A:9-8(e) and 9-9(b) permit a taxpayer's assertion of a claim of overpayment or refund that might otherwise be time-barred under the general statute of limitations provision of N.J.S.A. 54A:9-8(a). Specifically, 9-8(e) provides:

**(e) Effect of petition to director.** If a notice of deficiency for a taxable year has been mailed to the taxpayer under section 54A:9-2 and if the taxpayer files a timely petition with the director under section 54A:9-9, he may determine that the taxpayer has made an overpayment for such year (whether or not he also determines a deficiency for such year). No separate claim for credit or refund for such year shall be filed, and no credit or refund shall be allowed or made, except-

- (1) As to overpayments determined by a decision of the director which has become final; and
- (2) As to any amount collected in excess of an amount computed in accordance with the decision of the director which has become final; and
- (3) As to any amount claimed as a result of a change or correction described in subsection (c).

The Division contends that the statute's extension of the statute of limitations concludes with the final administrative decision. The Smiths' claim that the statute read in conjunction with N.J.S.A. 54:9-10(e) suspends the running of the period for filing a refund claim until the Director's decision becomes final, which is not until completion of the judicial proceedings where a complaint is filed.

Upon analyzing the statutes, the Court found the Division's position to be persuasive. The Court opined that the statutes are reasonably understood to provide an administrative review process for a deficiency assessment concerning all questions regarding the gross income tax liability for a given period, which is then subject to judicial review. Consequently, the Court determined that the plaintiffs' refund claim was untimely under the statute as the claim was not presented before the final administrative determination. The Court reasoned that the taxpayers' interpretation would create an anomaly. If the statute suspended the running of the period to file a refund claim until after judicial review proceedings concluded, then the statute of limitations would begin to run again and

presumably be subject to a separate administrative determination and judicial review.

The Court noted that even under a claim of equitable recoupment or alternative legal theory the claim for refund would have to be dismissed because both equitable recoupment and alternative legal theory require that the refund claim must arise out of the same transaction as the assessment. Here, the refund claim on *Koch* grounds related to the disposition of the partnership interest, which is distinct and independent from the tax assessment on unreported income from mortgage cancellation.

Therefore, the Court dismissed the count of the complaint relating to the refund claim because it was not presented to the Division before the Division's final administrative determination.

#### **Gain on Sale of Rental Real Estate Not Held By a Business Entity**

*Moroney v. Director, Division of Taxation; Denitzio v. Director, Division of Taxation*, decided March 14, 2005; Appellate Division, Nos. A-3424-03T1 and A3423-03T1. Both taxpayers sold property that was rental real estate not owned by a business entity. (See *New Jersey State Tax News*, Summer 2004.) In determining gain or loss in this situation, the Division assessed tax based upon its announcement in the *State Tax News* that depreciation would reduce the adjusted basis of the property only to the extent that annual depreciation offset annual gross income before considering any other expenses or deductions. This calculation resulted in limiting basis reductions to depreciation that resulted in tax benefits to the taxpayer. The Division's announcement was in response to the New Jersey Supreme Court's decision in *Koch v. Director, Division of Taxation*, 17 N.J. Tax 321 (A.D. 1997), certification granted 152 N.J. 12, 702 A.2d 351, reversed 157 N.J. 1, 722 A.2d 918, that tax could not be imposed unless there is recovery of a past tax benefit or an accession to wealth and therefore that a partner's basis in his partnership interest could not be reduced by nondeductible partnership losses.

In calculating gain (loss) from the disposition of property in the instant cases, the Tax Court ruled that basis could only be reduced by depreciation to the extent that depreciation could offset income remaining after first deducting operating expenses (actual out-of-pocket expenses as opposed to accounting expenses such as depreciation) against gross income. The Tax Court determined that although N.J.S.A. 54A:5-1(c) authorized the Division to assign priority and assignment to deductions for S corporations, that otherwise there was no statutory language applicable to the sale of other types of property, such as rental property. Also, the Court found that the

Division's assignment of a first priority deduction to depreciation produced a result that was both contrary to *Koch* and inconsistent with the Internal Revenue Code.

The Appellate Division affirmed the Tax Court's decision stating that it was satisfied that the *Koch* imposition of a tax on economic gain, rather than fictitious income, provided sufficient support to calculate the amount of unused depreciation by first applying actual out-of-pocket expenses to income before considering an accounting deduction such as depreciation.

### Domicile

*Samuelsson v. Director, Division of Taxation*, decided May 10, 2005; Tax Court No. 03615-04. Up until the 1998–1999 hockey season, Kjell Samuelsson played hockey for the Philadelphia Flyers, a professional ice hockey team in the National Hockey League (NHL). Mr. and Mrs. Samuelsson owned a home in Voorhees, New Jersey.

In October 1998, Kjell Samuelsson signed a one-year contract (1998–1999 season) to play hockey for the Tampa Bay Lightning of the NHL. The Samuelssons rented a home in Tampa, Florida. The Samuelssons testified that they removed all of their furniture from the house in New Jersey and, at the expense of the Tampa Bay Lightning, moved all their possessions to a rental home in Tampa and a storage facility, also in Florida. They listed their New Jersey home for sale, yet they did not sell it. Mrs. Samuelsson testified that she looked to purchase a home in Tampa; however, she did not want to purchase a house before they sold their house in Voorhees, New Jersey.

Kjell Samuelsson, at age 41, retired from hockey at the end of the 1998–1999 season. The Samuelsson family spent the summer of 1999 in Sweden visiting relatives and returned to their New Jersey home in September 1999. In November 1999, Kjell Samuelsson was employed as an assistant coach with the Trenton Titans minor league hockey team, an affiliate of the Philadelphia Flyers hockey team of the NHL.

The Court stated that the issue was “Did the Samuelssons abandon their New Jersey domicile in 1998 and resume it in the fall of 1999 or were the Samuelssons New Jersey domiciliaries throughout the (entire) period.”

In order to abandon their New Jersey domicile, the Samuelssons would have had to acquire a Florida domicile in the fall of 1998.

The Court found that the facts supporting the Samuelssons' acquisition of a Florida domicile and the abandonment of their New Jersey domicile were:

1. They moved all of their furniture and belongings to Florida.
2. They listed their New Jersey house for sale.
3. They did not rent out their New Jersey house.
4. Mrs. Samuelsson looked for a house to purchase in Florida.
5. They sadly said farewell to their friends in New Jersey.
6. They enrolled their children in school in Florida.
7. They closed their New Jersey bank accounts and opened accounts in Florida.
8. Mr. Samuelsson got a Florida driver's license and registered his car in Florida.

The facts supporting the argument that the Samuelssons never abandoned their New Jersey domicile are as follows:

1. They never sold their New Jersey home.
2. They returned to their New Jersey home within one year of moving to Florida.
3. They never purchased, but only rented, a home in Florida.
4. Mr. Samuelsson worked in Florida for less than one year — when he left New Jersey, he was working in Philadelphia; when he returned he worked in Trenton and Philadelphia.
5. Mrs. Samuelsson did not change her voter registration or driver's license to Florida.

The Court determined the key issue to be what the Samuelssons' intention was when they moved from New Jersey to Tampa in the fall of 1998.

In *Lyon v. Glaser*, 60 N.J. 259 (1972), the New Jersey Supreme Court wrote:

“Domicile is very much a matter of the mind—of intention. It has been said that concurrence, even for a moment, of physical presence at a dwelling place with the intention of making it a permanent abode, effects a change of domicile. And once established, the domicile continues until a new one is found to have been acquired through an application of the same tests.”

The Court found that, although Mr. Samuelsson's contract was for less than one year and it was uncertain where he would work after the end of the contract, he had no reason at the time of signing the contract and moving to Florida to believe that he would be in New Jersey rather than Florida or Pittsburgh at the end of the year. Mr. Samuelsson's decision to return to New Jersey was only made after he had abandoned his New Jersey domicile as a result of his declining skills as a hockey player, which became evident during the 1998–1999 season, and his inability to secure a coaching position in Florida.

The Court stated that the Samuelssons had abandoned their New Jersey domicile for Florida when they moved in the fall of 1998. The fact that after that abandonment they returned to New Jersey is a result of facts and circumstances which arose during the 1998–1999 season, after they had abandoned their New Jersey domicile. The fact that the Samuelssons were domiciled in New Jersey up to the fall of 1998 and after the fall of 1999 does not mean that they could not abandon and then reestablish that New Jersey domicile.

Judgment was entered in favor of plaintiffs, dismissing the Director's assessment of taxes based on a conclusion that the plaintiffs were full-year residents for 1999. The Court found that during 1999, the Samuelssons were part-year residents beginning in September, and that the Samuelssons had filed returns claiming part-year residency from July 1, 1999, to December 31, 1999. Thus, the Samuelssons were not residents of New Jersey during the first half of 1999, and Mr. Samuelsson's salary earned during that period, except for those few dates when he actually played hockey in New Jersey, was not subject to the New Jersey gross income tax. See N.J.A.C. 18:35-5.1 (relating to New Jersey source income for members of professional athletic teams).

#### **Sale, Exchange, or Other Disposition of Property**

*Diana King v. Director, Division of Taxation*, decided May 25, 2005; Appellate Division No. A-5189-03T2. In April 1991 plaintiff, Ms. Diana King (King), entered into a loan agreement with Amiro Fiorintino Associates, Inc. (AFA). The loan was evidenced by a revolving credit note. The principal shareholder of AFA was the guarantor of the loan. The loan was also secured pursuant to a security agreement granting King a security interest and lien in certain AFA collateral. When King recorded her security interest pursuant to the Uniform Commercial Code (UCC), King's loan was subordinated to a bank loan. In 1992 and 1995 the loan agreement was amended. Essentially, Ventura Entertainment Group (VEG) was an additional guarantor of AFA's obligation and the loan was

secured pursuant to a security agreement that granted King a security interest in 100,000 shares of VEG.

In 1996 AFA filed Chapter 11 bankruptcy. King filed a proof of claim as a secured creditor in the amount of \$568,857.35 consisting of the \$450,000 principal, \$106,090.65 interest and \$12,766.70 arrears. As a junior secured creditor, King consented to the sale of AFA's assets conditioned upon her receipt of \$120,000 and that she be released from claims against the debtor. King's consent was evidenced on a bankruptcy document titled "Response of Diana King to the Debtor's Application for an Order Approving a Purchase Agreement and Authorizing a Sale of Assets." Thereafter, King terminated her UCC filings and the bankruptcy proceeding was later dismissed.

On her 1996 Form NJ-1040, King reported a \$330,000 loss (\$450,000 principal less \$120,000 payment) and \$32,973 of attorney fees as a \$362,973 nonbusiness bad debt deduction. Thereafter, she filed an amended return reclassifying the \$362,973 as a long term capital loss, claiming that it was an investment loss on the disposition of a security. On both her NJ-1040 return and amended return, King offset this loss against other gains included under N.J.S.A. 54A:5-1(c) disposition of property category. However, the Division disallowed the deduction claiming that it was a nondeductible, nonbusiness bad debt.

N.J.S.A. 54A:5-1(c) includes net gains, net losses, and net income derived from the sale, exchange, or other disposition of property. At issue is whether King engaged in a sale, exchange, or disposition of property. The Court found that King settled her claim for a reduced amount by giving up her right to sue on the note and that she did not sell or transfer the note evidencing the debt or any other security. Also, the Court noted that King presented no evidence that she exchanged the note. Citing *Vinnick and Walsh*, the Court upheld the Division's assessment.

On appeal, King argued that her loan was an investment that produced a capital asset that sold at a loss during bankruptcy proceedings and therefore she is entitled to a loss on the sale or exchange or other disposition of property pursuant to N.J.S.A. 54A:5-1(c). The Appellate Division disagreed with King by affirming the well-reasoned opinion of the Tax Court. Furthermore, the Appellate Division commented that although under the Internal Revenue Code notes from nonbusiness loans implicate Federal capital gain or loss when they become worthless, New Jersey statutes do not allow for the deduction of worthless nonbusiness debts. Similarly, unlike Federal tax

law, New Jersey does not generally recognize discharge of indebtedness as income. In the instant case, King did not sell, exchange, or dispose of the note, King focused on collecting and securing the debt for herself and not on transferring the note, and in her “counsel’s own words, ‘surrendered’ the debt.”

### **Trust Income**

*Kushner v. Director, Division of Taxation*, decided June 15, 2005; Tax Court No. 002867-2002. The Tax Court granted summary judgment for the plaintiff, thereby overturning the Division’s assessment.

The specific question addressed was whether the distributive share of partnership income received by a trust of which the taxpayer was the sole beneficiary should be treated on the trust’s beneficiary gross income tax return as distributive share of partnership income under N.J.S.A. 54A:5-1(k) or income from a trust or estate under N.J.S.A. 54A:5-1(h).

For tax years 1994 and 1995 the receipts from a trust that were required to be distributed to a beneficiary retained their character and could be netted against losses of similarly characterized income.

The gross income tax instructions were changed for the 1996 tax filings so that receipts distributed to a beneficiary were now to be reported as trust income on the “Other Income” line of the NJ-1040. The instant case deals with a 1996 NJ-1040 filing.

The Court stated, that when changing positions, a letter in the *State Tax News* did not amount to sufficient authority to change tax return instructions under the Administrative Procedures Act and *Metromedia v. Director*, 97 N.J. 313 (1984).

Judge Small held that the Division was well within its authority to change the way trust income was to be reported, and in fact the 1999 partnership regulations accomplished the “sufficient authority” premises to enact the change. The only problem is the instant case deals with a tax year 1996 NJ-1040 return filed in 1997, while the revised partnership regulations were enacted in 1999.

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## **Litter Control Tax**

### **Paper Products**

*Random House, Inc. v. Director, Division of Taxation*, decided September 13, 2005; Tax Court No. 006262-2003. The Division assessed litter control tax on plaintiff pub-

lisher’s sales of hardcover and softcover books to wholesalers, distributors, and retailers for tax years 1993–2000.

The dispositive issue was whether plaintiff’s books are “paper products” and thereby “litter-generating products” that are subject to tax. The Division argued that the term “paper products” included books as they are made wholly or primarily of paper.

The Court decided that the term “paper products” as defined in N.J.S.A. 13:1E-94(e)(12) was not to be read literally. Finding that the Division recognized that not all paper products were intended to be “litter-generating products” and even excluded newspapers and magazines from the definition of paper products, the Court compared books to newspapers, magazines, and other products on paper. The Court determined that the value of the paper was secondary to the value of the content that was on the paper and that the main function of the paper, binding, and book jacket was to contain the text or other information sought by the book purchaser. Therefore, the Court determined that the books are not paper products and not subject to the litter control tax.

The Division appealed this decision to the Appellate Division.

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## **Property Tax Relief Programs**

### **Homestead Rebate: Good Cause**

*Evelyn N. Bonda v. Director, Division of Taxation*, decided November 17, 2004; Tax Court No. 006258-2003. Bonda is a 72-year-old taxpayer who has a “wide array of medical conditions: a chronic thyroid condition, bipolar disorder, hyper-somnolence, narcolepsy and signs of low-level myocardial injury.” She was on social security disability from 1989 until she turned age 65, and claimed she has no one except her elderly brother who holds power of attorney over her affairs and resides in California.

Bonda filed her 2001 New Jersey income tax return on December 22, 2002. In the process of filing her return, she alleges that she requested two extensions to file her Federal income tax return. Although she produced evidence of a first extension to August 15, 2002, she was unable to produce any documentary evidence of a second extension. On April 30, 2003, Bonda received a final determination letter denying her homestead rebate request due to an untimely filing and stating that an appeal must be sent to and received by the Tax Court within 90 days from the date of the letter. On June 12, 2003, Bonda



directed a letter indicating an intention to appeal to the Division of Taxation, but not to the Tax Court. On July 18, 2003, Bonda received a letter from the Division indicating that more time would be required to process her correspondence due to the mail volume. Bonda contacted the Tax Court Management Office on September 11, 2003, and discovered that the Tax Court did not receive her papers. On September 19, 2003, Bonda was admitted into an inpatient epilepsy-monitoring program. Bonda testified that she filed with the Tax Court on September 30, 2003.

As a general rule, the homestead rebate application must be filed with the New Jersey income tax return. If a taxpayer is granted either a State or Federal income tax extension, then the rebate application is also extended. Here, Bonda undisputedly filed her rebate application on December 22, 2002, which was after the August 15, 2002, extension. As Bonda could not produce evidence of a subsequent extension, the Court ruled that the rebate application was untimely.

In the case of an untimely filing, N.J.S.A. 54:4-3.87 permits the Division to extend the time period for a reasonable period where good cause is shown. In *Hovland*, the Tax Court found that good cause existed where Hovland was diagnosed with cancer of the spine and continuously hospitalized with severe pain. When Hovland returned from the hospital, he completed his application and submitted it one day late. Although Hovland was married, it was found that his wife only took care of their simple financial affairs. Applying the good cause standard to the present case, the Court ruled that Bonda did not present sufficient evidence of a medical inability to timely file the application and, therefore, did not meet the good cause standard required to extend the filing deadline.

Addressing the issue of the timeliness of Bonda's appeal to the Tax Court, the Court stated that a complaint involving the homestead rebate or NJ SAVER claim must be filed within 90 days of the issuance of the Director's denial. The Court noted that on very rare occasions the Tax Court has allowed a tolling of the statute of limitations. Although it was sympathetic to taxpayer's medical conditions, the Court ruled that these circumstances do not warrant a tolling of the filing deadline. Therefore, the Court dismissed the complaint as untimely.

**Verification of Eligibility for the Homestead Rebate**  
*Susan Clayton v. Director, Division of Taxation*, decided December 22, 2004; Tax Court No. 000914-2004. Plaintiff (Clayton) filed a timely application for a 2002 homestead rebate as a tenant. The Division requested written verification of Clayton's status as a tenant. Clayton provided the Division with a letter, purporting to be signed

by her landlord, stating that Clayton resided at the claimed residence from December 1, 2001, till July 18, 2003. The Division compared the landlord's signature on this document with the landlord's signature on the landlord's gross income tax return and determined that the signatures did not match. Therefore, the Division requested additional documentation including the rental agreement covering the 2002 calendar year. Clayton forwarded a rental agreement for the period of April 2000 to March 31, 2001, a letter from the landlord with the landlord's name handprinted, and copies of preprinted money receipts with the words indicating the landlord's name and Clayton's name.

N.J.S.A. 54:4-8.62 provides that the Division may require verification of eligibility for the rebate. The Court opined that the Division had ample reason to question the authenticity of the documents, as the landlord's signature on the rental agreement did not match the signature on the letters and the handwriting on the receipts was different than the handwriting on the documents signed by the landlord. Therefore, the Court upheld the Division's denial of Clayton's 2002 homestead rebate, finding that the Division reasonably concluded that Clayton did not establish her entitlement to the rebate.

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## Realty Transfer Fee

### Senior Citizen Exemption

*Norman and Thalia B. Terrell v. Director, Division of Taxation*, decided May 10, 2005; Tax Court No. 004258-2000. Plaintiffs created and appointed themselves the trustees of the Terrell Family Trust. In January 1995 the plaintiffs transferred a property, known as 214 Windsor Avenue, Cape May, New Jersey, by deed to this trust. In May 2000 the trust as grantor sold this property to grantees Cynthia and George Yesgiosh, Jr. for \$335,000. The affidavit of consideration attached to the deed requested a partial exemption from the realty transfer fee stating that the grantor is a senior citizen who owned and occupied the property at the time of sale. The Division denied the request.

N.J.S.A. 46:15-10.1(a)(1) grants a senior citizen, defined as age 62 or over who is a New Jersey resident, a partial exemption from the realty transfer fee on qualifying property. The Court ruled that a trust cannot be a senior citizen as it is not a natural person. Furthermore, the Court found that the Legislature did not include senior citizens' trusts on the exemption list. Consequently, the Court held that the senior citizen exemption did not apply to the sale of this property.

## Sales and Use Tax

### Wrapping Supplies Exemption

*Quest Diagnostics, Inc. v. Director, Division of Taxation*, decided September 9, 2004; Tax Court No. 005140-2002. Plaintiff (Quest) operates a laboratory that performs and provides test results on human blood and other bodily fluids. Initially, Quest purchases vacutainers or similar devices, which are test tubes used to collect specimens, that are empty except that they contain chemical anticoagulants or clot activators. The vacutainers are shipped to Quest in sealed packages. Quest provides these vacutainers at no charge to physicians or to facilities operated by Quest. Then, Quest collects them from the physician's office when specimens are filled for testing and delivers them to the Quest laboratory. Unused vacutainers can be returned to Quest in their original packaging. Quest's competitors also provide physicians with the same or similar vacutainers and none of the vacutainers are identifiable to indicate whether they were provided by Quest or a competitor. After Quest completes testing, it destroys the used vacutainers and invoices the patient or the insurance company.

At issue is whether Quest's purchases of vacutainers qualify for an exemption from the Sales and Use Tax Act. In general, N.J.S.A. 54:32B-8.15 (8.15) provides an exemption for the sales or use of wrapping supplies including cartons, nonreturnable containers, etc., and all other wrapping supplies that are used incidentally in the delivery of personal property.

The Court determined that whether the vacutainers were wrapping supplies and whether their use was incidental to the delivery of personal property must be determined based upon Quest's use of the vacutainers and not the physician's later use of collecting specimens and their return to the Quest laboratory for testing and destruction. Under the statutory definition of "use," the Court concluded that both Quest's purchase of the vacutainers and its delivery to physicians was a "use" of the product. First, the Court found that the vacutainers qualified as containers. In order to qualify for the 8.15 exemption, the statute specifically requires that containers be nonreturnable. The Court determined that Quest's sole purpose in providing vacutainers to physicians was to encourage physicians to return vacutainers containing specimens for testing purposes. Therefore, the Court held that the vacutainers were returnable containers and did not qualify for the 8.15 exemption. Additionally, the Court reasoned that as containers the vacutainers could not also qualify under the category of "all other wrapping supplies" because the

statutory nonreturnable container requirement would be meaningless if a returnable container could qualify under another category.

The Court proceeded to discuss whether the vacutainers would have qualified for the "incidental to the delivery of personal property" requirement. The Court found that providing empty vacutainers, except for chemicals, to physicians was not a use that was "incidental to the delivery of personal property" because Quest did not use the vacutainers to deliver personal property. Only the physicians placed specimens, personal property, into the vacutainers for delivery to plaintiff. The Court opined that Quest's delivery of the vacutainers to the physicians was the use that determined the issue of taxability and that the physician's use of placing specimens in them and returning them to Quest is a separate, independent, second use of the container that could not be imputed to Quest. Additionally, the Court noted that the physician's use could not be attributable to Quest because Quest-purchased vacutainers may be returned to Quest or a competitor and likewise a competitor-purchased vacutainer may be returned to Quest or the competitor. Therefore, the physician's use of a Quest vacutainer may not be as a facilitator for Quest. Finally, the Court concluded that the statute refers to wrapping supplies used to deliver personal property to a third party and not to oneself. The Court found that the facts indicated that Quest used vacutainers to deliver personal property to itself regardless of whether an independent physician or Quest's facilities used the vacutainers to collect specimens and return them to Quest.

### Derivative Exemption

*Sodexho Operations, LLC v. Director, Division of Taxation*, decided November 30, 2004; Appellate Division No. A-1460-03T2. Sodexho provided management services for the food and cleaning service departments of various hospitals and other institutions that qualified as tax-exempt organizations under the Sales and Use Tax Act. As part of the management services, Sodexho purchased supplies for use in the cleaning department, various paper goods for the food service departments, and furniture and materials to renovate the cafeterias and dining rooms.

At trial, Sodexho claimed that these purchases were not subject to sales and use tax because either it acted as a procurement agent for the tax-exempt organizations and therefore is entitled to a derivative exemption, or because these purchases are for resale to the tax-exempt organizations. The Tax Court rejected both of Sodexho's arguments. The Court determined that Sodexho's agency

relationship with the tax-exempt organizations was not sufficient for Sodexho to stand in the shoes of the organizations to qualify for the organizations' tax exemption had the organizations purchased the items directly. Secondly, the Court determined that the resale exemption did not apply because Sodexho's purchases were incidental to the true object of providing management services.

On appeal, the Appellate Division affirmed the Tax Court substantially for the reasons stated in the Tax Court opinion.

**Food For Consumption on the Premises Where Sold**  
*Campo Jersey, Inc. v. Director, Division of Taxation*, decided May 10, 2005; Tax Court No. 005483-2002. Plaintiff (Campo), a franchisee of Mrs. Fields Cookies, sold cookies and brownies at Giants Stadium and the Brendan T. Byrne Arena pursuant to a license agreement with Harry M. Stevens Inc. of New Jersey, who held the sole concession rights to sell food and beverages at the Meadowlands Sports Complex from the New Jersey Sports and Exposition Authority (Authority). The subcontract between Campo and Stevens provided that Campo was a licensee, and not a lessee, and that no real or personal property was leased to Campo. Campo sold the brownies and cookies at all events, concerts, and games where admission fees were charged, unless otherwise provided by the subcontract, but otherwise did not have regular hours for conducting business.

During the years at issue and pursuant to the terms of the contract, Stevens trained, provided, and compensated the employees used in Campo's operations. Campo had a baking facility in one area containing equipment that was not permanently installed, but did not sell any products from that area. Mrs. Fields products were shipped to the Meadowlands Complex where they were stored in a freezer that is not owned by Campo. Stevens' employees removed the products from the freezer, baked the cookies and brownies, washed the baking sheets and utensils, cleaned the baking area, and transported the cookies and brownies to approximately 30 free-standing mobile carts owned by Campo. These carts were plugged into electrical outlets in order to maintain the cookies and brownies at the ambient temperature and illuminate the Mrs. Fields logo. The carts were not assigned to permanent locations and Campo was not permitted to maintain or repair the carts at the Meadowlands Complex.

Stevens' employees sold the cookies and brownies from the carts in unsealed wax bags. Customers purchased either two cookies or one brownie per bag with each bag selling for \$3.50. Sales tax was not charged on these

sales. At the end of the event, a Campo employee collected the receipts from Stevens' employees.

The Division assessed sales tax on the sales of cookies and brownies pursuant to N.J.S.A. 54:32B-3(c)(1), which imposes sales tax on receipts of all food sales for consumption on the premises where sold. Campo claimed that all food was sold for consumption off the premises because Campo had no premises according to the license agreement. Furthermore, Campo claimed that its customers did not eat the food on the carts or even next to the carts but rather ate them at other areas.

In this case of first impression, the Court determined that the issue was whether the word "premises" should be defined broadly as the total space and facilities in or on which the vendor conducts his business (See N.J.A.C. 18:24-12.2) or whether it should be construed narrowly to require the vendor control the premises where the vendor is located, as Campo contended it does not as a licensee. The Court commenced its analysis with the query of whether the food would be taxable if the Authority, as owner or operator, sold food to patrons at the Meadowlands Sports Complex. The Court found that the Authority would be obligated to collect sales tax because the food would be sold on the Authority's premises and no exemption applies to this transaction. The Court reasoned that if control of the premises was required for taxability that vendors could decide per agreement whether a sales transaction would be taxable and that subjectivity to taxability cannot be contracted away.

After determining that the plain meaning of the word "premises" is the total space in or on which a vendor conducts his business, the Court then undertook to determine whether the plain meaning of the word comported with the legislative intent. The Court noted that N.J.S.A. 54:32B-12(b) states that there is a presumption that all receipts for property or services of any type mentioned in N.J.S.A. 54:32B-3(c) are taxable. Therefore, the Court found that a reasonable interpretation of N.J.S.A. 54:32B-3(c) is that it was intended to subject to tax a sale of food enhanced with a service performed for the customer. This service may be the preparation of food or making the food available at a site where the customer wishes to consume it, or both. Consequently, the Court upheld the Division's assessment.

**Evidence of Food Consumed Off the Premises Where Sold**

*Bubbles, Inc. t/a Auntie Anne's Pretzels v. Director, Division of Taxation*, decided June 2, 2005; Tax Court No. 003209-2002. Plaintiff (Bubbles) is a franchise of Auntie

Anne's, Inc., that sold hand-rolled soft pretzels, dips, carbonated soft drinks, lemonade, and Dutch Ice at the Quakerbridge Mall (Mall). Bubbles sold its products from a leased store as well as a kiosk-type cart or stand. The store was not accessible to customers as the front of the store is bounded by a counter where products are sold to customers standing in a common area of the Mall. Like the store, customers purchased products over the counter of the kiosk. Testimony indicated that other Mall stores had their own dine-in seating and that there were no tables or chairs in the common areas of the Mall.

Bubbles prepared pretzels from raw ingredients that are placed in an oven for baking. After they are baked, most of the pretzels are dipped in butter and placed in a piece of equipment so that the butter is baked into the pretzels. Occasionally, pretzels are sold immediately after they are removed from the oven without being buttered. When pretzels are purchased, Bubbles delivers them in either a wax paper bag that holds six pretzels or another bag that holds up to three or four pretzels depending upon the quantity purchased. Each bag has instructions for reheating the pretzels. Pretzels are served with napkins. Bubbles did not collect sales tax on the sale of pretzels, noncarbonated lemonade, and the Dutch Ice believing that the sales were not subject to sales tax.

Bubbles argued that the pretzels were not sold for consumption on its premises because it had no premises on which its customers could consume food. Bubbles claimed the areas leased by it were not open to the public, that there was no seating made available for consuming food, and that the Mall, not Bubbles, controlled the common areas of the Mall.

The Court found that N.J.S.A. 54:32B-3(c) imposes sales tax on sales of food and drink for consumption on the premises where sold and that N.J.A.C. 18:24-12.2 defined the phrase "on the premises." In *Campo*, the Tax Court recently upheld the Division's regulation in defining premises broadly as the total space and facilities in or on which a vendor conducts his business to mean that Campo's premises constituted the entire stadium and arena despite the fact that its license did not grant Campo the right to use any specific area of the facilities for either preparation or sales. Therefore, as to Bubbles, the Court ruled likewise that the phrase "on the premises" meant within the Mall even though the lease did not grant Bubbles any rights to the Mall beyond the boundaries of its store and kiosk.

Bubbles further argued that the pretzels were not sold for consumption in the Mall because 75% of the pretzels sold were either purchased in quantities greater than one or

exited the doors of the Mall unconsumed. N.J.S.A. 54:32B-12 presumes that all N.J.S.A. 54:32B-3(c) sales are taxable unless the contrary is established by the person contesting the tax. Moreover, case law recognizes that the Division's assessments are presumed correct. The Court concluded that Bubbles' testimony and evidence did not overcome the Division's presumption of correctness. The Court did not find Bubbles' witnesses' testimony credible or reliable as to where the customers consumed the pretzels and beverages. The Court opined that Bubbles failed to establish with credible evidence the percentage of sales that were consumed off the Mall's premises as it did not produce any documentary evidence, such as cash register tapes, to support its contentions. The Court cited case law that "A taxpayer's 'naked assertions,' without supporting records or documentation are insufficient to rebut the presumption that the Director's assessment is correct." Consequently, the Court concluded that Bubbles' sales of food and beverages were for consumption on the premises as Bubbles could not overcome the presumption that the Division's assessment is correct by proving with "evidence that is definite, positive, and certain in quality and quantity" that any portion of the food and beverages were consumed off the premises.

Plaintiff appealed this decision to the Appellate Division.

#### **Adequate Books and Records**

*Max Dufner, Inc. v. Director, Division of Taxation*, decided June 24, 2005; Tax Court No. 004367-2004. Plaintiff Max Dufner, Inc., (MDI) sold sandwiches and other foods as well as beverages. An audit of MDI revealed that MDI did not maintain purchase journals, sales records, or exemption certificates to support its reported sales or nontaxable sales. Therefore, the Division estimated and assessed additional sales tax.

MDI claims that the majority of its sales were tax-exempt wholesale sales to lunch truck vendors and/or were exempt because the sales were food that was not ready to be eaten. The Court ruled that the burden is on MDI to prove that taxes were reported correctly noting that the mere appearance of qualification for exemption is not sufficient to even partially prevail. MDI did not retain cash register tapes and admitted that it did not keep books or journals indicating the amount of sales and which sales were exempt. MDI's method of determining sales was based upon the amount of bank deposits that were deposited into its bank account. The Court found that no records were kept showing which sales qualified for tax exemption and indicated that it had no way of knowing whether receipts from any day were entirely deposited.

Concluding that MDI presented no credible evidence to show that the audit was arbitrary, capricious or unreasonable, the Court determined that it was reasonable for the Division to estimate MDI's tax liability and upheld the Division's assessment.

### **Garbage Removal**

*Blue Diamond Disposal, Inc. v. Director, Division of Taxation*, decided June 30, 2005; Tax Court No. 005008-2004. Plaintiff Blue Diamond Disposal, Inc., (BDD) is a solid waste hauler. At issue is whether BDD's One Shot Deal, as coined by BDD, is subject to tax under the Sales and Use Tax Act. A One Shot Deal is where BDD places an empty dumpster or similar container at a customer's location for the customer to fill with unwanted personal property. When the customer is finished with the container, BDD returns and hauls it to a disposal site.

BDD claimed that the One Shot Deal is the transportation of property, which is exempt from taxation under N.J.S.A. 54:32B-8.11. On the other hand, the Division argued that the One Shot Deal is subject to taxation under N.J.S.A. 54:32B-3 where sales tax is imposed upon maintaining and servicing real property excluding garbage removal performed on a regular contractual basis for a term not less than 30 days.

The Court found that transportation was only incidental to the primary service of garbage removal. The One Shot Deal was a trash removal service and the Court opined that it made no difference who owned the container or what container the garbage was in. The Court determined that BDD's service was similar to an example of trash removal in N.J.A.C. 18:24-13.2 where a private company picks up garbage at a house. Therefore, the Court upheld the Division's assessment concluding that receipts from the One Shot Deal are subject to sales tax under N.J.S.A. 54:32B-3.

### **Tax Separately Stated**

*Great American Railway Co. v. Division of Taxation*, decided March 3, 2006; Tax Court No. 005006-2004. Plaintiff operates a museum containing a doll collection, pipe organ, model railroads, as well as an outdoor railroad train. Customers paid an admission charge for entrance and received an admission ticket. The ticket stated only the admission price and did not provide the amount of sales tax.

The Division's auditor (Auditor) found that the gross receipts used to calculate sales tax plus 6% of that amount equaled plaintiff's gross receipts as recorded in a notebook by plaintiff's principal for the fourth quarter of 1997. Dividing the gross receipts by 1.06 produced tax-

able gross receipts. Plaintiff's accountant described this method of determining sales tax from the gross receipts as backing into the sales tax. The Auditor disagreed and determined that the entire admission price was taxable because the admission tickets did not separately state the tax as required by N.J.S.A. 54:32B-12(a) and the interpretive regulation. In other words, hypothetically, if the admission ticket price was \$10.60, plaintiff contends that \$10 is the gross receipt and \$0.60 is the sales tax. On the other hand, the auditor claims that the entire \$10.60 is the gross receipt and therefore subject to the 6% sales tax of \$0.636.

At trial, plaintiff's principal testified that the 6% sales tax was included in the admission price and that signs were posted indicating such for the four-year period at issue. On the other hand, the Auditor as well as an assistant testified that they did not see any posted signs relating to the sales tax.

In evaluating the testimony, the Court noted that this was not a case of concealment, plaintiff maintained adequate books and records, taxes were consistently reported and paid timely, and plaintiff's principal was a credible witness. The Court then opined that a sign was posted during the entire audit period. The Auditor's testimony was discounted because the Division did not produce any evidence such as a photograph in support of its position. Furthermore, the Auditor's testimony was found to be due possibly to faulty recollection or a failure to observe the sign.

N.J.S.A. 54:32B-12(a) provides as follows:

Every person required to collect the tax shall collect the tax from the customer when collecting the price, service charge, amusement charge or rent to which it applies. If the customer is given any sales slip, invoice, receipt or other statement or memorandum of the price, service charge, amusement charge or rent paid or payable, the tax shall be stated, charged and shown separately on the first of such documents given to him. The tax shall be paid to the person required to collect it as trustee for and on account of the State.

The Court determined that plaintiff's sign "satisfied the purpose if not the letter of the statutory requirement" of N.J.S.A. 54:32B-12(a) even though sales tax was not separately shown on the admission tickets as required by the statute. The Court reasoned that the "purpose" of N.J.S.A. 54:32B-12(a) was to notify the customer of the amount of sales tax collected as well as to provide a basis for a sales tax refund where appropriate. Furthermore, the

Court stated that additional sales tax was not retained by the plaintiff and that the Division sought to effectively impose additional sales tax on the sales tax reported and remitted. Alternatively, the Court opined that even if a sign was not posted, that additional sales tax was not due. “No provision of the sales tax statutes or regulations states that a failure to disclose separately the amount of sales tax being collected will automatically result in liability for payment of tax on the portion of the admission charge used to pay sales tax.”

### **Bulk Sale Notice**

*GABGEO v. Division of Taxation, Division of Alcoholic Beverage Control, and Township of Colts Neck*, decided April 21, 2006; Tax Court Nos. 007640-2004 and 007676-2004. George Mavrookas was the owner/chief executive of P. Phaneromeni Corp. (Phaneromeni), which owned and operated a restaurant in Colts Neck, New Jersey. The Division had filed numerous judgments in the form of certificates of debt against Phaneromeni for delinquent and/or delinquent taxes. On September 17, 1996, the Division notified Phaneromeni that the Division had obtained a judgment against Phaneromeni, George Mavrookas, and fellow officers and partners for approximately \$195,356 of sales and use tax and corporation business tax liabilities regarding tax years 1996 and prior. Between October 1996 and July 1997 there was correspondence between the Division and Mr. Giacomo Duva, the attorney for Phaneromeni, regarding payment of the liabilities. On July 7, 1997, Mr. Duva notified the Division that Phaneromeni had “contracted to sell the business, assets, liquor license, and real property to a bona fide buyer who presently has a loan commitment.” The letter also stated that the buyer’s lender had set a July 17, 1997, closing date, but that date could not be guaranteed. This letter did not disclose the identity of the buyer, a sales price, firm closing date, or if the purchaser would assume Phaneromeni’s tax liabilities.

Plaintiff (GABGEO) purchased the assets and liquor license of Phaneromeni on July 18, 1997, for an unstated amount of money. GABGEO was incorporated on June 27, 1997, listing Peter Mavrookas (son of George Mavrookas of Phaneromeni) as the sole shareholder of GABGEO and Mr. Giacomo Duva as the registered agent. Although the purchase included the real property in which the business was located, the real estate was deeded in a separately recorded transaction on July 18, 1997, from George Mavrookas and his wife to Peter Mavrookas and his wife for \$1,800,000.

On September 2, 1997, Mr. Duva sent an attorney trust account check to the Division to pay off most of

Phaneromeni’s tax liabilities and indicated that GABGEO would assume responsibility for the remaining approximately \$20,000. The Division notified Phaneromeni that the judgments were satisfied and warrants for satisfaction would be prepared and forwarded to the Superior Court.

Mr. Duva, acting as the attorney for GABGEO, delivered a Bulk Sale Notice to the Division on September 11, 1997, almost 60 days after the closing. Thereafter, the Division issued a conditional tax clearance certificate that allowed Phaneromeni to transfer the liquor license to GABGEO, and issued a Notice and Demand of Payment From Transferee to GABGEO in the amount of \$34,969. In the following months, Mr. Duva corresponded with the Division inquiring about the status of the clearance of the transfer of the liquor license. In a letter dated April 1, 1998, the Division informed Mr. Duva that GABGEO did not timely file its Bulk Sale Notice and therefore the Division could not inform the purchaser of the requirements to obtain a tax clearance certificate and did not perform an analysis of Phaneromeni’s food and liquor purchases and gross receipts. Nonetheless, the letter stated that the Division would relinquish the escrow requirement and issue a conditional clearance certificate to allow the transfer of the liquor license with the caveat that upon completion of the current audit pertaining to Phaneromeni the Division would pursue collection activities against Phaneromeni and/or GABGEO.

In 1999, the Division issued a clearance certificate for the renewal of the liquor license indicating that there were no outstanding liabilities for sales through September 1997. Thereafter, the Division issued a tax clearance certificate for the transfer of the liquor license to GABGEO. In a letter dated October 18, 1999, the Division issued a notice to Phaneromeni that it owed \$417,187 in sales tax and interest for tax years 1995 through 1997. On May 15, 2003, the Division notified GABGEO of their additional transferee liability of \$429,790 as a result of the audit of Phaneromeni.

At issue is whether GABGEO is responsible for the taxes, interest, and/or penalties of Phaneromeni as a result of the 1999 audit. In essence, N.J.S.A. 54:32B-22(c) requires that a purchaser in bulk of the business or business assets must notify the Division by registered mail at least 10 days prior to the sale or possession and include the price, terms, and conditions as well as acknowledge that the seller has informed the purchaser that the seller owes taxes or the purchaser will be personally liable for any taxes determined to be due from the seller.

The Court determined that the July 7, 1997, notification to the Division did not substantially comply with N.J.S.A. 54:32B-22(c). Mr. Duva sent the notice on behalf of the seller, not the purchaser, the purchaser was not named, and the notification was not the form of notice required by the statute. The letter did not inform the Division whether the seller informed the purchaser of the outstanding taxes or that the purchaser would assume liability of any taxes owed. As to the September 11, 1997, notice, the Court found that it was a proper notice but was untimely to put the Division on notice as it was not provided at least 10 days before the July 18, 1997, sale as required by the statute. Therefore, the Division could not perform a quick bulk sales audit, address potential liabilities after an audit, and prescribe an escrow until after the sale closed.

The Court also questioned whether the transaction was a bona fide sale because the same attorney represented both the seller, whose principal was the father, and the purchaser, whose principal was the son; the sales price of the business assets was miniscule in comparison to the separate price paid for the real estate; and there was no proof of the true values of the real estate and the business.

In addressing whether the Division should be equitably estopped from collecting the liabilities of Phaneromeni from GABGEO because of the months of negotiations prior to the sale between Mr. Duva and the Division regarding the amount of monies owed to secure transfer of the liquor license, the Court decided that the Division could only be estopped in this case if the bulk sales notification provisions were complied with or pursuant to a closing agreement. The Court found that the Division's April 1, 1998, letter was fair warning to GABGEO that an audit was in process and the Division reserved the right to collect against Phaneromeni and/or GABGEO.

In affirming the Division's assessment and holding GABGEO responsible for the tax liabilities of Phaneromeni, the Court reiterated that GABGEO did not comply strictly or substantially with the bulk sale notice provisions, GABGEO was on notice that it would be held responsible for Phaneromeni's audit liabilities, and there was no evidence presented at trial disputing the amount of the assessment.

## New Jersey Division of Taxation

### 2005 APPENDICES

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## 2004 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Atlantic</b>			Englewood Cliffs Bor.	0.950	0.930
Absecon City	3.618	3.010	Fair Lawn Borough	3.670	2.310
Atlantic City	3.421	2.960	Fairview Borough	3.290	2.380
Brigantine City	3.074	1.640	Fort Lee Borough	1.500	1.940
Buena Borough	3.425	2.750	Franklin Lakes Borough	2.150	1.400
Buena Vista Township	3.238	2.320	Garfield City	3.110	2.150
Corbin City	3.317	3.150	Glen Rock Borough	2.410	2.410
Egg Harbor City	4.751	3.450	Hackensack City	4.480	2.700
Egg Harbor Township	3.184	2.410	Harrington Park Borough	3.050	2.030
Estell Manor City	2.276	2.060	Hasbrouck Heights Bor.	3.360	2.300
Folsom Borough	2.330	2.040	Haworth Borough	1.990	2.240
Galloway Township	3.086	2.510	Hillsdale Borough	3.260	2.000
Hamilton Township	3.171	2.500	Ho Ho Kus Borough	2.410	1.620
Hammonton Town	3.131	2.780	Leonia Borough	3.240	2.310
Linwood City	2.961	2.910	Little Ferry Borough	3.690	2.380
Longport Borough	1.136	0.920	Lodi Borough	2.240	2.760
Margate City	2.506	1.580	Lyndhurst Township	3.060	2.110
Mullica Township	3.157	2.510	Mahwah Township	1.550	1.340
Northfield City	3.515	2.640	Maywood Borough	3.450	2.260
Pleasantville City	3.804	3.200	Midland Park Borough	2.430	2.190
Port Republic City	2.651	2.060	Montvale Borough	2.590	1.790
Somers Point City	3.147	2.500	Moonachie Borough	2.530	1.780
Ventnor City	2.534	2.300	New Milford Borough	3.280	2.260
Weymouth Township	2.073	1.680	North Arlington Borough	3.490	2.470
<b>Bergen</b>			Northvale Borough	3.120	2.090
Allendale Borough	2.050	1.980	Norwood Borough	2.670	1.920
Alpine Borough	1.180	0.740	Oakland Borough	3.350	2.100
Bergenfield Borough	4.560	2.700	Old Tappan Borough	1.810	1.700
Bogota Borough	3.290	2.620	Oradell Borough	3.410	2.100
Carlstadt Borough	2.550	1.650	Palisades Park Borough	2.860	1.770
Cliffside Park Borough	1.740	1.930	Paramus Borough	1.370	1.460
Closter Borough	2.660	2.000	Park Ridge Borough	1.510	1.830
Cresskill Borough	1.650	1.870	Ramsey Borough	1.910	2.040
Demarest Borough	1.870	2.110	Ridgefield Borough	2.170	1.230
Dumont Borough	3.770	2.430	Ridgefield Park Village	3.350	2.740
Elmwood Park Borough	3.090	2.060	Ridgewood Village	2.460	2.020
East Rutherford Borough	2.390	1.600	River Edge Borough	3.600	2.360
Edgewater Borough	2.610	1.600	River Vale Township	3.160	2.020
Emerson Borough	3.240	2.260	Rochelle Park Township	2.140	1.950
Englewood City	3.810	2.290	Rockleigh Borough	1.380	0.960
			Rutherford Borough	3.520	2.290

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Bergen</b> (continued)			Southampton Township	2.780	2.420
Saddle Brook Township	2.750	1.960	Springfield Township	3.530	2.390
Saddle River Borough	0.750	0.780	Tabernacle Township	3.413	2.510
South Hackensack Twp.	2.490	2.060	Washington Township	2.655	1.700
Teaneck Township	4.180	2.700	Westampton Township	2.779	2.270
Tenafly Borough	2.040	2.090	Willingboro Township	4.153	3.300
Teterboro Borough	0.960	1.300	Woodland Township	2.660	2.270
Upper Saddle River Bor.	1.720	1.600	Wrightstown Borough	2.204	2.070
Waldwick Borough	3.740	2.260			
Wallington Borough	2.910	2.080	<b>Camden</b>		
Washington Township	3.010	1.850	Audubon Borough	4.334	3.390
Westwood Borough	1.750	2.050	Audubon Park Borough	5.241	5.150
Woodcliff Lake Borough	1.610	1.670	Barrington Borough	4.673	3.760
Wood-Ridge Borough	2.120	1.900	Bellmawr Borough	4.425	3.760
Wyckoff Township	2.430	1.550	Berlin Borough	3.668	2.960
			Berlin Township	3.986	3.540
<b>Burlington</b>			Brooklawn Borough	3.760	3.410
Bass River Township	3.179	2.460	Camden City	4.608	3.350
Beverly City	4.357	3.790	Cherry Hill Township	4.093	3.090
Bordentown City	4.083	3.150	Chesilhurst Borough	3.225	2.920
Bordentown Township	3.543	2.470	Clementon Borough	4.075	3.730
Burlington City	3.159	2.850	Collingswood Borough	4.158	3.590
Burlington Township	2.979	2.140	Gibbsboro Borough	3.073	3.050
Chesterfield Township	3.134	2.260	Gloucester City	3.498	3.100
Cinnaminson Township	3.603	2.680	Gloucester Township	4.255	3.490
Delanco Township	3.466	2.680	Haddon Township	4.073	3.240
Delran Township	3.611	2.910	Haddonfield Borough	4.202	3.020
Eastampton Township	3.745	2.830	Haddon Heights Borough	4.322	3.400
Edgewater Park Township	3.158	2.400	Hi-Nella Borough	5.441	4.460
Evesham Township	3.725	2.620	Laurel Springs Borough	4.129	3.490
Fieldsboro Borough	3.539	2.700	Lawnside Borough	3.386	3.200
Florence Township	3.280	2.640	Lindenwold Borough	4.769	4.320
Hainesport Township	2.946	2.220	Magnolia Borough	4.546	4.120
Lumberton Township	3.415	2.610	Merchantville Borough	4.225	3.820
Mansfield Township	3.243	2.390	Mount Ephraim Borough	3.994	3.560
Maple Shade Township	3.312	2.700	Oaklyn Borough	3.960	3.470
Medford Township	3.809	2.880	Pennsauken Township	3.557	3.220
Medford Lakes Borough	4.376	3.180	Pine Hill Borough	4.763	3.950
Moorestown Township	3.832	2.320	Pine Valley Borough	1.593	1.590
Mount Holly Township	3.647	2.810	Runnemede Borough	4.305	3.830
Mount Laurel Township	3.213	2.540	Somerdale Borough	4.591	4.070
New Hanover Township	1.859	2.020	Stratford Borough	4.347	3.780
North Hanover Township	2.529	2.000	Tavistock Borough	8.559	8.420
Palmyra Borough	3.503	2.860	Voorhees Township	5.134	3.190
Pemberton Borough	3.612	2.820	Waterford Township	4.018	3.400
Pemberton Township	2.982	2.610	Winslow Township	3.911	3.170
Riverside Township	3.153	2.660	Woodlynne Borough	5.983	5.080
Riverton Borough	4.486	3.230			
Shamong Township	3.226	2.430			

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Cape May</b>			North Caldwell Borough	6.990	1.990
Avalon Borough	0.450	0.570	Nutley Township	14.170	2.560
Cape May City	0.760	0.950	Orange City	35.430	3.890
Cape May Point Borough	0.700	0.620	Roseland Borough	9.530	1.930
Dennis Township	2.260	1.580	S. Orange Village Twp.	5.560	3.080
Lower Township	2.640	1.650	Verona Township	7.950	2.340
Middle Township	2.730	1.960	West Caldwell Township	3.320	2.260
North Wildwood City	2.580	1.470	West Orange Township	9.350	3.090
Ocean City	0.970	0.950	<b>Gloucester</b>		
Sea Isle City	0.560	0.740	Clayton Borough	3.865	3.190
Stone Harbor Borough	0.790	0.580	Deptford Township	3.104	2.710
Upper Township	2.230	1.610	East Greenwich Township	3.464	2.720
West Cape May Borough	1.080	1.260	Elk Township	3.451	2.900
West Wildwood Borough	1.100	2.040	Franklin Township	3.218	2.700
Wildwood City	3.430	2.090	Glassboro Borough	4.119	3.670
Wildwood Crest Borough	1.230	1.230	Greenwich Township	3.032	2.470
Woodbine Borough	2.350	1.550	Harrison Township	3.494	2.650
<b>Cumberland</b>			Logan Township	2.704	2.490
Bridgeton City	3.771	3.280	Mantua Township	3.851	3.010
Commercial Township	3.080	2.410	Monroe Township	3.927	3.080
Deerfield Township	2.636	2.980	National Park Borough	4.043	3.460
Downe Township	3.099	2.560	Newfield Borough	4.192	3.220
Fairfield Township	2.510	2.350	Paulsboro Borough	3.361	3.130
Greenwich Township	2.635	3.110	Pitman Borough	3.899	3.250
Hopewell Township	2.889	2.840	S. Harrison Township	3.122	2.490
Lawrence Township	2.941	2.640	Swedesboro Borough	4.134	3.450
Maurice River Township	3.091	2.390	Washington Township	3.755	2.870
Millville City	4.257	2.910	Wenonah Borough	3.957	3.210
Shiloh Borough	3.417	3.200	West Deptford Township	3.299	2.670
Stow Creek Township	2.362	2.510	Westville Borough	3.707	3.310
Upper Deerfield Twp.	2.878	2.720	Woodbury City	5.023	4.200
Vineland City	3.156	2.380	Woodbury Heights Bor.	3.343	3.280
<b>Essex</b>			Woolwich Township	3.671	2.660
Belleville Township	14.520	3.040	<b>Hudson</b>		
Bloomfield Township	4.580	2.940	Bayonne City	4.852	3.130
Caldwell Borough Twp.	16.140	2.270	East Newark Borough	6.880	2.210
Cedar Grove Township	10.430	1.920	Guttenberg Town	4.534	2.540
East Orange City	27.050	4.870	Harrison Town	4.253	2.520
Essex Fells Township	1.300	1.750	Hoboken City	3.216	1.560
Fairfield Township	2.370	1.730	Jersey City	4.606	2.280
Glen Ridge Bor. Twp.	13.340	2.940	Kearny Town	7.030	3.000
Irvington Township	23.030	3.940	North Bergen Township	3.958	2.770
Livingston Township	12.280	2.180	Secaucus Town	2.745	2.200
Maplewood Township	3.610	2.960	Union City	4.556	3.190
Millburn Township	1.960	1.800	Weehawken Township	3.030	2.140
Montclair Township	4.910	2.720	West New York Town	4.596	2.930
Newark City	2.260	2.300			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Hunterdon</b>			East Brunswick Township	6.510	2.400
Alexandria Township	1.840	2.030	Edison Township	3.250	2.320
Bethlehem Township	2.580	2.410	Helmetta Borough	5.970	2.360
Bloomsbury Borough	3.280	2.340	Highland Park Borough	5.160	2.740
Califon Borough	3.890	2.670	Jamesburg Borough	4.100	2.880
Clinton Town	2.690	2.470	Metuchen Borough	3.560	2.200
Clinton Township	2.240	2.060	Middlesex Borough	5.530	2.570
Delaware Township	2.000	1.980	Milltown Borough	3.390	2.340
East Amwell Township	3.090	2.000	Monroe Township	2.900	1.900
Flemington Borough	2.780	2.560	New Brunswick City	3.970	2.570
Franklin Township	2.010	2.020	North Brunswick Twp.	3.540	2.610
Frenchtown Borough	2.130	2.450	Old Bridge Township	3.590	2.380
Glen Gardner Borough	2.430	2.200	Perth Amboy City	3.140	2.100
Hampton Borough	4.440	3.220	Piscataway Township	4.610	2.360
High Bridge Borough	3.790	2.690	Plainsboro Township	3.140	2.230
Holland Township	1.930	1.810	Sayreville Borough	3.290	2.150
Kingwood Township	2.800	1.790	South Amboy City	6.400	2.280
Lambertville City	1.790	1.610	South Brunswick Twp.	3.140	2.280
Lebanon Borough	2.910	1.870	South Plainfield Bor.	3.780	2.090
Lebanon Township	2.440	2.080	South River Borough	4.660	1.860
Milford Borough	2.530	2.160	Spotswood Borough	7.060	2.480
Raritan Township	3.100	1.990	Woodbridge Township	6.090	2.500
Readington Township	2.070	1.970			
Stockton Borough	2.960	1.810	<b>Monmouth</b>		
Tewksbury Township	2.100	1.870	Aberdeen Township	4.581	2.670
Union Township	2.200	1.910	Allenhurst Borough	1.289	1.040
West Amwell Township	1.580	1.610	Allentown Borough	3.558	2.700
			Asbury Park City	4.069	2.570
<b>Mercer</b>			Atlantic Highlands Bor.	2.022	2.310
East Windsor Township	4.140	2.830	Avon-by-the-Sea Bor.	2.211	1.170
Ewing Township	3.780	2.690	Belmar Borough	1.460	1.530
Hamilton Township	3.180	2.560	Bradley Beach Borough	2.330	1.770
Hightstown Borough	5.030	3.330	Brielle Borough	2.744	1.640
Hopewell Borough	3.460	2.210	Colts Neck Township	2.915	1.660
Hopewell Township	3.130	2.230	Deal Borough	0.769	0.740
Lawrence Township	3.240	2.420	Eatontown Borough	3.286	2.230
Pennington Borough	3.830	2.350	Englishtown Borough	3.604	2.270
Princeton Borough	3.350	1.990	Fair Haven Borough	1.848	1.950
Princeton Township	2.940	1.900	Farmingdale Borough	3.659	2.060
Trenton City	4.020	3.740	Freehold Borough	3.552	2.330
Washington Township	3.910	2.590	Freehold Township	3.019	2.050
West Windsor Township	4.130	2.670	Hazlet Township	3.849	2.440
			Highlands Borough	2.245	2.650
<b>Middlesex</b>			Holmdel Township	3.152	1.840
Carteret Borough	4.100	2.610	Howell Township	3.627	2.360
Cranbury Township	3.660	1.830	Interlaken Borough	1.161	1.310
Dunellen Borough	7.990	2.560			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Monmouth</b> (continued)			Lincoln Park Borough	3.360	2.240
Keansburg Borough	4.264	2.710	Long Hill Township	2.150	2.000
Keyport Borough	3.986	2.670	Madison Borough	1.990	1.550
Little Silver Borough	1.976	2.100	Mendham Borough	2.940	1.630
Loch Arbour Village	1.410	1.190	Mendham Township	2.810	1.700
Long Branch City	2.302	2.290	Mine Hill Township	3.720	2.410
Manalapan Township	3.591	2.120	Montville Township	2.530	1.800
Manasquan Borough	1.234	1.490	Morris Township	2.030	1.780
Marlboro Township	3.635	2.070	Morris Plains Borough	2.660	1.800
Matawan Borough	4.602	2.980	Morristown Town	2.030	2.260
Middletown Township	3.324	1.980	Mountain Lakes Borough	3.360	2.060
Millstone Township	2.096	1.920	Mount Arlington Borough	1.660	1.910
Monmouth Beach Bor.	3.137	1.470	Mount Olive Township	3.240	2.610
Neptune Township	1.795	2.090	Netcong Borough	3.390	2.540
Neptune City Borough	1.937	2.300	Parsippany-Troy Hills Twp.	1.810	2.040
Ocean Township	3.521	2.050	Pequannock Township	3.110	1.970
Oceanport Borough	3.181	1.820	Randolph Township	2.580	2.060
Red Bank Borough	3.076	2.230	Riverdale Borough	2.420	1.670
Roosevelt Borough	4.625	3.230	Rockaway Borough	1.830	2.190
Rumson Borough	1.255	1.530	Rockaway Township	2.670	2.490
Sea Bright Borough	1.279	1.640	Roxbury Township	2.970	2.280
Sea Girt Borough	1.907	0.920	Victory Gardens Borough	3.300	1.970
Shrewsbury Borough	2.064	2.150	Washington Township	3.060	2.140
Shrewsbury Township	4.487	2.730	Wharton Borough	3.570	2.260
South Belmar Borough	3.680	2.080			
Spring Lake Borough	1.581	0.790	<b>Ocean</b>		
Spring Lake Heights Bor.	1.714	1.550	Barneget Township	3.624	2.380
Tinton Falls Borough	3.413	2.200	Barneget Light Borough	0.819	0.990
Union Beach Borough	2.455	2.630	Bay Head Borough	0.900	0.780
Upper Freehold Township	2.968	2.080	Beach Haven Borough	0.883	1.100
Wall Township	2.108	1.850	Beachwood Borough	2.957	2.000
West Long Branch Bor.	2.829	2.070	Berkeley Township	2.694	1.810
			Brick Township	3.010	1.850
<b>Morris</b>			Dover Township	2.754	1.660
Boonton Town	3.100	1.990	Eagleswood Township	3.201	2.390
Boonton Township	2.660	1.800	Harvey Cedars Borough	0.832	1.020
Butler Borough	2.240	2.180	Island Heights Borough	3.492	2.030
Chatham Borough	3.310	1.540	Jackson Township	3.307	2.020
Chatham Township	2.580	1.520	Lacey Township	2.868	1.860
Chester Borough	2.240	2.310	Lakehurst Borough	3.787	2.700
Chester Township	2.890	1.800	Lakewood Township	3.316	2.110
Denville Township	2.150	1.960	Lavallette Borough	0.684	0.910
Dover Town	3.370	2.250	Little Egg Harbor Twp.	3.276	2.320
East Hanover Township	1.510	1.440	Long Beach Township	1.931	0.950
Florham Park Borough	2.100	1.270	Manchester Township	2.653	1.950
Hanover Township	2.080	1.440	Mantoloking Borough	0.737	0.620
Harding Township	0.880	0.900	Ocean Township	3.277	2.150
Jefferson Township	3.220	2.130			
Kinnelon Borough	2.280	2.000			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Ocean (continued)</b>			<b>Somerset</b>		
Ocean Gate Borough	3.695	2.330	Bedminster Township	1.300	1.240
Pine Beach Borough	2.575	1.800	Bernards Township	1.760	1.710
Plumsted Township	2.830	1.910	Bernardsville Borough	1.590	1.580
Point Pleasant Borough	3.026	1.840	Bound Brook Borough	4.270	3.000
Pt. Pleasant Beach Bor.	2.721	1.400	Branchburg Township	2.260	2.100
Seaside Heights Borough	3.235	2.000	Bridgewater Township	2.060	1.700
Seaside Park Borough	1.544	1.450	Far Hills Borough	1.120	1.050
Ship Bottom Borough	2.125	1.120	Franklin Township	2.060	2.190
South Toms River Bor.	3.595	2.420	Green Brook Township	3.230	2.060
Stafford Township	2.648	1.930	Hillsborough Township	2.590	2.210
Surf City Borough	2.106	1.020	Manville Borough	3.330	2.300
Tuckerton Borough	3.638	2.330	Millstone Borough	2.130	1.830
<b>Passaic</b>			Montgomery Township	2.450	2.160
Bloomington Borough	4.390	2.750	North Plainfield Borough	4.300	3.040
Clifton City	3.480	2.540	Peapack & Gladstone Bor.	1.850	1.690
Haledon Borough	4.110	2.970	Raritan Borough	3.260	1.890
Hawthorne Borough	3.730	2.440	Rocky Hill Borough	2.440	1.540
Little Falls Township	3.890	2.050	Somerville Borough	4.160	3.040
North Haledon Borough	5.040	2.030	South Bound Brook Bor.	4.530	3.190
Passaic City	4.550	3.100	Warren Township	1.800	1.700
Paterson City	23.490	3.130	Watchung Borough	1.550	1.580
Pompton Lakes Borough	4.350	2.740	<b>Sussex</b>		
Prospect Park Borough	3.890	2.790	Andover Borough	2.890	2.180
Ringwood Borough	4.160	2.640	Andover Township	2.580	2.540
Totowa Borough	2.910	2.010	Branchville Borough	2.310	1.860
Wanaque Borough	4.820	2.790	Byram Township	4.140	2.680
Wayne Township	3.300	2.190	Frankford Township	3.150	2.420
West Milford Township	4.650	2.750	Franklin Borough	4.090	2.810
West Paterson Borough	3.420	2.260	Fredon Township	3.070	2.200
<b>Salem</b>			Green Township	3.540	2.420
Alloway Township	2.713	2.460	Hamburg Borough	3.010	2.780
Carneys Point Township	3.537	3.060	Hampton Township	3.150	2.370
Elmer Borough	3.882	3.050	Hardyston Township	3.270	2.350
Elsinboro Township	3.588	2.840	Hopatcong Borough	3.450	2.600
Lower Alloways Crk. Twp.	1.111	1.000	Lafayette Township	3.200	2.170
Mannington Township	2.781	2.230	Montague Township	2.880	2.210
Oldmans Township	3.549	2.700	Newton Town	3.950	2.990
Penns Grove Borough	4.793	3.760	Ogdensburg Borough	3.960	2.860
Pennsville Township	3.415	2.990	Sandyston Township	2.840	2.280
Pilesgrove Township	3.134	2.530	Sparta Township	2.620	2.360
Pittsgrove Township	2.320	2.840	Stanhope Borough	4.900	3.060
Quinton Township	2.948	2.720	Stillwater Township	3.640	2.420
Salem City	5.162	4.030	Sussex Borough	3.650	2.870
Upper Pittsgrove Twp.	3.418	2.350	Vernon Township	3.640	2.610
Woodstown Borough	3.832	3.060	Walpack Township	1.660	1.380
			Wantage Township	3.670	2.590

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Union</b>			<b>Warren</b>		
Berkeley Heights Twp.	2.538	1.830	Allamuchy Township	1.820	1.910
Clark Township	5.975	2.170	Alpha Borough	2.340	2.910
Cranford Township	3.722	1.980	Belvidere Town	3.660	2.900
Elizabeth City	14.810	2.500	Blairstown Township	2.660	1.960
Fanwood Borough	8.868	2.380	Franklin Township	2.100	2.400
Garwood Borough	6.272	2.380	Frelinghuysen Township	1.960	2.300
Hillside Township	5.061	3.140	Greenwich Township	2.140	2.060
Kenilworth Borough	2.824	1.870	Hackettstown Town	3.550	2.920
Linden City	3.618	2.430	Hardwick Township	2.480	2.140
Mountainside Borough	4.310	1.530	Harmony Township	1.800	1.790
New Providence Borough	3.090	1.990	Hope Township	2.970	2.150
Plainfield City	5.065	3.200	Independence Township	3.280	2.170
Rahway City	3.872	2.740	Knowlton Township	2.650	2.330
Roselle Borough	5.552	4.040	Liberty Township	2.440	2.580
Roselle Park Borough	8.478	2.820	Lopatcong Township	2.990	2.360
Scotch Plains Township	7.057	2.350	Mansfield Township	2.420	2.390
Springfield Township	4.551	2.280	Oxford Township	3.250	2.330
Summit City	2.758	1.530	Phillipsburg Town	3.140	2.620
Union Township	12.184	2.370	Pohatcong Township	2.720	2.740
Westfield Town	5.580	1.930	Washington Borough	3.200	2.940
Winfield Township	143.888	12.600	Washington Township	2.550	2.500
			White Township	1.470	1.720

# Abstract of Ratables and Exemptions 2004

	Col. 1	Col. 2	Col. 3	Col. 4
	TAXABLE VALUE			
COUNTY	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)	Total Taxable Value of Land and Improvements (Col. 1(a) + (b))	Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)
				Net Total Taxable Value of Land and Improvements (Col. 2 - 3)
Atlantic	\$ 7,611,292,500	\$ 14,447,616,700	\$ 22,058,909,200	\$ 22,031,401,400
Bergen	49,406,600,869	48,861,828,421	98,268,429,290	98,261,308,890
Burlington	6,988,019,173	17,041,840,736	24,029,859,909	23,975,022,289
Camden	5,520,247,624	14,714,044,078	20,234,291,702	20,195,803,552
Cape May	18,012,355,180	9,372,900,300	27,385,255,480	27,375,652,480
Cumberland	1,029,533,850	3,366,441,375	4,395,975,225	4,366,371,625
Essex	13,550,831,850	20,545,517,791	34,096,349,641	33,820,071,941
Gloucester	3,665,237,353	9,832,640,590	13,497,877,943	13,460,465,578
Hudson	7,337,429,944	13,213,397,744	20,550,827,688	20,211,195,513
Hunterdon	6,128,417,253	9,808,926,681	15,937,343,934	15,931,013,134
Mercer	7,361,403,368	14,931,319,729	22,292,723,097	22,270,889,237
Middlesex	14,000,271,240	26,711,197,540	40,711,468,780	40,594,461,580
Monmouth	24,581,212,039	32,364,966,674	56,946,178,713	56,921,301,763
Morris	24,836,854,360	32,910,791,221	57,747,645,581	57,745,448,081
Ocean	19,227,080,584	22,486,624,642	41,713,705,226	41,711,141,226
Passaic	8,987,475,824	12,169,941,967	21,157,417,791	21,152,637,191
Salem	815,005,043	2,402,819,062	3,217,824,105	3,217,694,505
Somerset	14,200,236,901	26,307,889,439	40,508,126,340	40,501,386,740
Sussex	3,643,068,162	6,538,703,003	10,181,771,165	10,181,771,165
Union	9,571,779,400	14,321,933,237	23,893,712,637	23,877,152,400
Warren	2,594,732,576	5,858,031,764	8,452,764,340	8,446,466,035
<b>TOTALS</b>	\$249,069,085,093	\$358,209,372,694	\$607,278,457,787	\$606,248,656,325



## Abstract of Ratables and Exemptions 2004 (continued)

	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	TRUE VALUE  (a) U.E.Z. Abatement Expired  (b) Class II Railroad Property (C.139, L. 1966)	EQUALIZATION  Amounts Deducted Under (R.S. 54:3-17 to R.S. 54:3-19)
<b>COUNTY</b>						
Atlantic	\$ 75,659,173	\$ 22,107,060,573				
Bergen	194,785,244	98,456,094,134				\$ 3,743,967,479
Burlington	96,948,451	24,071,970,740			\$5,806,096	4,048,733
Camden	111,800,376	20,307,603,928				
Cape May	32,040,750	27,407,693,230				2,497,404,507
Cumberland	32,125,090	4,398,496,715				33,784,842
Essex	157,594,306	33,977,666,247				363,048,981
Gloucester	180,830,177	13,641,295,755				
Hudson	73,387,927	20,284,583,440				
Hunterdon	50,594,586	15,981,607,720				98,137,707
Mercer	90,780,394	22,361,669,631			1,427,411	
Middlesex	150,984,822	40,745,446,402				
Monmouth	169,580,766	57,090,882,529				1,719,218,458
Morris	157,639,243	57,903,087,324				1,364,937,106
Ocean	98,562,104	41,809,703,330				1,077,414,461
Passaic	55,363,289	21,208,000,480				
Salem	18,361,139	3,236,055,644				105,202,317
Somerset	93,724,407	40,595,111,147				408,238,320
Sussex	41,609,130	10,223,380,295				
Union	57,612,200	23,934,764,600				
Warren	36,602,382	8,483,068,417				257,188,081
<b>TOTALS</b>	\$1,976,585,956	\$608,225,242,281			\$7,233,507	\$11,672,590,992

# Abstract of Ratables and Exemptions 2004 (continued)

COUNTY	Col. 10	Col. 11	I		II			
	EQUALIZATION (b)	Net Valuation on Which County Taxes Are Apportioned (Col. 6 - 9(a) + 9(b) - 10(a) + 10(b))	Total County Taxes Apportioned (Including Total Net Adjustments)	County Equalization Table Appeals (R.S. 54:51A-4)	County Equalization Table Appeals (R.S. 54:4-49; R.S. 54:4-53)	Deduct Overpayment	Deduct Overpayment	Add Underpayment
Atlantic	\$ 5,718,790,228	\$ 27,825,850,801	\$ 105,437,415.32	\$350,000		\$ 230,196.47		
Bergen	26,889,573,172	121,601,699,827	242,855,662.16			898,908.16		
Burlington	7,987,025,896	32,049,141,807	126,534,182.86			125,236.07	\$ 23,053.21	
Camden	5,364,779,891	25,672,383,819	209,071,139.00			499,406.00		
Cape May	3,634,316,593	28,544,605,316	71,092,409.92			169,156.81	48,736.72	
Cumberland	1,110,723,657	5,475,435,530	50,205,484.63			160,484.63		
Essex	27,253,459,405	60,868,076,671	312,718,651.63			1,075,357.63		
Gloucester	3,140,496,483	16,781,792,238	101,164,929.87			731,858.37	266,928.50	
Hudson	14,684,847,479	34,969,430,919	208,198,590.47			1,357,163.55	9,051.08	
Hunterdon	2,781,045,433	18,664,515,446	65,229,140.13			192,140.13		
Mercer	8,712,153,029	31,072,395,249	169,696,764.92			170,750.34	95,988.42	
Middlesex	28,047,051,984	68,792,498,386	224,847,365.65			340,623.34	315,257.69	
Monmouth	22,782,037,595	78,153,701,666	261,048,837.79			302,577.34	6,113.55	
Morris	15,186,185,839	71,724,336,057	166,853,104.85			760,861.33	759.88	
Ocean	21,438,213,033	62,170,501,902	224,573,560.18			375,412.18		
Passaic	14,548,408,285	35,756,408,765	194,199,854.50			696,998.00		
Salem	528,612,728	3,659,466,055	36,360,823.66			41,111.52	652.86	
Somerset	4,995,973,755	45,182,846,582	150,711,831.91			484,660.88	1,402.97	
Sussex	3,099,342,894	13,322,723,189	56,775,266.38			149,612.38		
Union	28,599,244,843	52,534,009,443	204,192,556.56			362,210.99	2,421.43	
Warren	973,262,581	9,199,142,917	50,856,868.38			156,467.79	2,539.41	
<b>TOTALS</b>	\$247,475,544,803	\$844,020,962,585	\$3,232,624,440.77	\$350,000		\$9,281,193.91	\$772,905.72	

# Abstract of Ratables and Exemptions 2004 (continued)

Col. 12—APPORTIONMENT OF TAXES						
COUNTY	Section A County Taxes			Section B		
	III Net County Taxes Apportioned	IV Municipal Budget State Aid (R.S. 52:27D-118.40)	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV- Addendum 1(a))	(a) County Library Taxes	(b) County Health Taxes	(c) County Open Space Taxes
Atlantic	\$ 104,857,218.85		\$ 104,857,218.85	\$ 5,848,907.00	\$ 3,988,097.00	\$ 5,565,170.17
Bergen	241,956,754.00		241,956,754.00			12,160,170.00
Burlington	126,432,000.00	\$ 30,618.00	126,401,382.00	7,859,889.00		12,819,656.00
Camden	208,571,733.00		208,571,733.00	7,270,724.00		2,567,238.38
Cape May	70,971,989.83		70,971,989.83	6,029,689.14		2,854,460.53
Cumberland	50,045,000.00		50,045,000.00		1,285,000.00	547,543.55
Essex	311,643,294.00		311,643,294.00			6,086,808.00
Gloucester	100,700,000.00		100,700,000.00	2,664,023.00		3,356,358.00
Hudson	206,850,478.00		206,850,478.00			3,496,943.09
Hunterdon	65,037,000.00		65,037,000.00	4,738,268.00		5,599,000.00
Mercer	169,622,003.00		169,622,003.00	9,167,350.00		6,212,463.00
Middlesex	224,822,000.00		224,822,000.00			20,638,297.91
Monmouth	260,752,374.00		260,752,374.00	9,936,071.00	1,442,602.00	16,000,000.00
Morris	166,093,003.40		166,093,003.40			34,434,862.13
Ocean	224,198,148.00		224,198,148.00	23,636,901.00	8,450,000.00	7,452,000.00
Passaic	193,502,856.50		193,502,856.50			3,575,640.87
Salem	36,320,365.00		36,320,365.00			
Somerset	150,228,574.00		150,228,574.00	9,255,153.00		13,513,077.28
Sussex	56,625,654.00	20,866.00	56,604,788.00	4,025,268.00	1,112,530.00	2,509,221.00
Union	203,832,767.00		203,832,767.00			7,880,101.41
Warren	50,702,940.00		50,702,940.00	3,690,294.00		5,518,884.69
<b>TOTALS</b>	<b>\$3,223,766,152.58</b>	<b>\$51,484.00</b>	<b>\$3,223,714,668.58</b>	<b>\$94,122,537.14</b>	<b>\$16,278,229.00</b>	<b>\$172,787,896.01</b>

# Abstract of Ratables and Exemptions 2004 (continued)

COUNTY		Col. 12—APPORTIONMENT OF TAXES			
		Section C			
		Local Taxes to be Raised for			
	I			II	
	DISTRICT SCHOOL PURPOSES			LOCAL MUNICIPAL PURPOSES	
	(a) District School Budget (Adjusted by Addendum 1(b))	(b) Regional Consolidated and Joint School Budgets	(c) Local School Budget	(a) Local Municipal Budget (Adjusted by Addendum 1(c))	(b) Local Municipal Open Space
Atlantic	\$ 265,901,312.93	\$ 40,077,953.00	\$ 5,009,323.75	\$ 256,667,747.37	\$ 411,300.63
Bergen	1,246,156,371.62	173,295,298.45	960,582.50	702,063,518.95	2,672,587.61
Burlington	412,919,814.50	127,628,201.06	59,178.00	134,109,536.83	6,349,441.48
Camden	418,016,777.05	47,208,523.51		164,791,288.28	2,335,955.57
Cape May	103,074,818.00	13,564,913.00		105,943,539.18	
Cumberland	48,632,565.00	6,971,701.65		36,064,168.38	
Essex	602,343,486.03	117,752,638.36	11,716,831.56	499,585,780.18	1,015,497.48
Gloucester	237,739,967.50	37,783,781.32		102,967,772.70	1,497,635.92
Hudson	201,384,073.50		107,359,731.07	333,532,740.27	
Hunterdon	163,868,565.94	94,121,281.30		37,993,039.98	4,489,395.83
Mercer	216,247,763.48	211,213,166.36	2,214,662.00	164,504,555.84	4,385,326.24
Middlesex	945,298,226.03	47,086,199.45	1,600,175.00	348,972,865.70	5,390,629.36
Monmouth	678,627,792.79	250,782,679.97		307,343,902.58	5,772,023.68
Morris	652,625,661.21	197,356,326.93		298,140,304.28	10,473,216.03
Ocean	361,798,857.89	177,267,970.62	5,330,262.00	228,916,343.88	2,704,148.83
Passaic	397,035,070.00	35,320,036.00	12,640.00	273,448,272.52	1,523,786.00
Salem	38,676,548.50	15,533,072.50		10,187,839.00	249,169.22
Somerset	414,070,806.50	133,564,763.21		140,311,475.17	13,604,790.07
Sussex	150,161,456.37	58,349,180.28		60,063,769.21	1,281,366.88
Union	527,632,219.50	56,616,016.22	2,356,707.00	385,264,647.79	325,551.86
Warren	89,535,795.00	33,760,705.33		29,609,307.14	2,004,003.49
<b>TOTALS</b>	<b>\$8,171,747,949.34</b>	<b>\$1,875,254,408.52</b>	<b>\$136,620,092.88</b>	<b>\$4,620,482,415.23</b>	<b>\$66,485,826.18</b>

# Abstract of Ratables and Exemptions 2004 (continued)

COUNTY	Section D Total Tax Levy on Which Tax Rate is Computed (Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII(a), (b))	REAL PROPERTY EXEMPT FROM TAXATION			
		(a) Public School Property	(b) Other School Property	(c) Public Property	(d) Church and Charitable Property
Atlantic	\$ 688,327,030.70	\$ 645,825,800	\$ 33,158,500	\$ 1,613,403,900	\$ 214,329,900
Bergen	2,379,265,283.13	2,047,789,500	724,118,475	5,460,969,670	1,161,229,900
Burlington	828,147,098.87	666,139,760	75,398,450	1,850,308,006	420,461,870
Camden	850,762,239.79	832,600,119	203,238,400	1,470,799,893	649,632,428
Cape May	302,439,409.68	150,413,700	33,985,900	887,250,450	275,933,200
Cumberland	143,545,978.58	185,492,000	21,857,100	742,024,900	131,667,600
Essex	1,550,144,335.61 <sup>1</sup>	1,129,330,000	827,541,700	5,070,099,099	1,209,015,100
Gloucester	486,709,538.44	414,793,300	201,998,020	464,648,208	283,590,550
Hudson	852,623,965.93	633,547,500	380,343,500	2,594,555,280	677,947,240
Hunterdon	375,846,551.05	220,340,920	16,240,600	759,836,702	170,833,968
Mercer	783,567,289.92	542,181,800	1,703,330,850	2,511,521,629	519,538,800
Middlesex	1,593,808,393.45	1,283,278,100	1,433,921,800	1,480,429,950	891,997,050
Monmouth	1,530,657,446.02	1,162,631,699	219,017,600	2,133,926,007	702,361,000
Morris	1,359,123,373.98	880,373,400	271,402,400	3,002,916,579	752,794,900
Ocean	1,039,754,632.22	609,855,181	66,894,700	2,278,078,749	424,844,100
Passaic	904,418,301.89 <sup>2</sup>	526,631,800	235,542,500	1,346,540,675	627,437,100
Salem	100,966,994.22	99,064,150	17,966,800	165,254,322	76,417,775
Somerset	874,548,639.23	494,658,990	90,164,520	1,115,352,274	364,285,200
Sussex	334,107,579.74	252,170,900	25,679,400	524,091,339	127,089,090
Union	1,183,908,010.78	657,730,600	216,668,100	1,825,234,600	621,375,900
Warren	214,821,929.65	180,509,473	59,320,070	282,289,213	140,447,845
<b>TOTALS</b>	\$18,377,494,022.88	\$13,615,358,692	\$6,857,789,385	\$37,579,531,445	\$10,443,230,516

<sup>1</sup>Includes special garbage district levy \$824,402.00

<sup>2</sup>Includes special garbage district levy \$1,951,320.00

# Abstract of Ratables and Exemptions 2004 (continued)

COUNTY	Col. 13 REAL PROPERTY EXEMPT FROM TAXATION		Col. 14 AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET		
	(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	\$ 17,064,500	\$ 866,537,900	\$ 3,390,320,500	\$ 27,946,372.74	\$ 87,410,804.60
Bergen	446,369,000	3,140,877,000	12,981,353,545	93,162,644.33	237,140,384.60
Burlington	14,389,250	622,862,033	3,649,559,369	57,355,974.48	112,827,876.89
Camden	31,745,800	559,681,283	3,747,697,923	33,494,493.61	241,564,068.69
Cape May	2,407,300	370,887,200	1,720,877,750	25,222,094.00	72,449,486.92
Cumberland	6,524,600	184,322,000	1,271,888,200	13,243,951.22	49,409,067.11
Essex	175,261,400	1,342,900,679	9,754,147,978	66,750,384.40	636,232,523.96
Gloucester	9,172,400	172,340,100	1,546,542,578	30,517,639.81	68,923,011.72
Hudson	164,780,300	3,760,454,857	8,211,628,677	45,957,491.12	476,393,704.60
Hunterdon	14,696,200	108,042,200	1,289,990,590	19,630,211.00	37,510,606.19
Mercer	26,535,700	717,069,260	6,020,178,039	28,040,328.30	231,338,090.46
Middlesex	104,846,400	1,373,962,049	6,568,435,349	61,726,930.00	301,402,776.82
Monmouth	77,696,200	1,449,575,850	5,745,208,356	94,592,765.43	194,757,285.13
Morris	49,449,250	701,088,200	3,658,024,729	64,640,332.38	147,921,629.10
Ocean	18,393,000	351,316,086	3,749,381,816	78,607,658.09	137,104,067.32
Passaic	78,375,000	376,424,081	3,190,951,156	39,033,801.00	174,940,005.28
Salem	1,650,800	84,315,801	444,669,648	13,448,694.75	34,444,059.00
Somerset	28,483,567	513,524,030	2,606,468,581	46,173,563.78	86,219,103.74
Sussex	3,996,000	132,804,100	1,065,830,829	19,150,222.84	32,969,844.84
Union	167,445,600	425,391,000	3,913,845,800	51,225,682.07	213,034,105.76
Warren	8,122,600	177,189,750	847,878,951	14,220,949.12	27,980,380.89
<b>TOTALS</b>	<b>\$1,447,404,867</b>	<b>\$17,431,565,459</b>	<b>\$87,374,880,364</b>	<b>\$924,142,184.47</b>	<b>\$3,601,972,883.62</b>

# Abstract of Ratables and Exemptions 2004 (continued)

COUNTY	Col. 14	DEDUCTIONS ALLOWED		Col. 15	Col. 16
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	(c)	(d)	(a)	(b)
		Receipts from Delinquent Tax and Liens	Total of Miscellaneous Revenues (a + b + c)	Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	Veterans Deductions
Atlantic	\$ 5,831,860.00	\$ 121,189,037.34	\$ 826,750	\$ 2,360,600	\$ 32,408,380,703
Bergen	23,452,004.00	353,755,032.93	2,560,800	8,370,900	134,755,914,959
Burlington	13,011,186.72	183,195,038.09	1,306,750	5,264,250	35,348,897,217
Camden	15,913,545.62	290,972,107.92	2,265,000	4,798,950	28,175,208,294
Cape May	4,577,564.35	102,249,145.27	451,000	1,527,750	34,423,715,017
Cumberland	4,142,125.78	66,795,144.11	888,750	1,269,250	5,753,815,196
Essex	61,357,012.09	764,339,920.45	1,140,250	3,438,975	67,521,692,137
Gloucester	11,905,050.91	111,345,702.44	1,165,125	3,021,900	18,242,255,166
Hudson	6,680,308.00	529,031,503.72	1,016,250	1,829,750	39,560,229,241
Hunterdon	5,005,923.25	62,146,740.44	217,000	1,100,200	18,808,542,834
Mercer	12,348,231.62	271,726,650.38	1,198,250	3,033,500	33,971,143,190
Middlesex	8,670,703.00	371,800,409.82	2,268,500	6,951,700	77,155,451,780
Monmouth	21,163,914.11	310,513,964.67	1,240,750	5,622,000	88,455,723,375
Morris	14,204,086.05	226,766,047.53	851,250	4,223,750	78,454,629,822
Ocean	14,922,794.03	230,634,519.44	3,522,753	9,677,000	72,738,192,367
Passaic	11,804,216.91	225,778,023.19	1,269,875	3,271,750	40,106,449,757
Salem	3,540,089.00	51,432,842.75	330,500	839,800	3,936,533,482
Somerset	6,852,178.00	139,244,845.52	597,375	2,348,200	49,547,368,719
Sussex	6,799,197.02	58,919,264.70	361,875	1,437,200	14,973,612,169
Union	16,733,355.00	280,993,142.83	1,573,125	4,261,000	54,710,432,326
Warren	4,931,355.63	47,132,685.64	373,500	1,116,850	10,121,603,065
<b>TOTALS</b>	<b>\$273,846,701.09</b>	<b>\$4,799,961,769.18</b>	<b>\$25,425,428</b>	<b>\$75,765,275</b>	<b>\$939,169,790,816</b>

# Abstract of Ratables and Exemptions 2004 (continued)

Addendum 1		Addendum 2						
COUNTY	STATE AID ADJUSTMENT FOR BUSINESS PERSONAL PROPERTY TAX			REGIONAL EFFICIENCY AID PROGRAM (R.E.A.P.) DISTRIBUTION SUMMARY				
	(a) County Adjustment	(b) School Adjustment	(c) Municipal Adjustment	(a) Eligible Property Assessments	(b) Municipal R.E.A.P. Aid	(c) School R.E.A.P. Aid	(d) County R.E.A.P. Aid	(e) Total R.E.A.P. Aid
Atlantic								
Bergen	\$ 293,111			\$2,115,830,800				\$ 1,594,248
Burlington		143,875		164,444,350	\$199,204			199,204
Camden		616,312		9,993,400				18,989
Cape May		12,589						
Cumberland								
Essex		46,975						
Gloucester		1,883,161		100,329,000				134,717
Hudson		144,685		2,572,140,675				8,803,326
Hunterdon								
Mercer								
Middlesex		81,791						
Monmouth								
Morris		1,768,123						
Ocean		79,262	\$1,800,608					
		17,477						
Passaic								
Salem		43,964						
Somersset	\$11,461	99,659		48,666,303				71,674
Sussex		222,682						
Union		234						
Warren								
<b>TOTALS</b>	\$11,461	\$5,453,900	\$1,800,608	\$5,011,404,528	\$199,204			\$10,822,158



## 2004 Assessed Value of Partial Exemptions and Abatements (Summary Addendum to Abstract of Ratables)

COUNTY	Pollution Control	Fire Suppression	Fallout Shelter	Water/		Home Improvement	Multi-Family Dwelling	Class 4 Abatement
				Sewage Facility	UEZ Abatement			
Atlantic	-	-	-	-	-	-	-	-
Bergen	-	-	\$ 240,000	-	-	-	-	-
Burlington	\$ 2,629,100	\$2,496,900	1,000	\$ 600,000	\$ 733,800	-	-	-
Camden	79,000	-	-	-	-	\$ 8,000	-	-
Cape May	-	-	1,000	-	-	-	-	-
Cumberland	2,497,300	-	-	-	-	-	-	-
Essex	458,000	469,400	-	-	272,706,400	-	-	-
Gloucester	11,819,500	-	-	13,300	-	-	-	-
Hudson	235,100	-	-	2,500,000	-	130,700	\$7,836,100	\$895,600
Hunterdon	-	-	-	-	-	-	-	-
Mercer	-	-	1,454,300	62,800	15,929,400	-	-	-
Middlesex	3,864,000	1,495,600	-	-	-	-	-	-
Monmouth	1,820,200	-	-	2,601,200	-	-	-	-
Morris	198,400	-	1,131,700	151,300	-	-	-	-
Ocean	48,600	-	453,300	-	-	-	-	-
Passaic	-	499,600	-	-	-	-	-	-
Salem	-	-	-	-	-	-	-	-
Somerset	-	-	-	-	-	-	-	-
Sussex	-	-	-	-	-	-	-	-
Union	127,000	-	-	-	16,433,237	-	-	-
Warren	1,209,800	-	15,200	-	2,342,685	-	-	-
<b>TOTALS</b>	\$24,986,000	\$4,961,500	\$3,296,500	\$5,928,600	\$308,145,522	\$138,700	\$7,836,100	\$895,600

## 2004 Assessed Value of Partial Exemptions and Abatements (continued)

### (Summary Addendum to Abstract of Ratables)

COUNTY	Dwelling Abatement		Dwelling Exemption		New Dwelling/ Conversion Abatement		New Dwelling/ Conversion Exemption		Multiple Dwelling/ Abatement		Multiple Dwelling/ Exemption		Commercial/ Industrial Exemption		Total Assessed Value (Col. 3 of Abstract)	
	\$		\$		\$		\$		\$		\$		\$		\$	
Atlantic	7,500		2,350,300		141,700		417,300		-		-		-		24,591,000	27,507,800
Bergen	408,100		6,279,300		-		-		-		-		-		193,000	7,120,400
Burlington	2,594,400		4,279,200		-		-		-		-		-		41,503,220	54,837,620
Camden	1,687,200		19,473,150		-		-		9,287,700		-		-		7,953,100	38,488,150
Cape May	-		1,326,100		-		7,597,700		225,000		-		-		453,200	9,603,000
Cumberland	-		7,041,900		-		-		-		-		-		20,064,400	29,603,600
Essex	84,100		2,559,800		-		-		-		-		-		-	276,277,700
Gloucester	-		4,810,000		-		-		-		-		-		20,769,565	37,412,365
Hudson	5,476,700		136,135,250		19,901,625		-		3,704,400		5,922,300		-		156,894,400	339,632,175
Hunterdon	295,900		-		-		-		-		-		-		6,034,900	6,330,800
Mercer	20,960		4,279,400		10,500		-		-		-		-		76,500	21,833,860
Middlesex	18,882,900		22,006,900		-		-		-		368,100		-		70,389,700	117,007,200
Monmouth	4,095,800		10,699,100		-		3,637,150		-		-		-		2,023,500	24,876,950
Morris	-		-		-		-		-		-		-		-	2,197,500
Ocean	-		638,000		-		-		-		-		-		1,424,100	2,564,000
Passaic	1,226,100		-		-		-		-		-		-		3,054,900	4,780,600
Salem	-		104,600		-		-		-		-		-		25,000	129,600
Somerset	-		6,595,800		-		-		-		-		-		143,800	6,739,600
Sussex	-		-		-		-		-		-		-		-	-
Union	-		-		-		-		-		-		-		-	16,560,237
Warren	-		-		-		-		-		-		-		2,730,620	6,298,305
<b>TOTALS</b>	\$34,779,660		\$228,578,800		\$20,053,825		\$11,652,150		\$13,217,100		\$6,290,400		\$358,324,905		\$1,029,801,462	

# Summary of 2004 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

COUNTY	Total Number of Tax Appeals	NUMBER OF DISPOSITIONS										Property Tax Deduction Denied
		Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Property Tax Deduction Granted	Property Tax Deduction Denied		
Atlantic	458	18	29	66	0	27	114	27	1	1	1	1
Bergen	2,490	313	217	896	0	71	884	105	0	1	1	1
Burlington	190	79	10	42	0	14	7	15	1	5	5	5
Camden	360	2	13	103	0	91	9	18	117	0	0	0
Cape May	286	22	57	123	0	17	2	33	7	0	0	0
Cumberland	155	17	13	61	0	6	3	20	35	0	0	0
Essex	2,582	45	99	509	0	309	1,394	176	33	2	2	2
Gloucester	147	66	12	41	0	7	7	10	3	0	0	0
Hudson	948	79	34	211	1	20	377	209	2	0	0	0
Hunterdon	268	82	31	104	0	15	5	19	0	0	0	0
Mercer	142	47	10	41	0	8	17	13	0	0	0	0
Middlesex	341	48	28	107	0	18	102	26	6	2	2	2
Monmouth	1,193	211	105	388	0	88	263	117	2	2	2	2
Morris	604	103	94	256	0	33	60	55	0	0	0	0
Ocean	491	82	64	116	0	61	31	56	60	2	2	2
Passaic	943	58	60	47	1	39	474	21	2	1	1	1
Salem	319	59	22	198	0	18	2	18	0	0	0	0
Somerset	634	409	18	99	0	17	55	32	1	0	0	0
Sussex	208	126	6	36	0	7	9	22	0	0	0	0
Union	664	7	42	117	0	33	376	89	0	0	0	0
Warren	234	43	20	108	0	27	12	20	2	0	0	0
<b>TOTALS</b>	<b>13,657</b>	<b>1,916</b>	<b>984</b>	<b>3,669</b>	<b>2</b>	<b>926</b>	<b>4,203</b>	<b>1,101</b>	<b>272</b>	<b>16</b>	<b>16</b>	<b>16</b>

## Summary of 2004 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

COUNTY	Col. 2		Col. 3						
	NUMBER OF DISPOSITIONS		NUMBER OF APPEALS IN EACH CLASS OF PROPERTY						
	Farmland Assessment Granted	Farmland Assessment Denied	Classification	R.E.A.P. Credit	Other	Class 1 Vacant Land	Class 2 Residential	Class 3A Farm Regular	Class 3B Farm Qualified
Atlantic	0	0	0	0	175	269	154	0	4
Bergen	0	0	0	0	4	99	1,819	3	2
Burlington	0	2	14	0	1	44	103	3	1
Camden	0	0	1	0	6	85	218	1	0
Cape May	0	0	4	0	21	44	216	0	0
Cumberland	0	0	0	0	0	36	81	10	0
Essex	0	0	0	15	0	169	1,021	0	0
Gloucester	0	0	1	0	0	60	59	1	3
Hudson	0	0	15	0	0	260	301	0	0
Hunterdon	0	0	8	0	4	23	198	22	1
Mercer	0	0	1	0	5	14	85	1	1
Middlesex	0	0	4	0	0	54	126	4	15
Monmouth	0	0	17	0	0	139	815	10	1
Morris	3	0	0	0	0	74	353	3	0
Ocean	1	3	12	0	3	47	381	1	0
Passaic	0	0	0	0	240	99	374	1	1
Salem	1	0	1	0	0	91	186	14	0
Somerset	0	0	3	0	0	347	230	11	7
Sussex	2	0	0	0	0	77	80	4	26
Union	0	0	0	0	0	28	181	0	0
Warren	0	2	0	0	0	28	147	28	1
<b>TOTALS</b>	7	7	81	15	459	2,087	7,128	117	63

## Summary of 2004 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
NUMBER OF APPEALS IN EACH CLASS OF PROPERTY						
COUNTY	Class 4			Total Assessment Increases Granted	Total Assessment Reductions Granted	Net Total Assessments (Col. 4 – 5 + 6)
	Commercial Industrial Apartment	Other	Original Amount of Assessments			
Atlantic	27	4	\$ 123,841,480	\$ 11,406,800	\$ 523,600	\$ 112,958,280
Bergen	564	3	3,915,746,349	297,507,739	2,228,600	3,620,467,210
Burlington	23	16	51,954,900	8,090,521	11,100	43,875,479
Camden	56	0	44,089,700	5,900,950	40,700	38,229,450
Cape May	26	0	229,950,900	17,660,800	895,900	213,186,000
Cumberland	28	0	25,962,400	4,137,899	123,100	21,947,601
Essex	1,373	19	855,689,857	30,109,275	537,514	826,118,096
Gloucester	22	2	27,980,600	3,819,200	143,400	24,304,800
Hudson	386	1	342,163,800	22,213,550	170,000	320,120,250
Hunterdon	19	5	112,944,291	9,099,786	2,925,740	106,770,245
Mercer	39	2	81,308,869	6,027,069	427,200	75,709,000
Middlesex	139	3	162,564,400	11,270,500	34,072,600	185,366,500
Monmouth	227	1	883,739,700	51,955,000	184,700	831,969,400
Morris	172	2	450,987,101	44,834,918	6,635,700	412,787,883
Ocean	51	11	248,287,700	15,854,200	2,310,600	234,744,100
Passaic	468	0	142,241,130	10,506,420	239,400	131,974,110
Salem	26	2	79,407,840	13,201,980	886,100	67,091,960
Somerset	36	3	336,307,586	34,377,803	4,632,977	306,562,760
Sussex	17	4	38,532,494	4,976,050	1,837,856	35,394,300
Union	455	0	201,132,000	5,061,900	26,800	196,096,900
Warren	27	3	74,907,200	5,801,550	1,056,062	70,161,712
<b>TOTALS</b>	4,181	81	\$8,429,740,297	\$613,813,910	\$59,909,649	\$7,875,836,036

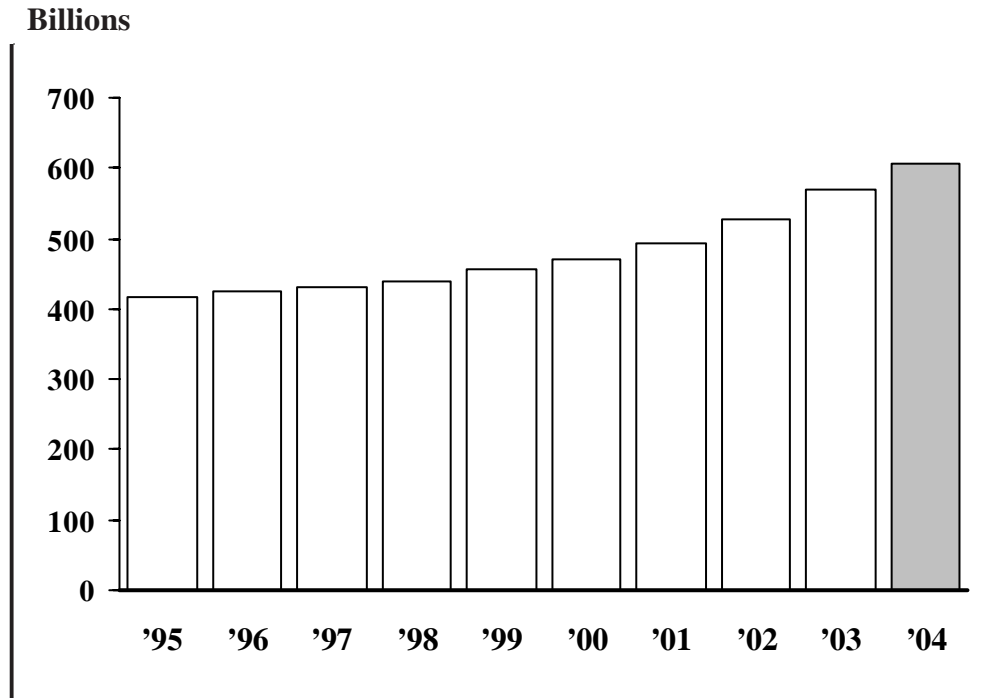
## Summary of 2004 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

Col. 8

### NUMBER OF APPEALS IN EACH FILING FEE CATEGORY

COUNTY	NUMBER OF APPEALS IN EACH FILING FEE CATEGORY						Total	
	\$5	\$25	\$100	\$150	Classification \$25	Other \$25		No Fee
Atlantic	181	160	86	17	4	10	0	458
Bergen	655	185	948	396	304	2	0	2,490
Burlington	38	49	5	3	0	0	95	190
Camden	154	44	17	5	4	0	136	360
Cape May	14	105	86	49	5	0	27	286
Cumberland	65	31	5	5	5	0	44	155
Essex	1,080	970	324	74	13	0	121	2,582
Gloucester	38	24	5	5	11	0	64	147
Hudson	461	317	94	25	0	0	51	948
Hunterdon	16	132	59	2	6	0	53	268
Mercer	38	33	5	9	3	0	54	142
Middlesex	75	115	59	23	0	0	69	341
Monmouth	187	484	265	177	0	0	80	1,193
Morris	78	309	125	43	9	0	40	604
Ocean	42	132	78	55	22	0	162	491
Passaic	530	175	38	9	4	0	187	943
Salem	119	80	14	6	2	0	98	319
Somerset	305	103	46	11	3	166	0	634
Sussex	50	28	10	3	11	0	106	208
Union	226	306	75	11	0	0	46	664
Warren	37	140	18	5	8	0	26	234
<b>TOTALS</b>	<b>4,389</b>	<b>3,922</b>	<b>2,362</b>	<b>933</b>	<b>414</b>	<b>178</b>	<b>1,459</b>	<b>13,657</b>

## Total Taxable Value Land and Improvements in New Jersey 1995 – 2004



### 2004 County Values

Atlantic	\$ 22,058,909,200	Middlesex	\$ 40,711,468,780
Bergen	98,268,429,290	Monmouth	56,946,178,713
Burlington	24,029,859,909	Morris	57,747,645,581
Camden	20,234,291,702	Ocean	41,713,705,226
Cape May	27,385,255,480	Passaic	21,157,417,791
Cumberland	4,395,975,225	Salem	3,217,824,105
Essex	34,096,349,641	Somerset	40,508,126,340
Gloucester	13,497,877,943	Sussex	10,181,771,165
Hudson	20,550,827,688	Union	23,893,712,637
Hunterdon	15,937,343,934	Warren	8,452,764,340
Mercer	22,292,723,097	<b>Total</b>	<b>\$607,278,457,787</b>

# Taxes Administered by the Public Utility Tax Section for 2005 (Calendar Year Due)

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

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

### PUBLIC UTILITY TAXES

Classification	No. of Companies	Excise Taxes	Franchise Taxes	Gross Receipts Taxes	TEFA	UTUA (CBT)	UTUA (S&U-EN)
Sewer Companies .....	19	\$ 431,539	\$ 1,148,550	\$ 2,212,044	NA	NA	NA
Water Companies .....	48	9,906,460	29,356,078	46,640,547	NA	NA	NA
Energy Companies .....	17	NA	NA	NA	\$239,608,947	\$51,631,763	\$337,741,846
Telephone Companies .....	3	NA	NA	NA	NA	24,657,841	NA
Totals .....	87	\$10,337,999	\$30,504,628	\$48,852,591	\$239,608,947	\$76,289,604	\$337,741,846

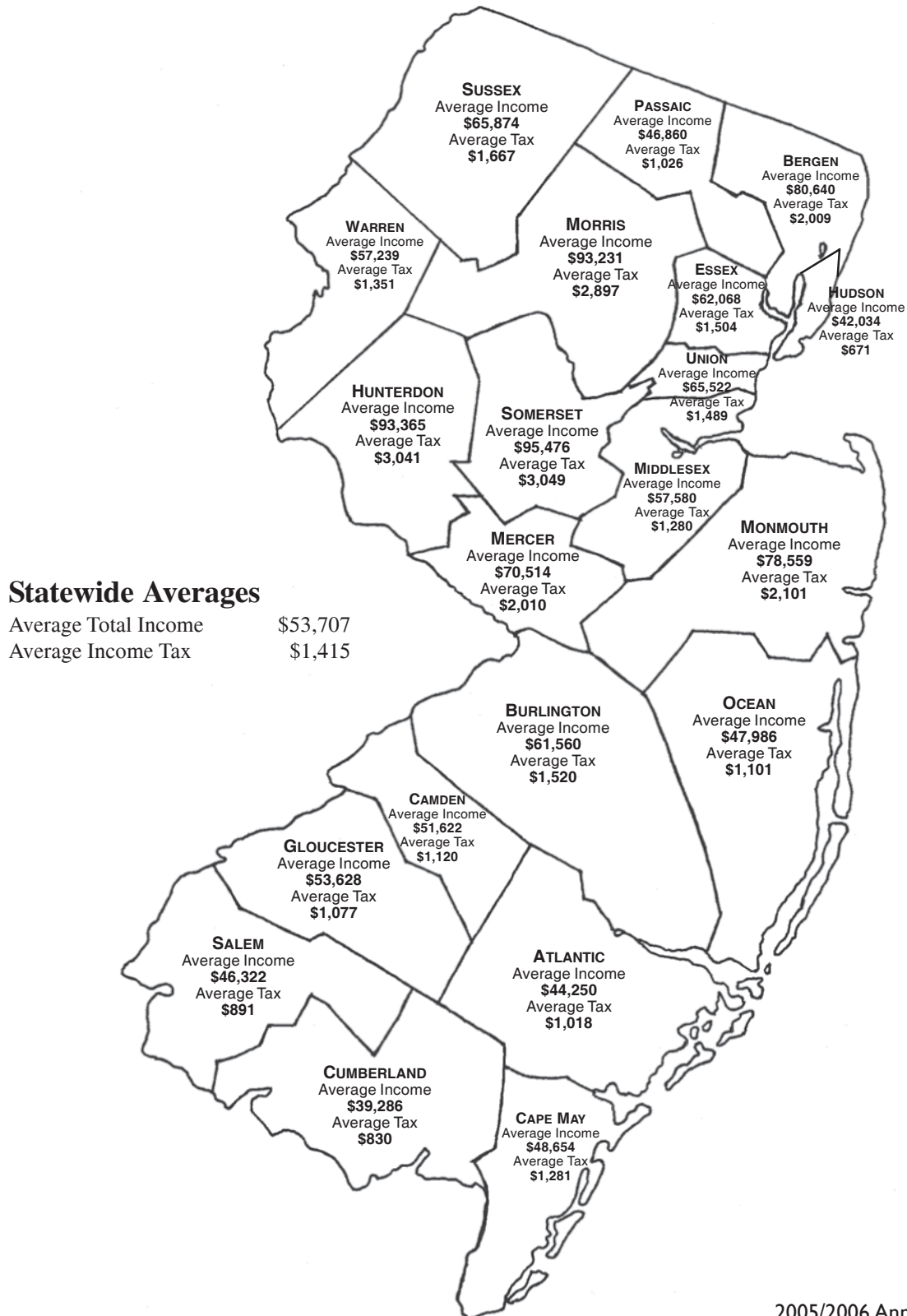
**Total Net Tax Assessed .....** **\$743,335,615**



## Individual Income Tax Returns County Profile 2003

County	No. of Returns	NJ Taxable Income	Net Charged Tax
Atlantic	111,805	\$ 4,371,115,000	\$ 113,815,000
Bergen	377,354	27,817,765,000	758,081,000
Burlington	178,781	9,903,434,000	271,740,000
Camden	199,198	9,188,416,000	223,197,000
Cape May	39,977	1,731,576,000	51,207,000
Cumberland	53,509	1,863,959,000	44,401,000
Essex	299,819	16,887,842,000	451,012,000
Gloucester	106,421	5,095,383,000	114,612,000
Hudson	247,326	9,455,843,000	165,941,000
Hunterdon	51,200	4,345,957,000	155,683,000
Mercer	139,016	8,941,822,000	279,419,000
Middlesex	315,953	16,328,269,000	404,358,000
Monmouth	256,498	18,319,819,000	538,957,000
Morris	202,465	17,314,913,000	586,554,000
Ocean	223,475	9,377,325,000	245,995,000
Passaic	200,090	8,253,262,000	205,291,000
Salem	24,920	1,028,638,000	22,195,000
Somerset	130,794	11,493,143,000	398,778,000
Sussex	58,757	3,445,294,000	97,935,000
Union	217,189	12,239,948,000	323,425,000
Warren	42,335	2,146,855,000	57,185,000
County Unknown	187,043	9,230,302,000	264,746,000
<b>Totals</b>	<b>3,663,925</b>	<b>\$208,780,881,000</b>	<b>\$5,774,526,000</b>

## Average Total Income and Average Income Tax By County — Tax Year 2003



**Sales and Use Tax Collections by Business Type  
Return Years 2002–2004**  
(Dollar Amounts in Thousands)

Business Type	Number of Vendors		Total Collections		% Change	
	2002	2003	2002	2003	2002–2003	2003–2004
<b>Exempt Organizations</b>	776	769	\$ 3,454	\$ 3,537		2.4%
<b>Manufacturing</b>	14,955	16,047	248,625	238,164		-4.2
<b>Service</b>	81,591	81,409	1,485,592	1,537,911		3.5
<b>Wholesale</b>	11,578	11,446	233,161	233,080		0.0
<b>Construction</b>	18,387	18,315	110,194	115,315		4.6
<b>Retail</b>	90,673	88,955	3,254,344	3,367,939		3.5
<b>Government</b>	31	31	1,951	807		-58.6
<b>Not Classified</b>	8,279	9,139	78,367	88,334		12.7
<b>Totals</b>	<b>226,270</b>	<b>226,111</b>	<b>\$5,415,687</b>	<b>\$5,585,088</b>		<b>3.1%</b>
				<b>\$5,824,181</b>		<b>4.3%</b>

## 2005 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
<b>CORPORATION NET INCOME</b>	7.5%	8.7%	7%	9.5%	6.5%, 7.5%, 9%	7.5%	8.85%	5.1%, 8.5%	9.99%
<b>PERSONAL INCOME</b>	*3%– 5.0%	*2.2%– 5.95%	*2%– 4.75%	5.3%	*1.4%– 8.97%	*4%– 7.7%	*2.907%– 4.45%	*0.712%– 7.185%	3.07%
*Graduated Rates									
<b>MOTOR FUELS<sup>1</sup></b>									
• <b>Excise Tax/Gal.</b>									
<b>Gasoline</b>	\$0.25	\$0.23	\$0.235	\$0.21	<b>\$0.105<sup>2</sup></b>	\$0.08	0	\$0.28	\$0.12
<b>Diesel</b>	\$0.26	\$0.22	\$0.2425	\$0.21	<b>\$0.135</b>	\$0.08	0	\$0.26	\$0.12
• <b>Sales Tax</b>	0	0.5%	0	0	<b>0</b>	4%	4.125%	0	0
<sup>1</sup> Various other taxes are applied to motor fuels in the states of Delaware, New Jersey, New York, Ohio, and Pennsylvania.									
<sup>2</sup> Liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways is taxed at ½ the general motor fuels tax rate (\$0.0525 per gallon).									
<b>ALCOHOL</b>									
• <b>Excise Tax/Gal.</b>									
<b>Beer</b>	\$0.20	\$0.16	\$0.09	\$0.11	<b>\$0.12</b>	\$0.11	\$0.23 <sup>2</sup>	\$0.18	\$0.08
<b>Wine</b>	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$0.70	<b>\$0.70</b>	\$0.1893	\$0.1893	\$0.30– \$1.48	See Foot- note 4
<b>Liquor</b>	\$2.05, \$4.50	\$3.64, \$5.46	\$1.50	\$4.05	<b>\$4.40</b>	\$2.54, \$6.44	\$3.54, \$7.44 <sup>2</sup>	See Foot- notes 3 and 4	See Foot- note 4
• <b>Sales Tax</b>	6%	None	5%	5% <sup>1</sup>	<b>6%</b>	4%	8.375% <sup>2</sup>	5.5%	6%
<sup>1</sup> Purchases for off-premises consumption are not taxable.									
<sup>2</sup> New York City rate includes New York State rate.									
<sup>3</sup> Ohio Department of Liquor Control must pay the State Treasury \$3.38 for each gallon sold.									
<sup>4</sup> In these states, the government directly controls all sales. Revenue is generated from various taxes, fees, and net profits.									
<b>TOBACCO</b>									
• <b>Excise Tax</b>									
<b>Cigarettes (20/pack)</b>	\$1.51	\$0.55	\$1.00	\$1.51	<b>\$2.40</b>	\$1.50	\$1.50	\$1.25	\$1.35
<b>Other Tobacco (% of Wholesale Price)</b>	20%	15%	15%	90%	<b>30%</b>	37%	37%	17%	0
• <b>Sales Tax</b>	6%	None	5%	5%	<b>6%</b>	4%	4.125%	5.5%	6%

## 2005 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% <sup>1</sup>	8.375% <sup>2</sup>	5.5% <sup>3</sup>	6% <sup>4</sup>

<sup>1</sup> State rate is 4%; counties and municipalities may impose additional tax up to 4.125% plus an additional metropolitan area surcharge of .25%.

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

<sup>3</sup> State rate is 5.5%; each county may impose an additional 1.5%.

<sup>4</sup> State rate is 6%; City of Philadelphia imposes an additional 1% for a total of 7%.

### SALES AND USE TAX EXEMPTIONS

(T—Taxable; E—Exempt)

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

\*Delaware does not impose sales and use taxes. Gross receipts taxes of varying amounts (less than 1%) imposed on different types of sales.

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

<sup>2</sup> Single article under \$50; however, single article \$50 or over is taxable.

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

<sup>4</sup> If purchase is in same form and condition as found in supermarket; however, prepared food ready to be eaten and snack food are subject to tax.

<sup>5</sup> If fuel is subject to excise tax. If not for “on-road use,” it is not subject to excise tax and, therefore, subject to sales tax. Example: Contractor has a bulldozer for “off-road use” which runs on diesel fuel. The fuel is not subject to excise tax; therefore, it is now subject to sales tax, unless used in performance of a government contract.

## Major State Tax Rates

(On July 1, 2005)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
<b>Alabama</b>	*2%-5%	6.5%	4%	\$0.16	\$0.425
<b>Alaska</b>	None	*1-9.4	None	0.08	1.60
<b>Arizona</b>	*2.87-5.04	6.968	5.6	0.18	1.18
<b>Arkansas</b>	*1-7	*1-6.5	6.0	0.215	0.59
<b>California</b>	*1-9.3	8.84	6.25	0.18	0.87
<b>Colorado</b>	4.63	4.63	2.9	0.22	0.84
<b>Connecticut</b>	*3-5 <sup>1</sup>	7.5	6	0.25	1.51
<b>Delaware</b>	*2.2-5.95	8.7	None	0.23	0.55
<b>Dist. of Columbia</b>	*5-9	9.975	5.75	0.225	1.00
<b>Florida</b>	None	5.5	6	0.04	0.339
<b>Georgia</b>	*1-6	6	4	0.075	0.37
<b>Hawaii</b>	*1.4-8.25	*4.4-6.4	4	0.16	1.40
<b>Idaho</b>	*1.6-7.8	7.6	5	0.25	0.57
<b>Illinois</b>	3	4.8	6.25	0.19	0.98
<b>Indiana</b>	3.4	8.5	6	0.18	0.55
<b>Iowa</b>	*0.36-8.98	*6-12	5	0.20	0.36
<b>Kansas</b>	*3.5-6.45	4	5.3	0.24	0.79
<b>Kentucky</b>	*2-6	*4-7	6	0.185	0.30
<b>Louisiana</b>	*2-6	*4-8	4	0.20	0.36
<b>Maine</b>	*2-8.5	*3.5-8.93	5	0.252	1.00
<b>Maryland</b>	*2-4.75	7	5	0.235	1.00
<b>Massachusetts</b>	5.3	9.5	5	0.21	1.51
<b>Michigan</b>	3.9	1.9	6	0.19	2.00
<b>Minnesota</b>	*5.35-7.85	9.8	6.5	0.20	1.485
<b>Mississippi</b>	*3-5	*3-5	7	0.18	0.18

## Major State Tax Rates (continued)

(On July 1, 2005)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Missouri	*1.5%–6%	6.25%	4.0%	\$0.17	\$0.17
Montana	*1–6.9	6.75	None	0.27	1.70
Nebraska	*2.56–6.84	*5.58–7.81	5.5	0.254	0.64
Nevada	None	None	6.5	0.24	0.80
New Hampshire	5 <sup>2</sup>	8.5	None	0.18	0.80
<b>New Jersey</b>	<b>*1.4–8.97</b>	<b>6.5, 7.5, 9</b>	<b>6</b>	<b>0.105</b>	<b>2.40</b>
New Mexico	*1.7–5.8	*4.8–7.6	5	0.17	0.91
New York	*4–7.7	7.5	4	0.08	1.50
North Carolina	*6–8.25	6.9	4.5	0.271	0.30
North Dakota	*2.1–5.54	*2.6–7	5	0.23	0.44
Ohio	*0.712–7.185	5.1,8.5	5.5	0.28	1.25
Oklahoma	*0.5–6.25	6	4.5	0.16	1.03
Oregon	*5–9	6.6	None	0.24	1.18
Pennsylvania	3.07	9.99	6	0.12	1.35
Rhode Island	25 <sup>3</sup>	9	7	0.30	2.46
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.22	0.53
Tennessee	6 <sup>2</sup>	6.5	7	0.20	0.20
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–7	5	4.75	0.245	0.695
Vermont	*3.6–9.5	*6–8.5	6	0.19	1.19
Virginia	*2–5.75	6	4	0.175	0.30
Washington	None	None	6.5	0.23	2.025
West Virginia	*3–6.5	9	6	0.205	0.55
Wisconsin	*4.6–6.75	7.9	5	0.299	0.77
Wyoming	None	None	4	0.14	0.60
<b>US AVERAGE</b>	<b>1.82%–5.43%</b>	<b>3.99%–6.68%</b>	<b>4.80%</b>	<b>\$0.20</b>	<b>\$0.90</b>

\*Graduated Rates

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

<sup>2</sup>Imposed on interest and dividend income only.

<sup>3</sup>Of Federal income tax liability.

## New Jersey Division of Taxation

### 2006 APPENDICES

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## 2005 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Atlantic</b>			Englewood Cliffs Bor.	1.020	0.910
Absecon City	3.694	2.690	Fair Lawn Borough	3.890	2.210
Atlantic City	3.502	2.550	Fairview Borough	3.430	2.170
Brigantine City	3.365	1.450	Fort Lee Borough	1.590	1.710
Buena Borough	3.773	2.830	Franklin Lakes Borough	2.280	1.360
Buena Vista Township	3.626	2.400	Garfield City	3.320	2.050
Corbin City	3.396	3.410	Glen Rock Borough	2.540	2.300
Egg Harbor City	5.183	3.360	Hackensack City	4.690	2.390
Egg Harbor Township	3.245	2.210	Harrington Park Borough	3.270	2.030
Estell Manor City	2.408	1.990	Hasbrouck Heights Bor.	3.520	2.130
Folsom Borough	2.387	1.750	Haworth Borough	2.100	2.090
Galloway Township	3.239	2.260	Hillsdale Borough	3.520	1.940
Hamilton Township	3.355	2.300	Ho Ho Kus Borough	2.470	1.530
Hammonton Town	3.223	2.600	Leonia Borough	3.460	2.140
Linwood City	3.030	2.640	Little Ferry Borough	1.780	2.220
Longport Borough	0.670	0.840	Lodi Borough	2.400	2.600
Margate City	1.124	1.430	Lyndhurst Township	3.200	1.990
Mullica Township	3.273	2.380	Mahwah Township	1.690	1.340
Northfield City	3.644	2.430	Maywood Borough	3.640	2.150
Pleasantville City	4.166	3.070	Midland Park Borough	2.540	2.090
Port Republic City	2.815	1.800	Montvale Borough	2.740	1.730
Somers Point City	3.358	2.280	Moonachie Borough	1.350	1.650
Ventnor City	2.766	2.030	New Milford Borough	1.790	2.150
Weymouth Township	2.435	1.810	North Arlington Borough	3.650	2.220
<b>Bergen</b>			Northvale Borough	3.280	1.950
Allendale Borough	2.180	1.930	Norwood Borough	2.760	1.820
Alpine Borough	0.550	0.750	Oakland Borough	1.670	2.000
Bergenfield Borough	2.570	2.630	Old Tappan Borough	1.890	1.610
Bogota Borough	3.290	2.300	Oradell Borough	3.560	1.980
Carlstadt Borough	2.780	1.610	Palisades Park Borough	2.910	1.650
Cliffside Park Borough	1.860	1.800	Paramus Borough	1.470	1.380
Closter Borough	2.790	1.860	Park Ridge Borough	1.600	1.710
Cresskill Borough	1.790	1.790	Ramsey Borough	2.040	1.930
Demarest Borough	1.960	2.000	Ridgefield Borough	1.170	1.370
Dumont Borough	1.940	2.410	Ridgefield Park Village	3.690	2.590
Elmwood Park Borough	1.870	1.960	Ridgewood Borough	2.560	1.930
East Rutherford Borough	2.500	1.610	River Edge Borough	1.930	2.180
Edgewater Borough	2.720	1.480	Rivervale Township	3.360	1.940
Emerson Borough	3.420	2.140	Rochelle Park Township	2.180	1.910
Englewood City	4.020	2.170	Rockleigh Borough	1.330	0.820
			Rutherford Borough	3.710	2.160

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Bergen</b> (continued)			Southampton Township	3.005	2.290
Saddle Brook Township	2.940	1.950	Springfield Township	1.999	2.320
Saddle River Borough	0.780	0.760	Tabernacle Township	3.656	2.360
South Hackensack Twp.	2.610	2.140	Washington Township	2.798	1.460
Teaneck Township	4.380	2.540	Westampton Township	2.852	2.060
Tenafly Borough	2.150	2.000	Willingboro Township	4.370	3.190
Teterboro Borough	1.000	1.080	Woodland Township	2.829	2.150
Upper Saddle River Bor.	1.770	1.520	Wrightstown Borough	2.150	2.100
Waldwick Borough	1.810	2.160			
Wallington Borough	3.130	1.970	<b>Camden</b>		
Washington Township	3.150	1.760	Audubon Borough	4.597	3.200
Westwood Borough	1.890	1.890	Audubon Park Borough	6.100	6.000
Woodcliff Lake Borough	1.750	1.660	Barrington Borough	4.984	3.620
Wood-Ridge Borough	2.440	1.870	Bellmawr Borough	4.651	3.500
Wyckoff Township	2.580	1.520	Berlin Borough	3.924	2.830
			Berlin Township	4.111	3.380
<b>Burlington</b>			Brooklawn Borough	3.793	3.300
Bass River Township	3.260	2.130	Camden City	4.473	3.240
Beverly City	4.658	3.670	Cherry Hill Township	4.479	2.970
Bordentown City	4.302	2.830	Chesilhurst Borough	3.463	2.920
Bordentown Township	3.492	2.270	Clementon Borough	4.251	3.740
Burlington City	3.257	2.650	Collingswood Borough	4.516	3.240
Burlington Township	1.867	2.130	Gibbsboro Borough	3.345	2.950
Chesterfield Township	3.104	2.060	Gloucester City	3.632	3.170
Cinnaminson Township	3.756	2.470	Gloucester Township	4.658	3.390
Delanco Township	3.596	2.590	Haddon Township	4.373	3.110
Delran Township	2.249	2.580	Haddonfield Borough	4.450	2.890
Eastampton Township	4.187	2.770	Haddon Heights Borough	4.574	3.190
Edgewater Park Township	3.470	2.340	Hi-Nella Borough	5.636	4.120
Evesham Township	3.885	2.540	Laurel Springs Borough	4.383	3.430
Fieldsboro Borough	3.637	2.550	Lawnside Borough	3.564	3.270
Florence Township	3.557	2.510	Lindenwold Borough	5.070	4.140
Hainesport Township	3.103	2.090	Magnolia Borough	4.636	3.930
Lumberton Township	3.388	2.290	Merchantville Borough	4.408	3.520
Mansfield Township	3.365	2.270	Mount Ephraim Borough	4.456	3.560
Maple Shade Township	3.748	2.720	Oaklyn Borough	4.531	3.520
Medford Township	3.949	2.680	Pennsauken Township	3.739	3.140
Medford Lakes Borough	4.686	2.980	Pine Hill Borough	5.110	3.780
Moorestown Township	4.020	2.320	Pine Valley Borough	1.518	1.520
Mount Holly Township	3.900	2.690	Runnemede Borough	4.491	3.700
Mount Laurel Township	3.407	2.390	Somerdale Borough	4.811	4.010
New Hanover Township	2.140	1.910	Stratford Borough	4.594	3.730
North Hanover Township	2.625	1.880	Tavistock Borough	1.396	1.400
Palmyra Borough	3.687	2.690	Voorhees Township	5.321	3.020
Pemberton Borough	3.799	2.710	Waterford Township	4.180	3.160
Pemberton Township	3.244	2.500	Winslow Township	4.224	3.110
Riverside Township	2.334	2.920	Woodlynne Borough	6.568	5.220
Riverton Borough	4.800	3.140			
Shamong Township	3.405	2.270			

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Cape May</b>			North Caldwell Borough	7.220	1.900
Avalon Borough	0.460	0.470	Nutley Township	15.660	2.320
Cape May City	0.760	0.820	Orange City	37.770	3.680
Cape May Point Borough	0.750	0.530	Roseland Borough	10.130	1.930
Dennis Township	2.270	1.390	S. Orange Village Twp.	5.820	2.860
Lower Township	2.730	1.410	Verona Township	8.310	2.180
Middle Township	2.810	1.640	West Caldwell Township	3.420	2.120
North Wildwood City	2.560	1.210	West Orange Township	9.850	2.900
Ocean City	0.960	0.800	<b>Gloucester</b>		
Sea Isle City	0.570	0.590	Clayton Borough	4.205	3.250
Stone Harbor Borough	0.450	0.540	Deptford Township	3.279	2.650
Upper Township	2.550	1.550	East Greenwich Township	3.751	2.650
West Cape May Borough	1.180	1.100	Elk Township	3.572	2.790
West Wildwood Borough	1.390	1.580	Franklin Township	3.396	2.560
Wildwood City	1.420	1.890	Glassboro Borough	4.373	3.580
Wildwood Crest Borough	1.250	1.040	Greenwich Township	3.326	2.570
Woodbine Borough	2.400	1.440	Harrison Township	3.727	2.600
<b>Cumberland</b>			Logan Township	2.835	2.350
Bridgeton City	4.082	3.620	Mantua Township	4.127	2.900
Commercial Township	3.545	2.590	Monroe Township	4.318	3.100
Deerfield Township	2.866	2.980	National Park Borough	4.435	3.610
Downe Township	3.367	2.470	Newfield Borough	4.459	3.160
Fairfield Township	2.676	2.440	Paulsboro Borough	3.502	3.060
Greenwich Township	2.809	3.310	Pitman Borough	4.137	3.070
Hopewell Township	3.230	2.960	S. Harrison Township	3.198	2.370
Lawrence Township	3.397	2.790	Swedesboro Borough	4.324	3.330
Maurice River Township	3.329	2.420	Washington Township	3.995	2.710
Millville City	2.340	2.950	Wenonah Borough	4.302	3.080
Shiloh Borough	3.625	3.210	West Deptford Township	3.462	2.700
Stow Creek Township	2.821	2.670	Westville Borough	4.091	3.370
Upper Deerfield Twp.	3.214	2.770	Woodbury City	5.339	4.060
Vineland City	3.597	2.480	Woodbury Heights Bor.	3.601	3.300
<b>Essex</b>			Woolwich Township	3.773	2.490
Belleville Township	15.070	2.750	<b>Hudson</b>		
Bloomfield Township	4.790	2.720	Bayonne City	5.186	2.850
Caldwell Borough Twp.	1.880	2.190	East Newark Borough	6.978	2.030
Cedar Grove Township	10.500	1.830	Guttenberg Town	4.704	2.470
East Orange City	27.090	4.190	Harrison Town	4.424	2.210
Essex Fells Borough	1.400	1.630	Hoboken City	3.287	1.400
Fairfield Borough	2.440	1.680	Jersey City	4.605	1.990
Glen Ridge Bor. Twp.	14.270	2.840	Kearny Town	7.329	2.760
Irvington Township	23.820	3.610	North Bergen Township	4.071	2.440
Livingston Township	12.630	2.050	Secaucus Town	2.860	1.950
Maplewood Township	3.790	2.820	Union City	4.682	2.790
Millburn Township	2.050	1.740	Weehawken Township	3.105	1.920
Montclair Township	5.090	2.540	West New York Town	4.689	2.610
Newark City	2.300	2.040			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Hunterdon</b>			East Brunswick Township	6.960	2.200
Alexandria Township	1.880	1.970	Edison Township	3.350	2.180
Bethlehem Township	2.650	2.200	Helmetta Borough	6.240	2.150
Bloomsbury Borough	3.370	2.010	Highland Park Borough	5.390	2.510
Califon Borough	4.100	2.580	Jamesburg Borough	4.320	2.630
Clinton Town	2.440	2.410	Metuchen Borough	3.820	2.150
Clinton Township	2.350	2.000	Middlesex Borough	5.850	2.330
Delaware Township	1.800	1.860	Milltown Borough	3.540	2.120
East Amwell Township	1.670	1.850	Monroe Township	2.920	1.810
Flemington Borough	2.390	2.340	New Brunswick City	4.050	2.140
Franklin Township	2.060	1.970	North Brunswick Twp.	3.740	2.580
Frenchtown Borough	2.250	2.340	Old Bridge Township	3.670	2.110
Glen Gardner Borough	2.470	2.070	Perth Amboy City	3.360	1.920
Hampton Borough	4.340	2.700	Piscataway Township	4.830	2.190
High Bridge Borough	2.390	2.490	Plainsboro Township	1.940	2.030
Holland Township	1.680	1.680	Sayreville Borough	3.380	1.970
Kingwood Township	3.080	1.780	South Amboy City	1.570	1.900
Lambertville City	1.660	1.530	South Brunswick Twp.	3.360	2.180
Lebanon Borough	3.000	1.770	South Plainfield Bor.	4.050	1.970
Lebanon Township	2.530	1.910	South River Borough	5.170	1.810
Milford Borough	2.550	2.110	Spotswood Borough	2.130	2.310
Raritan Township	3.210	1.870	Woodbridge Township	6.390	2.240
Readington Township	2.210	1.910			
Stockton Borough	3.140	1.540	<b>Monmouth</b>		
Tewksbury Township	2.200	1.750	Aberdeen Township	4.760	2.470
Union Township	2.340	1.790	Allenhurst Borough	1.329	0.940
West Amwell Township	1.560	1.600	Allentown Borough	3.843	2.570
			Asbury Park City	4.146	2.050
<b>Mercer</b>			Atlantic Highlands Bor.	2.128	2.030
East Windsor Township	4.520	2.700	Avon-by-the-Sea Bor.	2.348	1.110
Ewing Township	3.940	2.660	Belmar Borough	1.589	1.360
Hamilton Township	3.350	2.360	Bradley Beach Borough	2.483	1.550
Hightstown Borough	5.310	3.170	Brielle Borough	2.830	1.500
Hopewell Borough	3.790	2.240	Colts Neck Township	3.017	1.550
Hopewell Township	3.320	2.230	Deal Borough	0.821	0.720
Lawrence Township	3.560	2.280	Eatontown Borough	3.322	2.070
Pennington Borough	4.040	2.320	Englishtown Borough	3.691	2.050
Princeton Borough	3.630	1.980	Fair Haven Borough	2.014	1.890
Princeton Township	3.200	1.880	Farmingdale Borough	1.725	1.780
Trenton City	4.060	3.690	Freehold Borough	1.815	2.140
Washington Township	4.250	2.460	Freehold Township	3.161	1.960
West Windsor Township	4.260	2.540	Hazlet Township	4.105	2.280
			Highlands Borough	2.382	2.330
<b>Middlesex</b>			Holmdel Township	3.238	1.780
Carteret Borough	4.420	2.560	Howell Township	3.778	2.180
Cranbury Township	3.600	1.780	Interlaken Borough	1.214	1.150
Dunellen Borough	8.450	2.410			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Monmouth</b> (continued)			Lincoln Park Borough	3.500	2.070
Keansburg Borough	4.591	2.490	Long Hill Township	2.300	1.980
Keyport Borough	4.178	2.390	Madison Borough	2.060	1.520
Lake Como Borough	3.987	1.720	Mendham Borough	3.100	1.600
Little Silver Borough	2.012	1.890	Mendham Township	1.400	1.670
Loch Arbour Village	1.454	1.050	Mine Hill Township	3.860	2.210
Long Branch City	2.354	1.960	Montville Township	2.740	1.770
Manalapan Township	3.528	1.870	Morris Township	2.060	1.680
Manasquan Borough	1.368	1.320	Morris Plains Borough	2.790	1.660
Marlboro Township	3.840	1.990	Morristown Town	2.120	2.140
Matawan Borough	4.721	2.710	Mountain Lakes Borough	3.530	2.000
Middletown Township	3.429	1.820	Mount Arlington Borough	1.780	1.810
Millstone Township	2.315	1.900	Mount Olive Township	3.540	2.500
Monmouth Beach Bor.	1.019	1.330	Netcong Borough	3.550	2.390
Neptune Township	1.908	1.870	Parsippany-Troy Hills Twp.	1.900	1.950
Neptune City Borough	2.070	2.010	Pequannock Township	3.260	1.850
Ocean Township	1.580	1.900	Randolph Township	2.690	1.970
Oceanport Borough	3.291	1.700	Riverdale Borough	1.260	1.570
Red Bank Borough	3.223	1.960	Rockaway Borough	1.940	2.050
Roosevelt Borough	4.690	2.570	Rockaway Township	2.840	2.390
Rumson Borough	1.323	1.360	Roxbury Township	3.200	2.120
Sea Bright Borough	1.315	1.310	Victory Gardens Borough	4.090	1.590
Sea Girt Borough	0.633	0.810	Washington Township	3.250	2.060
Shrewsbury Borough	2.152	1.980	Wharton Borough	3.910	2.210
Shrewsbury Township	4.965	2.460			
Spring Lake Borough	0.569	0.740	<b>Ocean</b>		
Spring Lake Heights Bor.	1.683	1.360	Barneget Township	3.649	2.070
Tinton Falls Borough	3.416	1.900	Barneget Light Borough	0.809	0.830
Union Beach Borough	2.502	2.290	Bay Head Borough	0.898	0.710
Upper Freehold Township	3.071	1.970	Beach Haven Borough	0.945	0.970
Wall Township	2.147	1.680	Beachwood Borough	3.107	1.780
West Long Branch Bor.	3.070	1.950	Berkeley Township	2.830	1.660
			Brick Township	3.233	1.680
<b>Morris</b>			Dover Township	2.975	1.530
Boonton Town	3.310	1.890	Eagleswood Township	3.358	2.080
Boonton Township	2.800	1.730	Harvey Cedars Borough	0.830	0.860
Butler Borough	2.350	2.080	Island Heights Borough	1.361	1.850
Chatham Borough	1.390	1.530	Jackson Township	3.457	1.790
Chatham Township	1.320	1.500	Lacey Township	2.976	1.670
Chester Borough	1.920	2.280	Lakehurst Borough	3.815	2.320
Chester Township	3.110	1.810	Lakewood Township	3.447	1.900
Denville Township	2.240	1.860	Lavallette Borough	0.741	0.810
Dover Town	3.640	2.070	Little Egg Harbor Twp.	3.312	2.010
East Hanover Township	1.670	1.360	Long Beach Township	0.781	0.890
Florham Park Borough	2.250	1.260	Manchester Township	2.759	1.680
Hanover Township	2.180	1.440	Mantoloking Borough	0.713	0.570
Harding Township	0.930	0.880	Ocean Township	1.362	1.830
Jefferson Township	3.480	2.050			
Kinnelon Borough	2.390	1.940			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Ocean (continued)</b>			<b>Somerset</b>		
Ocean Gate Borough	1.646	2.160	Bedminster Township	1.200	1.150
Pine Beach Borough	1.322	1.690	Bernards Township	1.550	1.680
Plumsted Township	3.011	1.770	Bernardsville Borough	1.410	1.560
Point Pleasant Borough	3.220	1.670	Bound Brook Borough	4.510	2.850
Pt. Pleasant Beach Bor.	2.803	1.250	Branchburg Township	1.940	2.060
Seaside Heights Borough	3.525	1.720	Bridgewater Township	1.690	1.570
Seaside Park Borough	1.691	1.290	Far Hills Borough	0.960	1.000
Ship Bottom Borough	0.875	0.960	Franklin Township	1.930	2.100
South Toms River Bor.	3.779	2.080	Green Brook Township	1.640	1.980
Stafford Township	1.487	1.740	Hillsborough Township	2.740	2.080
Surf City Borough	0.773	0.900	Manville Borough	3.560	2.150
Tuckerton Borough	1.692	2.080	Millstone Borough	2.160	2.060
<b>Passaic</b>			Montgomery Township	2.200	2.190
Bloomington Borough	4.580	2.510	North Plainfield Borough	4.820	2.970
Clifton City	3.740	2.410	Peapack & Gladstone Bor.	1.760	1.770
Haledon Borough	4.370	2.780	Raritan Borough	1.760	1.820
Hawthorne Borough	3.870	2.260	Rocky Hill Borough	2.580	1.510
Little Falls Township	4.120	1.910	Somerville Borough	4.290	2.830
North Haledon Borough	5.160	1.830	South Bound Brook Bor.	4.850	3.120
Passaic City	4.710	2.770	Warren Township	1.650	1.670
Paterson City	24.990	2.850	Watchung Borough	1.550	1.600
Pompton Lakes Borough	4.650	2.600	<b>Sussex</b>		
Prospect Park Borough	4.430	2.720	Andover Borough	3.020	1.980
Ringwood Borough	4.320	2.430	Andover Township	2.670	2.320
Totowa Borough	3.090	1.830	Branchville Borough	2.290	1.590
Wanaque Borough	5.050	2.670	Byram Township	4.340	2.430
Wayne Township	3.530	2.110	Frankford Township	3.280	2.190
West Milford Township	4.880	2.540	Franklin Borough	3.980	2.510
West Paterson Borough	3.580	2.190	Fredon Township	3.080	2.020
<b>Salem</b>			Green Township	1.850	2.260
Alloway Township	2.906	2.600	Hamburg Borough	3.160	2.500
Carneys Point Township	3.743	2.920	Hampton Township	3.220	2.140
Elmer Borough	3.934	2.950	Hardyston Township	3.290	2.090
Elsinboro Township	3.732	2.760	Hopatcong Borough	3.640	2.420
Lower Alloways Crk. Twp.	1.136	1.010	Lafayette Township	3.370	2.030
Mannington Township	3.082	2.140	Montague Township	3.030	2.080
Oldmans Township	3.770	2.630	Newton Town	4.230	2.850
Penns Grove Borough	5.087	3.690	Ogdensburg Borough	4.370	2.830
Pennsville Township	3.750	2.960	Sandyston Township	2.930	2.010
Pilesgrove Township	3.403	2.420	Sparta Township	2.720	2.220
Pittsgrove Township	2.582	2.820	Stanhope Borough	5.140	2.690
Quinton Township	3.200	2.740	Stillwater Township	3.730	2.220
Salem City	5.383	4.020	Sussex Borough	3.580	2.580
Upper Pittsgrove Twp.	3.776	2.250	Vernon Township	3.700	2.330
Woodstown Borough	3.856	2.960	Walpack Township	1.320	1.170
			Wantage Township	3.700	2.300

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Union</b>			<b>Warren</b>		
Berkeley Heights Twp.	2.717	1.810	Allamuchy Township	1.910	1.820
Clark Township	6.478	2.190	Alpha Borough	2.540	2.690
Cranford Township	3.923	1.890	Belvidere Town	3.920	2.750
Elizabeth City	15.604	2.190	Blairstown Township	2.870	1.890
Fanwood Borough	9.378	2.260	Franklin Township	2.230	2.370
Garwood Borough	6.533	2.160	Frelinghuysen Township	2.050	2.160
Hillside Township	5.163	2.920	Greenwich Township	2.340	2.050
Kenilworth Borough	3.029	1.770	Hackettstown Town	3.680	2.800
Linden City	3.771	2.260	Hardwick Township	2.810	2.150
Mountainside Borough	4.412	1.340	Harmony Township	1.850	1.700
New Providence Borough	3.240	1.980	Hope Township	3.240	2.050
Plainfield City	5.163	2.790	Independence Township	1.730	2.050
Rahway City	4.139	2.480	Knowlton Township	2.790	2.200
Roselle Borough	6.049	3.550	Liberty Township	2.530	2.380
Roselle Park Borough	9.096	2.630	Lopatcong Township	3.090	2.190
Scotch Plains Township	7.478	2.150	Mansfield Township	2.540	2.290
Springfield Township	4.831	2.110	Oxford Township	3.660	2.340
Summit City	2.915	1.510	Phillipsburg Town	3.320	2.440
Union Township	12.942	2.210	Pohatcong Township	2.960	2.650
Westfield Town	5.840	1.800	Washington Borough	3.510	2.880
Winfield Township	158.877	13.120	Washington Township	2.620	2.400
			White Township	1.530	1.620

# Abstract of Ratables and Exemptions 2005

	Col. 1	Col. 2	Col. 3	Col. 4
	TAXABLE VALUE			
COUNTY	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)	Total Taxable Value of Land and Improvements (Col. 1(a) + (b))	Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)
				Net Total Taxable Value of Land and Improvements (Col. 2 - 3)
Atlantic	\$ 9,882,827,135	\$ 15,223,875,365	\$ 25,106,702,500	\$ 25,086,056,100
Bergen	56,096,632,933	52,923,796,118	109,020,429,051	109,013,572,251
Burlington	7,740,369,781	18,765,999,751	26,506,369,532	26,442,597,352
Camden	5,566,334,243	14,862,560,104	20,428,894,347	20,372,779,997
Cape May	20,600,579,400	10,340,979,000	30,941,558,400	30,930,815,600
Cumberland	1,236,406,200	3,924,344,305	5,160,750,505	5,106,215,405
Essex	14,133,184,550	21,156,053,228	35,289,237,778	34,929,744,031
Gloucester	3,718,034,653	10,140,341,890	13,858,376,543	13,823,152,838
Hudson	7,371,448,956	13,617,130,130	20,988,579,086	20,636,516,611
Hunterdon	6,715,976,127	10,539,145,983	17,255,122,110	17,248,543,610
Mercer	7,436,542,537	15,142,633,872	22,579,176,409	22,550,116,549
Middlesex	15,486,653,992	28,343,974,550	43,830,628,542	43,721,395,842
Monmouth	29,994,926,154	35,390,376,554	65,385,302,708	65,356,564,458
Morris	27,757,782,593	34,272,167,999	62,029,950,592	62,027,632,792
Ocean	27,272,522,536	24,685,853,187	51,958,375,723	51,955,661,023
Passaic	8,994,030,934	12,298,382,847	21,292,413,781	21,288,317,981
Salem	813,196,278	2,436,449,382	3,249,645,660	3,249,518,160
Somerset	19,362,459,373	29,588,198,254	48,950,657,627	48,943,543,927
Sussex	3,812,674,442	6,819,227,687	10,631,902,129	10,631,902,129
Union	9,577,921,100	14,341,475,535	23,919,396,635	23,897,916,928
Warren	2,755,249,066	6,152,481,959	8,907,731,025	8,904,452,940
<b>TOTALS</b>	\$286,325,752,983	\$380,965,447,700	\$667,291,200,683	\$666,117,016,524



## Abstract of Ratables and Exemptions 2005 (continued)

COUNTY	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	TRUE VALUE (a) U.E.Z. Abatement Expired (b) Class II Railroad Property (C.139, L. 1966)	EQUALIZATION (a) Amounts Deducted Under (R.S. 54:3-17 to R.S. 54:3-19)
Atlantic	\$ 66,308,069	\$ 25,152,364,169				\$ 996,806,951
Bergen	190,964,986	109,204,537,237				3,569,362,865
Burlington	89,164,078	26,531,761,430			\$6,441,293	624,068,366
Camden	103,642,503	20,476,422,500				
Cape May	28,473,978	30,959,289,578				1,448,250,506
Cumberland	31,734,068	5,137,949,473				292,876,482
Essex	153,733,824	35,083,477,855				261,955,811
Gloucester	141,252,542	13,964,405,380				
Hudson	62,715,457	20,699,232,068				
Hunterdon	49,482,518	17,298,026,128				171,067,806
Mercer	82,125,533	22,632,242,082			1,458,347	
Middlesex	136,500,440	43,857,896,282				363,710,505
Monmouth	158,707,401	65,515,271,859				2,422,672,172
Morris	150,182,136	62,177,814,928				1,344,941,801
Ocean	89,421,801	52,045,082,824				2,493,217,523
Passaic	47,402,350	21,335,720,331				
Salem	16,631,335	3,266,149,495				48,089,679
Somerset	93,169,183	49,036,713,110				1,911,790,922
Sussex	37,710,586	10,669,612,715				95,560,528
Union	49,311,417	23,947,228,345				
Warren	32,631,543	8,937,084,483				187,710,169
<b>TOTALS</b>	\$1,811,265,748	\$667,928,282,272			\$7,899,640	\$16,232,082,086

# Abstract of Ratables and Exemptions 2005 (continued)

COUNTY	Col. 10		Col. 11		Col. 12—APPORTIONMENT OF TAXES	
	EQUALIZATION (b)		Net Valuation on Which County Taxes Are Apportioned (Col. 6 – 9(a) + 9(b) – 10(a) + 10(b))		Section A County Taxes	
	Amounts Added Under R.S. 54:3-17 to R.S. 54:3-19 and N.J.S.A. 54:11D-7	Total County Taxes Apportioned (Including Total Net Adjustments)	County Equalization Table Appeals (R.S. 54:51A-4)	ADJUSTMENTS RESULTING FROM		
			(a)	(b)	(c)	(d)
			Deduct Overpayment	Add Underpayment	Deduct Overpayment	Add Underpayment
Atlantic	\$ 9,046,531,669	\$ 33,202,088,887	\$349,188.00		\$ 320,328.47	474.07
Bergen	30,893,824,070	136,528,998,442			885,144.03	
Burlington	10,311,835,270	36,213,087,041			137,237.02	\$ 36,844.91
Camden	8,226,490,653	28,702,913,153			474,622.00	
Cape May	5,973,893,233	35,484,932,305			78,679.79	335.15
Cumberland	1,150,260,260	5,995,333,251			263,680.49	
Essex	33,667,683,456	68,489,205,500			2,750,194.97	6,102.70
Gloucester	4,829,244,294	18,793,649,674			204,809.86	22,610.53
Hudson	20,543,673,345	41,242,905,413			1,144,440.71	
Hunterdon	3,924,792,968	21,051,751,290			170,255.59	
Mercer	12,113,258,692	34,744,042,427			287,029.46	
Middlesex	35,006,495,492	78,500,681,269			664,765.85	798,123.59
Monmouth	27,044,499,779	90,137,099,466			419,056.71	53,626.95
Morris	18,221,428,638	79,054,301,765			657,768.87	16,988.09
Ocean	24,865,033,722	74,416,899,023			432,125.85	
Passaic	19,392,053,145	40,727,773,476			830,346.86	
Salem	818,948,302	4,037,008,118			154,699.58	
Somerset	3,499,834,023	50,624,756,211			361,335.87	4,908.43
Sussex	4,728,160,892	15,302,213,079			225,672.28	592.92
Union	35,467,389,299	59,414,617,644			537,762.41	34,348.48
Warren	1,583,031,419	10,332,405,733			225,145.88	
<b>TOTALS</b>	<b>\$311,308,362,621</b>	<b>\$962,996,663,167</b>	<b>\$349,188.00</b>	<b>\$3,408,958,966.33</b>	<b>\$11,225,102.55</b>	<b>\$974,955.82</b>

# Abstract of Ratables and Exemptions 2005 (continued)

Col. 12—APPORTIONMENT OF TAXES						
COUNTY	Section A County Taxes			Section B		
	III Net County Taxes Apportioned	IV Municipal Budget State Aid (R.S. 52:27D-118.40)	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV- Addendum 1(a))	(a) County Library Taxes	(b) County Health Taxes	(c) County Open Space Taxes
Atlantic	\$ 110,840,470.51		\$ 110,840,470.51	\$ 6,548,971.00	\$ 4,111,871.00	\$ 6,640,417.78
Bergen	258,445,109.00		258,445,109.00			13,646,599.88
Burlington	138,630,000.00		138,630,000.00	8,957,241.00		14,485,234.81
Camden	218,471,733.00		218,471,733.00	7,489,126.00		2,870,291.32
Cape May	73,072,666.15		73,072,666.15	6,002,216.91		3,548,493.23
Cumberland	58,950,000.00		58,950,000.00		1,378,000.00	599,533.33
Essex	319,343,294.00		319,343,294.00			6,848,921.00
Gloucester	112,900,000.00		112,900,000.00	3,017,415.00		7,514,117.00
Hudson	213,055,992.00		213,055,992.00			4,124,290.54
Hunterdon	67,086,000.00		67,086,000.00	5,290,766.00		6,315,000.00
Mercer	185,297,503.00		185,297,503.00	8,995,387.00		10,413,033.00
Middlesex	224,665,000.00		224,665,000.00			23,349,420.66
Monmouth	269,650,000.00		269,650,000.00	10,478,311.00	1,556,732.00	16,000,000.00
Morris	171,660,449.29		171,660,449.29			37,916,593.04
Ocean	239,224,899.00		239,224,899.00	24,615,777.00	8,950.00	8,929,200.00
Passaic	209,321,070.00		209,321,070.00			4,072,777.35
Salem	39,755,569.60		39,755,569.60			807,401.63
Somerset	157,589,774.00		157,589,774.00	10,054,594.00		15,154,637.36
Sussex	59,448,760.00	20,866.00	59,427,894.00	4,181,022.00	1,112,530.00	3,059,658.00
Union	216,332,767.00		216,332,767.00			8,912,192.65
Warren	54,618,575.05		54,618,575.05	4,072,743.00		6,197,939.59
<b>TOTALS</b>	\$3,398,359,631.60	\$20,866.00	\$3,398,338,765.60	\$99,703,569.91	\$17,109,133.00	\$201,405,752.17

# Abstract of Ratables and Exemptions 2005 (continued)

Col. 12—APPORTIONMENT OF TAXES					
COUNTY	(a) District School Budget (Adjusted by Addendum 1(b))	(b) Regional Consolidated and Joint School Budgets	(c) Local School Budget	(a) Local Municipal Budget (Adjusted by Addendum 1(c))	(b) Local Municipal Open Space
Atlantic	\$ 290,449,482.66	\$ 45,739,031.94	\$ 5,525,802.88	\$ 263,069,646.42	443,963.95
Bergen	1,321,899,903.89	185,150,039.86	401,903.00	755,686,142.23	3,287,678.48
Burlington	437,840,423.50	137,710,053.53		145,623,487.81	7,402,592.19
Camden	446,855,400.73	53,155,854.43		184,006,184.27	1,218,728.50
Cape May	108,566,628.50	14,851,814.00		118,386,356.12	
Cumberland	51,181,058.50	7,681,826.90		42,687,528.82	
Essex	632,907,236.34	123,593,158.68	14,017,377.88	523,873,047.52	1,075,698.94
Gloucester	252,459,045.17	40,984,210.82		112,157,691.01	1,929,720.22
Hudson	311,648,592.00		12,021,532.14	351,517,762.75	
Hunterdon	174,782,229.32	101,643,944.46		41,316,404.13	4,958,618.43
Mercer	230,144,113.00	224,963,816.78	2,134,452.00	173,416,213.19	4,688,558.81
Middlesex	1,006,100,502.56	51,350,195.33	801,343.23	371,465,601.16	6,080,546.90
Monmouth	713,241,288.93	266,153,525.14		335,161,759.44	6,073,575.06
Morris	692,784,438.64	207,589,475.72		321,646,565.39	10,910,751.31
Ocean	390,521,883.75	181,331,630.50	5,286,708.00	262,193,891.76	3,489,626.83
Passaic	418,229,840.31	37,616,690.00		292,420,484.59	1,611,424.00
Salem	40,976,031.50	16,148,213.50		11,567,224.31	267,979.02
Somerset	444,750,923.00	143,732,270.35		157,613,884.83	16,420,996.51
Sussex	156,563,990.55	60,165,872.06		65,134,758.08	1,204,634.35
Union	557,471,159.15	60,214,049.07	2,318,493.50	403,518,566.24	325,637.08
Warren	94,109,827.50	36,529,445.00		32,998,095.76	2,071,329.80
<b>TOTALS</b>	<b>\$8,773,483,999.50</b>	<b>\$1,996,305,118.07</b>	<b>\$42,507,612.63</b>	<b>\$4,965,461,295.83</b>	<b>\$73,462,060.38</b>

# Abstract of Ratables and Exemptions 2005 (continued)

	Col. 12	REAL PROPERTY EXEMPT FROM TAXATION				Col. 13
Section D	Total Tax Levy	(a)	(b)	(c)	(d)	
on Which	Tax Rate is	Public School	Other School	Public Property	Church and	
Computed	Computed	Property	Property	Property	Charitable	
(Cols. AV + B(a), (b), (c)	+ CI(a), (b), (c)	+ CII(a), (b))			Property	
<b>COUNTY</b>						
Atlantic	\$ 733,369,658.14	\$ 709,219,300	\$ 34,133,000	\$ 1,681,771,930	\$ 242,784,900	
Bergen	2,538,517,376.34	2,248,319,900	734,679,675	5,760,155,340	1,233,473,900	
Burlington	890,649,032.84	783,754,060	83,708,150	1,897,612,052	464,472,720	
Camden	914,067,318.25	1,034,847,819	67,490,200	1,325,323,397	743,230,928	
Cape May	324,428,174.91	206,982,000	21,061,200	1,091,875,850	294,668,000	
Cumberland	162,477,947.55	221,366,200	22,293,400	805,417,700	152,400,600	
Essex*	1,621,658,734.36	1,166,401,900	846,580,900	5,005,943,799	1,233,709,600	
Gloucester	530,962,199.22	424,023,300	204,125,620	476,484,808	285,287,450	
Hudson	892,368,169.43	640,519,500	380,415,100	2,589,712,380	673,076,640	
Hunterdon	401,392,962.34	251,238,692	3,423,300	814,477,321	187,073,353	
Mercer	840,053,076.78	545,077,400	1,700,558,250	2,502,894,561	524,543,800	
Middlesex	1,683,812,609.84	1,345,609,100	1,436,829,400	1,593,237,650	918,633,950	
Monmouth	1,618,315,191.57	1,162,631,699	219,017,600	2,133,926,007	702,361,000	
Morris	1,442,508,273.39	948,716,900	272,109,000	3,109,507,879	787,299,700	
Ocean	1,124,543,616.84	641,022,039	75,461,700	2,493,208,149	469,602,508	
Passaic*	963,272,286.25	579,869,440	226,383,500	1,354,874,675	494,039,100	
Salem	109,522,419.56	116,192,550	7,936,900	150,409,058	73,952,275	
Somerset	945,317,080.05	514,335,453	92,913,500	1,282,344,843	420,887,517	
Sussex	350,850,359.04	254,495,500	26,135,300	540,975,389	132,730,190	
Union	1,249,092,864.69	658,458,500	220,358,100	1,832,311,100	624,491,600	
Warren	230,597,955.70	179,760,473	59,398,370	290,649,838	144,835,845	
<b>TOTALS</b>	<b>\$19,567,777,307.09</b>	<b>\$14,632,841,725</b>	<b>\$6,735,012,165</b>	<b>\$38,733,113,726</b>	<b>\$10,803,555,576</b>	

\* Essex excludes Special Garbage District Levy \$1,076,000.00

# Abstract of Ratables and Exemptions 2005 (continued)

COUNTY	REAL PROPERTY EXEMPT FROM TAXATION			AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET		
	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation (a + b + c + d + e + f)	(a) Surplus Revenue Appropriated	(b) Miscellaneous Revenues Anticipated	
Atlantic	\$ 16,942,000	\$ 949,142,291	\$ 3,633,993,421	\$ 33,881,836.00	\$ 115,560,341.35	
Bergen	446,369,600	3,566,296,000	13,989,294,415	92,272,158.00	268,808,588.36	
Burlington	15,620,100	667,224,127	3,912,391,209	58,992,525.98	121,070,644.45	
Camden	47,679,200	696,734,307	3,915,305,851	28,812,256.01	268,280,705.93	
Cape May	2,407,300	384,390,600	2,001,384,950	25,881,429.00	71,724,331.46	
Cumberland	6,752,600	304,022,000	1,512,252,500	11,650,319.16	56,551,220.07	
Essex	182,030,000	1,338,346,129	9,773,012,328	64,625,962.40	601,023,260.95	
Gloucester	9,172,400	186,592,300	1,585,685,878	30,653,820.63	82,283,908.84	
Hudson	164,802,500	3,732,272,807	8,180,798,927	34,731,362.32	509,655,713.98	
Hunterdon	14,066,800	130,716,300	1,400,995,766	20,453,073.00	37,471,821.34	
Mercer	26,380,700	733,530,860	6,032,985,571	33,542,375.89	234,661,062.68	
Middlesex	106,838,100	1,374,948,323	6,776,096,523	73,770,849.92	327,798,831.26	
Monmouth	77,696,200	1,449,575,850	5,745,208,356	93,435,107.45	207,199,337.94	
Morris	53,300,000	752,700,900	5,923,634,379	62,575,928.00	164,403,391.28	
Ocean	23,232,200	399,668,986	4,102,195,582	72,295,125.70	149,737,903.94	
Passaic	78,586,000	500,336,481	3,234,089,196	39,091,731.73	182,778,308.49	
Salem	1,946,900	113,374,865	463,812,548	8,271,764.14	39,824,555.26	
Somerset	30,843,367	601,453,439	2,942,778,119	52,627,810.25	90,841,969.17	
Sussex	4,359,100	123,657,500	1,082,352,979	21,053,630.10	34,339,413.00	
Union	167,780,900	432,248,500	3,935,648,700	58,192,073.00	225,163,800.52	
Warren	8,588,700	189,744,385	872,977,611	15,057,531.00	30,092,827.42	
<b>TOTALS</b>	<b>\$1,485,394,667</b>	<b>\$18,626,976,950</b>	<b>\$91,016,894,809</b>	<b>\$931,868,669.68</b>	<b>\$3,819,271,937.69</b>	

Col. 13

Col. 14

# Abstract of Ratables and Exemptions 2005 (continued)

COUNTY	Col. 14	DEDUCTIONS ALLOWED			Col. 15	Col. 16
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET					
	(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	Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34	
Atlantic	\$ 5,410,301.00	\$ 154,852,478.35	\$ 784,250	\$ 2,313,500	\$ 32,408,380,703	
Bergen	23,130,857.51	384,211,603.87	2,400,500	7,993,750	134,755,914,959	
Burlington	12,788,961.00	192,852,131.43	1,246,500	5,140,100	35,348,897,217	
Camden	15,590,727.73	312,683,689.67	2,165,750	4,615,400	28,175,208,294	
Cape May	3,948,023.50	101,553,783.96	420,750	1,485,750	34,423,715,017	
Cumberland	3,627,959.80	71,829,499.03	853,813	1,240,000	5,753,815,196	
Essex	43,178,671.96	708,827,895.31	1,007,625	3,196,425	67,521,692,137	
Gloucester	11,000,823.04	123,938,552.51	1,150,875	3,000,150	18,242,255,166	
Hudson	7,027,538.00	551,414,614.30	956,500	1,728,750	39,560,229,241	
Hunterdon	5,026,201.00	62,951,095.34	204,750	1,077,000	18,808,542,834	
Mercer	8,875,550.52	277,078,989.09	1,118,000	2,919,000	33,971,143,190	
Middlesex	8,558,147.00	410,127,828.18	2,133,750	6,653,525	77,155,451,780	
Monmouth	20,030,619.32	320,665,064.71	1,211,500	5,436,500	88,455,723,375	
Morris	13,960,615.13	240,939,934.41	824,250	4,090,500	78,454,629,822	
Ocean	15,384,021.32	237,417,050.96	3,474,250	9,591,000	72,738,192,367	
Passaic	8,774,888.30	230,644,928.52	1,185,625	3,132,250	40,106,449,757	
Salem	3,371,093.00	51,467,412.40	315,250	805,250	3,936,533,482	
Somerset	7,369,500.00	150,839,279.42	577,000	2,278,905	49,547,368,719	
Sussex	6,672,731.67	62,065,774.77	347,458	1,403,450	14,973,612,169	
Union	17,066,963.00	300,422,836.52	1,479,750	4,029,000	54,710,432,326	
Warren	4,748,658.30	49,899,016.72	345,250	1,083,850	10,121,603,065	
<b>TOTALS</b>	<b>\$245,542,852.10</b>	<b>\$4,996,683,459.47</b>	<b>\$24,203,396</b>	<b>\$73,214,055</b>	<b>\$939,169,790,816</b>	

# Abstract of Ratables and Exemptions 2005 (continued)

Addendum 1		Addendum 2						
COUNTY	STATE AID ADJUSTMENT FOR BUSINESS PERSONAL PROPERTY TAX			REGIONAL EFFICIENCY AID PROGRAM (R.E.A.P.) DISTRIBUTION SUMMARY				
	(a) County Adjustment	(b) School Adjustment	(c) Municipal Adjustment	(a) Eligible Property Assessments	(b) Municipal R.E.A.P. Aid	(c) School R.E.A.P. Aid	(d) County R.E.A.P. Aid	(e) Total R.E.A.P. Aid
Atlantic								
Bergen		\$ 288,147		\$ 2,740,949,300	\$ 1,713,430			\$ 1,713,430
Burlington		148,727		200,108,100	199,435			199,435
Camden		619,143		11,243,400	18,924			18,924
Cape May		12,750						
Cumberland		41,990						
Essex		1,770,495						
Gloucester		145,027		117,098,700	135,880			135,880
Hudson				2,618,957,125	8,802,756			8,802,756
Hunterdon								
Mercer		81,676						
Middlesex								
Monmouth		1,326,072	451,004					
Morris		637,407						
Ocean		17,277						
Passaic		70,042						
Salem		103,252		49,530,300	71,575			71,575
Somerset		221,284						
Sussex		244						
Union								
Warren								
<b>TOTALS</b>		\$5,483,533	\$451,004	\$5,737,886,925	\$10,942,000			\$10,942,000



## 2005 Assessed Value of Partial Exemptions and Abatements (Summary Addendum to Abstract of Ratables)

COUNTY	Pollution Control	Fire Suppression	Fallout Shelter	Water/ Sewage Facility		UEZ Abatement	Home Improvement	Multi-Family Dwelling	Class 4 Abatement
				Abatement	Improvement				
Atlantic	-	-	-	-	-	-	-	-	-
Bergen	-	\$ 240,000	-	-	-	-	-	-	-
Burlington	\$ 2,629,100	2,496,900	\$ 1,000	-	\$ 1,968,900	-	-	-	-
Camden	79,000	-	-	-	-	-	\$ 4,000	-	-
Cape May	-	-	1,000	-	-	-	-	-	-
Cumberland	2,497,300	-	-	-	-	-	-	-	-
Essex	458,000	469,400	-	-	352,714,947	-	-	-	-
Gloucester	11,819,500	-	-	\$ 13,300	-	-	-	-	-
Hudson	231,500	-	-	2,500,000	9,090,600	91,400	\$7,165,400	\$895,600	-
Hunterdon	-	-	-	-	-	-	-	-	-
Mercer	-	-	3,114,250	62,800	20,891,800	-	-	-	-
Middlesex	3,519,100	1,990,200	-	-	-	-	-	-	-
Monmouth	-	1,820,200	-	2,277,700	-	-	-	-	-
Morris	198,400	-	1,131,700	151,300	-	-	-	-	-
Ocean	48,600	-	453,300	-	-	-	-	-	-
Passaic	-	499,600	-	-	-	-	-	-	-
Salem	-	-	-	-	-	-	-	-	-
Somerset	-	-	-	-	-	-	-	-	-
Sussex	-	-	-	-	-	-	-	-	-
Union	127,000	-	-	-	21,352,707	-	-	-	-
Warren	1,209,800	-	15,200	-	2,053,085	-	-	-	-
<b>TOTALS</b>	\$22,817,300	\$7,516,300	\$4,716,450	\$5,005,100	\$408,072,039	\$95,400	\$7,165,400	\$895,600	

## 2005 Assessed Value of Partial Exemptions and Abatements (continued)

### (Summary Addendum to Abstract of Ratables)

COUNTY	Dwelling Abatement	Dwelling Exemption	New Dwelling/ Conversion Abatement	New Dwelling/ Conversion Exemption	Multiple Dwelling/ Abatement	Multiple Dwelling/ Exemption	Commercial/ Industrial Exemption	Total Assessed Value (Col. 3 of Abstract)
Atlantic	-	\$ 2,300,800	\$ 141,700	\$ 417,300	-	-	\$ 17,786,600	\$ 20,646,400
Bergen	\$ 423,000	6,061,200	-	-	-	-	132,600	6,856,800
Burlington	2,682,700	4,652,100	-	-	-	-	49,341,480	63,772,180
Camden	2,210,400	16,270,150	-	-	\$ 9,287,700	-	28,263,100	56,114,350
Cape May	-	800,900	-	9,592,700	145,000	-	203,200	10,742,800
Cumberland	-	7,063,000	-	-	-	-	44,974,800	54,535,100
Essex	116,000	4,685,400	-	-	1,050,000	-	-	359,493,747
Gloucester	-	4,366,300	-	-	-	-	19,024,605	35,223,705
Hudson	8,961,800	136,117,150	30,710,425	-	5,862,300	\$ 3,394,100	147,042,200	352,062,475
Hunterdon	373,600	-	-	-	-	-	6,204,900	6,578,500
Mercer	18,810	4,890,000	-	-	-	-	82,200	29,059,860
Middlesex	21,303,600	24,891,000	-	-	-	-	57,528,800	109,232,700
Monmouth	4,245,500	12,047,600	-	6,075,350	-	-	2,271,900	28,738,250
Morris	-	-	-	-	-	-	836,400	2,317,800
Ocean	-	788,700	-	-	-	-	1,424,100	2,714,700
Passaic	1,545,100	14,600	-	-	-	-	2,036,500	4,095,800
Salem	-	102,500	-	-	-	-	25,000	127,500
Somerset	-	6,874,000	-	-	-	-	239,700	7,113,700
Sussex	-	-	-	-	-	-	-	-
Union	-	-	-	-	-	-	-	21,479,707
Warren	-	-	-	-	-	-	-	3,278,085
<b>TOTALS</b>	\$41,880,510	\$231,925,400	\$30,852,125	\$16,085,350	\$16,345,000	\$3,394,100	\$377,418,085	\$1,174,184,159

# Summary of 2005 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1)

Col. 1	Col. 2										
NUMBER OF DISPOSITIONS											
COUNTY	Total Number of Tax Appeals	Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Property Tax Deduction Granted	Property Tax Deduction Denied	
Atlantic	634	24	30	166	0	27	216	120	1	0	
Bergen	2,325	409	302	785	0	82	633	88	1	0	
Burlington	601	211	17	220	0	20	13	84	1	2	
Camden	206	14	10	48	0	7	8	17	36	0	
Cape May	268	89	35	56	0	38	13	18	10	2	
Cumberland	329	30	17	206	0	9	30	33	0	1	
Essex	2,329	26	58	381	2	95	1,602	104	45	1	
Gloucester	156	63	16	35	0	3	2	20	2	2	
Hudson	838	73	21	127	0	51	321	217	2	1	
Hunterdon	306	43	13	190	0	18	18	18	0	0	
Mercer	317	25	11	40	0	10	12	200	0	0	
Middlesex	373	97	39	59	0	7	130	33	2	1	
Monmouth	744	131	169	212	0	51	94	62	5	2	
Morris	750	168	146	285	0	31	58	58	0	0	
Ocean	534	72	48	220	0	58	19	61	42	4	
Passaic	857	45	47	56	0	26	541	28	3	2	
Salem	72	11	7	36	0	1	4	8	0	0	
Somerset	1,364	387	124	726	0	40	35	32	3	0	
Sussex	185	108	19	24	0	11	3	9	0	0	
Union	580	2	20	109	0	23	376	50	0	0	
Warren	115	18	12	39	0	4	21	14	1	0	
<b>TOTALS</b>	13,883	2,046	1,161	4,020	2	612	4,149	1,274	154	18	

## Summary of 2005 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

		Col. 2		Col. 3									
COUNTY	NUMBER OF DISPOSITIONS										NUMBER OF APPEALS IN EACH CLASS OF PROPERTY		
	Farmland Assessment Granted	Farmland Assessment Denied	Classification	R.E.A.P. Credit	Other	Vacant Land	Class 2 Residential	Class 3A Farm Regular	Class 3B Farm Qualified	Farmland Assessment			
										Class 1	Class 2	Class 3A	Class 3B
Atlantic	0	0	0	0	50	115	417	2	66				
Bergen	0	0	0	0	25	106	1,607	3	4				
Burlington	0	0	33	0	0	39	451	7	1				
Camden	0	1	65	0	0	9	85	1	3				
Cape May	0	0	0	0	7	22	179	0	0				
Cumberland	2	1	0	0	0	27	270	4	2				
Essex	0	0	0	15	2,329	105	958	0	0				
Gloucester	2	1	10	0	0	62	63	1	1				
Hudson	0	0	25	0	0	175	271	0	384				
Hunterdon	0	0	5	0	1	78	153	33	4				
Mercer	0	0	6	0	13	218	57	2	0				
Middlesex	0	0	5	0	0	64	136	1	2				
Monmouth	2	2	13	0	1	99	492	3	1				
Morris	1	0	2	0	1	142	469	8	5				
Ocean	3	1	6	0	0	102	365	3	1				
Passaic	0	0	0	0	109	155	245	0	3				
Salem	4	0	1	0	0	31	22	3	0				
Somerset	5	1	11	0	0	93	1,158	13	11				
Sussex	3	5	2	0	1	53	92	5	15				
Union	0	0	0	0	0	39	90	0	0				
Warren	1	3	2	0	0	26	53	12	5				
<b>TOTALS</b>	23	15	186	15	2,537	1,760	7,633	101	508				

## Summary of 2005 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	
NUMBER OF APPEALS IN EACH CLASS OF PROPERTY						
COUNTY	Class 4			Total Assessment Increases Granted	Total Assessment Granted	Net Total Assessments (Col. 4 – 5 + 6)
	Commercial Industrial Apartment	Other	Original Amount of Assessments			
Atlantic	30	4	\$ 248,974,400	\$ 13,721,900	\$ 1,249,500	\$ 236,502,000
Bergen	597	8	2,399,977,188	173,786,240	65,520,160	2,291,711,108
Burlington	70	33	280,471,658	29,628,000	7,058,889	257,902,547
Camden	107	1	51,929,435	5,326,035	1,050,000	47,653,400
Cape May	67	0	140,400,600	14,674,800	264,900	125,990,700
Cumberland	24	2	56,629,900	8,995,600	193,700	47,828,000
Essex	1,257	9	863,623,600	60,896,232	0	802,727,368
Gloucester	29	0	46,460,700	5,381,100	3,502,200	44,581,800
Hudson	6	2	422,834,772	38,731,805	101,700	384,204,667
Hunterdon	37	1	161,290,781	11,321,400	456,126	150,425,507
Mercer	35	5	53,050,000	5,812,300	0	47,237,700
Middlesex	165	4	224,191,356	11,278,593	1,631,600	214,544,363
Monmouth	148	1	919,634,450	48,184,100	2,274,400	873,724,750
Morris	123	2	666,280,294	75,621,684	1,526,800	592,185,410
Ocean	61	2	284,637,500	24,449,600	1,925,900	262,113,800
Passaic	450	4	147,286,260	9,212,242	6,000	138,080,018
Salem	15	1	51,203,900	0	0	51,203,900
Somerset	82	7	798,375,527	65,726,590	13,012,040	745,660,977
Sussex	13	7	4,445,600	5,859,168	1,818,300	40,404,732
Union	450	1	213,247,200	9,306,450	316,100	204,256,850
Warren	17	2	59,859,794	3,545,321	1,468,456	57,782,929
<b>TOTALS</b>	3,783	96	\$8,094,804,915	\$621,459,160	\$103,376,771	\$7,616,722,526

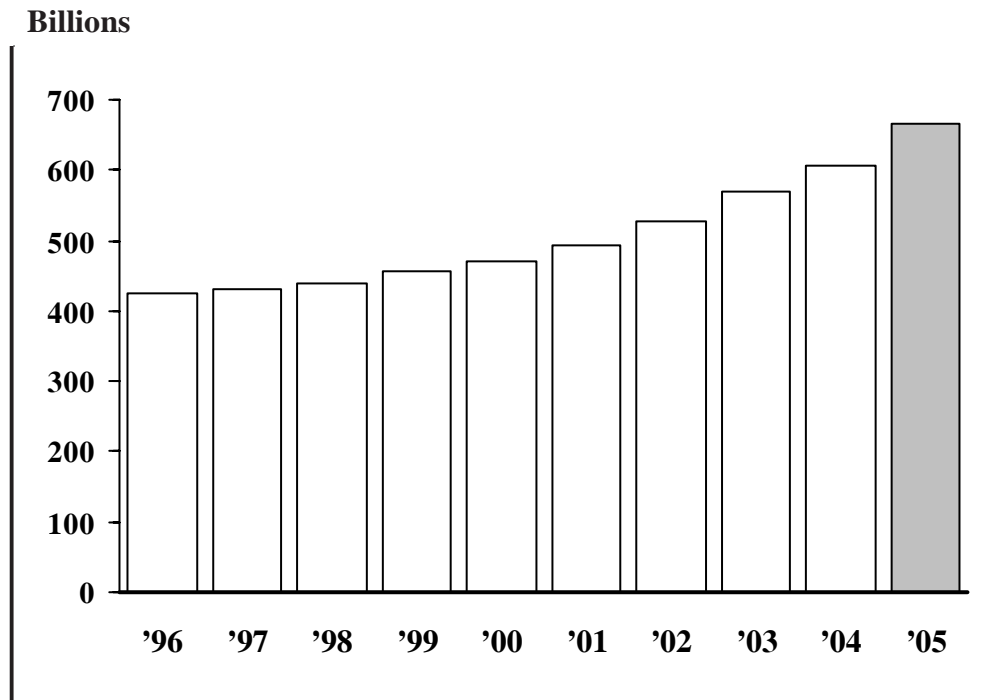
## Summary of 2005 County Tax Board Appeals Reported Pursuant to C. 499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

Col. 8

NUMBER OF APPEALS IN EACH FILING FEE CATEGORY

COUNTY	NUMBER OF APPEALS IN EACH FILING FEE CATEGORY						Total	
	\$5	\$25	\$100	\$150	Classification \$25	Other \$25		No Fee
Atlantic	177	291	55	56	1	0	54	634
Bergen	163	875	471	200	4	0	612	2,325
Burlington	40	119	15	33	8	0	386	601
Camden	36	26	8	8	1	68	59	206
Cape May	46	118	49	22	3	0	30	268
Cumberland	212	47	6	8	6	0	50	329
Essex	922	851	338	50	0	36	132	2,329
Gloucester	32	26	4	8	5	0	81	156
Hudson	232	314	87	28	0	56	121	838
Hunterdon	12	163	46	12	0	0	73	306
Mercer	225	38	11	2	4	0	37	317
Middlesex	71	128	83	25	5	0	61	373
Monmouth	75	203	179	200	12	2	73	744
Morris	74	214	203	105	5	0	149	750
Ocean	73	148	109	65	9	0	130	534
Passaic	530	196	58	2	3	0	68	857
Salem	36	11	7	5	5	0	8	72
Somerset	25	366	202	61	10	700	0	1,364
Sussex	24	26	21	5	8	0	101	185
Union	174	273	80	26	0	0	27	580
Warren	25	48	12	5	1	24	0	115
<b>TOTALS</b>	3,204	4,481	2,044	926	90	886	2,252	13,883

## Total Taxable Value Land and Improvements in New Jersey 1996 – 2005



### 2005 County Values

Atlantic	\$ 25,106,702,500	Middlesex	\$ 43,830,628,542
Bergen	109,020,429,051	Monmouth	65,385,302,708
Burlington	26,506,369,532	Morris	62,029,950,592
Camden	20,428,894,347	Ocean	51,958,375,723
Cape May	30,941,558,400	Passaic	21,292,413,781
Cumberland	5,160,750,505	Salem	3,249,645,660
Essex	35,289,237,788	Somerset	48,950,657,627
Gloucester	13,858,376,543	Sussex	10,631,902,129
Hudson	20,988,579,086	Union	23,919,396,635
Hunterdon	17,255,122,110	Warren	8,907,731,025
Mercer	22,579,176,409	<b>Total</b>	<b>\$667,291,200,683</b>

# Taxes Administered by the Public Utility Tax Section for 2006 (Calendar Year Due)

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

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

### PUBLIC UTILITY TAXES

Classification	No. of Companies	Excise Taxes	Franchise Taxes	Gross Receipts Taxes	TEFA	UTUA (CBT)	UTUA (S&U-EN)
Sewer Companies .....	19	\$ 523,844	\$ 1,355,984	\$ 2,570,503	NA	NA	NA
Water Companies .....	47	10,430,851	32,340,478	51,398,919	NA	NA	NA
Energy Companies .....	17	NA	NA	NA	\$254,477,374	\$63,539,267	\$375,216,125
Telephone Companies .....	3	NA	NA	NA	NA	25,892,339	NA
Totals .....	86	\$10,954,695	\$33,696,462	\$53,969,422	\$254,477,374	\$89,431,606	\$375,216,125

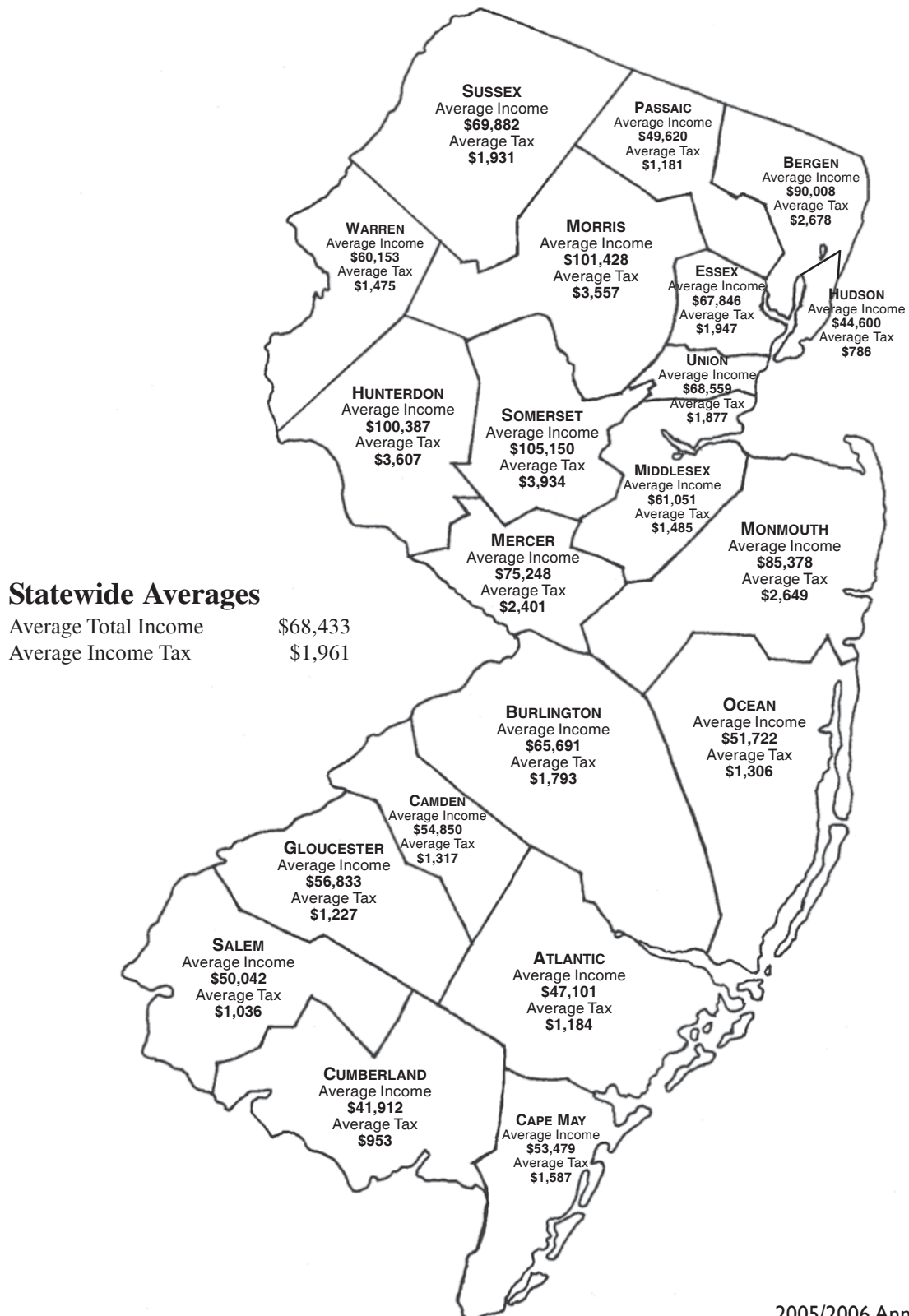
**Total Net Tax Assessed .....** **\$817,745,684**



## Individual Income Tax Returns County Profile 2004

County	No. of Returns	NJ Taxable Income	Net Charged Tax
Atlantic	113,921	\$ 4,749,567,000	\$ 134,842,000
Bergen	374,503	30,988,854,000	1,003,002,000
Burlington	178,656	10,576,768,000	320,413,000
Camden	199,307	9,784,417,000	262,557,000
Cape May	39,331	1,886,265,000	62,410,000
Cumberland	53,770	2,004,363,000	51,228,000
Essex	299,087	18,530,720,000	582,249,000
Gloucester	107,824	5,476,408,000	132,295,000
Hudson	249,726	10,177,185,000	196,203,000
Hunterdon	51,493	4,712,093,000	185,720,000
Mercer	138,922	9,551,604,000	333,583,000
Middlesex	317,183	17,415,284,000	470,997,000
Monmouth	258,228	20,116,969,000	684,146,000
Morris	204,076	19,049,635,000	725,941,000
Ocean	222,823	10,103,856,000	290,924,000
Passaic	199,978	8,761,670,000	236,131,000
Salem	24,529	1,095,293,000	25,415,000
Somerset	131,835	12,810,360,000	518,653,000
Sussex	58,800	3,663,980,000	113,547,000
Union	216,703	13,469,178,000	406,817,000
Warren	42,564	2,266,058,000	62,795,000
County Unknown	208,665	12,230,131,000	441,027,000
<b>Totals</b>	<b>3,691,924</b>	<b>\$229,417,657,000</b>	<b>\$7,240,894,000</b>

## Average Total Income and Average Income Tax By County — Tax Year 2004



**Sales and Use Tax Collections by Business Type  
Return Years 2003–2005**  
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	2003	2004	2005	2003	2004	2005	2003–2004	2004–2005
<b>Exempt Organizations</b>	775	776	752	\$ 3,548	\$ 3,664	\$ 3,812	3.3%	4.0%
<b>Manufacturing</b>	16,197	17,079	17,437	239,505	278,619	315,241	16.3	13.1
<b>Service</b>	82,172	81,828	78,835	1,506,134	1,550,691	1,599,892	3.0	3.2
<b>Wholesale</b>	11,514	11,330	11,023	233,990	261,515	270,422	11.8	3.4
<b>Construction</b>	18,482	18,487	17,819	116,186	129,149	136,469	11.2	5.7
<b>Retail</b>	89,483	86,348	81,024	3,415,837	3,564,608	3,599,818	4.4	1.0
<b>Government</b>	32	27	29	833	355	758	-57.3	113.3
<b>Not Classified</b>	9,005	8,828	8,412	85,970	96,057	90,269	11.7	-6.0
<b>Totals</b>	<b>227,660</b>	<b>224,703</b>	<b>215,331</b>	<b>\$5,602,003</b>	<b>\$5,884,657</b>	<b>\$6,016,681</b>	<b>5.0%</b>	<b>2.2%</b>

## 2006 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
<b>CORPORATION NET INCOME</b>	7.5%	8.7%	7%	9.5%	6.5%, 7.5%, 9%	7.5%	8.85%	5.1%, 8.5%	9.99%
<b>PERSONAL INCOME</b>	*3%– 5.0%	*2.2%– 5.95%	*2%– 4.75%	5.3%	*1.4%– 8.97%	*4%– 6.85%	*2.907%– 4.45%	*0.681%– 6.87%	3.07%
*Graduated Rates									
<b>MOTOR FUELS<sup>1</sup></b>									
• <b>Excise Tax/Gal.</b>									
<b>Gasoline</b>	\$0.25	\$0.23	\$0.235	\$0.21	<b>\$0.105<sup>2</sup></b>	\$0.08	0	\$0.28	\$0.312
<b>Diesel</b>	\$0.26	\$0.22	\$0.2425	\$0.21	<b>\$0.135</b>	\$0.08	0	\$0.28	\$0.312
• <b>Sales Tax</b>	0	0.5%	0	0	<b>0</b>	4%	4.125%	0	0
<sup>1</sup> Various other taxes are applied to motor fuels in the states of Delaware, New Jersey, New York, Ohio, and Pennsylvania.									
<sup>2</sup> Liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways is taxed at ½ the general motor fuels tax rate (\$0.0525 per gallon).									
<b>ALCOHOL</b>									
• <b>Excise Tax/Gal.</b>									
<b>Beer</b>	\$0.20	\$0.16	\$0.09	\$0.11	<b>\$0.12</b>	\$0.11	\$0.23 <sup>2</sup>	\$0.18	\$0.08
<b>Wine</b>	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$0.70	<b>\$0.70</b>	\$0.1893	\$0.1893	\$0.30– \$1.48	See Foot- note 4
<b>Liquor</b>	\$2.05, \$4.50	\$3.64, \$5.46	\$1.50	\$4.05	<b>\$4.40</b>	\$2.54, \$6.44	\$3.54, \$7.44 <sup>2</sup>	See Foot- notes 3 and 4	See Foot- note 4
• <b>Sales Tax</b>	6%	None	5%	5% <sup>1</sup>	<b>6%</b>	4%	8.375% <sup>2</sup>	5.5%	6%
<sup>1</sup> Purchases for off-premises consumption are not taxable.									
<sup>2</sup> New York City rate includes New York State rate.									
<sup>3</sup> Ohio Department of Liquor Control must pay the State Treasury \$3.38 for each gallon sold.									
<sup>4</sup> In these states, the government directly controls all sales. Revenue is generated from various taxes, fees, and net profits.									
<b>TOBACCO</b>									
• <b>Excise Tax</b>									
<b>Cigarettes (20/pack)</b>	\$1.51	\$0.55	\$1.00	\$1.51	<b>\$2.575</b>	\$1.50	\$1.50	\$1.25	\$1.35
<b>Other Tobacco (% of Wholesale Price)</b>	20%	15%	15%	90%	<b>30%</b>	37%	37%	17%	0
• <b>Sales Tax</b>	6%	None	5%	5%	<b>7%</b>	4%	4.125%	5.5%	6%

## 2006 Major Taxes Comparison with Nearby States (continued)

SALES AND USE	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
YEAR OF ADOPTION	1947	–	1947	1966	1966	1965	1965	1934	1953
CURRENT RATE	6%	None	5%	5%	7%	4% <sup>1</sup>	8.375% <sup>2</sup>	5.5% <sup>3</sup>	6% <sup>4</sup>

<sup>1</sup> State rate is 4%; counties and municipalities may impose additional tax up to 4.125% plus an additional metropolitan area surcharge of .25%.

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

<sup>3</sup> State rate is 5.5%; each county may impose an additional 1.5%.

<sup>4</sup> State rate is 6%; City of Philadelphia imposes an additional 1% for a total of 7%.

### SALES AND USE TAX EXEMPTIONS

(T—Taxable; E—Exempt)

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

\*Delaware does not impose sales and use taxes. Gross receipts taxes of varying amounts (less than 1%) imposed on different types of sales.

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

<sup>2</sup> Single article under \$50; however, single article \$50 or over is taxable.

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

<sup>4</sup> If purchase is in same form and condition as found in supermarket; however, prepared food ready to be eaten and snack food are subject to tax.

<sup>5</sup> If fuel is subject to excise tax. If not for “on-road use,” it is not subject to excise tax and, therefore, subject to sales tax. Example: Contractor has a bulldozer for “off-road use” which runs on diesel fuel. The fuel is not subject to excise tax; therefore, it is now subject to sales tax, unless used in performance of a government contract.

## Major State Tax Rates (On July 1, 2006)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
<b>Alabama</b>	*2%–5%	6.5%	4%	\$0.16	\$0.425
<b>Alaska</b>	None	*1–9.4	None	0.08	1.80
<b>Arizona</b>	*2.73–4.79	6.968	5.6	0.18	1.18
<b>Arkansas</b>	*1–7	*1–6.5	6	0.215	0.59
<b>California</b>	*1–9.3	8.84	6.25	0.18	0.87
<b>Colorado</b>	4.63	4.63	2.9	0.22	0.84
<b>Connecticut</b>	*3–5 <sup>1</sup>	7.5	6	0.25	1.51
<b>Delaware</b>	*2.2–5.95	8.7	None	0.23	0.55
<b>Dist. of Columbia</b>	*4.5–8.7	9.975	5.75	0.20	1.00
<b>Florida</b>	None	5.5	6	0.149	0.339
<b>Georgia</b>	*1–6	6	4	0.075	0.37
<b>Hawaii</b>	*1.4–8.25	*4.4–6.4	4	0.21	1.60
<b>Idaho</b>	*1.6–7.8	7.6	5	0.25	0.57
<b>Illinois</b>	3	4.8	6.25	0.19	0.98
<b>Indiana</b>	3.4	8.5	6	0.18	0.555
<b>Iowa</b>	*0.36–8.98	*6–12	5	0.21	0.36
<b>Kansas</b>	*3.5–6.45	4	5.3	0.24	0.79
<b>Kentucky</b>	*2–6	*4–7	6	0.183	0.30
<b>Louisiana</b>	*2–6	*4–8	4	0.20	0.36
<b>Maine</b>	*2–8.5	*3.5–8.93	5	0.258	2.00
<b>Maryland</b>	*2–4.75	7	5	0.235	1.00
<b>Massachusetts</b>	5.3	9.5	5	0.21	1.51
<b>Michigan</b>	3.9	1.9	6	0.19	2.00
<b>Minnesota</b>	*5.35–7.85	9.8	6.5	0.20	0.48
<b>Mississippi</b>	*3–5	*3–5	7	0.18	0.18

## Major State Tax Rates (continued)

(On July 1, 2006)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Missouri	*1.5%–6%	6.25%	4.225%	\$0.17	\$0.17
Montana	*1–6.9	6.75	None	0.27	1.70
Nebraska	*2.56–6.84	*5.58–7.81	5.5	0.271	0.64
Nevada	None	None	6.5	0.24	0.80
New Hampshire	5 <sup>2</sup>	8.5	None	0.18	0.80
<b>New Jersey</b>	<b>*1.4–8.97</b>	<b>6.5, 7.5, 9</b>	<b>7</b>	<b>0.105</b>	<b>2.575</b>
New Mexico	*1.7–5.3	*4.8–7.6	5	0.17	0.91
New York	*4–6.85	7.5	4	0.08	1.50
North Carolina	*6–8.25	6.9	4.25	0.299	0.35
North Dakota	*2.1–5.54	*2.6–7	5	0.23	0.44
Ohio	*0.681–6.87	5.1,8.5	5.5	0.28	1.25
Oklahoma	*0.5–6.25	6	4.5	0.16	1.03
Oregon	*5–9	6.6	None	0.24	1.18
Pennsylvania	3.07	9.99	6	0.312	1.35
Rhode Island	25 <sup>3</sup>	9	7	0.30	2.46
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.22	0.53
Tennessee	6 <sup>2</sup>	6.5	7	0.20	0.20
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–6.98	5	4.75	0.245	0.695
Vermont	*3.6–9.5	*6–8.9	6	0.19	1.79
Virginia	*2–5.75	6	4	0.175	0.30
Washington	None	None	6.5	0.34	2.025
West Virginia	*3–6.5	9	6	0.205	0.55
Wisconsin	*4.6–6.75	7.9	5	0.299	0.77
Wyoming	None	None	4	0.13	0.60
<b>US AVERAGE</b>	<b>1.81%–5.39%</b>	<b>4.11%–6.69%</b>	<b>4.83%</b>	<b>\$0.21</b>	<b>\$0.91</b>

\*Graduated Rates

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

<sup>2</sup>Imposed on interest and dividend income only.

<sup>3</sup>Of Federal income tax liability.

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