

Urban Enterprise Zone Program (UEZ)

Program Procedures

Participation

To participate in the Urban Enterprise Zone (UEZ) Program, an organization must be actively conducting a trade or business in one of the [32 UEZs](#) encompassing 37 municipalities in New Jersey.

To be certified as a UEZ qualified business, an organization must be—

- Physically and permanently located within the geographical boundary of a UEZ
- Registered with the New Jersey Division of Revenue
- In tax compliance with the NJ Division of Taxation

Businesses that conform to these criteria [apply for certification](#). As a condition of its participation in the UEZ Program, the business may be required to [increase permanent full-time employment](#) in the zone and to employ workers who conform to the [Twenty-five Percent Factor](#) criteria.

Once a business becomes UEZ Certified, it is expected to remain in NJ tax compliance and maintain its certified location in the Zone. If the business has a tax problem at the time of certification, annual reporting, or recertification, the UEZ Program may grant a 90 day extension to resolve the problem before the business's UEZ participation is inactivated. Failure to meet your New Jersey tax obligations will result in inactivation.

UEZ businesses may be of any size and may be structured as Corporations, Sole Proprietorships, Partnerships, Limited Partnerships, Joint Ventures, or Limited Liability Companies. The businesses may or may not be minority-owned or woman-owned.

When the ownership of a UEZ business changes, the business may continue to participate in the UEZ Program if—

- At least 51% of the ownership continues to be held by the same owners as the original business
- Their NJ Tax ID does not change

If the business's NJ Tax ID number changes, the new owner(s) or responsible officer of the business must reapply for UEZ Certification.

Applying for Certification

To become a qualified UEZ business, a responsible officer of the business or authorized representative submits a Certification Application using the online UEZ Business Certification System. Instructions for the online system and the application process are available on the UEZ Website, [Forms & Information](#) page. The UEZ informs the business of its acceptance into the program via email, and the Division of Revenue forwards the appropriate tax permits directly to the UEZ business. **To be a certified UEZ business, you must meet the UEZ Program Requirements and remain in compliance. DO NOT use any UEZ tax benefits unless you are in possession of valid tax exemption certificates issued by the New Jersey Treasury, Division of Revenue.**

The UEZ also informs the business, via email, if it is ineligible for UEZ certification, including the reason for ineligibility. The responsible officer of the business may contact the UEZ program for clarification of the reason for their ineligibility. Businesses may reapply for Certification if they resolve the reason for ineligibility by submitting a new Certification Application in the online UEZ Business Certification System.

Annual Reports

To remain in the Program, every UEZ business must submit Annual Reports. Annual Reports may be submitted as early as 60 days before the due date (anniversary of the UEZ business's certification date). Annual Reports must be received and approved by the UEZ Program by the due date to avoid inactivation.

Recertification

At the end of each three-year cycle in the UEZ Program, a UEZ business must be recertified to continue to participate in the Program. Recertification Applications may be submitted as early as 60 days before the due date (anniversary of the business's certification date). Recertification Applications must be received and approved by the UEZ Program by the due date to avoid inactivation.

- **FIRST RECERTIFICATION ONLY**
A UEZ business is required to have fulfilled its [25% factor](#) requirements.
- **EVERY RECERTIFICATION**
A UEZ business is required to have fulfilled its [employment requirements](#).

Annual Reports and Recertification Applications may be submitted online using the UEZ Business Certification System.

Notifications

30 DAY NOTIFICATION

The UEZ Business Certification System will send an email notification to the business **30 days** before an Annual Report or Recertification Application is due advising the business that failure to comply with statutory requirements, the regulations, and the filing requirements will result in automatic inactivation on the date of the business's report or recertification filing deadline.

The UEZ Program Participation Cycle

- Initial Certification
- Annual Report (end of year 1)
- Annual Report (end of year 2)
- Recertification (end of year 3)

(Repeat the cycle: Annual Report → Annual Report → Recertification)

Tax Benefits

The UEZ Program provides the following tax benefits to UEZ Certified businesses—

- Reduced Retail Sales Tax – currently 3.5% on certain items
- Tax Free Purchases on certain items
- Subsidized unemployment insurance costs for employees who earn less than \$4,500 per quarter
- Energy Sales Tax Exemption for qualified manufacturing firms with at least 250 employees, 50% of whom are working in manufacturing
- Tax Credit Options (owners may elect one of the following)
 - Up to \$1,500 for new permanent full-time employees hired
 - Up to 8% Corporate Business Tax credit on qualified investments

Questions? Contact the UEZ Help Desk at (877) 913-6837.

Reduced Sales Tax

UZ-2 certificates are issued to qualified UEZ businesses by the NJ Division of Revenue, allowing the businesses to charge 3.5% sales tax rate when the sales transaction physically occurs within an enterprise zone. The business may deliver merchandise to the purchaser at a location outside an enterprise zone as long as the sales transaction was physically made within the zone.

The regular tax rate must be charged for mail order, telephone, internet and similar sales transactions delivered within the state of NJ.

Refer to the [Urban Enterprise Zone Tax Questions and Answers](#) and the [Ineligible Transactions List](#) for more comprehensive details on reduced sales tax.

Tax-free Purchases

UZ-4 and **UZ-5** certificates are issued to all certified UEZ businesses by the NJ Division of Revenue.

A **UZ-4** certificate allows contractors to make tax free purchases of materials, supplies, and services for the exclusive use of improving, altering or repairing the real property of a qualified UEZ business located in the zone.

A **UZ-5** certificate allows a qualified UEZ business to make tax free purchases of office and business equipment and supplies, furnishings, trade fixtures, repair or construction materials and all other tangible personal property (other than motor vehicles and parts and supplies) for the exclusive use or consumption on the premises of the qualified business at its zone location. The exemption may be used only for personal property controlled by the qualified business. The exemption also applies to delivery charges. Most services performed for a qualified business at its zone location are exempt. Examples are repair, janitorial and maintenance services of all kinds.

Refer to the [Urban Enterprise Zone Tax Questions and Answers](#) and the [Ineligible Transactions List](#) for more comprehensive details on tax exempt purchases.

Businesses must maintain a yearly [Exempt Sales Tracking Workbook](#) recording all tax free purchases made by the business and/or its contractors.

Subsidized Unemployment Insurance Costs

A qualified business in a zone may be eligible for an award based upon the amount of unemployment insurance tax it has paid for certain new employees. No qualified business with a deficit reserve ratio qualifies for this award as long as it maintains that ratio. A deficit reserve ratio results when the employer's unemployment charges exceed the employer contributions to the unemployment trust fund.

The award applies only to those full-time employees (30 hours or more/week) whose gross salaries are less than \$4,500 per quarter and is calculated according to a specific schedule. Contact the Department of Labor at 609-633-6400 ext. 3482 or visit the [NJ Department of Labor UEZ web page](#). The award is unavailable to businesses located within an Urban Enterprise Zone-impacted business district.

Energy Sales Tax Exemption

A qualified manufacturer in a zone employing at least 250 full-time workers, at least 50% of whom are involved in the manufacturing process, may be eligible for an exemption from the sales and use tax for electricity and natural gas utilities, both the commodity and its transmission, consumed at the UEZ-certified location.

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Contact the NJ Economic Development Authority at 609-858-6700 or CustomerCare@njeda.com or visit the NJEDA's [UEZ Manufacturers Energy Sales Tax Exemption](#) web page.

Tax Credit Options

Up to \$1,500 for new permanent full-time employees hired OR Up to 8% Corporate Business Tax credit on qualified investments.

Contact the NJ Division of Taxation at 609-826-4400 or 800-323-4400 or visit the NJ Division of Taxation's [Corporation Business Tax Credits and Incentives](#) web page.

UEZ Website Forms & Information Page

Find additional tax information on the UEZ Website [Forms & Information](#) page, such as—

- The [Sales Tax Benefits Summary](#) (published by the NJ Division of Taxation)
- An [Ineligible Transactions List](#) specifying items that are not eligible to be purchased tax free
- [Policy Circulars](#) that support and update the original UEZ rules
- A thorough explanation of UEZ tax benefits in [Urban Enterprise Zone Tax Questions and Answers](#)
- The [Exempt Sales Tax Tracking Workbook](#)
- Hyperlinks to appropriate NJ Division of Treasury, Division of Revenue, and Economic Development Authority web pages

Employment Requirements

Basic information about current and newly hired employees must be retained and be available for auditing if requested by the UEZ Program. Use the appropriate Employment Workbook (available on the UEZ website) to record employees. You may use another system of tracking employees, such as a payroll system. Businesses having difficulty reaching the UEZ hiring requirements may contact the UEZ Program at 877-913-6837 to discuss possible options.

Increased Employment

To be Certified and Recertified (every three years) to participate in the UEZ Program, a business may be required to provide an increase in employment in the zone.

- "Full-time employee" is an employee who works a consistent 30 hours or more per week.
- "Part-time employee" is an employee who works a consistent 15 to 30 hours per week.

The size of a business (number of employees) at the later of the Certification date or last Recertification date determines how many newly hired employees the business may be required to add.

- Businesses with 0 to 5 full-time employees may not be required to hire any additional employees.
- Businesses with 6 to 10 employees may be required to hire at least one part-time employee.
- Businesses with 11 to 49 employees may be required to hire one full-time or two part-time employees.
- Businesses with 50 or more employees must hire one full-time employee.

Questions? Contact the UEZ Help Desk at (877) 913-6837.

Options for businesses that cannot meet the employment requirement

In Lieu

Businesses that were established at least one year prior to Zone designation or expansion with fewer than 50 employees that are unable to meet the increased employment requirement may (with UEZ approval) make annual investments in the zone until their employment requirement is met. In-Lieu applications may be obtained by contacting the help desk.

- Businesses with 10 or fewer employees are required to invest \$5,000 per year
- Businesses with over 10 employees are required to invest \$500 per employee per year. The annual minimum investment during the 3 year recertification period must at least equal the greater of \$5,000 or \$500.00 times the # of employees on the later of the certification date or last recertification date.

Investments could be improvements to the exterior appearance or customer facilities of the business.

- All improvements must be permanent
- The qualified business must submit at least one vendor's estimate of the project's costs (in advance)
- A paid in full bill must be submitted to the UEZ Program upon completion of the pre-approved project

Improvements to comply with existing ordinances are not eligible.

Financial or in-kind contributions to the zone municipality for improvements that increase the safety or attractiveness of the zone may be proposed—

- Litter clean up and control
- Landscaping
- Creation or improvement of parking areas and facilities
- Creation or improvement of recreational and rest area facilities
- Repair or improvement of public streets, curbing, sidewalks and pedestrian thoroughfares
- Creation or improvement of street lighting
- Increase in police, fire or sanitation services

Twenty-five Percent Factor

When a UEZ business applies for Recertification at the end of its first three-year Certification period, at least 25% of the qualified business's **newly-hired** employees must meet at least ONE of the following criteria—

- Residents of a UEZ or a Zone's municipality
(The worker can live in any part of any of the 37 UEZ municipalities. The complete list of UEZ municipalities can be found on the UEZ website
http://www.nj.gov/dca/affiliates/uez/publications/pdf/NJUEZ_Locations.pdf)
OR
- NJ residents unemployed for at least six months prior to being hired
(These workers can live ANYWHERE in New Jersey, not just a UEZ town.)
OR
- Recipients of New Jersey public assistance programs for at least six months prior to being hired
(These workers can live ANYWHERE in New Jersey, not just a UEZ town.)
OR

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- Determined to be low-income individuals pursuant to the Workforce Investment Act of 1998 (These workers can live ANYWHERE in New Jersey, not just a UEZ town.)

Businesses that are not required to hire additional employees (because of business size) would only be required to meet the 25% Factor if they hire new employees.

The 25% factor is a one-time test applied at the first recertification.

Exemption

Businesses that were established before their local zone was designated are exempt from the hiring requirements.

Options for businesses that are unable to meet the 25% Factor

Good Faith Waiver

Businesses that are unable to meet the 25% Factor may apply for a waiver of the requirement by performing one or more of the following—

- Provide a letter to the UEZ Program describing the position to be added to their workforce, including
 - Type of position, salary, job description, number of positions available
 - Methods that the business used to fill the position locally and the results of those efforts
 - Proof of advertisement for the position(s)
- Send a request to New Jersey Department of Labor and Workforce Development for assistance in filling the position
- Provide other evidence to support an effort to hire additional personnel to satisfy the 25% factor

A Good Faith Waiver Agreement Proposal may be obtained by contacting the Help Desk.

Additional Options

Extension to Comply

The UEZ Executive Director may grant an extension of up to six months to allow businesses to supply the necessary information to demonstrate compliance with the recertification requirements of the program. If during the extension period you need to correct or supplement your recertification application please contact the help desk and they will email you a form to complete and return.

Inactivation

Businesses unable to meet the increased employment or 25% Factor requirement that have not applied or do not qualify for relief (In-Lieu Payment or Good Faith Waiver) will be inactivated and lose UEZ tax benefits.

Re-application

Businesses inactivated for failing to meet the employment requirements may re-qualify for the UEZ program by submitting a new Certification Application no earlier than six months from date of inactivation.

Capital Investments

The UEZ Program requires reporting of capital investments by certified businesses within the zone.

Capital investments refer to the purchase of property that is depreciated over a term of years, for example, building additions and improvements, furniture, computers, motor vehicles, and machinery. Purchases of land and

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improvements to land (previously owned or newly purchased), although not depreciated, are considered Capital Investments. Capital investments do not include property expensed on an annual basis, for example, office supplies, paper products, machine parts with a life of less than one year, expendable items, etc.

The UEZ Program provides a [Capital Investment Workbook](#) to help determine and report projected and actual capital Investment dollar amounts on the Certification Application, Annual Reporting forms, and Recertification Application. This document is not required to be submitted with applications and/or reports, but capital investment information must be available if requested by the UEZ Program.

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<http://www.nj.gov/dca/affiliates/uez>