

CHAPTER 197
(CORRECTED COPY)

AN ACT concerning urban enterprise zones, amending P.L.2001, c.347 and P.L.1989, c.207, amending and supplementing P.L.1983, c.303, repealing various parts of the statutory law, and making an appropriation.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read as follows:

C.52:27H-62 Definitions.

3. As used in P.L.1983, c.303 (C.52:27H-60 et seq.):

- a. "Enterprise zone" or "zone" means an urban enterprise zone designated by the authority pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.);

- b. "Authority" or "UEZ Authority" means the New Jersey Urban Enterprise Zone Authority created by P.L.1983, c.303 (C.52:27H-60 et seq.);

- c. "Qualified business" means any entity authorized to do business in the State of New Jersey which, at the time of designation as an enterprise zone or a UEZ-impacted business district, is engaged in the active conduct of a trade or business in that zone or district; or an entity which, after that designation but during the designation period, becomes newly engaged in the active conduct of a trade or business in that zone or district and has at least 25 percent of its full-time employees employed at a business location in an eligible block group as defined under section 12 of P.L.2021, c.197 (C.52:27H-99), and which employees meet one or more of the following criteria:

- (1) Residents within the zone, the district, within another zone or within a qualifying municipality; or

- (2) Unemployed for at least six months prior to being hired and residing in New Jersey, and recipients of New Jersey public assistance programs for at least six months prior to being hired, or either of the aforesaid; or

- (3) Determined to be low income individuals pursuant to the Workforce Investment Act of 1998, Pub.L.105-220 (29 U.S.C. s.2811);

Approval as a qualified business shall be conditional upon meeting all outstanding tax obligations, and may be withdrawn by the authority if a business is continually delinquent in meeting its tax obligations;

- d. "Qualifying municipality" means any municipality that was previously designated as a qualifying municipality prior to the effective date of P.L.2021, c.197;

- e. "Public assistance" means income maintenance funds administered by the Department of Human Services or by a county welfare agency;

- f. "Zone development corporation" means a nonprofit corporation or association created or designated by the governing body of a qualifying municipality to formulate and propose a preliminary zone development plan pursuant to section 9 of P.L.1983, c.303 (C.52:27H-68) and to prepare, monitor, administer and implement the zone development plan;

- g. "Zone development plan" means a plan adopted by the governing body of a qualifying municipality for the development of an enterprise zone therein, and for the direction and coordination of activities of the municipality, zone businesses and community organizations within the enterprise zone toward the economic betterment of the residents of the zone and the municipality;

h. "Zone neighborhood association" means a corporation or association of persons who either are residents of, or have their principal place of employment in, a municipality in which an enterprise zone has been designated pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.); which is organized under the provisions of Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes; and which has for its principal purpose the encouragement and support of community activities within, or on behalf of, the zone so as to (1) stimulate economic activity, (2) increase or preserve residential amenities, or (3) otherwise encourage community cooperation in achieving the goals of the zone development plan;

i. "Enterprise zone assistance fund" or "assistance fund" means the fund created by section 29 of P.L.1983, c.303 (C.52:27H-88);

j. "UEZ-impacted business district" or "district" means an economically-distressed business district classified by the authority as having been negatively impacted by two or more adjacent urban enterprise zones in which 50 percent less sales tax is collected pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80);

k. "Block group" means statistical divisions of census tracts, that are generally defined by the United States Census Bureau to contain between 600 and 3,000 people and are used to present data and control block numbering;

l. "Municipal Revitalization Index" means the index developed, maintained, and updated from time to time, by the Department of Community Affairs ranking New Jersey's municipalities according to separate indicators that measure diverse aspects of social, economic, physical, and fiscal conditions in each locality;

m. "Qualified assistance fund expense" means any reasonable expense related to:

(1) a construction project improving, altering, or repairing the real property of a qualified business located in an enterprise zone;

(2) full or part time economic and community development positions in the municipality, other governmental, or not-for-profit organization, or marketing;

(3) loans, grants, and guarantees to businesses;

(4) payroll expenses, personnel, services, and equipment purchases primarily for the provision of law enforcement, fire protection, or emergency medical services within commercial and transportation corridors located exclusively in an enterprise zone;

(5) planning and other professional services related to economic and community development;

(6) cleaning and maintenance of commercial and transportation corridors;

(7) the improvement of public infrastructure in a commercial or transportation corridor;

(8) the improvement of public infrastructure related to a commercial, industrial, mixed use, or multi-family residential property;

(9) employment and training programs; or

(10) events meant to support and draw activity into the enterprise zone, including fairs, festivals, and concerts.

n. "UEZ coordinator" means an individual designated by a qualified municipality or zone development corporation as the individual in charge of the activities related to the Urban Enterprise Zone program in that municipality;

o. "UZ-2 certification" means the UEZ Authority's certification of a qualified business, pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80), allowing the qualified business an exemption to the extent of 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), when the sales transaction physically occurs within an enterprise zone. The qualified business may deliver merchandise to the purchaser at a location outside an enterprise zone provided the sales transaction was physically made within the

enterprise zone. The regular tax rate shall be charged for mail order, telephone, internet, and similar sales transactions delivered within the State;

p. "UZ-4 certification" means the UEZ Authority's certification of a qualified business, pursuant to section 8 of P.L.2021, c.197 (C.52:27H-79.1), allowing a contractor of the qualified business to make tax-free purchases of materials, supplies, and services for the exclusive use of erecting a structure or building on, or substantially improving, altering, or repairing, the real property of a qualified business located in an enterprise zone at the address indicated on the qualified business's application for certification to the UEZ Authority;

q. "UZ-5 certification" means the UEZ Authority's certification of a qualified business, as defined under section 20 of P.L.1983, c.303 (C.52:27H-79), allowing the qualified business to make tax-free purchases of office and business equipment and supplies, furnishings, trade fixtures, repair, or construction materials and all other tangible personal property (other than motor vehicles and motor vehicle parts and supplies) for the exclusive use or consumption on the premises of the qualified business within an enterprise zone at an address indicated on the qualified business's application for certification to the UEZ Authority. The exemption may be used only for personal property controlled by the qualified business. This exemption shall also apply to delivery charges and charges for services performed for a qualified business at its zone location, including repair, janitorial, and maintenance services;

r. "Economic Distress Index" means a standardized score developed and maintained by the Department of Community Affairs that equally incorporates the block group unemployment rate and median household income according to the most recent five-year estimate by the United States Census Bureau;

s. "Commercial corridor" means the land area with frontage on a State, county, local, or rail thoroughfare in an enterprise zone which is predominantly commercial or industrial; and

t. "Transportation corridor" means a broad geographical band that follows a general directional flow or connects major sources of trips. It may contain a number of streets and highways and transit lines or routes.

2. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read as follows:

C.52:27H-63 New Jersey Urban Enterprise Zone Authority.

4. a. There is created the New Jersey Urban Enterprise Zone Authority, which shall consist of:

- (1) The chief executive officer of the New Jersey Economic Development Authority;
- (2) The Commissioner of the Department of Community Affairs, who shall be the chair of the UEZ Authority;
- (3) The Commissioner of the Department of Labor and Workforce Development;
- (4) The State Treasurer;
- (5) The chief executive officer of the New Jersey Redevelopment Authority; and
- (6) Four public members not holding any other office, position or employment in the State Government, nor any local elective office, who shall be appointed by the Governor with the advice and consent of the Senate, and who shall be qualified for their appointments by training and experience in the areas of local government finance, economic development and redevelopment, or volunteer civic service and community organization. No more than two public members shall be of the same political party. At least one public member of the authority shall reside within an enterprise zone; however, the provisions of this section shall apply only to members appointed or reappointed after the effective date of P.L.2001, c.347 (C.52:27H-66.2 et al.).

b. (Deleted by amendment, P.L.2021, c.197)

c. An ex officio member of the authority may, from time to time, designate in writing to the authority an official within his respective department to attend and represent the department at the meetings of the authority from which the ex officio member is absent, and that designated representative shall be entitled to vote and otherwise act for the ex officio member at those meetings.

d. A true copy of the minutes of every meeting of the authority shall be forthwith delivered by and under the certification of the secretary thereof to the Governor. No action taken at such meeting by the authority shall have force or effect until 10 days, Saturdays, Sundays, and public holidays excepted, after the copy of the minutes shall have been so delivered, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval. If, in that 10-day period, the Governor returns such copy of the minutes with veto of any action taken by the authority or any member thereof at such meeting, such action shall be null and void and of no effect.

e. The UEZ Authority, reconstituted pursuant to P.L.2021, c.197 (C.52:27H-79.1 et al.), shall hold an initial meeting on the first business day of the third month following the date of enactment of P.L.2021, c.197 (C.52:27H-79.1 et al.). The public members of the UEZ Authority shall serve for terms of five years, except that of the members first appointed to the reconstituted UEZ Authority pursuant to P.L.2021, c.197 (C.52:27H-79.1 et al.), one shall serve for a term of two years, one shall serve for a term of three years, one shall serve for a term of four years, and one shall serve for a term of five years. Vacancies in the public membership shall be filled in the manner of the original appointments but for the unexpired terms.

3. Section 3 of P.L.2001, c.347 (C.52:27H-66.2) is amended to read as follows:

C.52:27H-66.2 "UEZ-impacted business district."

3. The authority shall designate a classification known as a "UEZ-impacted business district" for a municipality which can demonstrate to the authority that its business district is economically distressed and is being negatively impacted by the presence of two or more adjacent enterprise zones in which 50 percent less sales tax is collected pursuant to section 21 of P.L.1983, c. 303 (C.52:27H-80). Following the effective date of P.L.2021, c.197 (C.52:27H-79.1 et al.), the UEZ Authority shall not designate a business district as a UEZ-impacted business district. Any designation as a UEZ-impacted business district existing on the effective date of P.L.2021, c.197 (C.52:27H-79.1 et al.) shall expire on the first day of the third year next following the effective date of P.L.2021, c.197 (C.52:27H-79.1 et al.).

4. Section 9 of P.L.1983, c.303 (C.52:27H-68) is amended to read as follows:

C.52:27H-68 Preliminary zone development plan.

9. a. Prior to the effective date of P.L.2021, c.197, the governing body of a qualifying municipality may apply for designation as an enterprise zone, the municipal governing body shall cause a preliminary zone development plan to be formulated, either by a zone development corporation or by the governing body, with the assistance of those officers and agencies of the municipality as the governing body may see fit. For a municipality with a zone development plan that was approved more than five years prior to the effective date of P.L.2021, c.197, the governing body of the municipality shall submit an updated preliminary zone development plan pursuant to this section. In formulating an updated preliminary zone development plan pursuant

to this section, a zone development corporation or the governing body of the municipality shall consult with representatives of diverse Statewide or regional business organizations that represent the interests of minority businesses, as defined in section 2 of P.L.1986, c. 195 (C.52:27H-21.18), which organizations shall have no less than 30 days to review a proposed preliminary zone development plan and submit comments to the zone development corporation or governing body. Each preliminary zone development plan shall set forth the boundaries of the enterprise zone and include findings of fact concerning the economic and social conditions existing in the enterprise zone, and the municipality's policy and intentions for addressing these conditions, and may include proposals respecting:

(1) Utilizing the powers conferred on the municipality by law for the purpose of stimulating investment in and economic development of the zone;

(2) Utilizing State assistance through the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) relating to State tax benefits and enterprise zone assistance funds;

(3) Securing the involvement in, and commitment to, zone economic development by private entities, including zone neighborhood associations, voluntary community organizations supported by residents and businesses in the zone;

(4) Utilizing the powers conferred by law to revise municipal planning and zoning ordinances and other land use regulations as they pertain to the zone, in order to enhance the attraction of the zone to prospective developers;

(5) Increasing the availability and efficiency of support services, public and private, generally used by and necessary to the efficient functioning of commercial and industrial facilities in the area, and the extent to which the increase or improvement is to be provided and financed by the municipal government or by other entities.

b. (1) The governing body of a municipality may request from the UEZ Authority an amount not to exceed 10 percent of the municipality's zone assistance fund allocation or \$125,000, whichever is greater, to fund, in whole or in part, the costs associated with formulating a preliminary zone development plan, which amount the governing body may use to pay employees, or to retain a consultant, to formulate the plan. Prior to soliciting a consultant to formulate the plan with these funds, the governing body of a municipality shall submit to the UEZ Authority the proposed solicitation.

(2) The UEZ Authority shall review the proposed solicitation and may provide recommended modifications to the proposed solicitation. The governing body of a municipality or a zone development corporation may incur expenses related to the preparation of the preliminary zone development plan for potential reimbursement at a later time by the UEZ Authority from the municipality zone assistance fund account, provided the authority determines the expenses are reasonable. The governing body of a municipality or a zone development corporation shall complete a preliminary zone development plan with assistance from the UEZ Authority, as needed, in accordance with a timeline established by the authority pursuant to rules, regulations, or guidelines adopted by the authority.

(3) Within 14 days of receipt, unless the authority finds material deficiencies in a preliminary zone development plan, the authority shall approve and certify the preliminary zone development plan as the zone development plan. The zone development plan shall be the plan according to which the Urban Enterprise Zone program shall be administered in that zone, and certification of the plan shall enable the municipality to access assistance from the enterprise zone assistance fund described in section 10 of P.L.2021, c.197 (C.52:27H-88). Should the authority find deficiencies with a preliminary zone development plan, it shall provide a corrective action plan to the municipality.

c. If no zone development plan is in place, upon petition of the zone development corporation or governing body of the municipality, the UEZ Authority may grant a distribution from that municipality's zone assistance fund account for an eligible project that responds to an impact of a public health emergency or state of emergency declared by the Governor. A zone development corporation or governing body of a municipality without a zone development plan in place, which can demonstrate to the UEZ Authority an actionable and feasible plan to carry out a project eligible for zone assistance funds, and which can demonstrate a reliance on zone assistance funding, may petition the authority for a distribution from that municipality's zone assistance fund account prior to the authority's approval of an updated preliminary zone development plan.

d. No zone development plan shall remain in force once it has been certified by the UEZ Authority for more than five years. The governing body of a municipality or zone development corporation shall follow the process enumerated in subsections a. and b. of this section to ensure a zone development plan remains current to protect against lapse of enterprise zone designation.

e. Notwithstanding the provisions of this section to the contrary, a qualified business in an enterprise zone having such qualified status immediately preceding the effective date of P.L.2021, c.197, and which is qualified under P.L.2021, c.197, shall remain eligible for the exemptions from the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), pursuant to sections 20 and 21 of P.L.1983, c.303 (C.52:27H-79 and C.52:27H-80), and shall be eligible for the exemption under section 8 of P.L.2021, c.197 (C.52:27H-79.1) even if the municipality in which the business is located fails to submit a zone development plan in accordance with this section; provided, however, a municipality failing to submit a zone development plan under this section shall not be eligible for loans, grants, and other assistance from the UEZ Authority, and shall not be allowed a distribution from that municipality's zone assistance fund, except as provided for in subsection c. of this section, until a revised zone development plan is submitted and approved by the UEZ Authority.

5. Section 10 of P.L.1983, c.303 (C.52:27H-69) is amended to read as follows:

C.52:27H-69 Areas eligible for designation.

10. An area defined by a continuous border within one qualifying municipality shall be eligible for designation as a zone if:

a. It has been designated an "area in need of rehabilitation" pursuant to Article VIII, Section I, paragraph 6 of the Constitution of the State of New Jersey; or is qualified for that designation in the judgment of the authority; and

b. It meets the criteria established by the authority pursuant to P.L.1983, c.303 (C.52:27H-60 et seq.) relating to the incidence of poverty, unemployment and general economic distress.

6. Section 13 of P.L.1983, c.303 (C.52:27H-72) is amended to read as follows:

C.52:27H-72 Designation of areas as enterprise zones.

13. a. In designating eligible areas as enterprise zones, the authority shall approve zone development plans which:

(1) Have potential for success in stimulating primarily new economic activity in the area;

(2) Are designed to address urban distress, as measured by existing levels of unemployment, poverty, and property tax arrearages;

(3) Demonstrate substantial and reliable commitments of resources by zone businesses, zone neighborhood associations, voluntary community organizations and other private entities to the economic success of the zone;

(4) Demonstrate substantial effort and commitment by the municipality to encourage economic activity in the area and to remove disincentives for job creation compatible with the fiscal condition of the municipality.

b. In addition to the considerations set forth in subsection a. of this section, the authority in evaluating a zone development plan for designation purposes shall consider:

(1) The likelihood of attracting federal assistance to projects in the eligible area, and of obtaining federal designation of the area as an enterprise zone for federal tax purposes;

(2) The adverse or beneficial effects of an enterprise zone located at the proposed area upon economic development activities or projects of State or other public agencies which are in operation, or are approved for operation, in the qualifying municipality;

(3) The degree of commitment made by public and private entities to utilize minority contractors and assure equal opportunities for employment in connection with any construction or reconstruction to be undertaken in the eligible area;

(4) The impact of the zone development plan upon the social, natural and historic environment of the eligible area;

(5) The degree to which the implementation of the plan involves the relocation of residents from the eligible area, and the adequacy of commitments and provisions with respect thereto.

c. A designated zone that is operative on the effective date of P.L.2021, c.197 shall remain a designated zone until the end of the 10th State fiscal year next following the effective date of P.L.2021, c.197. The authority shall not designate new enterprise zones following the effective date of P.L.2021, c.197.

7. Section 20 of P.L.1983, c.303 (C.52:27H-79) is amended to read as follows:

C.52:27H-79 Certain tax exemptions.

20. a. Except as provided in subsection b. of section 11 of P.L.2021, c.197 (C.52:27H-98), receipts from the first \$100,000 of retail sales of tangible personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption of such business within an enterprise zone are exempt from the taxes imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.); provided, however, a supermarket or grocery store located in a food desert community, as defined in section 37 of P.L.2020, c.156 (C.34:1B-305) shall be eligible for such tax exemption, notwithstanding the limit imposed pursuant to this subsection.

b. (Deleted by amendment, P.L.2011, c.28)

c. As used in this section:

"Qualified business" includes a person who is certified as a qualified business by the authority and provided a UZ-5 certification by the authority. A person who is certified as a qualified business may apply to the authority for a UZ-5 certification provided the person owns or leases and regularly operates a place of business located in an eligible block group, as defined in subsection a. of section 12 of P.L.2021, c.197 (C.52:27H-99). The Department of the Treasury shall provide to a qualified business a certificate evidencing its UZ-5 certification, which certificate shall indicate the location at which the sales tax exemption provided for in this section is available.

d. (Deleted by amendment, P.L.2011, c.28)

e. (Deleted by amendment, P.L.2021, c.197)

C.52:27H-79.1 Exemption from taxation for certain receipts.

8. a. Receipts from the first \$100,000 of retail sales of materials, supplies, and services for the exclusive use of erecting structures or buildings on, or improving, altering or repairing the real property of a qualified business, or a contractor hired by the qualified business to make such improvements, alterations, or repairs, are exempt from the taxes imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.); provided, however, receipts from retail sales of materials, supplies, and services for the exclusive use of erecting new structures or buildings on, or substantially improving, altering or repairing the real property of a qualified business shall be eligible for such tax exemption notwithstanding the limit imposed pursuant to this subsection.

b. As used in this section:

"Qualified business" includes a person who is certified as a qualified business by the authority and provided a UZ-4 certification by the authority. A person who is certified as a qualified business may apply to the authority for a UZ-4 certification provided that the person owns or leases and regularly operates a place of business located in an eligible block group, as defined in subsection a. of section 12 of P.L.2021, c.197 (C.52:27H-99). The Department of the Treasury shall provide to a qualified business a certificate evidencing its UZ-4 certification, which certificate shall indicate the location at which the sales tax exemption provided for in this section is available.

"Substantially improving, altering, or repairing" means any reconstruction, rehabilitation, addition, or other improvement to a structure, of which the total cost equals to or exceeds 50 percent of the market value of the structure before the start of construction of the improvement. The UEZ Authority may, from time to time, alter this definition through regulation to respond to changing market conditions.

9. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to read as follows:

C.52:27H-80 Sales tax exemption for retail sales.

21. Receipts of retail sales, except retail sales of motor vehicles, of alcoholic beverages as defined in the "Alcoholic Beverage Tax Law," R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax Act," P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing machinery, equipment or apparatus, and of energy, made by a seller located in an eligible block group, as defined in subsection a. of section 12 of P.L.2021, c.197 (C.52:27H-99) and provided a UZ-2 certification by the authority from a place of business owned or leased and regularly operated by the seller for the purpose of making retail sales, and located in a designated enterprise zone established pursuant to the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.), or a UEZ-impacted business district established prior to the effective date of P.L.2021, c.197 pursuant to section 3 of P.L.2001, c.347 (C.52:27H-66.2), are exempt to the extent of 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

Any seller, which is a qualified business having a place of business located in a designated enterprise zone or in a designated UEZ-impacted business district, may apply to the UEZ Authority for a UZ-2 certification pursuant to this section provided the seller is located in an eligible block group, as defined in subsection a. of section 12 of P.L.2021, c.197 (C.52:27H-99). The UEZ Authority shall certify a seller if the UEZ Authority shall find that the seller owns or leases and regularly operates a place of business located in the designated enterprise zone or in the designated UEZ-impacted business district for the purpose of making retail sales, that items are regularly exhibited and offered for retail sale at that location, and that the place of business is not utilized primarily for the purpose of catalogue or mail order sales. The certification under

this section shall remain in effect during the time the business retains its status as a qualified business meeting the eligibility criteria of section 27 of P.L.1983, c.303 (C.52:27H-86). However, the UEZ Authority may at any time revoke a certification granted pursuant to this section if the UEZ Authority shall determine that the seller no longer complies with the provisions of this section. The Department of the Treasury shall provide to a qualified business a certificate evidencing its UZ-2 certification, which certificate shall indicate the location at which the sales tax exemption provided for in this section is available.

Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, except as may otherwise be provided by section 7 of P.L.1983, c.303 (C.52:27H-66), the authority may, in its discretion, determine if the provisions of this section shall apply to any enterprise zone designated after the effective date of P.L.1985, c.142 (C.52:27H-66 et al.); provided, however, that the authority may make such a determination only where the authority finds that the award of an exemption of 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any adverse economic impact upon any other urban enterprise zone.

10. Section 29 of P.L.1983, c.303 (C.52:27H-88) is amended to read as follows:

C.52:27H-88 Enterprise zone assistance fund.

29. a. (1) There is created an enterprise zone assistance fund to be held by the State Treasurer, which shall be the repository for all moneys required to be deposited therein under section 11 of P.L.2021, c.197 (C.52:27H-98). All moneys deposited in the fund shall be held and disbursed in the amounts necessary to fulfill the purposes of this section and subject to the requirements hereinafter prescribed. The State Treasurer may invest and reinvest any moneys in the fund, or any portion thereof, to strengthen capital structures, leverage additional debt capital, and increase lending and investing in economically disadvantaged communities, and in any other manner that advances the goals of the Urban Enterprise Zone program, including, but not limited to legal obligations of the United States or of the State or of any political subdivision thereof or government-sponsored enterprises. Any income from, interest on, or increment to moneys so invested or reinvested shall be included in the fund.

Notwithstanding the provisions of section 11 of P.L.2021, c.197 (C.52:27H-98) or any other provision of law to the contrary, the amount to be deposited in the enterprise zone assistance fund shall be as follows:

(a) In the first five State fiscal years next following the effective date of P.L.2021, c.197, 100 percent of the amount determined pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) shall be deposited in the enterprise zone assistance fund;

(b) In the sixth State fiscal year next following the effective date of P.L.2021, c.197, 95 percent of the amount determined pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) shall be deposited in the enterprise zone assistance fund and five percent of such amount shall be deposited in the General Fund;

(c) In the seventh State fiscal year next following the effective date of P.L.2021, c.197, 90 percent of the amount determined pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) shall be deposited in the enterprise zone assistance fund and 10 percent of such amount shall be deposited in the General Fund;

(d) In the eighth State fiscal year next following the effective date of P.L.2021, c.197, 85 percent of the amount determined pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) shall be deposited in the enterprise zone assistance fund and 15 percent of such amount shall be deposited in the General Fund;

(e) In the ninth State fiscal year next following the effective date of P.L.2021, c.197, 80 percent of the amount determined pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) shall be deposited in the enterprise zone assistance fund and 20 percent of such amount shall be deposited in the General Fund; and

(f) In the 10th State fiscal year next following the effective date of P.L.2021, c.197, 75 percent of the amount determined pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) shall be deposited in the enterprise zone assistance fund and 25 percent of such amount shall be deposited in the General Fund.

(2) The State Treasurer shall maintain separate accounts for each enterprise zone designated under P.L.1983, c.303 (C.52:27H-60 et seq.) that is in good standing with the UEZ Authority in accordance with rules adopted by the UEZ Authority, and one in the authority's name for the administration of the Urban Enterprise Zone program, and for providing grants, including planning grants, investments, loans or other guaranties related to qualified assistance fund expenses. The State Treasurer shall credit to each account an amount of the moneys deposited in the fund determined by a weighted formula that applies 50 percent weight to a zone municipality's number of commercial and industrial parcels as recorded by the municipal tax assessor, its Municipal Revitalization Index Distress Score, as determined by the Department of Community Affairs, and the average number of unemployed persons in the municipality according to data provided by the New Jersey Department of Labor and Workforce Development, and 50 percent weight to the gross taxable sales in the municipality subject to reduced sales tax pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80), as determined by the State Treasurer. The data used in the formula, developed under this section, shall be the most recent data that has been made available by the Department of Community Affairs, the Department of Labor and Workforce Development, and the State Treasurer. When funds are received by a qualifying municipality pursuant to this subsection, the funds shall be placed in a new trust or, for a qualifying municipality that has a trust for an enterprise zone on the effective date of P.L.2021, c.197, in the existing trust. The Division of Local Government Services in the Department of Community Affairs shall promulgate regulations, policies, or procedures as necessary to implement the provisions of this section.

(3) From the amounts allocated to the zone assistance fund in each State fiscal year pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98), there shall be deposited annually to the account in the authority's name, \$2,500,000 beginning in State Fiscal Year 2022, for the administration of the Urban Enterprise Zone program, and for providing grants, investments, loans, or other guaranties related to qualified assistance fund expenses. This amount shall be adjusted annually by the percentage change in the 12-month Consumer Price Index from June 30 to July 1.

(4) The State Treasurer shall promulgate the rules and regulations necessary to govern the administration of the fund for the purposes of this section, which shall include, but not be limited to, regulations requiring the establishment of separate bank accounts for funds credited to the enterprise zone account of each municipality from the enterprise zone assistance fund, commonly known as "first generation funds," and funds generated from the repayments of loans to individuals and businesses from the enterprise zone account of each municipality and the proceeds from the sale of properties and equipment acquired through the enterprise zone program, commonly known as "second generation funds," and the review, compilation, and monitoring of second generation fund quarterly reports submitted by each enterprise zone.

Any individual, including an individual who is not directly employed by a municipality, with the authority to administer, allocate or approve the use of zone assistance funds is subject to the "Local Government Ethics Law," P.L.1991, c.29 (C.40A:9-22.1 et seq.), unless the individual is a State employee or a special State officer.

b. The enterprise zone assistance fund shall be used for the purpose of assisting qualifying municipalities in which enterprise zones are designated in undertaking economic development projects in designated enterprise zones by funding qualified assistance fund expenses. However, a municipality shall not appropriate or expend more than 25 percent of the amount annually credited to its enterprise zone assistance fund for public safety purposes, as described pursuant to paragraph (4) of subsection m. of section 3 of P.L.1983, c.303 (C.52:27H-62) or more than 10 percent of the amount annually credited to its enterprise zone assistance fund for administrative expenses.

c. The governing body of a qualifying municipality in which an enterprise zone is designated and the zone development corporation created or designated by the municipality for that enterprise zone may, by resolution jointly adopted after public hearing, propose to undertake an economic development project in the enterprise zone, and to fund that project from moneys deposited in the enterprise zone assistance fund and credited to the account maintained by the State Treasurer for the enterprise zone.

The proposal so adopted shall set forth a plan for the project and shall include:

- (1) A description of the proposed project;
- (2) An estimate of the total project costs, and an estimate of the amounts of funding necessary annually from the enterprise zone account;
- (3) A statement of any other revenue sources to be used to finance the project;
- (4) A statement of the time necessary to complete the project;
- (5) A statement of the manner in which the proposed project furthers the municipality's policy and intentions for addressing economic development in the enterprise zone as set forth in the zone development plan approved by the authority; and
- (6) A description of the financial and programmatic controls and reporting mechanisms to be used to guarantee that the funds will be spent in accordance with the plan and that the project will accomplish its purpose.

As used in this section, "project" means an activity that satisfies the requirements of a qualified assistance fund expense, as that term is defined in subsection m. of section 3 of P.L.1983, c.303 (C.52:27H-62), and which will lead to the creation of new jobs and increased economic activity within the zone.

d. (Deleted by amendment, P.L.2021, c.197)

e. (Deleted by amendment, P.L.2021, c.197)

f. (Deleted by amendment, P.L.2021, c.197)

g. (Deleted by amendment, P.L.2021, c.197)

h. At the end of a State fiscal year, if a municipality has not encumbered a portion of its allocation, such amount may be carried forward to the next State fiscal year and the State fiscal year thereafter. If at the end of the third State fiscal year any of those unencumbered funds remain, then the funds shall be transferred to the UEZ Authority's account in the enterprise zone assistance fund.

i. At the end of a State fiscal year, if a municipality has not expended or otherwise committed a portion of its encumbered funds, then such amount may be carried forward to the next three succeeding State fiscal years. If at the end of the third State fiscal year any unexpended funds remain, then the funds shall be transferred to the UEZ Authority's account in the enterprise zone assistance fund.

j. At the end of a State fiscal year, the Department of Community Affairs shall review an enterprise zone's expenditures of funds received from the zone assistance fund. If the department finds that an enterprise zone expended such funds in a manner inconsistent with the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) and P.L.2021, c.197, then the enterprise zone shall repay such funds to the department through the forfeiture of future zone assistance fund disbursements. The department shall withhold future funding from the enterprise zone until the enterprise zone enters into and complies with a corrective action plan developed by the department.

k. If in a State fiscal year the amount allocated to the enterprise zone assistance fund is less than the amount required to be allocated pursuant to section 11 of P.L.2021, c.197 (C.52:27H-98) and paragraph (1) of subsection a. of this section, the Legislature shall appropriate to the enterprise zone assistance fund the amount that was not allocated in such State fiscal year in a succeeding State fiscal year along with the funds required to be allocated in that State fiscal year.

C.52:27H-98 Tax expenditures for State fiscal years.

11. a. The combined State tax expenditures in State Fiscal Year 2022 for the Urban Enterprise Zone Special Sales Tax Rate and Urban Enterprise Zone Exempt Business Purchases, as expressed in the Fiscal Year 2022 State of New Jersey Tax Expenditure Report, shall be the "ZAF base fund amount."

In State Fiscal Year 2023, the amount appropriated to the enterprise zone assistance fund shall be determined as follows: The State Treasurer, in consultation with the UEZ Authority, shall determine the combined State tax expenditures for the Urban Enterprise Zone Special Sales Tax Rate and Urban Enterprise Zone Exempt Business Purchases in the six-month period beginning January 1, 2022 and ending June 30, 2022. The combined State tax expenditures for the Urban Enterprise Zone Special Sales Tax Rate and Urban Enterprise Zone Exempt Business Purchases for the six-month period beginning January 1, 2022 and ending June 30, 2022, shall be multiplied by two and then subtracted from the ZAF base fund amount. The difference shall be the State Fiscal Year 2023 appropriation to the enterprise zone assistance fund.

Beginning in State Fiscal Year 2024, and in each State fiscal year thereafter, the amount appropriated to the enterprise zone assistance fund shall be determined as follows: After January 1 but prior to June 30, the State Treasurer, in consultation with the UEZ Authority, shall develop a methodology to compare the combined State tax expenditures for the Urban Enterprise Zone Special Sales Tax Rate and Urban Enterprise Zone Exempt Business Purchases in the prior State fiscal year with the ZAF base fund amount to calculate the savings achieved by P.L.2021, c.197. The savings determined shall be the amount appropriated to the enterprise zone assistance fund for the State fiscal year.

b. Notwithstanding the provisions of subsection a. of this section, for State Fiscal Year 2023 and thereafter, the amount appropriated to the enterprise zone assistance fund shall not exceed \$82,500,000, and in Fiscal Year 2024, and in each year thereafter, \$82,500,000 as adjusted annually based on the percentage change in the 12-month Consumer Price Index from June 30 to July 1 of each year, and shall be no less than \$60,000,000. If the application of the formulas set forth in subsection a. of this section will result in an appropriation to the enterprise zone assistance fund that is less than \$60,000,000 in any State fiscal year, then the State Treasurer, in consultation with the UEZ Authority, shall impose a limit on the receipts from retail sales of tangible personal property and sales of services to a qualified business that are exempt from the sales and use tax pursuant to section 20 of P.L.1983, c.303 (C.52:27H-79); provided, however, that no less than the receipts from the first \$50,000 of retail sales of tangible personal property

and sales of services to a qualified business shall be exempt from the sales and use tax in accordance with section 20 of P.L.1983, c.303 (C.52:27H-79).

C.52:27H-99 Definitions, designation of qualified business.

12. a. As used in this section:

“Eligible block group” means a block group that is located in an enterprise zone on the effective date of P.L.2021, c.197.

b. The UEZ Authority shall notify each qualified municipality of each eligible block group within the municipality no later than 14 days after the effective date of P.L.2021, c.197. The UEZ Authority shall then certify the final eligible block groups to each municipality and shall post a link to a list of eligible block groups on the UEZ Authority’s Internet homepage on the Department of Community Affairs’ Internet website.

c. A qualified business shall be located in an eligible block group. The certification of a qualified business that was certified as a qualified business on the effective date of P.L.2021, c.197 shall expire at the end of the 10th State fiscal year following the effective date of P.L.2021, c.197. However, the UEZ Authority may at any time revoke a certification if the UEZ Authority shall determine that the seller no longer complies with the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.).

d. The certification of a qualified business located in an eligible block group after the effective date of P.L.2021, c.197 shall expire at the end of the 10th State fiscal year following the State fiscal year in which the business was first certified as a qualified business. A business whose certification has expired shall not be eligible to seek a new certification.

C.52:27H-100 Annual report.

13. On or before June 30 of each year next following the effective date of P.L.2021, c.197, the State Treasurer shall provide to the UEZ Authority an annual report of the aggregate amount, expressed in dollars, of the incentives provided under P.L.1983, c.303 (C.52:27H-60 et seq.) to all qualified businesses and municipalities. The report shall include aggregate data on gross revenues, retail sales taxes collected, and shall also include information on the address, municipality, and industry of each business. All data from participating businesses shall be collected through an online application and consumer access portal, where possible.

C.52:27H-101 Annual review.

14. The UEZ Authority shall conduct an annual review that determines the number of participating businesses, unemployment rate, median household income, and number of jobs in each enterprise zone to assess the program’s progress. The review shall also include the total tax expenditures by zone and total zone assistance funds expended as the requisite data becomes available from the annual report from the Department of the Treasury required pursuant to section 13 of P.L.2021, c.197 (C.52:27H-100). The UEZ Authority shall review the status of any projects that were approved by participating enterprise zones, overall enterprise zone performance, and adherence to the zone development plans. Each review shall include a detailed listing of deliverables by each enterprise zone and the State that are to be implemented and subsequently evaluated in the future.

C.52:27H-102 Memorandum of understanding.

15. The UEZ Authority and the Department of Labor and Workforce and Development shall enter into a memorandum of understanding to assist in substantial and comprehensive data gathering and information sharing between the two agencies to further the UEZ

Authority's ability to evaluate enterprise zone performance and compliance, and to initiate enforcement actions.

C.52:27H-103 Certain new applications not accepted.

16. Following the effective date of P.L.2021, c.197, no new applications for the enterprise zone employee tax credit, pursuant to section 19 of P.L.1983, c.303 (C.52:27H-78), or for the corporation business tax exemption, pursuant to section 17 of P.L.1983, c.303 (C.52:27H-76), shall be accepted.

17. Section 7 of P.L.1989, c.207 (C.54:4-3.145) is amended to read as follows:

C.54:4-3.145 Financial agreement; payments in lieu of taxes.

7. a. Each approved abatement shall be evidenced by a financial agreement between the qualified municipality and the applicant. The agreement shall be prepared by the applicant and shall contain the representations that are required by the enabling ordinance. The agreement shall provide for the applicant to annually pay to the municipality an amount in lieu of real property taxes, to be computed according to either subsection b. or c. of this section, as provided for in the enabling ordinance.

b. Payments in lieu of taxes may be computed as two percent of the cost of the improvements or conversion alterations, as appropriate for five years following such completion and in the sixth and all subsequent tax years following completion, 100% of the equalized taxes otherwise due; or

c. Payments in lieu of taxes may be computed in the discretion of the qualified municipality as a portion of the real property taxes otherwise due, provided that in the sixth and all subsequent tax years following completion, payments in lieu of taxes shall equal 100% of the equalized taxes otherwise due.

d. For the purposes of this section, the amount of "taxes otherwise due" (not to be confused with "equalized taxes otherwise due") shall be determined by including the appropriate percentage of the assessed valuation of the abated structure, improvement or conversion alteration, as the case may be, on the assessment list of the municipality as taxable property, and levying taxes thereon in the same manner as other taxes are levied pursuant to chapter 4 of Title 54 of the Revised Statutes; provided, however, that no value for a property subject to the provisions of this act shall be included in the calculation of the "net valuation on which county taxes are apportioned" until the first tax year for which a municipal-wide revaluation is implemented.

Repealer.

18. The following sections of law are repealed:

Section 4 of P.L.2001, c.347 (C.52:27H-66.3);

Section 6 of P.L.2001, c.347 (C.52:27H-66.5);

Section 11 of P.L.2001, c.347 (C.52:27H-66.6);

Section 16 of P.L.1983, c.303 (C.52:27H-75); and

Section 9 of P.L.1988, c.93 (C.52:27H-80.2).

19. There is appropriated \$42,500,000 from the General Fund to the enterprise zone assistance fund established under section 29 of P.L.1983, c.303 (C.52:27H-88) for the purposes of that fund, and for the uses prescribed in section 29 of P.L.1983, c.303 (C.52:27H-88).

20. This act shall take effect immediately; provided however, that section 8 and the amendments made by this act to section 20 of P.L.1983, c.303 (C.52:27H-79), shall apply to sales and uses on and after January 1, 2022.

Approved August 17, 2021.