

SALES AND USE TAX REVIEW COMMISSION

RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

BILL NUMBER: A - 3938

**DATE OF
INTRODUCTION:**
January 25, 2007

SPONSOR:
Assemblyman Burzichelli
Assemblyman Fisher

**DATE OF
RECOMMENDATION:**
June 28, 2007

IDENTICAL BILL: S-2491

COMMITTEE: Assembly Budget Committee

DESCRIPTION:

The bill would amend the Urban Enterprise Zone sales tax exemption for UEZ purchases, primarily by extending the point-of-purchase exemption to businesses only located in a Zone. More specifically, the bill would amend P.L. 2006, c. 34, which allows only small qualified businesses to have a point-of-purchase exemption and which provides that other UEZ businesses must obtain exemption by applying for a refund of sales and use tax. Also, the bill clarifies that UEZ businesses that obtain exemption through a refund application are not, also, required to self-assess use tax. Further, the bill requires the State, under certain circumstances, to pay interest on a refund that was delayed due to the taxpayer needing to “perfect” the claim for refund.

ANALYSIS:

The bill would loosen UEZ restrictions enacted a year ago, which were an attempt to reduce fraud in the UEZ exemption program. The Division commented that it will have difficulties administering the bill’s criteria for determining whether a business is only zone-located. The Commissioners noted that UEZ businesses find it unduly time-consuming to assemble the paperwork to apply for a refund of sales tax, which burden would be decreased by the bill.

The Division also has commented that the provisions to expand the requirement to pay interest on refunds (and other bill provisions) create a special class of taxpayers, which is contrary to fair and equitable tax administration and which sets undesirable precedent.

The Assembly Budget Committee voted to amend the bill by deleting a provision that would have reduced to one year the four year period that generally applies, under the State Uniform Tax Procedure law, for Division audit and assessment of additional taxes.

RECOMMENDATION:

The Commissioners recommended adoption of the bill because UEZ businesses find it very burdensome to comply with the current law, which requires larger businesses to obtain the UEZ purchase exemption by applying for a refund of sales and use tax.

COMMISSION MEMBERS FOR PROPOSAL: 5

COMMISSION MEMBERS AGAINST PROPOSAL: 2

COMMISSION MEMBERS ABSTAINING: 0

COMMISSION MEETING DATE: