

# DIVISION OF TAXATION HIGHLIGHTS

- Division of Taxation received 1998 Compliance Award from the Federation of Tax Administrators. This national award is given for a program in tax compliance showing excellence, creativity and effectiveness.
- NJ TeleFile program has been further expanded for the 1998 tax year and more than 181,000 returns were TeleFiled.
- Final year for the phase-in of the property tax deduction/credit benefit.
- Legislation signed by Governor Whitman effectively freezes property taxes at 1997 levels for eligible seniors and disabled homeowners.
- Pilot program expanded to allow taxpayers to file their ST-50 returns via the Internet and make the actual payment via electronic funds transfer.
- Pilot program instituted to accept Application for Extension of Time to File New Jersey Gross Income Tax Return (Form NJ-630) through the Internet from taxpayers who are not required to pay additional tax with the extension request.
- Division of Taxation employees attended first Financial Status Auditing class (formerly dubbed “Economic Reality”) conducted by the IRS. With increased emphasis on cash businesses, economic reality awareness will complement current enforcement efforts.
- One-time appropriation made for fiscal year 1998 to fund the Disabled Veteran Retroactive Refund Program.
- Through a cooperative effort with the IRS, Compliance Services Branch accelerated New Jersey Personal Gross Income Tax Delinquency Program for tax years 1993, 1994 and 1995.
- Special Compliance Unit established to investigate noncompliant, transient vendors who set up temporary sales locations out of trucks or vans.
- Taxpayer Services Branch responded to more than 2,900 e-mail inquiries in the 1998 fiscal year, an increase of nearly 500% from 1997.

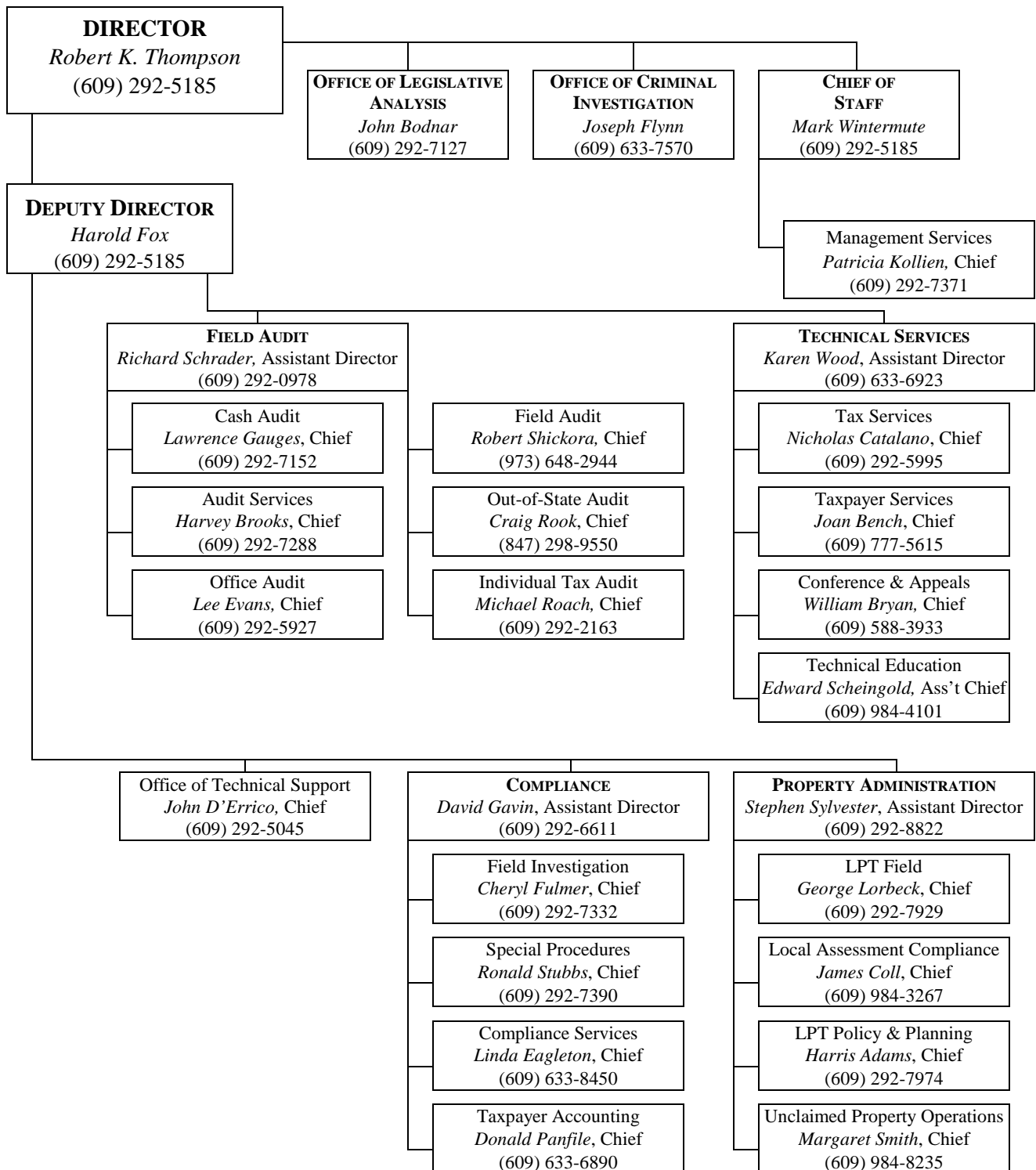
- Field Investigators registered 1,833 new taxpayers as a result of canvassing/sweep activities.
- Office Audit Branch generated assessments, including penalty and interest, in excess of \$75 million, while issuing 23,614 tax certificates of various types.
- Gross Income Tax Audit Branch focuses on entertainers, professional athletes, partnerships and their partners, S corporations and related shareholders, the self-employed, and employers withholding gross income tax.
- Field Audit generated assessments, including penalty and interest, in excess of \$96 million.

**NEW JERSEY  
DIVISION OF  
TAXATION**

***MISSION STATEMENT***

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

## DIVISION OF TAXATION ORGANIZATION



## FIELD AUDIT

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

### Field Audit

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

In addition to regular audit activities the Field Audit Branch has undertaken its cash audit initiative. This program is designed to strengthen compliance and collection efforts as well as level the playing field for smaller to moderately sized companies located in New Jersey.

During the 1998 fiscal year, the seventeen field audit groups completed 4,973 assignments consisting of both regular and cash audits. The completed assignments generated assessments of \$96,670,495 including penalty and interest charges. The distribution of the assessments by tax is as follows:

Tax	FY 1997	FY 1998
Sales & Use	\$46,651,430	\$45,417,980
Corporation Business	19,562,877	17,491,588
Business Personal Prop.	80,561	120,220
Gross Income	4,346,598	5,112,420
Litter	712,784	970,409
Miscellaneous Other	2,875,931	2,116,484
Total Tax	\$74,230,181	\$71,229,101
Penalty and Interest	23,103,542	25,441,394
Total Assessments	\$97,333,723	\$96,670,495

### Out-of-State Audit

The Out-of-State Audit Branch has the responsibility to perform 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), Anaheim (California), and Norwalk

(Connecticut) with telecommuters located in Atlanta, Boston, Dallas and Houston.

Completions of audits by the Out-of-State Audit Branch for fiscal year 1997 and fiscal year 1998 were 220 and 187 audits respectively which generated assessments totaling \$17 million and \$22.7 million respectively. The distribution of assessments by tax is as follows:

Tax	FY 1997	FY 1998
Sales & Use	\$ 7,816,007	\$ 9,809,380
Corporation Business	3,182,249	6,208,937
Litter	1,121,778	1,068,312
Petro. Gross Receipts	0	487,327
Business Personal Prop.	101,317	62,359
Gross Income	8,139	0
Total Tax	\$12,229,490	\$17,636,315
Penalty and Interest	4,812,635	5,033,048
Total Assessments	\$17,042,125	\$22,669,363

The average assessments per auditor for these two fiscal years were \$917,230 and \$1,439,325 respectively. Collections versus assessments on closed audits since inception of the Branch through the end of this fiscal year is 74.4%.

### Audit Services

The Audit Services Branch provides audit, technical and clerical support for various Branches within the Division. In addition to the support functions, they house the Miscellaneous Tax Group, Public Utility Tax Unit and Sales Tax Refund Section.

The Audit Selection group provides Audit with candidates selected by utilizing various resources such as the Division's databases, analysis of outside information, manipulating and comparing reporting histories and reviewing the latest tax issues. All resources utilized by this group are geared towards providing Audit with the most effective candidates for audit.

The Case Preparation Team within the Audit Selection group assists the various Audit Teams in the preparation of case files. This includes entering Corporation Business Tax returns in the automated workpapers. This eliminates some of the functions previously performed by technical staff located in Field Offices. This enables them to more efficiently service the auditors' and supervisors' needs.

The Technical Support group processes data received from various outside agencies such as the I.R.S., U.S. Customs and third parties, such as alcoholic beverage wholesalers, as well as manipulating the Division's databases to provide Audit Branches with valuable audit in-

formation. This group is also in the process of developing new management reports for Division managers.

Audit Services continues to assist auditors with updates and maintenance for laptops, desktop computers, peripheral equipment and programs including SmartPapers, the automated workpapers system. In addition to providing assistance and training, they are continually reviewing and evaluating new technologies to further enhance the auditor's efficiency. This group also provides assistance to the various groups within this Branch.

The Audit Billing group within Audit Services provides billing capabilities for all Audit Branches. This process includes making the necessary adjustments to the Division's systems to properly reflect the taxpayer's account, creating bills, corresponding with taxpayers, applying payments and transferring files for administrative hearings or securing the liability for future collection.

Independently this Branch handles administrative functions for Motor Fuels Tax, Petroleum Products Gross Receipts Tax, Tobacco Taxes and Alcoholic Beverage Taxes, which are too small to be totally mainstreamed. This group issues refunds, reconciles accounts, issues licenses, determines proper bonding requirements and provides taxpayer service as it relates to the numerous miscellaneous taxes.

The Sales Tax Refund group processes and reviews refund claims. This group works closely with Audit to streamline processes and perform functions more effectively and efficiently.

This Branch continues to maintain and expand the Local Area Network for Audit Activity. The LAN is highly relied upon by both the Gross Income Tax Branch and the Nexus team. The LAN allows these groups to streamline information and utilize resources more efficiently and effectively.

The Public Utility Tax unit has been implementing changes that affected the energy industry with the passing of new legislation. This Unit worked closely with the Treasurer's Office to introduce and implement this new legislation. They continue to administer the Gross Receipts and Franchise Tax in all aspects for other utilities.

The Word Processing unit provides various Branches within the Division the ability to produce massive quantities of production. This group provides the word processing support that otherwise is absent from groups such as the Gross Income Tax Branch, Nexus and other areas that require assistance with high volume projects.

## OFFICE AUDIT

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

### Office Audit

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

The Branch is comprised of nine audit groups. Three groups are assigned general corporate desk audits. The two Corporate Service Audit groups have the responsibility to examine taxpayers in order to issue Tax Lien Certificates, Tax Clearance Certificates and Certificates of Reinstatement of Corporate Charter. The Special Audit group has responsibility for taxes other than the Corporation Business Tax, 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 an unreported tax filing and paying obligation. The Corporate Billing group handles all deficiencies generated by corporation tax return filings, as well as auditing all amended returns not claiming a refund. The Corporate Refund Audit group is responsible for auditing and approving all Corporation Business Tax refund claims. Last fiscal year, this group denied refund claims totaling \$26,450,325.

During fiscal year 1998, the nine audit groups generated assessments, including penalty and interest in excess of \$75 million, while issuing 23,614 tax certificates of various types. Distribution of assessments by tax is as follows:

<b>Tax</b>	<b>Amount</b>
Corporation Business	\$45,428,237
Sales & Use	5,048,469
Gross Income	460,510
Miscellaneous Others	2,458,329
Total Tax	\$53,395,545
Penalty and Interest	22,015,270
Total Assessments	\$75,410,815

## Gross Income Tax Audit

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

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

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

During fiscal year 1998, the six audit teams of the Gross Income Tax Audit Branch completed the following cases using computer-assisted and manual audit techniques:

	<b>FY 1998</b>
Cases Reviewed	42,279
No. of Assessments	7,805
Tax Assessed	\$18,596,106
Penalty and Interest	<u>6,766,897</u>
Total Assessments	\$25,363,003
Amount Collected	\$14,284,319

## Transfer Inheritance and Estate Tax

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

During the fiscal year, 6,793 assessments, including 537 nonresident, and 1,379 estate tax assessments were made. The Branch processed 57,549 self-executing waivers (Form L-8) and 7,184 requests for real estate waivers (Form L-9). In addition to the formal waivers generated through use of the Form L-9, the Branch issued 50,560 additional waivers.

Revenue in the amount of \$355,050,715 was collected. Approximately 28 percent (\$97,867,458) of this amount was attributable to the New Jersey Estate Tax.

## TECHNICAL SERVICES

### Conference and Appeals

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

Incoming protests are reviewed by the Branch's Problem Resolution Section for compliance with the statutory and regulatory provisions for Protests and Appeals. During the 1998 fiscal year, the Problem Resolution Section forwarded to the Conference Section only 1,157 of the total 3,572 protests received. The matters resolved by this Section are typically completed within one month of receipt of a proper protest.

The Risk Management Section determines whether or not the State is at risk relative to the collection of the protested assessment. Taxpayers may be asked either to pay the outstanding assessment, or to furnish a surety bond or letter of credit. Should a taxpayer be required to pay and/or post surety and fail to do so, *no stay of collection* is in effect. Therefore, a Certificate of Debt will be filed against the taxpayer in the Superior Court of New Jersey. Concurrently, a "Finding of Responsible Person" will be initiated, as appropriate, in cases involving trust fund taxes.

The Conference Section provides informal administrative hearings. After the hearing process, the conferee issues the Division's Final Determination on assessments, notices of individual responsibility for trust fund taxes, denials of refunds, as well as such non-monetary issues as nexus, subjectivity determinations and the denial of claims by organizations claiming exempt status. There were 979 such Final Determinations issued for this fiscal year.

Final Determinations are appealable exclusively to the Tax Court of New Jersey. The Appeals Section of the Branch tracks and manages these cases, acting as the Division's liaison with the Deputy Attorney General assigned to defend the Division of Taxation. During the fiscal year, 184 new appeals were filed and 85 cases were concluded.

Eighty-three percent (83%) of all cases received into the Conference Section were generated by Audit Activity. Field Audit generated 68% of the Audit Activity cases while Office Audit generated the remaining 32%.

This fiscal year, the Conference and Appeals Branch (in cooperation with other Branches) closed 3,454 protested matters. The Branch collected over \$7.8 million in tax, penalty and interest.

## Tax Services

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

As a subunit of the Tax Services Branch, the Exempt Organization Section processes and makes determinations on applications for Sales and Use Tax Exempt Organization Permits. For fiscal year 1998, the Exempt Organization Section mailed over 1,300 applications, ruled on over 1,000 completed applications and issued 41 denials of exempt organization status.

The Branch is charged with the responsibility of coordinating the processing of all Division rules and notices. The Administrative Practice Officer within the Branch maintains contact with the Office of Administrative Law in order to oversee the promulgation of Division rules and their official publication in the *New Jersey Register*. A total of 17 rules and notices were proposed, adopted and published in fiscal year 1998.

The Branch also researched and wrote over 2,300 taxpayer advice letters and answered approximately 17,000 telephone inquiries on technical tax matters.

## Taxpayer Services

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

- **NJ TeleFile Program** is the latest use of technology to improve our services to taxpayers. During the 1997 tax season, over 181,000 taxpayers filed their returns by NJ TeleFile and had their refund checks mailed within two weeks.
- **Automated Tax Information System** offers taxpayers four types of assistance from a Touch-tone phone:

*Automated Refund Inquiry System* provides information about current year tax refunds (used by 300,000 taxpayers in fiscal year 1998).

*Homestead Rebate InfoLine* provides information on the status of current year homestead rebates (used by 187,000 taxpayers).

*New Jersey TaxTalk* offers information on 70 different topics (used by 53,000 taxpayers).

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

- **NJ TaxFax** service makes State income tax forms and other technical information available to fax machine users. During 1998, 62,000 forms were sent to taxpayers via TaxFax.

Taxpayer Services Activity includes the following:

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

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

**Taxpayer Forms Services** mails out forms in response to taxpayers' requests and also handles bulk mailing for special projects. During 1998, 456,000 items were mailed.

- Taxpayer Services statistics:

	FY 1998
Phone calls	1.5 million
Correspondence	32,000
On-line Adjustments	106,000
Revenue Collected	\$8,111,370

- Major publications included production of the *Annual Report*, *Package NJX* and a number of new business-related About New Jersey Taxes bulletins.
- NJ TeleFile program will be expanded during the next fiscal year to allow taxpayers claiming dependent children attending colleges to file their returns by TeleFile.

## Technical Education Office

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

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

The TEO has responsibility for the Division's Home Page. Since its inception in 1996, the Home Page has expanded to provide information on a wealth of programs and initiatives. Forms and publications can be accessed on the page as well as instructions and updates on most Division efforts. To date, the Home Page has received over 2.6 million "hits."

The Division's Home Page can be accessed at:

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

The publication of a CD-ROM disk containing the *Package NJX* and many other useful features has been a combined effort of several Technical Services Activity functions. The disk, now in its second iteration, has been improved to be more user friendly with improved graphics and search engines. The CD-ROM disk provides another important tool for the practitioner community to use in complying with State tax requirements.

## COMPLIANCE

### Special Procedures

The Special Procedures Branch is primarily responsible for the collection of overdue tax liabilities. During fiscal year 1998 the Branch collected \$31,523,126. The specific functions of Special Procedures are as follows:

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

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

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

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

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

### Compliance Services

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

**ABC Clearance Section.** This section is responsible for the issuing of the Alcoholic Beverage Retail Liquor License Clearance Certificates prior to the annual renewal of the license. Phase III of a three year phase-in was completed this year. There were 10,029 licenses reviewed by

this section and over 9,750 Clearance Certificates were issued to compliant licensees.

**Delinquency Section.** This section is responsible for securing delinquent tax returns and payments in order to bring taxpayers into compliance with regulatory filing provisions. Highlights during the fiscal year included acceleration of the Personal Gross Income Tax Delinquency program and implementation of a Use Tax program targeting untaxed items brought into the State. Delinquency programs are in place for 14 of the 26 taxes administered by the Division.

**Deferred Payment Section.** This section provides an avenue for taxpayers to repay deficient taxes by way of a formal payment plan. Since the Amnesty Program of 1996, the number of payment plans monitored by this section has doubled to over 2,000, with the average duration 12 months.

**Compliance Services Data Group.** This section is responsible for planning, designing and implementing new programs and projects for the Compliance Activity in the area of database management, data processing and office automation. During the course of the year this group planned, designed and tested the remote capability for various sites to access the CD Tower and the Division's TAXNET System. An automated Personal Income Tax program was developed and is now operational. This group also advises management in a consulting capacity for recommendations for the latest available technology, provides support for the PCs, troubleshoots for technical problems and provides software and PC training.

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

This branch is also responsible for the **Set-Off Program**, empowers the Division of Taxation to apply payments due State vendors for deficient taxes; **SOIL**, **Set-Off of Individual Liability**, a program designed to withhold personal gross income tax refunds and homestead rebates from taxpayers who have outstanding tax debts; **Lottery**, this unit must verify to the New Jersey Lottery Commission that taxes of prospective lottery machine agents are current; and **CATCH**, where **Citizens Against Tax CH**eats can make referrals.

In addition, this branch provides the liaison between the Division and PAYCO, General American Credits, a private collection agency contracted to pursue delinquent and deficient taxes for the Division of Taxation.

## Taxpayer Accounting

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

For fiscal year 1998, the Taxpayer Accounting Branch answered more than 135,000 pieces of correspondence and almost 35,000 phone calls; reviewed about 57,000 bills and 52,000 refunds; adjusted, updated, or corrected approximately 227,000 accounts; and collected more than \$4.8 million.

## Investigations

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

In fiscal year 1998, Investigations conducted 189 seizures of business and/or personal assets based on outstanding Certificates of Debt. One hundred seventeen (117) of the seizures involved liquor licenses. Fifty-one (51) auctions were necessary.

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

## Highlights

- **Certificates of Debt Filed.** In conjunction with 15,189 cases, 27,301 Certificates of Debt were filed in the Superior Court totaling \$175,997,409.
- **Cases Referred to Attorney General for Collection.** Two thousand five hundred twenty-four (2,524) cases were referred to the Office of the Attorney General for collection actions. Collections of \$4,848,522 were received on Attorney General referral cases.

- **Closing Agreements Approved.** Thirty-nine (39) Closing Agreements were approved, 50 requests were denied and another 121 denials resulted in full payment with statutory abatement. Collections on Closing Agreement cases totaled \$2,028,942.
- **Bankruptcy Activity.** The Bankruptcy Section filed 1,835 Proofs of Claim for \$44,902,947; 252 Amended Proofs of Claim for \$10,345,641; and 264 Administrative Proofs of Claim totaling \$5,421,637. Collections on insolvency matters totaled \$6,281,070.
- **Bulk Sales Activity.** The Bulk Sales Section received 3,245 Notices of Sale during the fiscal year. Collections for the year were \$10,438,947.  
  
Eight hundred and four (804), or 25%, of these notices received pertained to transfers of Retail Liquor Licenses. Project personnel recommended 63 cases for audit. In all, 65 audits were completed resulting in \$2,717,277 in assessments, an average of \$41,804 per taxpayer. Collections of \$5,420,396 were realized from this project. Of this amount, \$289,875 was as a result of discovery of unreported transfers of liquor licenses.
- **Canvassing/Sweep Activity.** Field Investigators contacted almost 17,000 business locations as a result of increased efforts to seek out non-compliant New Jersey vendors as well as transient out-of-State vendors. Investigators registered a total of 1,833 new taxpayers as a direct result of this activity.
- **Jeopardy Assessments/Seizures.** Field Investigators levied 591 jeopardy assessments, executed 8 jeopardy seizures and collected \$676,204 as a result of these actions.
- **Audit/Compliance Cash Project.** Investigations and Audit are working jointly on a Cash Audit Project focusing on various segments of the cash economy. The cash audit process is enhanced as a result of information provided by investigators throughout the audit.
- **Audit/Compliance Nexus Project.** Another area in which Compliance and Audit have developed a coordinated response is nexus. Investigators are discovering out-of-State vendors doing business in our State and referring them to the Audit Nexus Group to determine liability for New Jersey taxes. When necessary, the investigators serve warrants of jeopardy assessment to secure payment.

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## PROPERTY ADMINISTRATION

Property Administration consists of two branches, Local Property and Unclaimed Property. Local Property, whose activities concern real and certain personal property, is comprised of Policy and Planning; Local Assessment Compliance; and Field Assistance. Unclaimed Property, whose activities pertain to intangible personal property and safe deposit box contents, includes the Audit Section and the Operations Section.

### UNCLAIMED PROPERTY

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. This program is defined in N.J.S.A. 46-30B, et seq. The Unclaimed Property Web site can be searched at the following addresses:

Claim Information —

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

Holder Information —

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

### Audit

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

### Operations

**Holder Reporting Unit** receives all reports of unclaimed property that meet the abandonment criteria. The report section works with holders to assure the accuracy of reports and their correct entry onto the electronic system. Magnetic tapes are received for all reports with 500 or more records.

**Claims Processing Unit** receives all claims for the return of unclaimed property. Claims are researched and prior to payment, rightful ownership is validated. Approximately 20,000 claims are received each year and about \$15 million is annually returned to New Jersey taxpayers.

**Reporting Compliance Unit** was established in 1997. Its mission is to educate holders who may not be reporting, or who may be underreporting. This unit assists holders to attain compliance with unclaimed property laws.

**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. This figure averages \$2.5 million per year.

## LOCAL PROPERTY

### Policy and Planning

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

### Local Assessment Compliance

**Railroad Property Unit** classifies, assesses and taxes railroad properties and assesses and computes railroad franchise tax.

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

**Local Assessor Compliance Unit** was established in the fall of 1997. This unit reviews certain information that pertains to municipal tax assessors. The unit also conducts periodic inspections of tax assessors' and collectors' records in municipalities that are reimbursed by the State for granting property tax deductions for qualified senior and disabled people, and also for qualified veterans.

### Field Assistance

**Field Assistance** provides direct assistance to 566 municipal tax assessors' offices and 21 county tax boards in solving routine administrative problems. Field Staff investigates SR-1A's for sales ratio purposes; gathers evidence for the defense of Table of Equalized Valuations appeals; collects material and labor cost data for development of improved assessment standards; assists the Transfer Inheritance Tax Bureau with appraisals for inheritance

tax purposes and maintains the Real Property Appraisal Manual provided for use by New Jersey Assessors.

**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 all municipal taxing districts, county boards of taxation and data centers certified to use the New Jersey Property Tax System, Mod IV, to produce and maintain local assessment records, and coordinates with State programmers to effect software changes in response to legislative changes.

**Education/Training.** Property Administration personnel are members of the County Tax Board and Tax Assessor's Educational Committees and take a leadership role in training, education seminars and courses which provide procedural information on new and complicated legislation, existing laws and/or procedures to improve the performance of their duties.

### Highlights

- Unclaimed Property receives approximately \$50 million in assets yearly.
- The Unclaimed Property Securities Portfolio received \$12 million in fiscal year 1998.
- 93 applications for Tax Assessors' Exams were filed.
- 14 revaluation programs were implemented in 1998 at an average cost of \$48.07 per line item and a total cost of \$2,840,100. There were 14 reassessment programs implemented in 1998.
- \$126,054,086 in Realty Transfer Fees was generated with \$63,273,876 deposited into the General Fund and \$29,283,687 credited to the Neighborhood Preservation Nonlapsing Revolving Fund for fiscal year 1998.
- \$51,189,404 in State Revenue Sharing Distribution funds was reimbursed to New Jersey's 566 municipalities on November 1, 1998. The total amount of property tax deductions for senior and disabled citizens and surviving spouses was \$33,650,613. The total amount of veterans' deductions was \$17,538,791.
- \$5,030,458 in a one-time State funded retroactive property tax reimbursement was issued to 397 permanently and totally disabled war veterans in August 1998. Over 500 applications for reimbursement were received and processed by Local Property.

## OFFICE OF TECHNICAL SUPPORT

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

The TAXNET Help Desk assists Division personnel to better utilize the Division's data systems, provides a vehicle for the identification and resolution of system problems and performs system table and file maintenance. During 1998, the TAXNET Help Desk answered 5,255 telephone calls and completed 1,704 problem notification forms and 2,501 employee changes. In addition, 932 Telecommunication Request/Problem Detail Reports involving troubleshooting, removing and installing of telephone devices or other telecommunication equipment were completed.

The Office of Technical Support reviews data processing requests for technical soundness and overall Division desirability. Priorities for these requests are then set by the Small Projects Prioritization Committee (SPPC). During 1998, a total of 113 such requests were evaluated.

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

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

- Continued expansion of the Internet filing program to include accepting personal income tax extension requests (Form NJ-630) through the Internet as well as allowing authorized EFT taxpayers to complete the

Sales and Use Tax Quarterly Return (Form ST-50) online.

- Continued program modifications to ensure the Division's mainframe systems and its PC based operations are year 2000 compliant.
- Completion of systemic modifications required by the Energy Tax Reform legislation to provide for revisions in taxation of gas, electric and telecommunications.
- Developing a laser generated "Certificate of Authority" to collect sales and use tax. The design includes several new security features built into the form.
- Implementing the use of EDI translation software for electronic transfer of data between the Division and the U.S. Bankruptcy Court.
- Completion of Network projects including Barrack Street building rewiring, server hardware and software upgrade, remote PC connection to the network, E-mail and Internet connectivity.
- Initiating a new concept for TGI scan band returns to concentrate all scan band data on the first page which eliminates many of the problems with processing the return.
- Implementing a postal bar code on return mail pieces, encoding date, tax type and due date, to allow automatic sorting in processing.
- Initiating the use of an online Report Management Facility (RMS) which provides mainframe reports to users electronically saving printing and distribution costs.
- Updating the Division's automated RULAC compliance efforts with new matching techniques and using a contracted vendor to increase efforts to control payments of erroneous homestead rebates.
- Implementing the systemic changes required by legislation for the Homestead Property Tax Reimbursement and the Municipal Landfill Closure Remediation Act.
- Assisted with the consolidation of the registration and reporting functions across State agencies to simplify requirements for New Jersey businesses.

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## CHIEF OF STAFF

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

### Management Services

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

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

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

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

### Disclosure

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

### Fiscal, Personnel and Labor Relations

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

## OFFICE OF LEGISLATIVE ANALYSIS

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

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

### Highlights

- Monitored and tracked 629 bills relating to the Division of Taxation.
- Prepared 184 Legislative Recommendations and Bill Comments.
- Prepared 127 Fiscal Notes.
- Testified before various Assembly and Senate Committees.
- Provided information on New Jersey legislative tax developments to many persons and organizations seeking such information.
- Tax bills were considered at 48 Assembly and 36 Senate Committee Meetings.
- Thirty bills affecting the Division were signed into law.

## OFFICE OF CRIMINAL INVESTIGATION

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

The activities within the Office of Criminal Investigation are:

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

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

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

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

## Highlights

- 120 cases were forwarded to prosecutors, 599 complaints were evaluated resulting in the initiation of 71 criminal cases. Total of 162 ongoing criminal investigations.
- 190 criminal investigations of cigarette tax violations were initiated; 34 of these cases involved the seizure of contraband cigarettes and the seizure of 1 vehicle. Seized 16,486 cartons of contraband cigarettes valued at \$359,540.
- 567 background investigations and 53 integrity investigations were conducted.

## Alcoholic Beverage Tax

### Description

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

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

### Rate

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

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

### Disposition of Revenues

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

## Atlantic City Casino Parking Fee

### Description

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

### Rate

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

### Disposition of Revenues

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

## Atlantic City Luxury Sales Tax

### Description

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

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

### Rate

The rate of tax is 3% on sales of alcoholic beverages and 9% on other taxable sales. The State sales tax rate is reduced to the extent that the city rate exceeds 6%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 12%.

### Disposition of Revenues

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

## Atlantic City Tourism Promotion Fee

### Description

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

### Rate

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

### **Disposition of Revenues**

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

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

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

### **Rate**

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

### **Disposition of Revenues**

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

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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**

The tax rate is \$0.04 per cigarette, \$0.80 for a pack of 20 cigarettes, \$1.00 for a pack of 25 cigarettes, effective January 1, 1998

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

### **Disposition of Revenues**

Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 1998, C. 264, initial collections of \$155 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, or maintaining an office in New Jersey.

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

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

Exempt from the tax are certain agricultural cooperative associations; building and loan associations and savings and loan associations; Federal corporations which are exempt from state taxation; corporations created under the Limited-Dividend Housing Corporation law; nonprofit cemetery corporations; nonprofit corporations without capital stock; non-stock Mutual Housing Corporations; railroad and canal corporations; sewerage and water corporations; insurance companies subject to premiums tax; international banking facilities; and certain municipal electric corporations.

## Rate

The tax rate is 9% upon entire net income, or the portion of net income allocated to New Jersey. For tax years beginning in calendar year 1994 and thereafter, the minimum tax is:

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

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

The tax rate for corporations having \$100,000 or less in net income is 7.5% for 12 month privilege periods beginning on or after July 1, 1996. For a New Jersey S corporation whose taxable year begins on or after January 1, 1996 and ends on or before June 30, 1998, the tax rate is 2.63%. For a New Jersey S corporation whose taxable year ends on or after July 1, 1998, the rate is 2%. For a New Jersey S corporation having \$100,000 or less in net income for a 12 month privilege period, the rates are 1.13% and 0.5%, respectively.

## Disposition of Revenues

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

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

## History

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

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

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

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

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

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

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

Net Income Tax rates have changed as follows:

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

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

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

A jobs investment tax credit, enacted in 1993 (C. 170), allows corporations to take a credit against Corporation Business Tax and property taxes for qualified investments in new or expanded business facilities resulting in new

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

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

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

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

Taxpayers are required to make installment payments of Estimated Tax. The requirement for making these payments is based on the amount of the Total Tax Liability shown on the most recent return.

- (a) If the Total Tax Liability is \$500 or more, the taxpayer must make installment payments. These 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.

### **Banking and Financial Corporations**

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

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

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

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

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

### **Investment Companies**

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

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

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

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

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

### Deferred Pre-Dissolution Payment

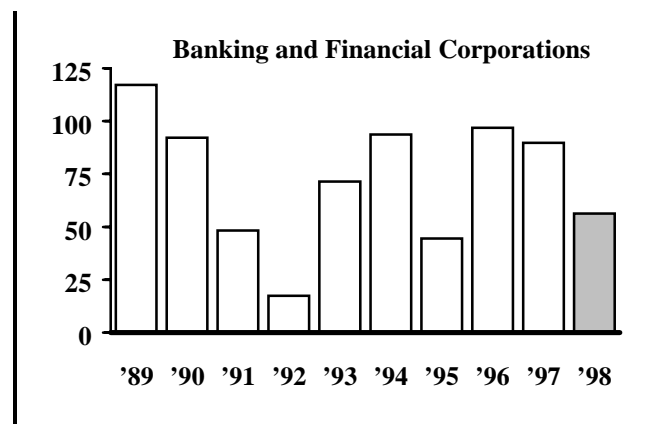
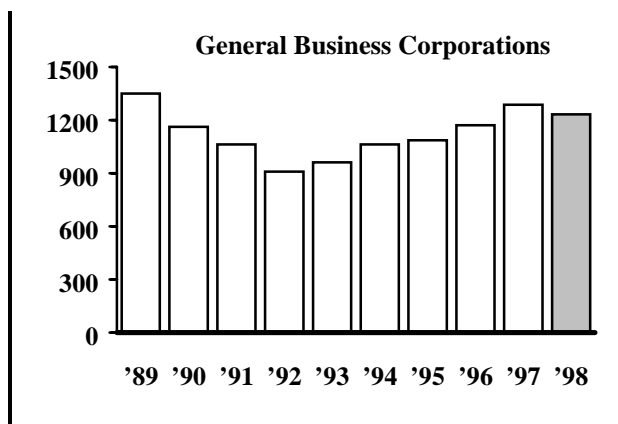
Chapter 367, P.L. 1973, approved in 1974, eliminates the requirement for a certificate obtained in case of merger or

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

### Allocation Factor

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

## Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
1989	\$1,350,581,694 <sup>1</sup>
1990	1,162,835,737
1991	1,063,089,390
1992	909,618,920
1993	960,753,965
1994	1,063,141,745
1995	1,085,502,032
1996	1,171,509,159
1997	1,286,447,475
<b>1998</b>	<b>1,231,629,172</b>

Fiscal Year	Collections
1989	\$117,155,793
1990	92,089,805
1991	48,200,249
1992	17,411,936
1993	71,375,391
1994	93,738,713
1995	44,499,198
1996	96,860,000
1997	89,716,792
<b>1998</b>	<b>56,234,674</b>

<sup>1</sup>Includes tax receipts from windfall profits court decision.

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## Corporation Income Tax

### Description

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

### Rate

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

### Disposition of Revenues

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

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## Gross Income Tax

### Description

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

### Rate

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

### Exemptions

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

- Taxpayer's dependent, \$1,500.
- Taxpayer's dependent under age 22 and attending college full time, additional \$1,000.

### Deductions

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

### Credits

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

### Withholding Requirement

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

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

### Disposition of Revenues

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

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

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

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

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

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

**History**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

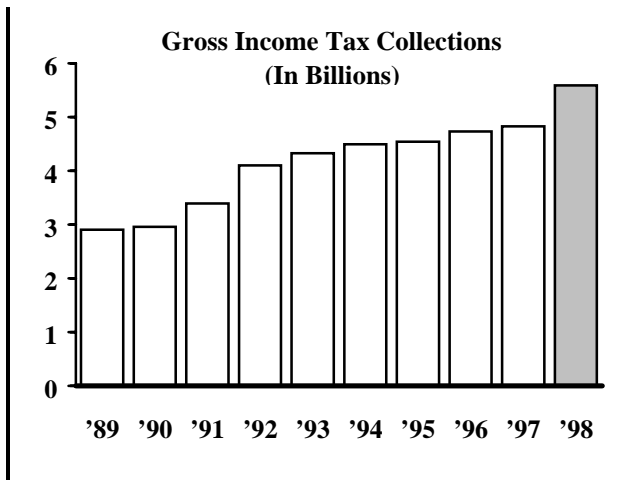
C. 237, P.L. 1997, exempts New Jersey Better Educational Savings Trust account earnings and qualified distributions.

C. 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.

C. 3, P.L. 1998 amended the Gross Income Tax Act to adopt the new Federal exclusions of up to \$500,00 in gain from the sale of a principal residence.

C. 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.

C. 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.



Fiscal Year	Collections
1989	\$2,902,892,244
1990	2,957,634,330
1991	3,391,026,222 <sup>1</sup>
1992	4,101,895,000
1993	4,325,304,359
1994	4,493,659,929 <sup>2</sup>
1995	4,540,081,765 <sup>3</sup>
1996	4,733,786,100 <sup>4</sup>
1997	4,825,410,635
<b>1998</b>	<b>5,590,578,933</b>

<sup>1</sup> Rates increased to 2% – 7% effective January 1, 1991.

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

<sup>3</sup> Rates reduced to 1.7% – 6.58% effective January 1, 1995.

<sup>4</sup> Rates reduced to 1.4% – 6.37% effective January 1, 1996.

### Homestead Rebate Program

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

The application for the new Homestead Property Tax Rebate was combined with the resident income tax return beginning with the tax return for 1990, and benefits were linked to income level and amount of property tax paid. Under this program rebates ranged from \$100 to \$500 for homeowners, and \$35 to \$500 for tenants, depending on the applicant's filing status, gross income, and the amount

of property tax paid, either directly or through rent. Those with incomes over \$100,000 were not eligible for a rebate.

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

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

## Insurance Premiums Tax

### Description

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

### Rate

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

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

### **Disposition of Revenues**

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

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

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## **Landfill Closure And Contingency Tax**

### **Description**

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

### **Rate**

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

### **Disposition of Revenues**

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

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## **Litter Control Tax**

### **Description**

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

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

### **Rate**

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

### **Disposition of Revenues**

Revenues are deposited in the Clean Communities Account Fund.

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## **Local Property Tax**

### **Description**

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

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

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

raise the entire amount. As a residual local tax, the total property tax is determined by local budgets and not by property valuations or tax rates.

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

### Rate

The local property tax rate is determined each year in each municipality by relating the total amount of tax levy to the total of all assessed valuations taxable. Expressed in \$1 per \$100 of taxable assessed value, the tax rate is a multiplier for use in determining the amount of tax levied upon each property. See Appendix A for the 1997 general and effective property tax rates in each municipality.

### Disposition of Revenues

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

### History

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

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

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

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

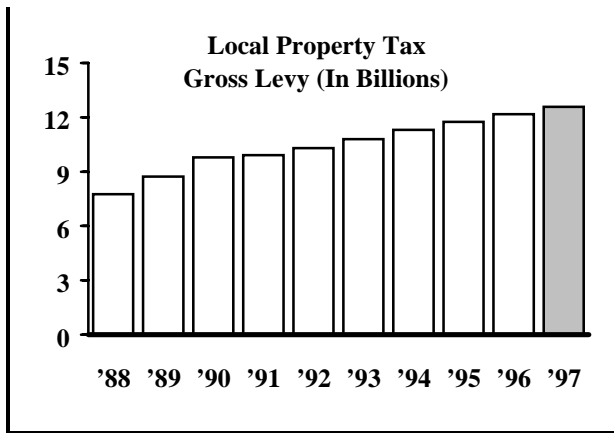
This Article was interpreted to preclude any classification of real estate but to leave the door open for classified taxes upon personal property. In 1963 the Constitution was amended to permit assessment of farm property according to its value for agricultural use only. Chapter 51, Laws of 1960 (effective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

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

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

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

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



Fiscal Year	Gross Tax Levy
1988	\$ 7,755,666,442
1989	8,726,832,862
1990	9,782,223,329
1991	9,921,553,312
1992	10,324,378,978
1993	10,757,596,440
1994	11,286,354,001
1995	11,746,914,124
1996	12,177,920,307
1997	12,579,899,717

## Motor Fuels Tax

### Description

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

### Rate

The general motor fuels tax rate is \$0.105 per gallon 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 fuels tax rate is \$0.135 per gallon, of which \$0.03 per gallon is refundable for fuel used in passenger automobiles and motor vehicles of less than 5,000 pounds gross weight (C. 73, P.L. 1984, effective September 1, 1985).

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

## Disposition of Revenues

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

## Petroleum Products Gross Receipts Tax

### Description

The Petroleum Products Gross Receipts Tax is imposed on all companies engaged in 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.

### Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. This rate is converted by a formula to a cents-per-gallon basis and adjusted semi-annually to be at or above \$0.04/gallon. The current rate through December 31, 1998 is \$0.04 per gallon.

### Disposition of Revenues

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

## Public Community Water System Tax

### Description

The Public Community Water System Tax is levied upon the owner or operator of every public community water system in New Jersey based upon water delivered to con-

sumers, 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 identified utility entities having lines or mains located in, on, or over any public thoroughfare. Utilities subject to taxation include water and sewerage companies.

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

### Administration

Franchise tax is collected by the State for distribution to municipalities together with the gross receipts tax distribution. The tax levied against water and sewer companies is payable to the State in three installments.

### Rate

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

### Disposition of Revenues

Revenues, after deductions for the cost of administering the tax by the State, are for local use. The tax is distributed to the municipalities under the Energy Tax Receipts Property Tax Relief Fund 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 corporations in New Jersey.

### Administration

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

### Rate

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

### Disposition of Revenues

Revenues, after deductions for the cost of administering the tax by the State, are for local use. The tax is distributed to the municipalities under the Energy Tax Receipts Property Tax Relief Fund 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.

### Rate (Calendar Year Basis)

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

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

### Disposition of Revenues

Revenues, after deductions for the cost of administering the tax by the State, are for local use. The tax is distributed to the municipalities under the Energy Tax Receipts Property Tax Relief Fund in accordance with P.L. 1997, C. 167.

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## Railroad Franchise Tax

### Description

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

### Rate

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

### Disposition of Revenues

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

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## 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).

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## Realty Transfer Fee

### Description

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

The realty transfer fee does not apply to the following transfers: consideration of less than \$100; by or to any government; made solely to provide or release debt security; which confirm or correct a deed previously recorded; on a sale for delinquent taxes; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as "ancient deeds"; acknowledged or proved on or before July 3, 1968; between husband and wife or parent and child; conveying a cemetery plot; in specific performance of a final judgment; releasing a right of reversion; transfers on which tax was previously paid; to effect distribution of an estate; or as a result of a divorce decree.

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

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

- (2) The sale of low and moderate income housing as defined by Chapter 225, P.L. 1985 shall be exempt from payment of \$1.25 for each \$500 of consideration of the fee imposed.

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

### Rate

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

### Disposition of Revenues

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

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

All amounts paid to the State Treasurer in payment of the additional fee of \$0.75 for each \$500 of consideration recited in the deed in excess of \$150,000 shall be credited to the Neighborhood Preservation Nonlapsing Revolving Fund. In fiscal year 1998, \$29,283,687 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

## Resource Recovery Investment Tax

### Description

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

## Sales And Use Tax

### Description

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

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

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

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

### Rate

The rate of tax is 6% on taxable sales.

### Disposition of Revenues

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

### History

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

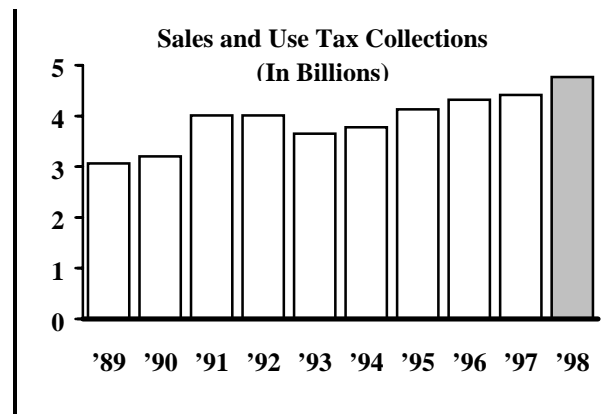
Effective July 1, 1994, retail sales of certain tangible personal property in Salem County were taxed at 3% (C. 373, P.L. 1993).

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

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

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

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



Fiscal Year	Collections
1989	\$3,066,770,144
1990	3,202,569,956
1991	4,013,147,198 <sup>1</sup>
1992	4,009,960,467
1993	3,651,122,672 <sup>2</sup>
1994	3,778,506,912
1995	4,133,278,016
1996	4,318,372,824
1997	4,415,427,600
<b>1998</b>	<b>4,766,194,660</b>

<sup>1</sup> Rate increased to 7% on July 1, 1990.

<sup>2</sup> Rate decreased to 6% on July 1, 1992.

## Urban Enterprise Zones

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

Initially ten zones (the maximum number provided under the statute) were established in: Bridgeton, Camden, Elizabeth, Jersey City, Kearny, Millville/Vineland, Newark, Orange, Plainfield and Trenton. Chapter 367, P.L. 1993, approved January 5, 1994, allowed for the designation of ten additional enterprise zones. This increased the number of zones from 10 to 20, adding Asbury Park-Long Branch, Carteret, Lakewood, Mount Holly, Passaic, Paterson, Perth Amboy, Phillipsburg, Pleasantville and Union City. Seven new zones were added in 1996: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton and West New York.

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

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

### Sales Tax Benefits

A vendor within an Urban Enterprise Zone wishing to collect sales tax at the reduced rate must first be certified as a "qualified business," and then apply to the Division of Taxation for authority to collect tax at the reduced rate.

No business may collect sales tax at the reduced rate without the proper certification. The certification is valid for one year. Recertification is automatic unless the business changes 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 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.

## Savings Institution Tax

### Description

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

Excluded from tax are:

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

### Rate

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

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

### **Disposition of Revenues**

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

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## **Solid Waste Importation Tax**

### **Description**

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

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## **Solid Waste Recycling Tax**

### **Description**

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

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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 1998 is \$1.15 per ton or \$0.345 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form is \$0.002 per gallon. On the first of January annually the tax rate increases on solids by \$0.05 per ton or \$0.015 per cubic yard.

### **Disposition of Revenues**

The revenue collected from the Solid Waste Services Tax is deposited in the Solid Waste Services Tax Fund administered by the New Jersey Department of Environmental

Protection. Monies in the fund are allocated to the counties based on the amount of waste generated and used for implementing county solid waste management plans.

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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 insure compensation for cleanup costs and damages due to discharge of hazardous substances.

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

### **Rate**

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

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

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

### **Disposition of Revenues**

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

## Tobacco Products Wholesale Sales And Use Tax

### Description

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

Cigarettes are exempt from this tax.

### Rate

The rate is 48% (effective 1/1/98) on the receipts from every sale of tobacco products by a distributor or wholesaler.

### Disposition of Revenues

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

## Transfer Inheritance And Estate Taxes

### Description

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

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

### Rate

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

Estate taxes are determined by Federal law, since the tax is designed to absorb the Federal credit available for State taxes paid. During and prior to 1997, there was no tax due on Federal taxable estates of less than \$600,000. How-

ever, under provisions of The Taxpayer Relief Bill of 1997 (H.R. 2044), which was passed by Congress on July 31, 1997, the applicable exclusion amount will be \$1,000,000 in 2006 when fully phased in. Prior to being fully phased in, the exclusion will be:

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

### Exemptions From Transfer Inheritance Tax

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

### Disposition of Revenues

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

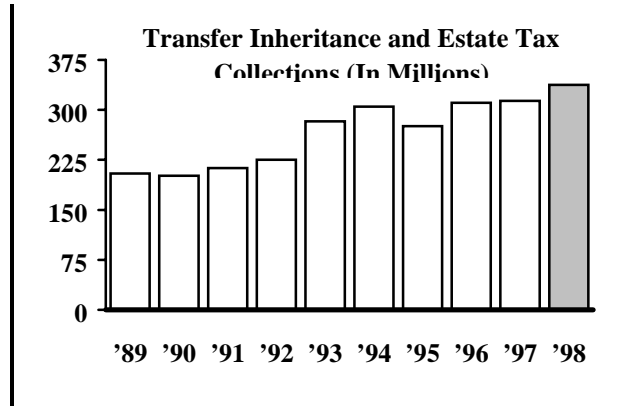
### History

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

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

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

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



Fiscal Year	Collections
1989	\$204,344,684
1990	200,954,216
1991	212,825,520
1992	225,210,867
1993	283,812,642
1994	304,770,334
1995	275,823,814
1996	310,655,978
1997	313,447,496
1998	337,679,970

## Transitional Energy Facility Assessment

### Description

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

### Administration

The Transitional Energy Facility Assessment is collected by the State for distribution to the municipalities of the State.

### Rate

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

### Disposition of Revenues

Revenue from this assessment is to be deposited in the Energy Tax Receipts Property Tax Relief Fund pursuant to C. 167 of the Laws of 1997.

## Uniform Transitional Utility Assessment

### Description

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

### Administration

The Uniform Transitional Utility Assessment is collected by the State for the use of the State.

### Rate

Payments made under the Uniform Transitional Utility Assessment are based on annual returns from the subject utility entities.

### Disposition of Revenues

Revenue from this assessment is deposited in the State Treasury.

**Table 1—Major State Tax Collections (Net)  
Fiscal Years 1996–1998**

<b>Tax Source</b>	<b>1998<sup>1</sup></b>	<b>% of Total</b>	<b>1997</b>	<b>% of Total</b>	<b>1996</b>	<b>% of Total</b>	<b>% Change 1997–98</b>
<b>Collected by the Division:</b>							
Alcoholic Beverage (General Fund)	\$ 74,851,212	0.5%	\$ 76,111,054	0.5%	\$ 75,157,676	0.5%	- 1.7
Business Personal Property (Repealed)	0	0.0	(49,839)	-0.0	(132,508)	-0.0	- 100.0
Cigarette Corporation:	326,936,016	2.2	241,841,067	1.6	245,652,979	1.7	35.2
Corporation Business	1,231,629,172	8.2	1,286,447,475	8.6	1,171,509,159	8.0	- 4.3
CBT Banks & Financials	56,234,674	0.4	89,716,792	0.6	96,860,000	0.7	- 37.3
Corporation Income <sup>2</sup>	0	0.0	0	0.0	(953,439)	-0.0	ERR
<b>Environmental Taxes:</b>							
Landfill Closure and Contingency	0	0.0	1,527,022	0.0	1,546,542	0.0	- 100.0
Litter Control	14,218,760	0.1	13,429,253	0.1	11,712,671	0.1	5.9
Public Community Water Systems	2,938,181	0.0	2,806,747	0.0	2,927,024	0.0	4.7
Resource Recovery Invest. (Expired)	0	0.0	922,412	0.0	6,760,149	0.0	- 100.0
Solid Waste Importation (Expired)	0	0.0	608,262	0.0	4,166,605	0.0	- 100.0
Solid Waste Recycling	27,052	0.0	4,224,031	0.0	4,224,030	0.0	- 99.4
Solid Waste Services	2,889,143	0.0	3,067,827	0.0	2,897,289	0.0	- 5.8
Spill Compensation	16,541,266	0.1	16,889,425	0.1	14,328,193	0.1	- 2.1
Gross Income <sup>3</sup>	5,590,578,933	37.3	4,825,410,635	32.3	4,733,786,100	32.4	15.9
Insurance Premiums	294,838,136	2.0	280,746,901	1.9	274,161,796	1.9	5.0
Miscellaneous Revenues	1,878,465	0.0	4,520,549	0.0	3,410,927	0.0	- 58.4
Motor Fuels	476,158,272	3.2	463,020,371	3.1	448,730,936	3.1	2.8
Petroleum Products	197,227,418	1.3	194,355,768	1.3	192,257,756	1.3	1.5
Public Utility Excise (State Use)	9,174,800	0.1	133,958,284	0.9	135,476,198	0.9	- 93.2
Public Utility Excise (Mun. Use) (Repealed)	0	0.0	1,001,393,284	6.7	1,004,742,718	6.9	- 100.0
Railroad Franchise	933,515	0.0	2,248,326	0.0	3,462,862	0.0	- 58.5
Railroad Property	2,523,656	0.0	2,539,978	0.0	2,757,071	0.0	- 0.6
Realty Transfer	63,259,822	0.4	51,882,018	0.3	45,854,799	0.3	21.9
<b>Sales:</b>							
Sales and Use	4,766,194,660	31.8	4,415,427,600	29.5	4,318,372,824	29.5	7.9
Atlantic City Lux & Promo (Loc. Use)	25,861,637	0.2	28,738,199	0.2	21,862,812	0.1	- 10.0
Tobacco Products Wholesale	11,682,321	0.1	7,744,968	0.1	5,847,085	0.0	50.8
Cape May County Tourism	2,834,370	0.0	11,410,833	0.1	11,247,042	0.1	- 75.2
Casino Parking Fee	15,286,208	0.1	15,918,978	0.1	15,440,106	0.1	- 4.0
Savings Institution	21,083,981	0.1	16,459,890	0.1	15,263,926	0.1	28.1
Transfer Inheritance and Estate	337,679,970	2.3	313,447,496	2.1	310,655,978	2.1	7.7
<b>Taxes Collected by the Division</b>	<b>\$13,543,461,640</b>	<b>90.4%</b>	<b>\$13,506,765,606</b>	<b>90.4%</b>	<b>\$13,179,987,306</b>	<b>90.1%</b>	<b>0.3</b>
<b>Collected Outside the Division:</b>							
Boxing-Wrestling-TV	\$ 0	0.0%	\$ 726,084	0.0%	\$ 328,455	0.0%	- 100.0
Casino Revenue	312,734,322	2.1	309,414,622	2.1	305,692,655	2.1	1.1
Casino Control	53,126,718	0.4	50,146,760	0.3	52,941,375	0.4	5.9
Lottery	642,829,785	4.3	650,024,961	4.3	662,119,573	4.5	- 1.1
Motor Fuels Use	0	0.0	1,655,561	0.0	12,314,423	0.1	- 100.0
Motor Vehicle Fees	435,855,324	2.9	426,214,707	2.9	417,952,649	2.9	2.3
Outdoor Advertising	741,000	0.0	739,945	0.0	240,000	0.0	0.1
<b>Taxes Collected Outside the Division</b>	<b>\$ 1,445,287,149</b>	<b>9.6%</b>	<b>\$ 1,438,922,640</b>	<b>9.6%</b>	<b>\$ 1,451,589,130</b>	<b>9.9%</b>	<b>0.4</b>
<b>Total Major State Tax Collections</b>	<b>\$14,988,748,789</b>	<b>100.0%</b>	<b>\$14,945,688,246</b>	<b>100.0%</b>	<b>\$14,631,576,436</b>	<b>99.5%</b>	<b>0.3</b>

<sup>1</sup>The 1998 figures are subject to adjustment.

<sup>2</sup>No longer reported separately.

<sup>3</sup>Rate reductions enacted beginning in calendar year 1994.

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

## Statutory Responsibilities

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

Tax    N.J.S.A. Citation                      Tax    N.J.S.A. Citation

<p>Alcoholic Beverage Tax .....54:41-1 <i>et seq.</i></p> <p>Atlantic City Casino Parking Fee .....5:12-173.1 to 173.5</p> <p>Atlantic City Luxury Sales Tax..... 40:48-8-15 <i>et seq.</i> 54:32B-24.1 <i>et seq.</i></p> <p>Atlantic City Tourism Promotional Fee .....40:48-8.45 <i>et seq.</i></p> <p>Cape May County Tourism Sales Tax .....40:54D-1 to 10</p> <p>Cigarette Tax .....54:40A-1 <i>et seq.</i> 56:7-18 <i>et seq.</i></p> <p>Corporation Business (Net Income and Net Worth) Tax.....54:10A-1 <i>et seq.</i></p> <p style="padding-left: 20px;">CBT Banking Corporation ....54:10A-1 <i>et seq.</i></p> <p style="padding-left: 20px;">CBT Financial Corporation...54:10A-1 <i>et seq.</i></p> <p>Corporation Income Tax ..... 54:10E-1 <i>et seq.</i></p> <p>Gross Income Tax .....54A:1-1 <i>et seq.</i></p> <p>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></p> <p>Landfill Closure And Contingency Tax..... 13:1E-100 <i>et seq.</i></p> <p>Litter Control Tax..... 13:1E-92 <i>et seq.</i></p> <p>Local Property Tax .....54:4-1 <i>et seq.</i></p>	<p>Motor Fuels Tax .....54:39-1 <i>et seq.</i></p> <p>Petroleum Products Gross Receipts Tax.....54:15B-1 <i>et seq.</i></p> <p>Public Community Water System Tax .....58:12A-1 <i>et seq.</i></p> <p>Public Utility Taxes: Public Utility Excise Taxes .54:30A-49 <i>et seq.</i> Railroad Franchise Tax .....54:29A-1 <i>et seq.</i> Railroad Property Tax .....54:29A-1 <i>et seq.</i></p> <p>Realty Transfer Fee .....46:15-5 <i>et seq.</i></p> <p>Resource Recovery Investment Tax..... 13:1E-1 <i>et seq.</i></p> <p>Sales and Use Tax ..... 54:32B-1 <i>et seq.</i></p> <p>Savings Institution Tax.....54:10D-1 <i>et seq.</i></p> <p>Solid Waste Importation Tax ..... 13:1E-1 <i>et seq.</i></p> <p>Solid Waste Recycling Tax ..... 13:1E-92 <i>et seq.</i></p> <p>Solid Waste Services Tax..... 13:1E-1 <i>et seq.</i></p> <p>Spill Compensation And Control Tax .....58:10-23.11 <i>et seq.</i></p> <p>Tobacco Products Wholesale Sales and Use Tax .....54:40B-1 to 14</p> <p>Transfer Inheritance And Estate Taxes: Transfer Inheritance.....54:33-1 <i>et seq.</i> Estate .....54:38-1 <i>et seq.</i></p>
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## LEGISLATION

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### Cape May County Tourism Sales Tax

**P.L. 1997, c. 273 — Funding for Convention Center and Other Projects in Tourism District**

(Signed into law on December 24, 1997) Permits State funding for the construction of a convention center facility in the Cape May County Tourism Improvement and Development District under certain conditions, and authorizes the New Jersey Sports and Exposition Authority to undertake certain additional projects.

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### Corporation Business Tax

**P.L. 1997, c. 334 — Tax Benefit Transfer Program**

(Signed into law on January 12, 1998) Directs the New Jersey Economic Development Authority to establish a corporation business tax benefit certificate transfer program to allow certain emerging technology and biotechnology companies with unused research and development tax credits and unused net operating loss carryovers to surrender those tax benefits for use by other corporate business taxpayers in the State. The measure applies to tax years beginning on or after January 1, 1999.

**P.L. 1997, c. 349 — Small New Jersey-based High-Technology Business Investment Tax Credit Act**

(Signed into law on January 15, 1998) Authorizes a credit under the Corporation Business Tax Act for investments in small, New Jersey-based high-technology businesses that conduct research here. The tax credit would be equal to 10% of the investment up to a maximum allowed credit of \$500,000 for the tax year for each qualified investment made by the taxpayer. An unused credit may be carried forward for use in future years, subject to a \$500,000 per year limitation. The measure applies to qualified investments made during each of the three tax years beginning on or after January 1, 1999.

**P.L. 1997, c. 350 — Extended Net Operating Loss Deduction Carryforward Period**

(Signed into law on January 15, 1998) Provides for a 15 year net operating loss deduction carryforward under the corporation business tax for certain high-technology companies. The Act applies to net operating losses which occur during privilege periods which begin on or after July 1, 1998, but no later than June 30, 2001.

**P.L. 1997, c. 351 — Extended Carryforward of Research and Development Tax Credits**

(Signed into law on January 15, 1998) Provides for a 15 year carryforward of research and development tax credits for certain high-technology companies. The Act applies to qualified research expenses incurred and basic research payments made during privilege periods which begin on or after July 1, 1998, but no later than June 30, 2001.

**P.L. 1997, c. 413 — Exemption for Shipping and Aircraft Operation Income**

(Signed into law on January 19, 1998) Exempts from New Jersey corporation business tax the income derived from shipping and aircraft operations of those foreign national corporations whose home countries exempt such income of U.S. corporations. This legislation takes effect immediately.

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### Gross Income Tax

**P.L. 1997, c. 207 — Extension for Armed Forces Personnel in Qualified Hazardous Duty Area**

(Signed into law on August 14, 1997) Provides for an extension of time to file and pay gross income tax and certain other relief provisions for individuals in the Armed Forces who may be serving in an area which has been declared a “combat zone” by executive order of the President of the United States or a “qualified hazardous duty area” by Federal statute. This legislation is effective immediately and applies to taxable years beginning on or after January 1, 1996.

**P.L. 1997, c. 226 — Set-Off of Individual Liability for Debt Owed to Violent Crimes Compensation Board**

(Signed into law on August 25, 1997) Provides for the set-off against and collection from an individual’s State gross income tax refund and/or homestead property tax rebate of any debt the individual owes to the Violent Crimes Compensation Board for assessments or restitution ordered to be paid by the individual to the board for compensation of victims of crimes and their families. This legislation is effective immediately.

**P.L. 1997, c. 237 — New Jersey Better Educational Savings Trust Program Established**

(Signed into law on September 2, 1997) Establishes a college savings plan known as the New Jersey Better Savings Trust Program in the Higher Education Assistance Authority. The program will provide a mechanism to allow families to plan ahead for the costs associated with college attendance and to save funds to meet those future costs. The program will be administered by the

Office of Student Assistance. Earnings on and distributions from New Jersey Better Educational Savings Trust Program accounts are exempt from New Jersey gross income tax. This legislation is effective immediately.

**P.L. 1997, c. 409 — Military Pension Exclusion**

(Signed into law on January 19, 1998) Excludes from New Jersey gross income tax the United States military pensions and survivor's benefits of persons 62 years of age or older or disabled. This legislation applies to tax years beginning on or after January 1, 1998.

**P.L. 1997, c. 414 — Medical Savings Accounts**

(Signed into law on January 19, 1998) Establishes certain standards and provides certain tax exclusions and deductions for medical savings accounts which qualify under section 220 of the Internal Revenue Code of 1986, 26 U.S.C. § 220. This Act is effective for tax years beginning on or after January 1, 1998.

**P.L. 1998, c. 3 — Sale of Principal Residence**

(Signed into law on March 20, 1998) Conforms New Jersey law to Federal law with respect to the treatment of gains derived from the sale of a principal residence. Qualified taxpayers, regardless of age, can exclude gains of up to \$500,000 on joint returns and up to \$250,000 on single returns. The residence sold or exchanged must be owned and used by the taxpayer as his (and/or her) principal residence for periods totaling two or more years during the five-year period ending on the date of the sale or exchange. The Act applies to sales or exchanges of homes occurring after May 6, 1997.

**P.L. 1998, c. 57 — Roth IRAs**

(Signed into law on July 24, 1998) Amends and supplements N.J.S.A. 54A:5-1 to conform the New Jersey gross income tax treatment of Roth IRAs to the tax treatment such accounts receive for Federal purposes. The Act provides exclusions from New Jersey gross income tax for certain qualified distributions from Roth IRAs and allows four-year reporting of income on amounts withdrawn from a traditional IRA and converted to a Roth IRA before 1999. This legislation applies to tax years beginning after December 31, 1997.

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## Local Property Tax

**P.L. 1997, c. 348 — Homestead Property Tax Reimbursement for Certain Seniors and Disabled**

(Signed into law on January 14, 1998) Provides for a homestead property tax reimbursement to certain homeowners and certain owners of manufactured or mobile homes. To qualify, the homeowner must be 65 or more

years of age or receiving Federal Social Security disability benefits and have an annual income of less than \$17,918, if single, or a combined income of less than \$21,970 if married. Income eligibility limits will increase annually by the amount of the maximum Social Security benefit cost of living increase for single and married persons, respectively.

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## Miscellaneous

**P.L. 1997, c. 204 — Uniform Enforcement of Foreign Judgments Act**

(Signed into law on August 14, 1997) Provides for the filing of foreign judgments with the Clerk of the Superior Court of New Jersey. Under this act, a foreign judgment means any judgment, decree, or order of a court of the United States or of any other court which is entitled to full faith and credit in this State. The clerk shall treat the foreign judgment in the same manner as a judgment of the Superior Court of New Jersey. This legislation is effective immediately.

**P.L. 1997, c. 245 — Trust Powers of Certain Not-for-Profit Corporations**

(Signed into law on September 9, 1997) Amends a provision of the Banking Act of 1948 administered by the Department of Banking and Insurance. It allows qualified non-profit corporations to perform certain functions presently reserved to banks. In particular, the bill allows educational institutions to act as trustee of funds in which the institutions have an interest. Subsection (d) provides that qualified corporations and qualified educational institutions shall be subject to any regulations adopted by the Commissioner of Banking and Insurance and subject to examination by the Department of Banking and Insurance to ensure compliance with those regulations. This legislation is effective immediately but the amendments to subsection (d) remain inoperative until 180 days after enactment.

**P.L. 1997, c. 278 — Brownfield and Contaminated Site Remediation Act**

(Signed into law on January 6, 1998) Makes various changes in the law in order to facilitate the remediation of contaminated real property. The Act provides for the reimbursement of up to 75% of the cost of remediation to certified developers and stipulates the requirements for certification. A special fund, to be known as the Brownfield Site Reimbursement Fund, will be established and credited with an amount that equals the percent of remediation costs expected to be reimbursed. A special account

within the fund will be created for each qualified developer.

The legislation also amends the property tax provisions in the Environmental Opportunity Zone Act, P.L. 1995, c. 413, to require that the governing body of a municipality shall, by ordinance, provide for exemptions of real property taxes for environmental opportunity zones if the municipality participates in the program and allows the property tax exemption to be extended to fifteen years, at the option of the municipality, if the qualified property is to be remediated with a limited restricted use remedial action or an unrestricted use remedial action. The property tax exemption will end if the difference between the real property taxes otherwise due and payments made in lieu of those taxes equals the total remediation cost for the qualified real property.

**P.L. 1998, c. 33 — Business Employment Incentive Program (Amendment)**

(Signed into law on June 30, 1998) Enhances the availability of program grants for certain partnerships and limited liability companies by permitting grants authorized under the program to be determined based upon the withholding or estimated tax payments (or any combination thereof) of partners and members of limited liability companies as well as upon the withholdings of employees. This legislation is effective upon enactment.

**P.L. 1998, c. 39 — Sale of State Tax Indebtedness**

(Signed into law on June 30, 1998) Authorizes the New Jersey State Treasurer to sell all rights, title and interest in any State tax indebtedness and lien represented by a certificate of debt, provided that the underlying indebtedness is fixed, has been finally determined by the Division of Taxation, and is no longer subject to protest or appeal, unless the taxpayer can demonstrate by clear and convincing evidence that the contrary is true. This legislation is effective upon enactment.

**P.L. 1998, c. 49 — Veterans' Tax Deduction**

(Signed into law on July 4, 1998) Extends certain benefits, including the annual \$50 veterans' deduction, to certain participants in Operation "Restore Hope" (Somalia) or Operations "Joint Endeavor" and "Joint Guard" (Bosnia and Herzegovina). This legislation is effective upon enactment.

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## Public Utility Taxes

**P.L. 1997, c. 162 — Gross Receipts, Franchise Tax Eliminated for Gas, Electric and Telecommunications Utilities**

(Signed into law on July 14, 1997) Revises taxation of gas, electric and telecommunications public utilities and sales of electricity, natural gas and energy transportation service in order to preserve certain revenues under transitions to more competitive markets in energy and telecommunications.

Effective for 1998, the new law eliminates the gross receipts and franchise taxes as collected by electric, gas and telecommunications utilities. Instead, these utilities will be subject to the State's corporation business tax. The State's existing sales and use tax will be applied to most retail sales of electricity and natural gas. A transitional energy facility assessment will be applied on electric and gas utilities. This assessment will be phased out over five years.

**P.L. 1997, c. 167 — Funds Guaranteed to Municipalities**

(Signed into law on July 22, 1997) Establishes the "Energy Tax Receipts Property Tax Relief Fund." It replaces the method of distributing certain funds guaranteed to municipalities from the State's taxation of energy and telecommunications. This new law increases the amount of municipal aid from the current guaranteed amount of \$685 million to \$740 million in 1998, \$745 million in 1999, \$750 million in 2000 and 2001, and \$755 million in 2002 and each fiscal year thereafter.

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## Sales and Use Tax

**P.L. 1997, c. 293 — Exemption for Property Used on Farms**

(Signed into law on January 8, 1998) Exempts from sales and use tax receipts from the sale of tangible personal property used directly and primarily in the production for sale of tangible personal property on farms. Automobiles and property incorporated into a building or structure do not qualify for the exemption. This legislation takes effect immediately.

**P.L. 1997, c. 333 — Exemption for Certain Imprinting Services**

(Signed into law on January 12, 1998) Exempts from sales tax receipts from imprinting services performed on machinery, apparatus or equipment for use or consumption directly and primarily in the production of tangible

personal property for sale by manufacturing, processing, assembling or refining and exempt from taxation pursuant to subsection a. of section 25 of P.L. 1980, c. 105 (C.54:32B-8.13). This legislation takes effect immediately but remains inoperative until the first day of the second month following enactment.

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## Tobacco Taxes

### **P.L. 1997, c. 264 — Rate Increases**

(Signed into law on December 19, 1997) Increases the cigarette tax from \$0.02 to \$0.04 per cigarette and increases the tobacco products wholesale sales and use tax from 24% to 48% effective January 1, 1998.

### **P.L. 1997, c. 373 — Cigarette Tax Licensing Requirements for Retail Drugstore Chains**

(Signed into law on January 19, 1998) Exempts officers and employees of drugstores and pharmacies engaged in the retail sale of prescription drugs and patent medicines from the fingerprinting requirements of the cigarette tax licensing provisions. This legislation is effective immediately.

## COURT DECISIONS

### Corporation Business Tax

#### Offset of Overpayment Against Deficiencies of Merged Corporation

*Sea Land Service, Inc. v. Director, Division of Taxation*, decided March 3, 1998; Superior Court, Appellate Division; No. A1565-96T3. The Appellate Division affirmed the Tax Court's summary judgment ruling in favor of the Director, Division of Taxation. Essentially, the Tax Court held that the surviving corporation's wholly owned subsidiary's and parent's pre-merger corporate business tax (CBT) deficiencies could not be offset against the surviving corporation's pre-merger CBT overpayments.

#### Offset of Overpayment Against Deficiencies of Merged Corporation

*Sea Land Service, Inc. v. Director, Division of Taxation*, decided May 20, 1998; Supreme Court of New Jersey; No. C-1066 September Term 1997. The Supreme Court denied petitioner's, Sea Land Service Incorporated, petition for certification. Previously, the Appellate Division had affirmed the Tax Court's holding that the surviving corporation's wholly owned subsidiary's and parent's pre-merger Corporation Business Tax (CBT) deficiencies could not be offset against the surviving corporation's pre-merger CBT overpayments.

### Gross Income Tax

#### Insurance Proceeds From Involuntary Conversion of Property

*Tischler v. Director, Division of Taxation*, decided January 20, 1998; Tax Court; No. 000616-97. In a case of first impression, the Tax Court held that involuntary conversion of property is a disposition of property under N.J.S.A. 54A:5-1(c) and therefore gain is recognized (to the extent that the proceeds exceed the property's adjusted basis) in the tax year the non-reinvested insurance proceeds are received. The Court also ruled that the doctrine of equitable estoppel does not bar the Division from imposing a tax, after the tax was previously paid and erroneously refunded, where Division employees provided incorrect advice as to taxability. Finally, the Court held that taxpayer must receive the Division's erroneous written advice prior to acting on that position in order to be relieved of paying interest on those tax liabilities attributable to that erroneous advice.

#### Credit for Taxes Paid to Other Jurisdiction – Taxes Paid by Non-New Jersey S Corporation

*Sutkowski v. Director, Division of Taxation*, decided June 15, 1998; Superior Court, Appellate Division; No. A-3725-96T3. The NJ Gross Income Tax Act provides New Jersey (NJ) residents with a credit for income taxes paid to other states. The formula for calculating the credit is expressed as a fraction:

$$\text{Tax Credit} = \frac{\text{New Jersey Income Subject to Tax by Another State}}{\text{Entire New Jersey Income}}$$

The NJ resident taxpayer owned a New York (NY) S corporation which made actual cash distributions to taxpayer in 1991. In 1991, NJ did not recognize S corporation status. Therefore, only the actual distributions of S corporations were considered dividend income to NJ taxpayers for GIT purposes. The taxpayer did not contest that the entire dividend income was included in the denominator "Entire NJ income." At dispute was whether the NJ taxpayer could claim any of these dividends in the numerator as "NJ income subject to tax by another state" which would result in a tax credit.

The Tax Court held that the taxpayer's NJ dividend income did not qualify as income taxed by NY because the corporation's income and the taxpayer's dividend did not result from the same taxable event. Therefore, the Tax Court ruled that the NJ taxpayer was not entitled to any credit. However, on appeal, the Appellate Division reversed. The Appellate Division held that where the same money is taxed by another state and in NJ for the same tax year, the Legislature intended that the NJ taxpayer receive a credit for taxes paid to the other state.

First, the Appellate Division ruled that NJ dividend income was the same income taxed by NY. The court found that the legislative history enacting the resident credit was concerned only with whether tax was paid on the income and was not focused on either the taxable event or the label placed on the income. Therefore, although the taxpayer's income was labeled dividends, it was derived from the S corporation's income which was taxed in NY and that event thereby entitled the taxpayer to include the dividend in the numerator as "NJ income subject to tax by another state." The court noted that this problem will not recur for tax years commencing after July 7, 1993 because NJ legislation was enacted which recognized the S corporate entity.

Next, the Appellate Division needed to decide how much of the 1991 dividend income was the same 1991 income taxed in NY because the NJ resident credit is only appli-

cable to out-of-State taxes paid in the same tax year. The court found that there was no statute or regulation governing this issue. Therefore, the court ruled that the proper way to determine the source year of the 1991 dividend distribution is to first look to current earnings and profits and then any excess dividends would be attributed to accumulated earnings and profits. The court reasoned that this method most clearly resembles the legislative intent behind the resident credit of avoiding double taxation.

## Local Property Tax

### “Officiating Clergyman” Exemption Denied

*Friends of Ahi Ezer Congregation, Inc., Plaintiff v. City of Long Branch, Defendant*, decided June 19, 1997, Tax Court of New Jersey, Docket No. 007501-95. In this local property tax complaint, the key question addressed by the N.J. Tax Court was what was meant by “officiating clergymen” relative to the parsonage exemption available under N.J.S.A. 54:4-3.6. The pertinent statute requires that the buildings, not exceeding two, be occupied as a parsonage by the officiating clergymen of any religious corporation of this State.

*St. Matthew’s Lutheran Church for the Deaf v. Division of Tax Appeals*, 18 N.J. Super. at 558 (1952), previously defined “officiating clergyman” as “a settled or incumbent pastor or minister, that is, a pastor installed over a parish, church or congregation.” The American Heritage Dictionary, Second College Edition defines “officiating” as “1. to perform the duties and functions of an office or position of authority. 2. to serve as a priest or minister at a religious service.”

In this decision, the Tax Court considered the extent of the clergyman’s activities as the guiding criterion. Three Saturday mornings per month Rabbi Maslaton conducted the Bible (Torah) reading portion of the religious service at Ohel Simha synagogue, requiring about 15 hours preparation time per week. He also taught religious classes at the synagogue and at his home, the disputed property. In addition, every Friday afternoon he held religious services at an affiliated nonexempt nursing home and oversaw the maintenance of their “Kosher kitchen.”

The Court, in its analysis, compared the position and functions of an ordained deacon with the deacon’s administrator and pastor for the congregation in *Shrine of Our Lady of Fatima v. Mantua Twp.*, 12 N.J. Tax 392 (1992). Since the “vast bulk” of the congregation’s religious services were performed by the pastor/administrator, the deacon was not deemed the officiating clergyman and his

residence was not exempt. In *Goodwill Home and Missions, Inc. v. Garwood Borough*, 281 N.J. Super. 596 (1995), an administrative director who “took on the direct supervisory responsibility of pastor rather than having somebody...helping me with it” was ruled an officiating clergyman whose dwelling did qualify as a parsonage.

In summary, the Court concluded that although Rabbi Maslaton contributed to the synagogue on a regular basis and Rabbi Choueka relied heavily on his assistance, he was not an officiating clergyman.

Testimony given by Rabbi Choueka, the synagogue’s rabbi of 15 years, indicated that he, himself, was the only officiating rabbi. Choueka’s duties included conducting services, giving sermons, teaching, counseling, etc. By contrast, many of Rabbi Maslaton’s duties could also be performed by volunteer lay congregants and Bar Mitzvah students. Maslaton had no direct responsibility for religious services—did not preside over the service nor present the sermon; had no decision making role in synagogue nor counseling functions; and did not officiate at funerals or weddings. He was not the pulpit rabbi. Neither could parsonage exemption be derived from Rabbi Maslaton’s duties at the nursing home. The nursing home was not a place of public worship as a church or synagogue, nor was it a nonprofit tax exempt entity. Therefore, Monmouth County Tax Board’s assessing of the residence was sustained. However, the 1995 value at \$191,600 having been alternately contested was scheduled for further hearing.

### Eligibility for Assessment as Farmland Denied

*James I. Wyer, Plaintiff, v. Middletown Township, Defendant*. Tax Court of New Jersey, Decided June 19, 1997, Docket Nos. 008699-95 & 006272-96. At issue before the New Jersey Tax Court was whether a wooded land parcel of 6.33 acres, known as Lot 1, having nectar producing trees and planted with clover was actively devoted to the cultivation of bees and sale of apiary products, a qualifying agricultural use under the Farmland Assessment Act of 1964, N.J.S.A. 54:4-23.1 et seq., and as such, eligible for the reduced assessment for tax years 1995 and 1996.

Although Lot 1 had no beehives the taxpayer contended the trees’ existence and planted clover was sufficient farm activity. An adjacent farm-qualified lot had ten hives which were actively devoted since 1993. Taxpayer’s professional beekeeper testified as to clover’s importance for pollination and the trees for nectar sources. According to the keeper, bees forage at the closest nectar source within one-half mile of the hive and the disputed Lot 1 was only a short distance away. However, Lot 1 was not a primary

nectar source; the keeper indicated that other closer adjacent lots had the same nectar sources as Lot 1 and that open meadow was preferable to woodland. The bees were just as likely to forage the other lots and the surrounding countryside.

The Tax Court ruled the taxpayer failed to show proof that he had planted or maintained the trees, that the bees needed Lot 1's quality or quantity of clover, what amount of land was necessary to support honey production of off-site bees, that the amount of honey produced would decrease if Lot 1 had no clover or that there was any bee activity on Lot 1. Because clover was not planted until 1994 and no activity was substantiated for 1993, the two successive years active devotion requirement for 1995 farm assessment was not satisfied. Also planting clover was insufficient for farm qualification for 1996.

The Court also ruled that Lot 1 did not qualify as appurtenant woodland. Taxpayer did not prove that Lot 1 was legally and functionally part of apiary use or reasonably necessary for maintenance of the beehives and honey production. Parcels were separate tax line items with distinct physical characteristics and unintegrated purposes. Lot 1 was not marginal, untillable land area with no independent productive use but rather was capable of its own agricultural productivity. Trees and clover could have been cut and sold for firewood or hay component forage crops respectively. The judgments of the County Tax Board were affirmed.

#### **Real Estate Exemption Denied**

*City of Newark v. Block 322, Lots 38 & 40, etc. Apostolic Church of Deliverance*, N.J. Tax Court on remand from N.J. Superior Court, Appellate Division; decided, December 1, 1997. At the time of this Tax Court hearing, the Apostolic Church of Deliverance had been foreclosed for deficient tax payments and was challenging its taxable status under N.J.S.A. 54:4-3.6, which provides a real estate tax exemption for qualified nonprofit religious, charitable and educational entities.

Tax Court testimony indicated that the Church's activities between 1987-1993 were appropriate exempt uses in accordance with statute, i.e., prayer meetings and daily services, Bible classes, Sunday school, day-care, occasional church dinners, etc.

In a previous hearing in the Superior Court, it was determined that the Church was ineligible for property tax exempt standing because it had never obtained a necessary Certificate of Occupancy. But on appeal the Appellate Division held, "[t]he lack of a certificate of occupancy is

not a bright line rule requiring denial of a tax exemption...." Although in violation of the city housing code, tax exemption might prevail, where otherwise qualified, if the city did not order the use to desist. (See also *Corbacho v. Mayor and Council of Newark*, 16 N.J. Tax 240 (App. Div. 1997).)

While the Tax Court concurred that the Church's failure to timely apply for exemption in accordance with N.J.S.A. 54:4-4.4 did not defeat exempt status, it rejected the Church's contention that Newark City Council had agreed, pursuant to N.J.S.A. 54:4-3.6c, to refund three years of taxes paid and was, therefore, bound as if by contract to make reimbursement. The Court ruled that a retroactive refund where timely application was not filed was not mandatory.

However, the Church's failure to appeal the pre-1993 assessments or further appeal the County Tax Board's upholding of the 1993 assessment to the Tax Court in a timely manner was fatal to the claim of exemption, even though its ownership, use and organization conformed with 54:4-3.6 exemption prerequisites. The Tax Court also stated that to void the assessments would create an unlimited statute of limitations, violate the concept that tax appeal deadlines are strictly enforced and allow a "collateral attack" in foreclosure proceedings already resolved in bankruptcy court.

In affirming the assessments, the Court reiterated the importance of meeting statutory appeal deadlines in tax matters. It noted if the taxpayer had timely appealed, it would have enjoyed tax exemption, would not have been tax delinquent and would have been invulnerable to tax foreclosure.

#### **Former Parish Properties Eligible for Partial Exemption**

*Roman Catholic Archdiocese of Newark v. City of East Orange*, decided May 27, 1998; Tax Court of New Jersey. A decades old real estate tax exemption of two church parishes under N.J.S.A. 54:4-3.6, as properties actually and exclusively used for religious purposes or worship, was challenged when, due to declining attendance and deteriorating facilities, the parishes were dissolved and ownership reverted to the Archdiocese. During the disputed years 1994-1996 the properties were used for storing church records and artifacts, deanery meetings, a gymnasium for Catholic youth teams, a rectory for a retired clergyman, daily and weekly Mass, and classrooms rented to the city's Board of Education. Usually no more than two persons, the pastor and church security guard, attended Mass, and the meetings and sporting events were

occasional. The municipality revoked the exemption contending the quantum of religious use to be insufficient. The Archdiocese countered that court examination would violate the church's U.S. and State Constitutional protections of religious freedom.

The N.J. Tax Court addressed the following religious use issues in deciding exemption status:

1. May a court inquire into the nature of religious use of otherwise qualified property;
2. Must a religious use be of a certain amount or level to attain exemption;
3. Is storage of church property and religious artifacts a religious use;
4. Is the required exclusivity of religious use invalidated by leasing a portion of the property to the Board of Education.

In its review of U.S. and N.J. law, the State Tax Court found that Constitutional protections are not absolute; inquiries into the purposes and activities of religious organizations have been approved by the Federal Courts and mandated by N.J.S.A. 54:4-3.6's actual and exclusive use condition for property tax exemption.

However, New York, Colorado and Utah Supreme Courts have examined minimum religious use criteria and rejected them, while the Michigan Court of Appeals in 1968 adopted and then in 1977 reversed a quantum of use test. The lone exception was the Vermont Supreme Court which by split decision upheld a quantum use test for an educational organization. Vermont has not applied the test to a religious entity. N.J. courts have ruled that a tax exempt religious organization's complete nonuse of a property will not sustain exemption, even where future exempt use is anticipated. Although our courts have indirectly dealt with use issues in relation to parsonages, they have not suggested a quantum, regularity or consistency of religious activity as prerequisite for exemption of religious purpose entities. N.J.S.A. 54:4-3.6 only requires actual and exclusive use and does not impose a de minimis test on entitlement to religious purpose or worship exemptions. Once occupied and utilized for appropriate exempt use, even if minimal, exemption is not denied.

Concerning storage, both New York and Alaska have exempted religious entities where part of the property was used for storage. Warehousing has been affirmed as an exempt use with respect to historic sites by our State Supreme Court. But until this Tax Court's review of storage as a qualifying religious use it had only been alluded to in

prior case law by way of property description. As determined by this Court, if documents and artifacts warehoused at church facilities are of a religious nature or relate to church operations, use is consistent with exemption.

Finally, regarding the Archdiocese's rented classrooms — by itself, property owned and used by the Board of Education for classrooms is exempt from taxation. N.J.S.A. 54:4-3.6 also permits partial exemption for educational, hospital, and moral and improvement purpose properties where a portion of the property is used by a taxable entity for taxable purposes. Further, the courts have decided that the leasing of an exempt educational property by an exempt educational organization to another exempt educational organization for an educational use does not defeat exemption. Nevertheless, under 54:4-3.6 properties of religious and charitable organizations, if not exclusively used for those purposes, lose their entire exemption. This position reflects the two different exemption provisions of the statute. In the 1977 case *Boys' Club of Clifton v. Jefferson Twp.*, the N.J. Supreme Court declared that "occupancy [of a property owned by a charitable or religious organization] by an organization other than a charitable or religious one, such as an educational institution, would destroy the tax exempt status." Thus, if a religious organization leases property to an otherwise exempt organization which is not religious or charitable it loses exempt standing. For religious and charitable entities the exclusive use test has not been modified and the stricter requirement still applies. Accordingly, the former parish properties were exempt from taxation as actually and exclusively used for religious purposes except for that parcel and for that period it was leased to the Board of Education.

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## Sales and Use Tax

### Sale for Resale

*Boardwalk Regency Corp. t/a Caesar's Atlantic City Hotel and Casino v. Director, Division of Taxation*, decided January 21, 1998; Tax Court; No. 006294-96. Providing patrons with complimentary beverages is not legally sufficient consideration that would allow the purchase of the beverages to be exempt under the sale-for-resale exemption. Furthermore, per statute the Director is prohibited from entering into closing agreements that are either disadvantageous to the State or where there is no definite ending period.

The parties stipulated to the following facts: (1) Plaintiff (BRC) purchased nonalcoholic carbonated beverages free

of sales tax by issuing ST-3 resale certificates to various suppliers, which certified that BRC was purchasing the products for resale; (2) a portion of these purchases were provided to patrons for no monetary consideration and neither sales nor use tax was paid on these transactions; (3) prior to the assessment the Director entered into three closing agreements with BRC, in accordance with N.J.S.A. 54:53-1, the second of which provided that “[no] sales or use tax will be imposed on the provision of complimentary meals or complimentary liquor effective January 1, 1986;” and (4) that non-alcoholic beverages were included within the term “complimentary meals.”

The Division assessment taxed the purchase price of non-alcoholic carbonated beverages provided to patrons at no charge. BRC contested and advanced two theories for nontaxability. First, it claimed that these purchases qualified as “sales for resale” and that although it received consideration (inducement for patrons to gamble), the consideration is non-monetary and therefore not subject to tax. Secondly, BRC claimed that the closing agreement prohibits the assessment.

The Court found that the resale exemption provision provides that where purchased property is intended to be resold, the initial purchase is exempt from tax and the property’s subsequent resale is subject to tax based upon the amount of consideration. However, if the purchaser does not carry through with its intention to resell the items purchased under the sale-for-resale exemption, the exemption disappears and the compensating use tax provision becomes operative to tax the purchase.

In addressing the sale-for-resale issue, the Court first determined that the transfer of beverages to patrons at no charge to induce them to gamble did not constitute consideration. Resorting to consideration’s common-law definition, the Court determined that consideration did not exist because if a patron was denied a drink, the patron would have no enforceable rights against BRC. Therefore, the Court held that there was no resale and that BRC owed use tax on the purchase price of beverages that were not resold because it became the end user of the beverages.

Turning to the agreements between BRC and the Director, the Court found that the language of the agreement concerning the issue at hand only applied to transactions between BRC and its patrons not the transactions between BRC and its suppliers. Furthermore, the Court found N.J.S.A. 54:53-1 allows the Director only to enter into closing agreements concerning tax liabilities where there is a definite ending period and where the State will not be disadvantaged. Therefore, the Court ruled that even if the Director intended to release BRC from tax liability on the

purchase transaction between it and its suppliers that the Director would have exceeded his powers and the agreement would be void because the agreement does not provide for an ending period and the elimination of this tax liability can not be construed to be advantageous to the State.

*Trump Plaza Associates t/a Trump Plaza Hotel and Casino v. Director, Division of Taxation*, decided January 21, 1998; Tax Court; No. 007936-96. The facts are the same as those in the case of *Boardwalk Regency Corp.* except that these consolidated cases also involve complimentary alcohol drinks. Under the holding and reasoning in *Boardwalk Regency Corp.*, the Court held that purchases of alcohol did not qualify for the sale-for-resale exemption where the casino provided complimentary alcoholic beverages to its customers. Consequently, use tax was due on the purchase price.

*Adamar of New Jersey t/a Tropworld Casino & Entertainment Resort v. Director, Division of Taxation*, decided October 1, 1997; Tax Court; No. 005059-96. In consolidated cases, plaintiffs (hotels) sought refunds under the sale-for-resale exemption on sales tax it paid relating to purchases of various hotel amenities it provided to its customers including writing pads, stationery, postcards, pens, matches, sewing kits, shoeshine cloths or pads, soap, shampoo, conditioner, shower caps, lotion, shower gel and mouthwash.

In this case of first impression, the Court held that the amenities were not sold to guests and therefore did not qualify for the resale exemption because (1) the amenities were not sold “as such” as they are “inseparably connected” to the services provided by the hotel; and (2) they were not sold as “a component part of a product produced for sale” as the amenities are not incorporated into the room and the room is not a product produced for sale. Furthermore, the Court found that the tax imposed on the rental of hotel rooms is a tax on the rental of the rooms not the resale of amenities. The reasoning underlying this decision is that the “true object” concerning a room rental is not the acquisition of amenities but the use of the room.

#### **Taxability of Sweeping Service**

*D.P.S. Acquisitions Corp., v. Director, Division of Taxation*, decided March 3, 1998; Superior Court, Appellate Division; No. A004429-96T1. The Appellate Division affirmed the Tax Court’s holding that the operation of sweeper-type vehicles suctioning parking lot debris into the vehicle, which is later emptied into dumpsters located

on the parking lot, is not exempt from sales and use tax under the garbage removal exemption.

### **Lease Receipts – Repair and Maintenance Costs Included Therein**

*Modern Handling Equipment of New Jersey, Inc. v. Director, Division of Taxation*, decided April 6, 1998; Tax Court; No. 000151-97. Modern Handling Equipment (MHE) is engaged in the business of leasing equipment for commercial purposes. In accordance with the 1989 amendments to the Sales and Use Tax Act, N.J.S.A. 54:32B-2(bb), MHE elected to remit sales tax based on the equipment's purchase price rather than the lessee's lease payments. MHE's leases required the lessee to pay a lump sum monthly fee for the equipment including "all replacement parts, additional repairs and accessories" over a term of years. Sales tax was not charged on any portion of the monthly payment.

In calculating the monthly lease payment, MHE based its charge upon the equipment's purchase price, freight, interest, profit element, and the projected repair and maintenance costs. Two sample leases revealed that the repair and maintenance cost component constituted between 35% and 48% of the total monthly fee. Furthermore, MHE neither assessed additional charges where it underestimated actual repair and maintenance costs nor did it refund overestimated costs.

Although the Division determined that MHE properly paid sales tax on its equipment purchases, the Division assessed sales tax on the projected repair and maintenance portion of MHE's monthly lease receipts. MHE appealed. The Tax Court ruled that the equipment lease component and the repair and maintenance service component of the transaction are not divisible in this lease situation and therefore the repair and maintenance portion is not subject to sales tax. The Court's analysis focused on the 1989 amendments which designated the lessor (MHE) as the

sole statutory user as well as the fact there was no separate agreement for the repair and maintenance portion. Therefore, the Court reasoned that MHE was entitled to protect its investment by maintaining its equipment without additional sales tax liability.

It should be noted that the court stated that its decision might be different if (1) the lessor offered unmaintained equipment, (2) repair and maintenance contracts were separate from the lease agreement, (3) MHE billed its customers for service calls, or (4) MHE had the right to charge customers for the excess of actual repair and maintenance expenses over the projected expenses.

### **Guard Dog Security Services**

*Aportela Command Dogs, Inc. v. Director, Division of Taxation*, decided April 24, 1998; Tax Court; No. 0003489-1997. Plaintiff is engaged in the business of providing guard dog security services per written monthly rental agreements to various clients for the protection of their property. Typically, dogs were brought to the customer site at the end of the business day on a daily basis by their handlers and were removed before the commencement of business on the next day. On weekends and holidays, the dogs were left and the handlers visited them for purposes of feeding and cleaning up. In other situations, the dogs were kenneled on the clients' property and were released at the end of and caged at the beginning of the business day.

In a motion for summary judgment, the court held that monthly receipts attributable to these guard dogs services were not subject to sales tax because the real object of the agreement was the security of the customers' premises. In reaching its decision, the court reasoned that the purchase price of the dogs was minor when compared to the contract receipts and that the corporation incurred greater expenses in preparing the dogs for guard duty via their training, maintenance, and the handlers who dealt with the dogs.

## 1997 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.	1.250	1.143
Absecon City	3.013	2.953	Fair Lawn Borough	2.550	2.369
Atlantic City	2.949	2.889	Fairview Borough	3.040	3.060
Brigantine City	2.745	2.576	Fort Lee Borough	2.440	2.549
Buena Borough	2.799	2.549	Franklin Lakes Borough	1.630	1.553
Buena Vista Township	2.373	2.044	Garfield City	2.630	2.831
Corbin City	3.561	2.877	Glen Rock Borough	2.620	2.462
Egg Harbor City	4.169	3.646	Hackensack City	3.680	3.612
Egg Harbor Township	2.237	2.109	Harrington Park Borough	2.830	2.310
Estell Manor City	2.143	2.000	Hasbrouck Heights Bor.	2.480	2.419
Folsom Borough	2.571	2.128	Haworth Borough	2.480	2.378
Galloway Township	2.641	2.517	Hillsdale Borough	2.410	2.170
Hamilton Township	2.866	2.684	Hohokus Borough	2.040	1.682
Hammonton Town	2.524	2.452	Leonia Borough	3.220	2.662
Linwood City	2.862	2.886	Little Ferry Borough	2.700	2.991
Longport Borough	1.228	1.268	Lodi Borough	3.220	2.871
Margate City	1.864	1.938	Lyndhurst Township	2.330	2.593
Mullica Township	2.600	2.507	Mahwah Township	1.850	1.542
Northfield City	2.993	3.083	Maywood Borough	2.850	2.433
Pleasantville City	3.287	3.299	Midland Park Borough	2.630	2.323
Port Republic City	2.468	2.371	Montvale Borough	1.960	1.900
Somers Point City	3.597	2.793	Moonachie Borough	1.890	1.503
Ventnor City	2.441	2.512	New Milford Borough	2.490	2.579
Weymouth Township	1.976	1.911	North Arlington Borough	2.580	2.309
<b>Bergen</b>			Northvale Borough	2.890	2.711
Allendale Borough	2.390	2.137	Norwood Borough	2.450	2.141
Alpine Borough	0.930	0.950	Oakland Borough	2.640	2.568
Bergenfield Borough	3.460	3.301	Old Tappan Borough	1.910	1.786
Bogota Borough	3.520	3.101	Oradell Borough	2.480	2.161
Carlstadt Borough	1.840	1.639	Palisades Park Borough	2.770	2.536
Cliffside Park Borough	2.280	2.187	Paramus Borough	1.970	1.725
Closter Borough	2.700	1.901	Park Ridge Borough	2.070	1.998
Cresskill Borough	2.570	2.219	Ramsey Borough	2.620	2.351
Demarest Borough	2.330	2.187	Ridgefield Borough	1.860	1.970
Dumont Borough	2.790	2.885	Ridgefield Park Village	2.980	3.020
Elmwood Park Borough	2.270	2.089	Ridgewood Village	2.710	2.371
East Rutherford Borough	1.860	1.538	River Edge Borough	2.500	2.262
Edgewater Borough	2.500	2.076	Rivervale Township	2.270	2.220
Emerson Borough	3.330	2.408	Rochelle Park Township	2.330	2.049
Englewood City	2.970	2.845	Rockleigh Borough	0.980	0.695
			Rutherford Borough	2.730	2.712

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Bergen</b> (continued)			Southampton Township	2.237	2.065
Saddle Brook Township	2.120	1.992	Springfield Township	2.461	2.440
Saddle River Borough	0.880	0.889	Tabernacle Township	2.386	2.314
South Hackensack Twp.	2.390	2.038	Washington Township	2.010	1.937
Teaneck Township	3.140	3.118	Westampton Township	2.466	2.499
Tenafly Borough	2.580	2.349	Willingboro Township	3.106	2.977
Teterboro Borough	1.180	1.292	Woodland Township	2.128	1.946
Upper Saddle River Bor.	1.870	1.733	Wrightstown Borough	1.988	1.967
Waldwick Borough	2.820	2.498			
Wallington Borough	2.380	2.338	<b>Camden</b>		
Washington Township	2.230	2.076	Audubon Borough	3.260	3.014
Westwood Borough	2.610	2.136	Audubon Park Borough	5.880	5.822
Woodcliff Lake Borough	2.030	1.980	Barrington Borough	3.380	3.237
Wood Ridge Borough	2.700	2.336	Bellmawr Borough	3.270	3.148
Wyckoff Township	1.940	1.815	Berlin Borough	2.950	2.906
			Berlin Township	2.750	2.886
<b>Burlington</b>			Brooklawn Borough	3.260	3.336
Bass River Township	2.747	2.811	Camden City	4.620	3.884
Beverly City	3.088	2.986	Cherry Hill Township	2.960	2.680
Bordentown City	3.049	3.121	Chesilhurst Borough	2.570	2.793
Bordentown Township	2.915	2.891	Clementon Borough	3.410	3.526
Burlington City	2.285	2.459	Collingswood Borough	6.200	3.278
Burlington Township	2.547	2.360	Gibbsboro Borough	4.280	2.851
Chesterfield Township	2.160	2.183	Gloucester City	2.920	3.092
Cinnaminson Township	2.618	2.398	Gloucester Township	2.870	2.854
Delanco Township	2.688	2.458	Haddon Township	3.040	3.064
Delran Township	2.422	2.352	Haddonfield Borough	2.840	2.983
Eastampton Township	2.872	2.648	Haddon Heights Borough	3.010	3.190
Edgewater Park Township	2.813	2.632	Hi Nella Borough	3.520	3.646
Evesham Township	2.531	2.426	Laurel Springs Borough	3.380	3.458
Fieldsboro Borough	2.960	2.541	Lawnside Borough	8.440	3.960
Florence Township	2.903	2.832	Lindenwold Borough	3.660	3.521
Hainesport Township	2.360	2.281	Magnolia Borough	3.610	3.673
Lumberton Township	2.751	2.768	Merchantville Borough	3.270	3.326
Mansfield Township	2.182	2.258	Mount Ephraim Borough	3.260	3.299
Maple Shade Township	2.900	2.766	Oaklyn Borough	3.120	3.220
Medford Township	2.531	2.434	Pennsauken Township	2.710	3.107
Medford Lakes Borough	3.160	2.939	Pine Hill Borough	3.510	3.469
Moorestown Township	2.819	2.385	Pine Valley Borough	3.010	2.117
Mt. Holly Township	3.326	3.086	Runnemede Borough	3.070	3.082
Mt. Laurel Township	2.395	2.350	Somerdale Borough	3.510	3.381
New Hanover Township	1.902	1.921	Stratford Borough	3.020	3.049
North Hanover Township	1.910	1.907	Tavistock Borough	2.540	2.453
Palmyra Borough	2.888	2.825	Voorhees Township	3.820	2.899
Pemberton Borough	2.643	2.413	Waterford Township	2.990	3.107
Pemberton Township	2.518	2.576	Winslow Township	3.090	2.964
Riverside Township	2.549	2.461	Woodlynne Borough	5.430	3.742
Riverton Borough	3.146	2.849			
Shamong Township	2.236	2.234			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Cape May</b>			North Caldwell Township	5.160	2.229
Avalon Borough	0.960	0.960	Nutley Township	11.770	3.190
Cape May City	1.640	1.553	Orange City Township	27.150	4.376
Cape May Point Borough	0.920	0.926	Roseland Borough	7.370	2.409
Dennis Township	1.820	1.724	S. Orange Village Twp.	3.820	3.783
Lower Township	2.350	2.319	Verona Township	6.000	2.735
Middle Township	2.290	2.298	West Caldwell Township	2.880	2.753
North Wildwood City	2.300	2.387	West Orange Township	6.580	3.348
Ocean City	1.650	1.659			
Sea Isle City	1.540	1.435	<b>Gloucester</b>		
Stone Harbor Borough	1.210	1.012	Clayton Borough	2.630	2.637
Upper Township	1.460	1.431	Deptford Township	2.200	2.338
West Cape May Borough	1.980	1.776	East Greenwich Township	2.160	2.119
West Wildwood Borough	2.030	1.910	Elk Township	2.390	2.603
Wildwood City	2.890	3.033	Franklin Township	3.690	2.418
Wildwood Crest Borough	1.730	1.915	Glassboro Borough	2.940	2.887
Woodbine Borough	2.130	1.917	Greenwich Township	2.110	2.097
			Harrison Township	2.370	2.325
<b>Cumberland</b>			Logan Township	2.090	1.939
Bridgeton City	3.170	2.912	Mantua Township	2.640	2.573
Commercial Township	2.890	2.327	Monroe Township	2.680	2.598
Deerfield Township	2.750	2.386	National Park Borough	2.860	2.741
Downe Township	2.360	2.220	Newfield Borough	2.420	2.177
Fairfield Township	2.840	2.048	Paulsboro Borough	3.350	2.515
Greenwich Township	2.650	2.491	Pitman Borough	2.910	2.909
Hopewell Township	3.030	2.447	S. Harrison Township	2.080	2.048
Lawrence Township	2.570	2.528	Swedesboro Borough	2.420	2.159
Maurice River Township	2.330	2.477	Washington Township	2.510	2.416
Millville City	3.610	2.790	Wenonah Borough	2.670	2.697
Shiloh Borough	2.520	2.910	West Deptford Township	2.400	2.257
Stow Creek Township	2.700	2.223	Westville Borough	2.920	2.886
Upper Deerfield Twp.	2.090	2.285	Woodbury City	3.190	2.974
Vineland City	2.790	2.514	Woodbury Heights Bor.	3.390	2.734
			Woolwich Township	2.180	1.970
<b>Essex</b>			<b>Hudson</b>		
Belleville Township	12.310	3.693	Bayonne City	3.988	3.665
Bloomfield Township	3.660	3.479	East Newark Borough	5.843	3.102
Caldwell Borough Twp.	12.810	2.774	Guttenberg Town	3.380	3.147
Cedar Grove Township	7.740	2.183	Harrison Town	3.493	2.900
East Orange City	19.440	5.215	Hoboken City	3.094	2.938
Essex Fells Township	9.600	1.794	Jersey City	4.185	3.913
Fairfield Township	2.050	1.917	Kearny Town	5.202	3.300
Glen Ridge Township	9.250	3.751	North Bergen Township	3.558	3.936
Irvington Township	23.640	5.282	Secaucus Town	2.311	2.587
Livingston Township	9.490	2.534	Union City	3.723	4.222
Maplewood Township	8.990	3.596	Weehawken Township	2.599	2.851
Millburn Township	4.290	2.003			
Montclair Township	3.420	3.242			
Newark City	23.860	3.690			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Hudson</b> (continued)			Cranbury Township	3.050	2.181
West New York Town	4.375	4.120	Dunellen Borough	6.810	3.199
<b>Hunterdon</b>			East Brunswick Township	4.640	2.514
Alexandria Township	2.310	2.259	Edison Township	2.250	2.130
Bethlehem Township	2.170	2.151	Helmetta Borough	3.860	2.205
Bloomsbury Borough	2.330	2.313	Highland Park Borough	3.960	3.439
Califon Borough	2.650	2.378	Jamesburg Borough	2.880	2.939
Clinton Town	2.640	2.663	Metuchen Borough	2.720	2.602
Clinton Township	2.250	2.145	Middlesex Borough	4.320	2.685
Delaware Township	2.040	2.023	Milltown Borough	2.360	2.387
East Amwell Township	2.060	2.204	Monroe Township	2.170	1.850
Flemington Borough	2.730	2.670	New Brunswick City	3.270	3.269
Franklin Township	2.210	2.185	North Brunswick Twp.	4.890	2.625
Frenchtown Borough	2.620	2.644	Old Bridge Township	2.950	2.864
Glen Gardner Borough	2.700	2.835	Perth Amboy City	2.940	3.012
Hampton Borough	2.930	2.965	Piscataway Township	3.440	2.449
High Bridge Borough	2.780	2.740	Plainsboro Township	2.400	2.401
Holland Township	1.500	1.488	Sayreville Borough	2.420	2.215
Kingwood Township	2.010	2.103	South Amboy City	5.060	2.672
Lambertville City	2.310	2.201	South Brunswick Twp.	2.420	2.378
Lebanon Borough	2.310	2.275	South Plainfield Bor.	3.270	2.507
Lebanon Township	1.980	1.984	South River Borough	4.480	2.724
Milford Borough	2.490	2.167	Spotswood Borough	5.510	2.872
Raritan Township	2.550	2.481	Woodbridge Township	4.670	2.502
Readington Township	2.140	1.969	<b>Monmouth</b>		
Stockton Borough	2.140	2.069	Aberdeen Township	3.492	3.150
Tewksbury Township	1.930	1.934	Allenhurst Borough	1.752	1.523
Union Township	1.780	1.783	Allentown Borough	3.809	2.720
West Amwell Township	1.850	1.733	Asbury Park City	3.953	4.209
<b>Mercer</b>			Atlantic Highlands Bor.	2.887	2.684
East Windsor Township	3.160	2.983	Avon By The Sea Bor.	2.241	2.058
Ewing Township	2.810	2.676	Belmar Borough	2.756	2.621
Hamilton Township	8.880	2.680	Bradley Beach Borough	3.270	3.188
Hightstown Borough	3.580	3.456	Brielle Borough	1.929	1.995
Hopewell Borough	2.530	2.474	Colts Neck Township	1.790	1.675
Hopewell Township	2.350	2.378	Deal Borough	0.922	0.975
Lawrence Township	2.410	2.321	Eatontown Borough	2.612	2.386
Pennington Borough	2.600	2.456	Englishtown Borough	2.244	2.226
Princeton Borough	2.060	2.108	Fair Haven Borough	2.623	2.471
Princeton Township	1.920	1.953	Farmingdale Borough	2.782	2.599
Trenton City	3.550	3.427	Freehold Borough	2.941	2.830
Washington Township	2.500	2.420	Freehold Township	2.217	2.044
West Windsor Township	2.920	2.690	Hazlet Township	2.798	2.620
<b>Middlesex</b>			Highlands Borough	3.618	3.295
Carteret Borough	3.220	3.163	Holmdel Township	2.202	1.948
	<b>General</b>	<b>Effective</b>	Howell Township	2.275	2.256
			Interlaken Borough	1.829	1.713
				<b>General</b>	<b>Effective</b>

County	Tax Rate	Tax Rate	County	Tax Rate	Tax Rate
<b>Monmouth</b> (continued)			Long Hill Township	3.140	2.056
Keansburg Borough	3.138	3.646	Madison Borough	3.440	1.889
Keyport Borough	2.876	3.029	Mendham Borough	2.090	1.835
Little Silver Borough	2.588	2.465	Mendham Township	1.940	1.749
Loch Arbour Village	2.999	2.632	Mine Hill Township	2.630	2.551
Long Branch City	3.260	3.136	Montville Township	3.430	1.861
Manalapan Township	2.584	2.245	Morris Township	1.750	1.667
Manasquan Borough	2.223	2.135	Morris Plains Borough	4.320	2.010
Marlboro Township	2.591	2.189	Morristown Town	2.250	2.207
Matawan Borough	3.589	3.305	Mountain Lakes Borough	2.270	2.219
Middletown Township	2.592	2.475	Mt. Arlington Borough	2.690	2.511
Millstone Township	2.293	2.177	Mt. Olive Township	4.520	2.413
Monmouth Beach Bor.	2.287	2.078	Netcong Borough	2.690	2.845
Neptune Township	2.925	2.819	Parsippany-Troy Hills Twp.	4.170	2.436
Neptune City Borough	2.879	2.615	Pequannock Township	2.400	2.292
Ocean Township	2.684	2.443	Randolph Township	4.590	2.309
Oceanport Borough	2.414	2.326	Riverdale Borough	2.110	2.108
Red Bank Borough	3.232	2.967	Rockaway Borough	2.410	2.282
Roosevelt Borough	4.467	3.908	Rockaway Township	4.370	2.440
Rumson Borough	2.153	1.994	Roxbury Township	5.040	2.332
Sea Bright Borough	2.252	2.294	Victory Gardens Borough	3.130	2.926
Sea Girt Borough	1.316	1.422	Washington Township	4.750	2.270
Shrewsbury Borough	2.544	2.513	Wharton Borough	2.580	2.484
Shrewsbury Township	3.646	3.593			
South Belmar Borough	2.276	2.534	<b>Ocean</b>		
Spring Lake Borough	1.432	1.350	Barneget Township	3.085	2.991
Spring Lake Heights Bor.	2.251	1.930	Barneget Light Borough	1.102	1.096
Tinton Falls Borough	2.640	2.595	Bay Head Borough	1.188	1.142
Union Beach Borough	2.807	3.083	Beach Haven Borough	1.714	1.621
Upper Freehold Township	2.267	2.072	Beachwood Borough	2.442	2.351
Wall Township	2.279	2.186	Berkeley Township	2.024	1.881
West Long Branch Bor.	2.470	2.326	Brick Township	2.326	2.237
			Dover Township	2.266	2.108
<b>Morris</b>			Eagleswood Township	2.491	2.550
Boonton Town	2.420	2.329	Harvey Cedars Borough	1.356	1.324
Boonton Township	1.820	1.857	Island Heights Borough	2.753	2.568
Butler Borough	4.080	2.654	Jackson Township	2.930	2.797
Chatham Borough	2.250	1.801	Lacey Township	1.856	1.774
Chatham Township	1.820	1.767	Lakehurst Borough	2.772	2.745
Chester Borough	2.410	2.359	Lakewood Township	2.772	2.626
Chester Township	2.210	1.971	Lavallette Borough	1.401	1.319
Denville Township	2.710	2.001	Little Egg Harbor Twp.	2.830	2.942
Dover Town	5.780	2.970	Long Beach Township	1.254	1.254
East Hanover Township	2.060	1.549	Manchester Township	2.594	2.567
Florham Park Borough	1.620	1.466	Mantoloking Borough	0.890	0.903
Hanover Township	3.060	1.635	Ocean Township	3.076	2.956
Harding Township	1.400	0.958			
Jefferson Township	2.380	2.218			
Kinnelon Borough	2.500	2.167			
Lincoln Park Borough	5.680	2.810			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Ocean (continued)</b>			<b>Somerset</b>		
Ocean Gate Borough	2.649	2.599	Bedminster Township	1.390	1.326
Pine Beach Borough	2.238	2.171	Bernards Township	1.740	1.681
Plumsted Township	2.115	2.025	Bernardsville Borough	1.740	1.643
Point Pleasant Borough	2.399	2.307	Bound Brook Borough	3.170	3.167
Pt. Pleasant Beach Bor.	2.028	1.882	Branchburg Township	2.130	1.999
Seaside Heights Borough	2.586	2.639	Bridgewater Township	2.900	1.774
Seaside Park Borough	2.154	2.088	Far Hills Borough	1.740	1.252
Ship Bottom Borough	1.437	1.427	Franklin Township	2.180	2.140
South Toms River Bor.	2.689	2.547	Green Brook Township	2.100	1.962
Stafford Township	2.213	2.154	Hillsborough Township	2.170	2.179
Surf City Borough	1.400	1.421	Manville Borough	2.490	2.432
Tuckerton Borough	2.868	2.844	Millstone Borough	2.240	2.199
<b>Passaic</b>			Montgomery Township	2.990	2.362
Bloomington Borough	3.330	3.187	North Plainfield Borough	3.430	3.267
Clifton City	2.480	2.484	Peapack-Gladstone Bor.	1.620	1.626
Haledon Borough	3.070	3.330	Raritan Borough	2.360	2.324
Hawthorne Borough	2.500	2.427	Rocky Hill Borough	1.830	1.706
Little Falls Township	2.780	2.075	Somerville Borough	4.420	3.363
North Haledon Borough	4.170	2.543	South Bound Brook Bor.	3.380	3.237
Passaic City	3.840	3.671	Warren Township	1.740	1.645
Paterson City	20.870	4.516	Watchung Borough	1.810	1.774
Pompton Lakes Borough	3.540	3.354	<b>Sussex</b>		
Prospect Park Borough	2.830	3.097	Andover Borough	2.090	2.370
Ringwood Borough	3.240	3.050	Andover Township	2.940	2.720
Totowa Borough	2.130	1.926	Branchville Borough	1.810	1.760
Wanaque Borough	3.600	3.087	Byram Township	2.960	2.880
Wayne Township	2.410	2.297	Frankford Township	2.450	2.460
West Milford Township	3.540	3.026	Franklin Borough	3.100	3.290
West Paterson Borough	2.510	2.372	Fredon Township	2.490	2.440
<b>Salem</b>			Green Township	2.680	2.610
Alloway Township	1.930	2.017	Hamburg Borough	2.850	2.890
Carneys Point Township	2.480	2.207	Hampton Township	2.440	2.520
Elmer Borough	2.820	2.478	Hardyston Township	2.860	2.800
Elsinboro Township	2.710	2.536	Hopatcong Borough	2.760	2.950
Lower Alloways Crk. Twp.	1.180	0.887	Lafayette Township	2.480	2.340
Mannington Township	2.550	2.081	Montague Township	2.440	2.270
Oldmans Township	2.370	2.110	Newton Town	2.920	2.700
Penns Grove Borough	3.390	3.031	Ogdensburg Borough	3.340	3.510
Pennsville Township	2.400	2.153	Sandyston Township	2.300	2.310
Pilesgrove Township	2.040	2.063	Sparta Township	3.190	2.390
Pittsgrove Township	2.920	2.137	Stanhope Borough	3.630	3.260
Quinton Township	2.100	2.343	Stillwater Township	2.700	2.550
Salem City	3.710	3.140	Sussex Borough	3.340	2.460
Upper Pittsgrove Twp.	2.430	2.076	Vernon Township	2.500	2.420
Woodstown Borough	2.830	2.644	Walpack Township	0.530	0.460
	<b>General</b>	<b>Effective</b>	Wantage Township	2.580	2.410
				<b>General</b>	<b>Effective</b>

<b>County</b>	<b>Tax Rate</b>	<b>Tax Rate</b>	<b>County</b>	<b>Tax Rate</b>	<b>Tax Rate</b>
<b>Union</b>			<b>Warren</b>		
Berkeley Heights Twp.	4.240	1.942	Allamuchy Township	2.470	2.336
Clark Township	4.260	2.462	Alpha Borough	2.890	2.823
Cranford Township	2.790	2.412	Belvidere Town	3.040	2.921
Elizabeth City	10.490	2.842	Blairstown Township	1.770	1.815
Fanwood Borough	6.180	2.822	Franklin Township	2.440	2.315
Garwood Borough	4.900	3.002	Frelinghuysen Township	2.720	2.474
Hillside Township	11.640	3.564	Greenwich Township	2.270	2.199
Kenilworth Borough	2.070	2.111	Hackettstown Town	3.370	2.951
Linden City	2.600	2.590	Hardwick Township	2.430	2.318
Mountainside Borough	3.310	1.888	Harmony Township	2.000	1.888
New Providence Borough	4.050	2.231	Hope Township	3.010	2.434
Plainfield City	3.450	3.328	Independence Township	2.510	2.449
Rahway City	3.040	3.183	Knowlton Township	2.780	2.619
Roselle Borough	4.270	4.451	Liberty Township	2.610	2.427
Roselle Park Borough	6.730	3.551	Lopatcong Township	2.330	2.348
Scotch Plains Township	4.970	2.557	Mansfield Township	3.430	2.919
Springfield Township	3.220	2.408	Oxford Township	3.050	2.958
Summit City	1.870	1.792	Pahaquarry Township	9.890	8.722
Union Township	8.690	2.681	Phillipsburg Town	2.710	2.645
Westfield Town	3.920	2.321	Pohatcong Township	2.550	2.472
Winfield Township	94.980	11.157	Washington Borough	3.600	3.646
			Washington Township	2.890	2.815
			White Township	1.890	1.771

# Abstract of Ratables and Exemptions 1997

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
	TAXABLE VALUE				Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	
COUNTY	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)	Total Taxable Value of Land and Improvements (Col. 1 (a) + (b))	Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)	Net Total Taxable Value of Land and Improvements (Col. 2 – 3)	
<b>Atlantic</b>	\$ 6,055,023,260	\$ 11,318,218,910	\$ 17,373,242,170	\$ 5,069,100	\$ 17,368,173,070	\$ 131,948,627
<b>Bergen</b>	33,054,039,273	37,003,761,276	70,057,800,549	7,668,300	70,050,132,249	307,607,882
<b>Burlington</b>	6,016,406,425	13,540,520,040	19,556,926,465	20,921,700	19,536,004,765	169,662,117
<b>Camden</b>	5,210,287,950	13,623,717,838	18,834,005,788	46,745,952	18,787,259,836	191,493,250
<b>Cape May</b>	7,117,971,650	5,927,978,420	13,045,950,070	5,548,450	13,040,401,620	62,400,912
<b>Cumberland</b>	900,667,295	2,984,997,625	3,885,664,920	67,730,400	3,817,934,520	48,074,251
<b>Essex</b>	6,426,455,802	10,556,069,737	16,982,525,539	5,361,500	16,977,164,039	120,110,302
<b>Gloucester</b>	3,135,728,000	7,970,892,840	11,106,620,840	24,637,522	11,081,983,318	89,199,676
<b>Hudson</b>	7,340,580,498	11,513,446,564	18,854,027,062	12,572,300	18,841,454,762	159,636,149
<b>Hunterdon</b>	3,901,686,411	6,077,457,644	9,979,144,055	0	9,979,144,055	46,019,327
<b>Mercer</b>	5,653,348,080	10,366,585,167	16,019,933,247	10,210,660	16,009,722,587	144,610,729
<b>Middlesex</b>	12,575,429,050	22,399,589,370	34,975,018,420	46,771,400	34,928,247,020	319,804,993
<b>Monmouth</b>	16,285,993,559	22,585,713,734	38,871,707,293	14,224,700	38,857,482,593	331,830,466
<b>Morris</b>	11,585,127,704	18,619,103,870	30,204,231,574	341,200	30,203,890,374	213,290,441
<b>Ocean</b>	14,266,776,032	16,521,325,177	30,788,101,209	24,071,800	30,764,029,409	200,518,887
<b>Passaic</b>	8,814,208,693	11,225,768,405	20,039,977,098	1,782,900	20,038,194,198	109,211,960
<b>Salem</b>	655,956,789	2,053,227,526	2,709,184,315	43,587,700	2,665,596,615	26,848,374
<b>Somerset</b>	8,478,764,974	14,209,679,620	22,688,444,594	4,974,250	22,683,470,344	124,230,514
<b>Sussex</b>	2,970,658,927	4,950,143,140	7,920,802,067	1,964,060	7,918,838,007	41,599,526
<b>Union</b>	8,411,208,600	12,386,296,200	20,797,504,800	127,000	20,797,377,800	124,747,410
<b>Warren</b>	1,783,592,079	3,624,432,076	5,408,024,155	1,301,250	5,406,722,905	43,106,912
<b>TOTALS</b>	\$170,639,911,051	\$259,458,925,179	\$430,098,836,230	\$345,612,144	\$429,753,224,086	\$3,005,952,705

## Abstract of Ratables and Exemptions 1997 (continued)

	Col. 6	Col. 7	Col. 8	Col. 9		Col. 10	
COUNTY	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	TRUE VALUE		EQUALIZATION	
				(a) U.E.Z. Abatement Expired	(b) Class II Railroad Property (C.139, L. 1966)	(a) Amounts Deducted Under R.S. 54:3-17 to 19	(b) Amounts Added Under R.S. 54:3-17 to 19 and N.J.S.A. 54:11D-7
<b>Atlantic</b>	\$ 17,500,121,697				\$ 85,771	\$ 108,840,860	\$ 670,525,346
<b>Bergen</b>	70,357,740,131				182,697	596,537,059	5,771,758,325
<b>Burlington</b>	19,705,666,882					75,068,611	941,736,259
<b>Camden</b>	18,978,753,086				26,899	379,764,518	1,534,114,637
<b>Cape May</b>	13,102,802,532					180,074,761	339,392,730
<b>Cumberland</b>	3,866,008,771					43,361,235	532,911,376
<b>Essex</b>	17,097,274,341			\$ 9,134,310	1,782,513		19,737,101,946
<b>Gloucester</b>	11,171,182,994					94,698,543	627,537,669
<b>Hudson</b>	19,001,090,911				11,799,391	704,187,211	1,471,540,921
<b>Hunterdon</b>	10,025,163,382					52,014,270	298,316,074
<b>Mercer</b>	16,154,333,316			1,360,539	549,486	88,618,093	3,567,379,690
<b>Middlesex</b>	35,248,052,013				1,330,096	48,532,132	8,865,256,672
<b>Monmouth</b>	39,189,313,059				182,556	214,873,195	2,722,546,757
<b>Morris</b>	30,417,180,815				660,258	19,230,099	11,931,814,446
<b>Ocean</b>	30,964,548,296				409,163	52,389,607	1,335,631,950
<b>Passaic</b>	20,147,406,158				459,810	61,301,689	3,516,570,692
<b>Salem</b>	2,692,444,989					22,969,088	365,194,907
<b>Somerset</b>	22,807,700,858				338,311	20,718,404	2,679,610,016
<b>Sussex</b>	7,960,437,533					93,821,308	589,276,925
<b>Union</b>	20,922,125,210				3,530,434	109,209,038	11,225,452,551
<b>Warren</b>	5,449,829,817					19,259,400	284,104,429
<b>TOTALS</b>	\$432,759,176,791			\$10,494,849	\$21,337,385	\$2,985,469,121	\$79,007,774,318

## Abstract of Ratables and Exemptions 1997 (continued)

	Col. 11	Col. 12—APPORTIONMENT OF TAXES					
		<b>Section A</b>					
		<b>County Taxes</b>					
		I	II				III
	Net Valuation on		ADJUSTMENTS RESULTING FROM				
	Which County	Total County	(a)		(b)		
	Taxes Are	Taxes	County Equalization Table		Appeals and Corrected Errors		
	Apportioned	Apportioned	Appeals (R.S. 54:51A-4)		(R.S. 54:4-49; R.S. 54:4-53)		Net County
COUNTY	(Col. 6 + 9 -10(a) + 10(b))	(Including Total Net Adjustments)	Deduct	Add	Deduct	Add	Taxes
			Overpayment	Underpayment	Overpayment	Underpayment	Apportioned
<b>Atlantic</b>	\$ 18,061,891,954	\$ 86,286,981.98			\$ 1,814,894.13		\$ 84,472,087.85
<b>Bergen</b>	75,533,144,094	198,354,249.92			4,360,312.92		193,993,937.00
<b>Burlington</b>	20,572,334,530	101,597,730.66			866,288.49	\$ 18,057.83	100,749,500.00
<b>Camden</b>	20,133,130,104	165,906,273.00			945,694.00		164,960,579.00
<b>Cape May</b>	13,262,120,501	55,725,743.31			202,187.98		55,523,555.33
<b>Cumberland</b>	4,355,558,912	42,174,459.06			534,137.06		41,640,322.00
<b>Essex</b>	36,827,024,490	270,182,306.70			7,587,447.70		262,594,859.00
<b>Gloucester</b>	11,704,022,120	66,830,369.68			292,369.68		66,538,000.00
<b>Hudson</b>	19,780,244,012	178,717,892.62			8,954,499.48	442,458.86	170,205,852.00
<b>Hunterdon</b>	10,271,465,186	40,077,336.14			92,336.14		39,985,000.00
<b>Mercer</b>	19,632,283,860	108,507,756.08			830,794.08		107,676,962.00
<b>Middlesex</b>	44,066,106,649	182,125,856.31			1,498,856.31		180,627,000.00
<b>Monmouth</b>	41,697,169,177	185,497,976.87			897,976.87		184,600,000.00
<b>Morris</b>	42,330,425,420	121,932,449.06			1,411,444.18		120,521,004.88
<b>Ocean</b>	32,248,199,802	149,084,373.11			812,691.66	514.55	148,272,196.00
<b>Passaic</b>	23,603,134,971	145,803,587.46			2,808,524.46		142,995,063.00
<b>Salem</b>	3,034,670,808	26,922,833.22			275,736.49	563.84	26,647,660.57
<b>Somerset</b>	25,466,930,781	109,983,403.62			1,202,479.34	119,075.72	108,900,000.00
<b>Sussex</b>	8,455,893,150	37,135,427.00			173,774.00		36,961,653.00
<b>Union</b>	32,041,899,157	156,124,869.86			4,387,102.86		151,737,767.00
<b>Warren</b>	5,714,674,846	40,268,831.69			512,570.45		39,756,261.24
<b>TOTALS</b>	\$508,792,324,524	\$2,469,240,707.35			\$40,462,118.28	\$580,670.80	\$2,429,359,259.87

## Abstract of Ratables and Exemptions 1997 (continued)

Col. 12—APPORTIONMENT OF TAXES

COUNTY	Section A County Taxes		Section B			Section C Local Taxes to be Raised for
	IV Municipal Budget State Aid (R.S. 52:27D- 118.40)	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV)	(a) County Library Taxes	(b) Local Health Service Taxes (R.S. 26:3A2-19)	(c) County Open Space Preservation Trust Fund Tax	I DISTRICT SCHOOL PURPOSES (a) As Required by District School Budget
Atlantic		\$ 84,472,087.85	\$ 3,539,275.00	\$ 2,938,354.00	\$ 451,545.15	\$ 163,041,800.50
Bergen		193,993,937.00				867,497,343.83
Burlington		100,749,500.00	5,061,000.00		4,114,439.00	257,782,484.37
Camden		164,960,579.00	3,922,790.00			272,014,460.00
Cape May	\$280,972.00	55,242,583.33	3,010,458.58		1,326,212.05	71,399,672.50
Cumberland		41,640,322.00		1,175,600.00	435,555.89	40,171,325.50
Essex		262,594,859.00				436,581,739.88
Gloucester		66,538,000.00	1,810,407.00		1,170,402.00	135,321,952.50
Hudson		170,205,852.00				262,548,113.00
Hunterdon		39,985,000.00	3,463,386.00			102,043,225.89
Mercer		107,676,962.00	7,006,499.00		1,947,875.46	155,890,827.50
Middlesex		180,627,000.00			4,406,614.40	639,291,533.00
Monmouth		184,600,000.00	6,479,313.00	1,002,284.00	10,000,000.00	428,930,520.92
Morris		120,521,004.88			8,466,085.08	412,241,838.02
Ocean		148,272,196.00	13,220,000.00	4,100,000.00		232,188,780.88
Passaic		142,995,063.00				281,503,341.00
Salem		26,647,660.57				24,316,815.50
Somerset		108,900,000.00	5,344,717.00		3,820,000.00	225,722,689.75
Sussex	20,866.00	36,940,787.00	2,769,130.00	1,015,117.00		98,472,612.50
Union		151,737,767.00				386,697,886.50
Warren		39,756,261.24	2,537,831.00		1,142,935.00	60,016,003.67
<b>TOTALS</b>	\$301,838.00	\$2,429,057,421.87	\$58,164,806.58	\$10,231,355.00	\$37,281,664.03	\$5,553,674,967.21

## Abstract of Ratables and Exemptions 1997 (continued)

	Col. 12—APPORTIONMENT OF TAXES			Col. 13		
	Section C Local Taxes to be Raised for			Section D Total Tax Levy on Which Tax Rate is Computed	REAL PROPERTY EXEMPT FROM TAXATION	
	I		II		(a)	(b)
	DISTRICT SCHOOL PURPOSES		LOCAL MUNICIPAL PURPOSES		Public School Property	Other School Property
COUNTY	(b) Regional Consolidated and Joint School Budgets	(c) As Required by Local Municipal Budget		(Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII)		
<b>Atlantic</b>	\$ 27,474,003.82	\$ 3,733,702.06	\$ 186,189,555.25	\$ 471,840,323.63	\$ 473,068,300	\$ 30,671,500
<b>Bergen</b>	111,676,437.87	1,142,440.00	529,926,664.38	1,704,236,823.08	1,807,756,807	581,578,700
<b>Burlington</b>	63,333,372.13		82,376,015.28	513,416,810.78	552,030,550	72,641,600
<b>Camden</b>	46,803,293.74		119,450,262.92	607,151,385.66	738,921,600	200,935,100
<b>Cape May</b>	9,952,275.00		82,688,307.60	223,619,509.06	122,951,000	20,339,600
<b>Cumberland</b>	3,260,824.67	72,441.75	24,397,437.72	111,153,507.53	166,892,000	20,261,700
<b>Essex</b>	85,548,900.17	5,992,695.28	380,893,052.77	1,171,611,247.10	667,469,500	423,467,900
<b>Gloucester</b>	17,529,389.93		63,027,665.66	285,397,817.09	331,629,000	175,730,500
<b>Hudson</b>	0.00	13,225,694.00	254,706,360.96	700,686,019.96	543,360,500	361,743,600
<b>Hunterdon</b>	49,006,022.59		26,828,975.92	221,326,610.40	189,322,620	4,140,400
<b>Mercer</b>	123,169,884.27	1,464,222.00	113,208,773.00	510,365,043.23	433,561,360	1,339,868,097
<b>Middlesex</b>	26,209,833.81	4,989,536.00	241,111,725.82	1,096,636,243.03	1,614,147,000	817,948,500
<b>Monmouth</b>	136,985,825.66	34,440.00	215,003,901.46	983,036,285.04	820,374,400	163,583,399
<b>Morris</b>	124,064,559.59		206,703,848.57	871,997,336.14	617,445,200	235,544,500
<b>Ocean</b>	118,424,706.44	3,823,328.00	158,572,723.62	678,601,734.94	531,998,700	69,180,000
<b>Passaic</b>	24,149,167.00	641,072.00	216,812,239.52	666,100,882.52	499,883,950	195,993,700
<b>Salem</b>	9,555,463.99	62,850.25	5,444,573.25	66,027,363.56	87,404,850	17,027,800
<b>Somerset</b>	79,505,261.74		86,472,573.25	509,765,241.74	398,351,000	81,949,525
<b>Sussex</b>	38,017,427.00		41,581,921.43	218,796,994.93	219,651,600	16,567,700
<b>Union</b>	37,031,354.91	1,667,892.50	247,731,937.98	824,866,838.89	595,961,600	196,348,200
<b>Warren</b>	20,907,532.00		18,905,135.84	143,265,698.75	136,575,661	48,727,672
<b>TOTALS</b>	\$1,152,605,536.33	\$36,850,313.84	\$3,302,033,652.20	\$12,579,899,717.06	\$11,548,757,198	\$5,074,249,693

## Abstract of Ratables and Exemptions 1997 (continued)

	Col. 13					Col. 14
	REAL PROPERTY EXEMPT FROM TAXATION					AMOUNT OF MISC. REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET
COUNTY	(c) Public Property	(d) Church and Charitable Property	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation (a + b + c + d + e + f)	(a) Surplus Revenue Appropriated
<b>Atlantic</b>	\$ 1,309,500,100	\$ 214,383,300	\$ 15,681,800	\$ 737,267,200	\$ 2,780,572,200	\$ 17,484,503.22
<b>Bergen</b>	4,139,513,470	956,363,600	342,667,600	3,232,957,900	11,060,838,077	63,968,926.00
<b>Burlington</b>	1,654,210,902	393,938,138	13,713,700	475,024,225	3,161,559,115	38,691,167.03
<b>Camden</b>	1,142,556,074	544,686,800	29,302,700	665,270,754	3,321,673,028	32,013,046.14
<b>Cape May</b>	648,547,350	175,085,010	2,451,400	241,438,750	1,210,813,110	16,210,820.00
<b>Cumberland</b>	463,853,800	117,276,200	5,701,900	74,288,100	848,273,700	10,049,453.76
<b>Essex</b>	2,222,437,126	695,766,100	46,462,100	702,755,039	4,758,357,765	49,063,508.00
<b>Gloucester</b>	347,493,900	247,287,600	8,087,900	97,872,500	1,208,101,400	17,768,582.86
<b>Hudson</b>	2,296,641,580	640,299,243	159,102,200	3,190,355,668	7,191,502,791	16,200,997.00
<b>Hunterdon</b>	596,522,296	142,604,925	10,917,000	76,795,684	1,020,302,925	19,583,643.14
<b>Mercer</b>	1,919,649,180	424,489,220	19,785,703	595,017,970	4,732,371,530	24,244,922.94
<b>Middlesex</b>	1,139,782,650	758,015,750	89,332,400	1,132,946,300	5,552,172,600	36,239,209.75
<b>Monmouth</b>	1,760,144,667	587,550,227	54,527,300	1,146,936,450	4,533,116,443	59,875,191.36
<b>Morris</b>	1,561,948,381	581,668,875	51,826,025	452,261,872	3,500,694,853	48,270,161.00
<b>Ocean</b>	1,954,873,199	343,848,800	10,533,000	228,375,686	3,138,809,385	46,355,360.05
<b>Passaic</b>	1,325,816,500	620,733,500	76,445,500	324,221,623	3,043,094,773	23,501,431.00
<b>Salem</b>	147,082,200	69,654,400	1,459,100	80,138,900	402,767,250	6,469,721.50
<b>Somerset</b>	698,789,682	290,314,700	21,847,500	409,863,321	1,901,115,728	30,527,620.93
<b>Sussex</b>	433,440,289	106,964,290	3,260,700	107,558,100	887,442,679	12,772,906.89
<b>Union</b>	1,747,454,300	570,443,100	159,974,800	335,367,000	3,605,549,000	33,410,000.00
<b>Warren</b>	183,134,306	104,080,480	12,728,616	123,529,283	608,776,018	12,632,962.00
<b>TOTALS</b>	\$27,693,391,952	\$8,585,454,258	\$1,135,808,944	\$14,430,242,325	\$68,467,904,370	\$615,334,134.57

## Abstract of Ratables and Exemptions 1997 (continued)

COUNTY	Col. 14			Col. 15		Col. 16
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET			DEDUCTIONS ALLOWED		Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
	(b)	(c)	(d)	(a)	(b)	
	Miscellaneous Revenues Anticipated	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	
<b>Atlantic</b>	\$ 78,959,916.01	\$ 16,304,106.00	\$ 112,748,525.23	\$ 1,176,475	\$ 496,400	\$ 17,691,521,036
<b>Bergen</b>	226,592,826.39	28,917,155.00	319,478,907.39	4,036,425	2,097,452	75,315,780,330
<b>Burlington</b>	89,339,236.21	15,865,087.02	143,895,490.26	1,785,525	1,116,200	20,412,128,975
<b>Camden</b>	174,463,563.09	20,706,887.27	227,183,496.50	3,184,550	1,175,600	19,897,031,152
<b>Cape May</b>	53,673,723.28	10,466,500.00	80,351,043.28	726,250	330,550	13,197,374,341
<b>Cumberland</b>	41,733,203.95	6,144,587.00	57,927,244.71	1,204,250	293,600	4,272,387,727
<b>Essex</b>	482,649,927.25	54,063,286.00	585,776,721.25	1,959,750	914,800	36,180,356,774
<b>Gloucester</b>	54,378,169.82	11,371,830.90	83,518,583.58	1,452,625	621,950	11,598,165,631
<b>Hudson</b>	367,835,745.67	25,517,000.00	409,553,742.67	2,173,650	496,100	19,191,408,637
<b>Hunterdon</b>	32,183,160.43	5,866,523.67	57,633,327.24	316,750	237,200	10,216,365,898
<b>Mercer</b>	179,948,587.34	16,880,710.90	221,074,221.18	1,893,750	723,550	19,384,753,244
<b>Middlesex</b>	248,994,392.69	23,527,042.84	308,760,645.28	3,344,763	1,655,602	43,166,035,390
<b>Monmouth</b>	170,677,582.19	25,948,996.96	256,501,770.51	1,754,500	1,249,750	41,481,340,784
<b>Morris</b>	131,604,425.25	13,937,308.24	193,811,894.49	1,161,976	946,470	41,948,664,731
<b>Ocean</b>	107,235,569.97	22,241,288.29	175,832,218.31	4,267,750	1,899,450	32,153,187,571
<b>Passaic</b>	152,855,864.88	17,308,233.69	193,665,529.57	1,940,750	808,700	23,253,349,403
<b>Salem</b>	36,135,307.55	4,636,917.76	47,241,946.81	433,125	178,800	2,905,462,429
<b>Somerset</b>	71,981,279.47	8,760,445.00	111,269,345.40	870,950	539,350	25,144,603,715
<b>Sussex</b>	28,570,705.05	8,054,879.36	49,398,491.30	490,675	299,650	8,398,330,221
<b>Union</b>	199,169,485.72	19,445,514.00	252,024,999.72	2,490,500	1,106,050	31,356,730,880
<b>Warren</b>	24,720,435.47	6,228,756.82	43,582,154.29	530,000	237,900	5,651,158,883
<b>TOTALS</b>	\$2,953,703,107.68	\$362,193,056.72	\$3,931,230,298.97	\$37,194,989	\$17,425,124	\$502,816,137,752

**1997 Assessed Value of Partial Exemptions and Abatements**  
**(Summary Addendum to Abstract of Ratables)**

<b>COUNTY</b>	<b>Air/Water Pollution Control</b>	<b>Automatic Fire Suppression Systems</b>	<b>Fallout Shelter</b>	<b>Water/ Sewage Facility</b>	<b>Urban Enterprise Zone</b>	<b>Residential and Industrial</b>	<b>Multiple Dwelling</b>	<b>Commercial and Industrial</b>
<b>Atlantic</b>	–	–	–	–	–	\$ 2,630,400	\$ 25,000	\$ 2,413,700
<b>Bergen</b>	\$ 462,500	–	–	–	–	2,332,800	–	–
<b>Burlington</b>	4,429,100	\$ 157,000	\$ 1,000	\$1,200,000	–	141,600	6,241,600	–
<b>Camden</b>	79,000	–	–	–	–	4,540,820	–	538,800
<b>Cape May</b>	–	–	1,000	–	–	–	–	–
<b>Cumberland</b>	1,875,500	–	–	61,500	–	1,259,900	105,000	39,134,700
<b>Essex</b>	737,900	–	101,800	–	\$ 2,953,000	58,300	–	174,600
<b>Gloucester</b>	13,507,725	–	–	13,300	–	1,624,900	–	6,295,297
<b>Hudson</b>	13,600	–	–	2,500,000	–	4,705,700	2,631,400	–
<b>Hunterdon</b>	–	–	–	–	–	–	–	–
<b>Mercer</b>	–	8,090	110,200	62,800	7,530,160	450,100	–	1,009,210
<b>Middlesex</b>	3,864,000	1,405,600	–	–	–	2,059,400	–	15,595,700
<b>Monmouth</b>	1,820,200	–	–	2,601,200	–	1,209,900	–	–
<b>Morris</b>	198,400	–	1,000	141,800	–	–	–	–
<b>Ocean</b>	15,055,300	–	5,800	447,500	–	18,400	–	7,482,000
<b>Passaic</b>	–	–	–	274,800	–	553,800	43,800	910,500
<b>Salem</b>	–	–	–	–	–	533,200	–	43,054,500
<b>Somerset</b>	–	–	–	–	–	3,307,500	–	–
<b>Sussex</b>	–	–	–	–	–	176,880	–	8,080
<b>Union</b>	127,000	–	–	–	–	–	–	–
<b>Warren</b>	1,209,800	–	–	–	–	91,450	–	–
<b>TOTALS</b>	\$43,380,025	\$1,570,690	\$220,800	\$7,302,900	\$10,483,160	\$25,695,050	\$9,046,800	\$116,617,087

**1997 Assessed Value of Partial Exemptions and Abatements (continued)**  
**(Summary Addendum to Abstract of Ratables)**

<b>COUNTY</b>	<b>Dwelling Abatement</b>	<b>Dwelling Exemption</b>	<b>New Dwelling/ Conversion Abatement</b>	<b>New Dwelling/ Conversion Exemption</b>	<b>Multiple Dwelling/ Conversion Abatement</b>	<b>Multiple Dwelling/ Conversion Exemption</b>	<b>Commercial/ Industrial Exemption</b>	<b>Total Assessed Value (Col. 3 of Abstract)</b>
<b>Atlantic</b>	–	–	–	–	–	–	–	\$ 5,069,100
<b>Bergen</b>	\$ 153,200	\$ 4,719,800	–	–	–	–	–	7,668,300
<b>Burlington</b>	1,950,000	6,366,200	–	–	\$ 10,000	–	\$ 425,200	20,921,700
<b>Camden</b>	1,658,892	8,570,800	\$ 31,440	–	3,746,600	–	27,579,600	46,745,952
<b>Cape May</b>	5,547,450	–	–	–	–	–	–	5,548,450
<b>Cumberland</b>	25,293,800	–	–	–	–	–	–	67,730,400
<b>Essex</b>	–	859,500	–	–	119,000	–	357,400	5,361,500
<b>Gloucester</b>	–	3,196,300	–	–	–	–	–	24,637,522
<b>Hudson</b>	57,600	–	2,164,000	–	500,000	–	–	12,572,300
<b>Hunterdon</b>	–	–	–	–	–	–	–	–
<b>Mercer</b>	–	1,040,100	–	–	–	–	–	10,210,660
<b>Middlesex</b>	10,709,900	7,286,400	–	–	–	–	5,850,400	46,771,400
<b>Monmouth</b>	1,207,000	7,147,200	–	–	214,200	–	25,000	14,224,700
<b>Morris</b>	–	–	–	–	–	–	–	341,200
<b>Ocean</b>	5,000	830,100	–	–	–	–	227,700	24,071,800
<b>Passaic</b>	–	–	–	–	–	–	–	1,782,900
<b>Salem</b>	–	–	–	–	–	–	–	43,587,700
<b>Somerset</b>	–	1,320,400	–	–	–	–	346,350	4,974,250
<b>Sussex</b>	–	–	–	–	–	–	1,779,100	1,964,060
<b>Union</b>	–	–	–	–	–	–	–	127,000
<b>Warren</b>	–	–	–	–	–	–	–	1,301,250
<b>TOTALS</b>	\$46,582,842	\$41,336,800	\$2,195,440	0	\$4,589,800	0	\$36,590,750	\$345,612,144

## 1997 Equalized Value Based On In Lieu Of Taxes

COUNTY	Chapter 12 P.L. 1977 R.S. 54:4-3.104	New Jersey Housing Finance Agency	Short Term in Lieu of Tax Agreements	Total as Reflected in Col. 10(b) of Abstract
Atlantic	-	-	-	-
Bergen	-	-	-	-
Burlington	-	-	-	-
Camden	-	-	-	-
Cape May	-	-	-	-
Cumberland	-	-	-	-
Essex	-	-	-	-
Gloucester	-	-	-	-
Hudson	-	-	-	-
Hunterdon	-	-	-	-
Mercer	-	-	-	-
Middlesex	-	-	-	-
Monmouth	-	-	-	-
Morris	-	-	-	-
Ocean	-	-	-	-
Passaic	-	-	-	-
Salem	-	-	-	-
Somerset	-	-	-	-
Sussex	-	-	-	-
Union	-	-	-	-
Warren	-	-	-	-
<b>TOTALS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Summary of 1997 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1)

Col. 1	Col. 2									
COUNTY	Total Number of Tax Appeals	Number of Dispositions								
		Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Classification	Other
<b>Atlantic</b>	2,990	1,008	242	1,210	0	159	180	133	5	53
<b>Bergen</b>	5,886	1,871	795	1,034	2	383	1,258	537	0	6
<b>Burlington</b>	936	521	98	162	0	37	16	94	1	7
<b>Camden</b>	1,785	236	129	939	0	154	30	87	0	210
<b>Cape May</b>	1,120	59	64	729	0	93	68	83	7	17
<b>Cumberland</b>	273	26	44	164	0	0	0	12	1	26
<b>Essex</b>	4,904	158	295	1,952	0	423	1,582	388	0	106
<b>Gloucester</b>	493	196	43	173	0	27	4	42	3	5
<b>Hudson</b>	6,555	891	234	2,056	6	348	1,823	1,197	0	0
<b>Hunterdon</b>	417	127	68	143	2	9	12	36	15	5
<b>Mercer</b>	1,370	345	33	623	3	169	61	63	0	73
<b>Middlesex</b>	1,639	144	71	749	1	113	401	152	2	6
<b>Monmouth</b>	2,993	330	489	1,474	3	231	270	146	16	34
<b>Morris</b>	1,042	89	110	448	16	107	74	178	5	15
<b>Ocean</b>	3,516	170	381	1,450	0	324	779	272	5	135
<b>Passaic</b>	2,789	1,074	234	172	0	206	996	94	3	10
<b>Salem</b>	128	15	20	73	0	4	2	13	1	0
<b>Somerset</b>	922	376	87	249	0	38	21	130	2	19
<b>Sussex</b>	1,010	547	74	157	1	63	35	60	29	44
<b>Union</b>	1,575	89	68	502	0	34	576	306	0	0
<b>Warren</b>	423	70	12	243	1	28	31	34	4	0
<b>TOTALS</b>	42,766	8,342	3,591	14,702	35	2,950	8,219	4,057	99	771

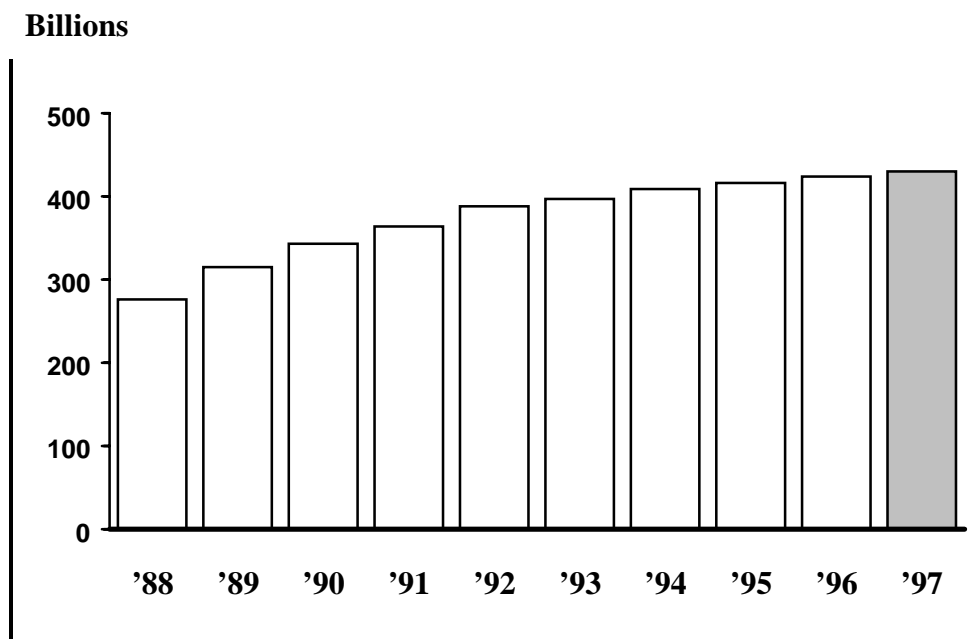
**Summary of 1997 County Tax Board Appeals Reported  
Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued**

	Col. 3			Col. 4			Col. 5	
COUNTY	Number of Appeals in Each Class of Property						Original Amount of Assessments Involved	Total Amount of Assessment Reductions Granted
	Class 1	Class 2	Class 3A	Class 3B	Class 4	Other		
	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial Industrial Apartment			
<b>Atlantic</b>	372	2,313	18	5	279	3	\$ 975,550,500	\$ 56,876,600
<b>Bergen</b>	353	4,187	0	2	1,308	36	2,649,961,294	218,804,006
<b>Burlington</b>	165	617	4	5	143	2	217,831,350	21,639,600
<b>Camden</b>	105	1,223	0	0	455	2	569,736,210	83,266,947
<b>Cape May</b>	150	797	1	0	168	4	227,383,800	28,537,800
<b>Cumberland</b>	36	189	7	3	38	0	37,500,700	6,768,200
<b>Essex</b>	350	2,680	0	0	1,860	14	695,907,700	56,684,800
<b>Gloucester</b>	89	288	6	9	98	3	211,908,838	14,865,300
<b>Hudson</b>	392	3,948	0	0	2,212	3	1,457,897,269	107,050,680
<b>Hunterdon</b>	67	283	13	5	47	2	96,169,621	10,364,109
<b>Mercer</b>	94	1,078	6	1	191	0	257,005,974	32,812,030
<b>Middlesex</b>	217	968	5	5	443	1	546,706,455	32,508,700
<b>Monmouth</b>	202	2,354	18	8	403	8	683,812,326	61,714,325
<b>Morris</b>	257	489	10	1	284	1	388,504,655	38,009,124
<b>Ocean</b>	1,238	2,081	4	0	185	8	484,053,700	40,687,655
<b>Passaic</b>	275	1,783	4	0	721	6	506,004,055	39,637,073
<b>Salem</b>	30	73	6	1	18	0	20,274,300	1,397,900
<b>Somerset</b>	145	619	6	6	137	9	329,006,950	23,679,150
<b>Sussex</b>	276	634	14	8	78	0	164,934,450	20,223,410
<b>Union</b>	162	668	4	1	733	7	423,044,400	32,095,200
<b>Warren</b>	75	254	16	2	75	1	134,863,050	9,327,550
<b>TOTALS</b>	5,050	27,526	142	62	9,876	110	\$11,078,057,597	\$936,950,159

**Summary of 1997 County Tax Board Appeals Reported  
Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued**

COUNTY	Col. 6	Col. 7	Col. 7							
	Total Amount of Assessment Increases Granted	Net Total Assessments	Number of Appeals in Each Filing Fee Category							
			\$5.00	\$25.00	\$100.00	\$150.00	Class \$25	Other	No Fee	Total
<b>Atlantic</b>	\$ 181,300	\$ 918,855,200	428	1,841	636	42	39	4	0	2,990
<b>Bergen</b>	2,447,681	2,433,604,969	1,149	2,746	427	175	8	0	1,381	5,886
<b>Burlington</b>	943,800	197,135,550	278	104	29	23	1	53	448	936
<b>Camden</b>	193,600	486,662,863	890	393	104	91	5	0	302	1,785
<b>Cape May</b>	2,341,200	201,187,200	568	387	65	13	7	0	80	1,120
<b>Cumberland</b>	4,600	30,737,100	192	42	7	5	2	0	25	273
<b>Essex</b>	617,900	639,840,800	3,290	1,256	138	29	55	0	136	4,904
<b>Gloucester</b>	1,628,886	198,672,424	194	91	20	18	1	0	169	493
<b>Hudson</b>	699,300	1,351,545,889	3,536	2,045	296	100	6	0	572	6,555
<b>Hunterdon</b>	209,400	86,014,912	150	129	11	8	14	0	105	417
<b>Mercer</b>	2,294,800	226,488,744	814	217	37	16	0	0	286	1,370
<b>Middlesex</b>	8,110,990	522,308,745	830	523	120	50	5	0	111	1,639
<b>Monmouth</b>	499,000	622,597,001	1,599	988	154	48	18	6	180	2,993
<b>Morris</b>	172,300	350,667,831	330	236	97	30	2	190	157	1,042
<b>Ocean</b>	465,200	443,831,245	2,518	559	73	39	11	0	316	3,516
<b>Passaic</b>	371,600	466,738,582	1,793	625	76	42	9	0	244	2,789
<b>Salem</b>	0	18,876,400	76	35	3	1	1	0	12	128
<b>Somerset</b>	5,419,900	310,747,700	196	255	51	13	0	0	407	922
<b>Sussex</b>	1,057,040	145,768,080	329	175	13	4	15	0	474	1,010
<b>Union</b>	574,700	391,523,900	741	542	115	20	0	0	157	1,575
<b>Warren</b>	1,100	125,536,600	24	224	155	10	7	2	1	423
<b>TOTALS</b>	\$28,234,297	\$10,169,341,735	19,925	13,413	2,627	777	206	255	5,563	42,766

## Total Taxable Value Land and Improvements in New Jersey 1988 – 1997



### 1997 County Values

Atlantic	\$ 17,373,242,170	Middlesex	\$ 34,975,018,420
Bergen	70,057,800,549	Monmouth	38,871,707,293
Burlington	19,556,926,465	Morris	30,204,231,574
Camden	18,834,005,788	Ocean	30,788,101,209
Cape May	13,045,950,070	Passaic	20,039,977,098
Cumberland	3,885,664,920	Salem	2,709,184,315
Essex	16,982,525,539	Somerset	22,688,444,594
Gloucester	11,106,620,840	Sussex	7,920,802,067
Hudson	18,854,027,062	Union	20,797,504,800
Hunterdon	9,979,144,055	Warren	5,408,024,155
Mercer	16,019,933,247	<b>Total</b>	<b>\$430,098,836,230</b>

**Public Utility Taxes 1998 (Calendar)**  
**Energy Unit, Excise, Franchise, Gross Receipts,**  
**Transitional Energy Facility Assessment (TEFA), and**  
**Uniform Transitional Utility Assessment (UTUA)**

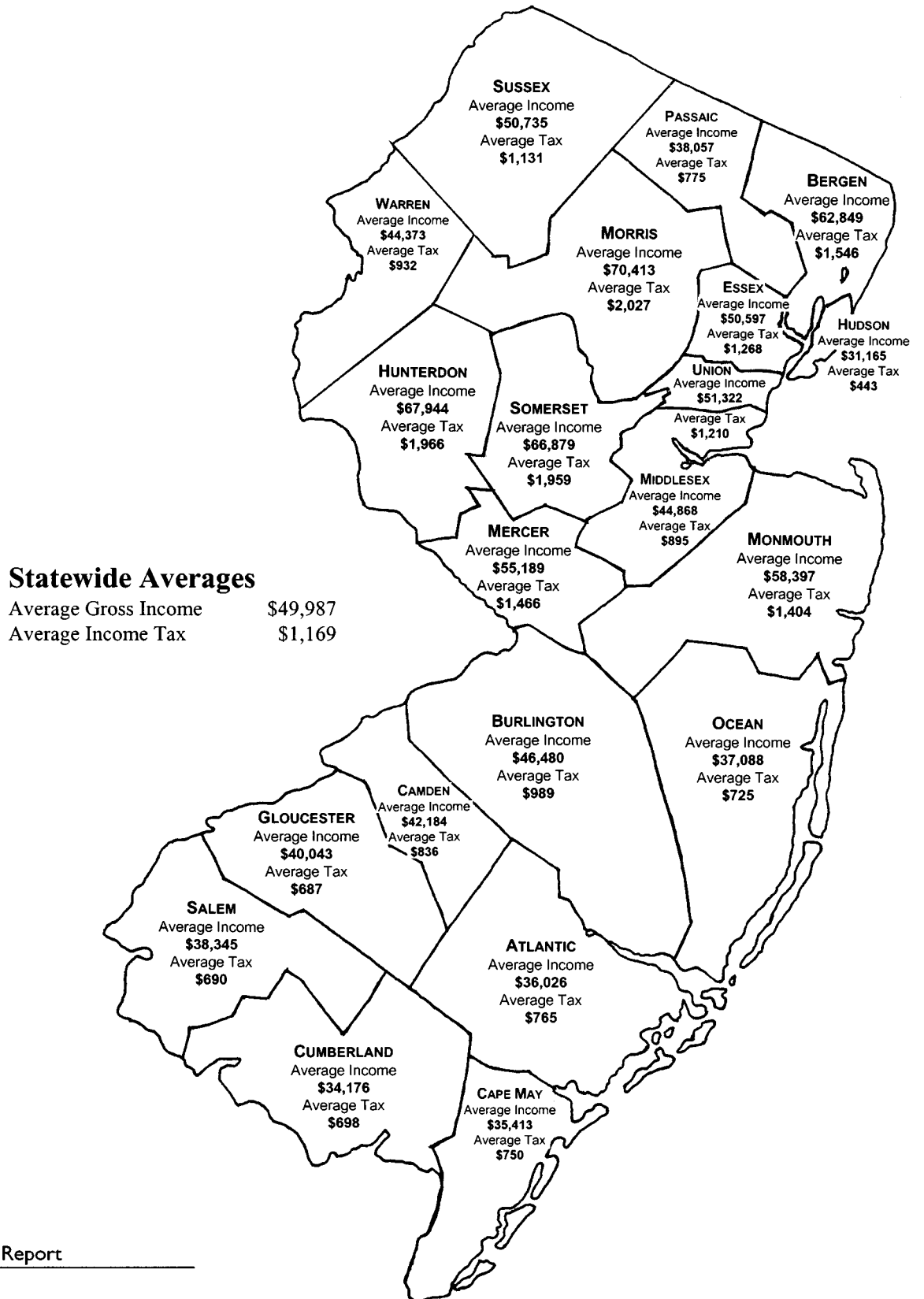
Assessed by the State and Available for Apportionment and Distribution to Municipalities  
Distribution Subject to Budgetary and Statutory Limitations and Restrictions

<b>Classification</b>	<b>No. of Companies</b>	<b>Energy Unit Taxes</b>	<b>Excise Taxes</b>	<b>Franchise Taxes</b>	<b>Gross Receipts Taxes</b>	<b>TEFA</b>	<b>UTUA (CBT)</b>	<b>UTUA (S&amp;U)</b>
Energy Companies .....	9	\$2,946,139	\$ 368,297			\$314,898,854	\$ 65,823,658	\$306,788,518
Telephone Companies .....	3		971	\$ 2,109			41,213,390	
Water Companies.....	46		8,516,362	24,855,839	\$39,345,278			
Sewer Companies .....	19		302,638	875,225	1,600,334			
Totals .....	77	\$2,946,139	\$9,188,268	\$25,733,173	\$40,945,612	\$314,898,854	\$107,037,048	\$306,788,518
Administrative Expense .....				7,419	11,916			
Net Tax .....		\$2,946,139	\$9,188,268	\$25,725,754	\$40,933,696	\$314,898,854	\$107,037,048	\$306,788,518
<b>Total Net Tax Assessed .....</b>								<b>\$807,518,277</b>

## Individual Income Tax Returns County Profile 1996

County	No. of Returns	NJ Taxable Income	Tax Liability
Atlantic	96,749	\$ 3,138,226,000	\$ 73,988,000
Bergen	392,288	22,936,366,000	606,531,000
Burlington	167,040	7,096,472,000	165,163,000
Camden	197,788	7,583,187,000	165,376,000
Cape May	41,209	1,305,209,000	30,916,000
Cumberland	52,653	1,616,165,000	36,754,000
Essex	284,186	13,235,461,000	360,302,000
Gloucester	92,519	3,354,423,000	63,590,000
Hudson	207,292	5,817,909,000	91,730,000
Hunterdon	50,565	3,202,636,000	99,402,000
Mercer	135,669	6,944,643,000	198,831,000
Middlesex	292,399	11,951,512,000	261,621,000
Monmouth	251,651	13,577,475,000	353,273,000
Morris	193,775	12,770,660,000	392,710,000
Ocean	190,310	6,267,920,000	137,993,000
Passaic	196,947	6,722,339,000	152,621,000
Salem	24,474	850,296,000	16,883,000
Somerset	133,663	8,363,265,000	261,888,000
Sussex	57,410	2,654,943,000	64,940,000
Union	197,334	9,302,448,000	238,812,000
Warren	41,417	1,666,351,000	38,607,000
County Unknown	92,721	5,374,107,000	152,133,000
<b>Totals</b>	<b>3,390,059</b>	<b>\$155,732,013,000</b>	<b>\$3,964,064,000</b>

## Average Gross Income and Average Income Tax By County — Tax Year 1996



**Sales and Use Tax Collections by Business Type**  
**Return Years 1995–1997**  
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	1995	1996	1997	1995	1996	1997	1995-6	1996-7
<b>Exempt Organizations</b>	387	387	402	\$ 6,131	\$ 2,353	\$ 1,833	– 61.6%	– 22.1%
<b>Manufacturing</b>	12,745	12,602	12,990	182,735	202,804	215,007	11.0	6.0
<b>Service</b>	81,211	78,772	79,263	1,093,115	1,126,995	1,179,530	3.1	4.7
<b>Wholesale</b>	11,052	10,933	11,337	164,296	180,712	211,833	10.0	17.2
<b>Construction</b>	18,231	17,639	17,767	81,589	85,809	88,759	5.2	3.4
<b>Retail</b>	89,463	89,501	92,347	2,244,691	2,301,706	2,408,487	2.5	4.6
<b>Government</b>	13	19	22	209	2,737	3,313	1,207.1	21.1
<b>Not Classified</b>	9,334	7,705	7,707	50,447	48,522	59,511	– 3.8	22.6
<b>Totals</b>	<b>222,436</b>	<b>217,558</b>	<b>221,835</b>	<b>\$3,823,213</b>	<b>\$3,951,638</b>	<b>\$4,168,273</b>	<b>3.4%</b>	<b>5.5%</b>

## 1998 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
<b>CORPORATION NET INCOME</b>	10.5%	8.7%	7%	9.5%	<b>7.5%, 9%</b>	9%	8.85%	5.1%– 8.9%	9.99%
<b>PERSONAL INCOME</b>	*3%– 4.5%	*3.1%– 6.9%	*2%– 4.95%	5.95%, 12%	<b>*1.4%– 6.37%</b>	*4%– 6.85%	*2.96%– 4.46%	*0.713%– 7.201%	2.8%
*Graduated Rates									
<b>MOTOR FUELS<sup>1</sup></b>									
• <b>Excise Tax/Gal.</b>									
<b>Gasoline</b>	\$0.32	\$0.23	\$0.235	\$0.21	<b>\$0.105<sup>2</sup></b>	\$0.08	0	\$0.22	\$0.12
<b>Diesel</b>	\$0.18	\$0.22	\$0.2425	\$0.21	<b>\$0.135</b>	\$0.08	0	\$0.22	\$0.12
• <b>Sales Tax</b>	6%	0.5%	0	5%	<b>0</b>	4%	4.25%	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 1/2 the general motor fuels tax rate (\$0.0525 per gallon).									
<b>ALCOHOL</b>									
• <b>Excise Tax/Gal.</b>									
<b>Beer</b>	\$0.19	\$0.16	\$0.09	\$0.11	<b>\$0.12</b>	\$0.16	\$0.28 <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 <sup>2</sup>	\$0.30– \$1.40	See Foot- note 4
<b>Liquor</b>	\$2.05, \$4.50	\$2.50, \$3.75	\$1.50	\$4.05	<b>\$4.40</b>	\$2.54, \$6.44	\$3.54, \$7.44 <sup>2</sup>	See Foot- note 4	See Foot- note 4
• <b>Sales Tax</b>	6%	None	5%	5% <sup>1</sup>	<b>6%</b>	4%	8.25% <sup>2</sup>	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>	\$0.50	\$0.24	\$0.36	\$0.76	<b>\$0.80<sup>2</sup></b>	\$0.56	\$0.64 <sup>1</sup>	\$0.24	\$0.31
<b>Other Tobacco     (% of Wholesale Price)</b>	20%	15%	0	25%	<b>48%<sup>2</sup></b>	20%	20%	17%	0
• <b>Sales Tax</b>	6%	None	5%	5%	<b>6%</b>	4%	8.25% <sup>1</sup>	5%	6%
<sup>1</sup> New York City rate includes New York State rate.									
<sup>2</sup> New rates effective 1/1/98.									

## 1998 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>	8.25% <sup>2</sup>	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% 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%; each county may impose an additional 2%.

<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	OH	PA
Beer On-Premises	T	E	T	T	T	T	T	T
Beer Off-Premises	T	E	T	E <sup>1</sup>	T	T	T	T
Cigarettes	T	E	T	T	T	T	T	T
Clothing	E <sup>2</sup>	E	T	E <sup>3</sup>	E	T	T	E
Food Off-Premises	E <sup>4</sup>	E	E <sup>4</sup>	E <sup>4</sup>	E <sup>4</sup>	E <sup>4</sup>	E	E <sup>4</sup>
Liquor On-Premises	T	E	T	T	T	T	T	T
Liquor Off-Premises	T	E	T	E <sup>1</sup>	T	T	T	T
Manufacturing Equipment	E	E	E	E	E	E	E	E
Motor Fuels	T	E	E	E <sup>5</sup>	E	T	E	E

\*Delaware does not impose sales and use taxes. Gross receipts taxes of varying amounts (less than 1%) imposed on different types of sales.

<sup>1</sup> If purchased as “take-out” item from a package store.

<sup>2</sup> Single article \$49.99 and under; however, single article \$50.00 or over is taxable.

<sup>3</sup> Single item \$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, 1998)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
<b>Alabama</b>	*2%–5%	5%	4%	\$0.16	\$0.165
<b>Alaska</b>	None	*1–9.4	None	0.08	1.00
<b>Arizona</b>	*2.9–5.2	9	5	0.18	0.58
<b>Arkansas</b>	*1–7	*1–6.5	4.625	0.185	0.315
<b>California</b>	*1–9.3	8.84	6	0.18	0.37
<b>Colorado</b>	5	5	3	0.22	0.20
<b>Connecticut</b>	*3–4.5 <sup>1</sup>	10.5	6	0.32	0.50
<b>Delaware</b>	*3.1–6.9	8.7	None	0.23	0.24
<b>Dist. of Columbia</b>	*6–9.5	9.975	5.75	0.20	0.65
<b>Florida</b>	None	5.5	6	0.04	0.339
<b>Georgia</b>	*1–6	6	4	0.075	0.12
<b>Hawaii</b>	*2–10	*4.4–6.4	4	0.16	1.00
<b>Idaho</b>	*2–8.2	8	5	0.25	0.28
<b>Illinois</b>	3	4.8	6.25	0.19	0.58
<b>Indiana</b>	3.4	3.4	5	0.15	0.155
<b>Iowa</b>	*0.36–8.98	*6–12	5	0.20	0.36
<b>Kansas</b>	*3.5–7.75	4	4.9	0.18	0.24
<b>Kentucky</b>	*2–6	*4–8.25	6	0.15	0.03
<b>Louisiana</b>	*2–6	*4–8	4	0.20	0.20
<b>Maine</b>	*2–8.5	*3.5–8.93	6	0.19	0.74
<b>Maryland</b>	*2–4.95	7	5	0.235	0.36
<b>Massachusetts</b>	5.95, 12	9.5	5	0.21	0.76
<b>Michigan</b>	4.4	2.3	6	0.19	0.75
<b>Minnesota</b>	*6–8.5	9.8	6.5	0.20	0.48
<b>Mississippi</b>	*3–5	*3–5	7	0.18	0.18

\*Graduated Rates

<sup>1</sup>Applied to percent of adjusted gross income ranging from 25% to 100%.

## Major State Tax Rates (continued)

(On July 1, 1998)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Missouri	*1.5–6%	6.25%	4.225%	\$0.17	\$0.17
Montana	*2–11	6.75	None	0.27	0.18
Nebraska	*2.51–6.68	*5.58–7.81	4.5 <sup>4</sup>	0.235	0.34
Nevada	None	None	6.5	0.24	0.35
New Hampshire	5 <sup>2</sup>	7	None	0.18	0.37
<b>New Jersey</b>	<b>*1.4%–6.37</b>	<b>7.5, 9</b>	<b>6</b>	<b>0.105</b>	<b>0.80</b>
New Mexico	*1.7–8.5	*4.8–7.6	5	0.17	0.21
New York	*4–7.125	9	4	0.08	0.56
North Carolina	*6–7.75	7.5	4	0.216	0.05
North Dakota	*2.67–12	*3–10.5	5	0.20	0.44
Ohio	*0.713–7.201 <sup>1</sup>	*5.1–8.9	5	0.22	0.24
Oklahoma	*0.5–7	6	4.5	0.16	0.23
Oregon	*5–9	6.6	None	0.24	0.68
Pennsylvania	2.8	9.99	6	0.12	0.31
Rhode Island	27.0 <sup>3</sup>	9	7	0.28	0.71
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.21	0.33
Tennessee	6 <sup>2</sup>	6	6	0.20	0.13
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–7	5	4.75	0.245	0.515
Vermont	25 <sup>3</sup>	*7.0–9.75	5	0.19	0.44
Virginia	*2–5.75	6	3.5	0.175	0.025
Washington	None	None	6.5	0.23	0.825
West Virginia	*3–6.5	9	6	0.205	0.17
Wisconsin	*4.9–6.93	7.9	5	0.254	0.59
Wyoming	None	None	4	0.13	0.12
<b>US AVERAGE</b>	2.6%–6.0%	5.5%–6.6%	5.2%	\$0.19	\$0.39

\*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 adjusted gross income.

<sup>4</sup>Effective 7/1/99, the tax rate will increase to 5%.