

**SALES AND USE TAX REVIEW COMMISSION  
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

**BILL NUMBER:**

A-2720

**DATE OF INTRODUCTION:**

May 12, 2008

**SPONSOR:**

Assemblyman Vas

**DATE OF RECOMMENDATION:**

June 12, 2008

**IDENTICAL BILL:**

**COMMITTEE:**

Assembly Commerce and Economic Development Committee

**DESCRIPTION:**

This Bill seeks to amend section 20 of P.L.1983, c.303 (C.52:27H-79) to allow a point of sale exemption for retail sales of tangible personal property (except motor vehicles and energy) or services made to qualified Urban Enterprise Zone (UEZ) businesses for the business' exclusive use or consumption at the business' locations within an Zone.

**ANALYSIS:**

P.L. 2006, c. 34, enacted on July 8, 2006, and effective July 15, 2006, amended both the Urban Enterprise Zones Act and the Sales and Use Tax Act in order to change the way qualified Urban Enterprise Zone businesses may claim their sales tax exemption on purchases of goods and services for their use within the Urban Enterprise Zone. While under previous law, qualified Urban Enterprise Zone businesses were entitled to an exemption from sales tax at the time of purchase, under the amended law, only "qualified small businesses," i.e. those whose gross receipts for the prior tax year were less than \$1,000,000, may continue to claim exemption at the point of purchase. Qualified Urban Enterprise businesses that are not "small" must instead pay the tax at the point of purchase and may then claim a refund within a year following the date of the transaction.

P.L. 2007, c. 328, enacted and effective on January 13, 2008 amends the definition of "small business" applicable to the Urban Enterprise Zone sales tax rebate program by raising the maximum annual gross receipts threshold from less than \$1 million to less than \$3 million.

This Bill proposes to repeal these recent initiatives to restore the point of sales exemption provision for all qualified businesses.

The Commission recognizes that the above amendments were put in place as an attempt to reduce fraud in the UEZ exemption program. However, it is unclear that any advances have been made in that effort by these initiatives. Further, larger Urban Enterprise Zone businesses have found compliance with the new exemption procedure to be very

burdensome and have often determined that the benefits of the exemption were not worth the time and effort of assembling the paperwork to support their applications for refund.

**RECOMMENDATION:**

The Commission generally reserves support for any initiatives relating to the Urban Enterprise Zone program as it feels that the value of the UEZ program in its entirety has not yet been evaluated. However, due to the burden to businesses that has been created as a result of recent procedural changes outlined above, the Commission feels that it must support enactment of the Bill.

**COMMISSION MEMBERS FOR PROPOSAL: 5**

**COMMISSION MEMBERS AGAINST PROPOSAL: 0**

**COMMISSION MEMBERS ABSTAINING: 0**