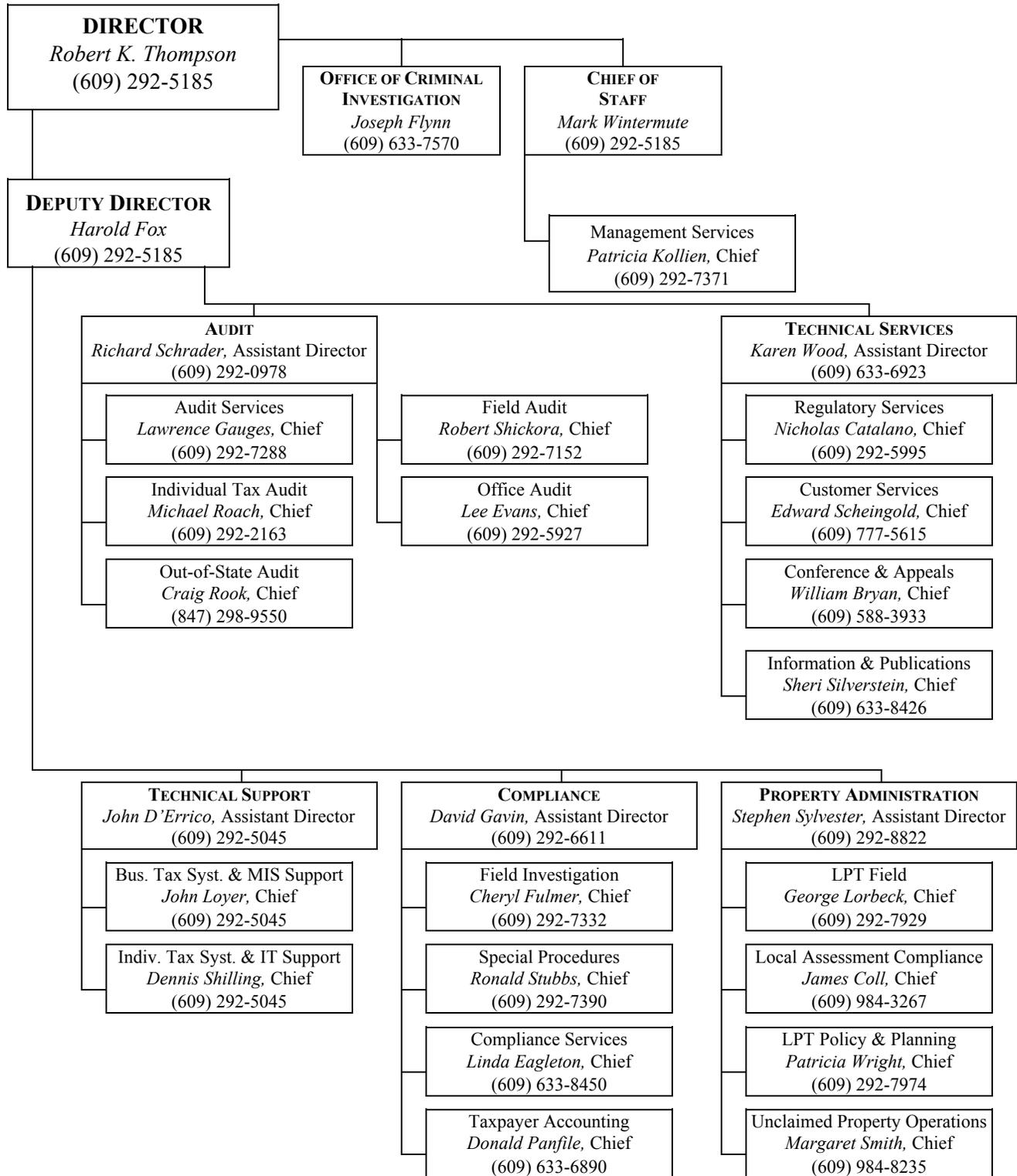


**NEW JERSEY
DIVISION OF
TAXATION**

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



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 five branches: Field Audit, Out-of-State Audit, Audit Services, Office Audit and Individual Tax Audit.

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.

The Sales Tax Refund Group has been transferred to the Field Audit Branch. The goal for this realignment is to reduce the time it takes to process claims by assigning pertinent cases to field auditors to perform the review function more effectively and efficiently.

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. To help the Division identify cash businesses that need assistance, a special pilot team does pilot audits and helps develop procedures for those and other cash initiatives.

During the 2000 fiscal year, the field audit groups completed 3,307 assignments consisting of both regular and cash audits. The completed assignments generated assessments of \$60,934,083 including penalty and interest charges. The distribution of the assessments by tax is as follows:

Tax	FY 2000
Sales & Use	\$31,825,719
Corporation Business	8,614,158
Gross Income	1,720,030
Litter	406,713
Miscellaneous Other	923,260
Total Tax	\$43,489,880
Penalty and Interest	17,444,203
Total Assessments	\$60,934,083

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) and Anaheim (California), with telecommuters based in Atlanta, Norwalk and Houston.

Completions of audits by the Out-of-State Audit Branch for fiscal year 1999 and fiscal year 2000 were 200 and 226 audits respectively which generated assessments totaling \$29.2 million and \$72.2 million respectively. The distribution of assessments by tax is as follows:

Tax	FY 2000
Tobacco Products Whls.	\$18,677,722
Sales & Use	15,591,479
Corporation Business	4,903,464
Litter	920,815
Petro. Gross Receipts	213,809
Gross Income	466
Total Tax	\$40,307,755
Penalty and Interest	31,912,182
Total Assessments	\$72,219,937

Audit Services

The Audit Services Branch provides audit, technical and clerical support for various Branches within the Division. In addition to the support functions, the Branch houses the Alcoholic Beverage Tax, Cigarette Tax, Cooperative Interstate Tax Enforcement, Motor Fuels Tax, Petroleum Products Gross Receipts Tax, Public Utility Tax, Spill Compensation and Control Tax, and the Wholesale Tobacco Products Tax Groups.

The Audit Selection Group, through the use of its available resources, provides other Audit Branches with its list of potential audit candidates. Resources used in the selection process include the Division's internal database in combination with other outside sources of information. This information forms the basis for further analytical review. The Technical Support Group integrates and processes outside source information into the Division's database to provide valuable information for all of Audit. Data is received from outside sources such as the IRS, U.S. Customs, alcoholic beverage wholesalers and various other third parties. This group also develops management reports as required by different levels of administration.

The Audit Billing Group within Audit Services provides billing capabilities for the entire Audit Branch. 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 liability for future collection.

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

The Cooperative Interstate Tax Enforcement Group administers the agreement between New Jersey and New York as it relates to Sales and Use Taxes being charged by vendors doing interstate business. This unit is also responsible for the assessment of Use Tax on taxable purchases which are made out-of-State and works with the U.S. Customs Service data in assessing Use Tax that is due on imported goods being brought into New Jersey by both businesses and individuals. It also administers the provisions of the Jenkinson Act as it relates to cigarettes being purchased out-of-State.

Recently, all Motor Fuels Tax responsibility has been transferred to the Audit Services Branch. Combined with the other miscellaneous taxes, this Branch now handles the administrative functions for all Motor Fuels related taxes, Tobacco taxes and Alcoholic Beverage taxes.

The Motor Fuels Group administers the Motor Fuels Tax, Petroleum Products Gross Receipts Tax, and the Spill Compensation and Control Tax. The group is responsible for issuing licenses, determining proper bonding and issuing refunds. The group conducts office audits, reconciliations of taxpayer accounts and provides taxpayer services.

The Tobacco and Alcoholic Beverage Tax Group administers the Cigarette Tax, Wholesale Tobacco Products Tax and the Alcoholic Beverage Tax. The group is responsible for maintaining pricing requirements along with the audit and investigation of any Tobacco tax related activity.

The Public Utility Tax Unit reviews taxpayer reports, conducts office audits and maintains taxpayer accounts as they relate to various Energy and Utility taxes.

During fiscal year 2000 the groups within the Branch generated additional assessments in excess of \$7 million. The distribution of assessments is as follows:

Tax	Amount
Public Utility	\$3,783,326
Motor Fuels/Petro. Products	2,695,641
Cooperative Interstate	573,581
Tobacco	625,631
Alcoholic Beverage	18,861
Total Assessments	<u>\$7,697,040</u>

Office Audit

The primary responsibility of the Office Audit 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 the other smaller taxes 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 Bill Group has responsibility to review all deficiencies generated by Corporation Business Tax 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 \$34,255,383.

During fiscal year 2000, the nine audit groups generated assessments, including penalty and interest, of almost \$75 million while issuing 20,339 tax certificates of various types. Distribution of assessments by tax is as follows:

Tax	Amount
Corporation Business	\$37,450,527
Sales & Use	2,673,860
Gross Income	807,993
Miscellaneous Others	6,847,681
Total Tax	<u>\$47,780,061</u>
Penalty and Interest	27,211,978
Total Assessments	<u>\$74,992,039</u>

Individual Tax Audit

The Individual Tax Audit Branch is comprised of the Gross Income Tax Audit Section and the Transfer Inheritance Estate Tax Section.

Gross Income Tax Audit. The Gross Income Tax Audit Section is responsible for auditing Gross Income Tax returns filed with the State of New Jersey. The audits are done 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 Section 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 Section is currently focusing on are S corporations and their shareholders, partnerships and their partners, the self-employed, fiduciaries and their beneficiaries, entertainers, professional athletes, and employers withholding Gross Income Tax. During fiscal year 2000, the six teams of the Gross Income Tax Section completed the following cases using computer-assisted and manual audit techniques:

	FY 2000
Cases Reviewed	33,442
No. of Assessments	9,835
Tax Assessed	\$27,948,049
Penalty and Interest	11,354,428
Total Assessments	<u>\$39,302,477</u>
Amount Collected	\$20,466,460

Transfer Inheritance and Estate Tax. The Transfer Inheritance and Estate Tax Section is responsible for all phases of the administration of the two taxes, from offering taxpayer services, to auditing, to the issuance of waivers.

The Taxpayer Service Unit in the Transfer Inheritance and Estate Tax Section handled 26,706 telephone inquiries from taxpayers and/or their representatives and also aided 770 individuals at the Division's Trenton location.

During fiscal year 2000, the six teams of the Transfer Inheritance and Estate Tax Section completed the following cases:

	FY 2000
Cases Audited	8,128
Total Assessments	\$21,206,812

The section also processed 10,019 Inheritance Tax returns, 2,461 Estate Tax returns, 45,187 self-executing waivers (Form L-8), 9,027 requests for real estate waivers (Form L-9), and 38,680 regular waivers. Revenue in the amount of \$490,701,251 was collected of which \$282,224,791 represented New Jersey Inheritance Tax, and \$208,476,460 represented New Jersey Estate Tax.

TECHNICAL SERVICES

Conference and Appeals

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

All incoming protests are evaluated by the Review Section for compliance with the statutory and regulatory provisions for Protests and Appeals. During the fiscal year, the Review Section forwarded to the Conference Section backlog 828 cases, only 28% of the total incoming protests.

The Conference Section provides informal administrative hearings. Determinations are rendered based upon the application of the statutes, regulations and Division policy to the specific taxpayer's facts as supported by the evidence provided. After the hearing process, conferees issue the Division's Final Determinations 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. The Conference Section closed 693 cases for the year.

The exclusive remedy for a taxpayer, should they disagree with the Division's Final Determination, is to file a complaint with 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, 138 new appeals were filed and 141 cases were concluded.

This fiscal year, the Conference and Appeals Branch received 2,875 protests and collected over \$11 million. Fewer than 5% of the cases protested to the Conference and Appeals Branch proceed to the Tax Court of New Jersey.

Customer Services Branch

Customer Services is responsible for encouraging voluntary compliance by providing taxpayers with the information and assistance they need to meet their New Jersey tax responsibilities. Additionally, the Branch provides assistance to New Jersey residents in applying for and obtaining property tax rebates they may be eligible for. The Customer Services Branch provides assistance through phone calls, automated services, training, and outreach. Two out of three taxpayers used one or more of the following automated services during the fiscal year 2000.

- **NJ PC File** is the latest use of technology to improve our services to taxpayers. NJ PC File offers taxpayers the opportunity to prepare their income tax returns on a

personal computer using free software downloaded from the Division's Web site, then transmit the information directly to the Division of Taxation. During the 1999 tax season, over 11,000 taxpayers filed their returns with NJ PC File and had their refund checks mailed within two weeks.

- **NJ TeleFile** is a quick, easy and convenient way for New Jersey residents to file their income tax returns from a Touch-tone telephone. During the 1999 tax season, over 177,000 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 439,875 taxpayers in fiscal year 2000).
 - Homestead Rebate InfoLine* provides information on the status of current year homestead rebates (used by 185,746 taxpayers).
 - New Jersey TaxTalk* offers prerecorded information on 77 different topics (used by 39,990 taxpayers).
 - Forms Request System* allows callers to order tax forms and publications (used by 112,049 taxpayers).
- **NJ TaxFax** service makes State income tax forms and other technical information available to fax machine users. During fiscal year 2000, 74,580 forms were sent to taxpayers via TaxFax.

The Customer Services Branch includes the following:

Customer Service Center. A state of the art telephone facility which, when fully staffed with over 100 agents, can handle 10,000 calls a day. All representatives have PCs on their desks and are able to receive calls, access the Division's Taxnet system and view images of tax returns on their PCs. Incoming calls are routed to agents with the corresponding skill levels, and Spanish-speaking callers have the opportunity to speak with a representative who is fluent in Spanish. During fiscal year 2000, 1.7 million phone calls were received.

Training & Outreach. Supports Division employees, the taxpaying public and the practitioner community. The Training & Outreach Unit also administers the Division's Speakers Bureau and the Small Business Workshop series; provides speakers on many New Jersey tax related issues and topics; and administers the VITA (Volunteer Income Tax Assistance) and TCE (Tax Counseling for the Elderly) programs.

Trenton Regional Office. Open to the public as a walk-in service, the office is located in the main lobby of the Taxation Building in Trenton. Customer Services representatives are available to assist taxpayers in preparing returns as well as to accept returns and payments for processing. During fiscal year 2000, this office collected revenues in the amount of \$8,847,164.

Information and Publications

The Information and Publications Branch is responsible for developing and creating most of the publications issued by the Division, 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 Branch also prepares replies to much of the general taxpayer correspondence, e-mails and referrals that come into the Division. During fiscal year 2000 Branch employees responded to more than 22,000 pieces of general taxpayer correspondence and referrals, 84% (18,300) of which was e-mail. The e-mail received during fiscal year 2000 represents an increase of 115% over the number of e-mails received during fiscal year 1999.

The Information and Publications Branch is also responsible for providing assistance regarding the State's Homestead Rebate, NJ SAVER Rebate and Property Tax Reimbursement programs. Assistance is provided directly to New Jersey legislators seeking resolution to constituents' problems, as well as through taxpayer correspondence. Nearly 3,700 legislative inquiries and 32,000 pieces of taxpayer correspondence regarding these property tax relief programs were answered during fiscal year 2000.

The Branch includes the Taxpayer Forms Services (TFS) section. TFS mails out forms and publications in response to taxpayers' requests and handles bulk mailing for special projects throughout the Division. During fiscal year 2000, TFS mailed more than 477,000 items.

Regulatory Services

The Regulatory Services Branch drafts rules, regulations and notices for publication in the *New Jersey Register* and the *New Jersey State Tax News*. It 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. Further, it 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.

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 14 rules and notices were proposed, adopted and published in fiscal year 2000.

The Branch also completed over 1,800 technical advice letters and responses to general correspondence, and answered approximately 13,000 telephone inquiries on technical tax matters.

Within the Regulatory Services Branch:

Exempt Organization Unit processes and makes determinations on applications for Sales and Use Tax Exempt Organization Certificates. For fiscal year 2000, the Exempt Organization Unit mailed over 1,600 applications, ruled on over 1,500 applications, and issued 36 denials of exempt organization status.

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. Additionally the Office of Legislative Analysis (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.

During fiscal year 2000 OLA:

- Monitored and tracked 580 bills relating to the Division of Taxation.
- Prepared 261 legislative recommendations and bill comments.
- Prepared 142 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.

In addition, personnel of the Regulatory Services Branch have been assigned as staff to the *Sales and Use Tax Review Commission*. The Commission was created by the New Jersey Legislature to evaluate and report on proposed legislation that would either expand or contract the base of the New Jersey Sales and Use Tax.

COMPLIANCE

Special Procedures

The Special Procedures Branch is primarily responsible for the enforcement and compliance efforts of the Division. As a result of the activity's efforts in discovering, registering taxpayers, and enforcement activities, the State received \$37,347,599 in additional revenue. 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 of Taxation's lien in another state wherein assets of the debtor may have been located, and/or instituting wage garnishment proceedings. The Branch referred 2,018 cases to the Office of the Attorney General for collection. Collections of \$5,603,557 were received on Attorney General referral cases during fiscal year 2000.

Bankruptcy. The primary function of the Bankruptcy Section is to effectuate pursuit of delinquent taxes from debtors who have filed for protection under Federal or State Insolvency Statutes by submitting Proofs of Claim to the appropriate courts of jurisdiction. The Bankruptcy Section filed 2,253 Proofs of Claim for \$45,357,657; 794 Amended Proofs of Claim for \$11,072,857; and 319 Administrative Proofs of Claim totaling \$11,378,844. Bankruptcy revenue for the year totaled \$8,556,848.

Bulk Sales. The Bulk Sales Section is responsible for examining the tax records of each business which disposes of its assets either by sale, 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. The Bulk Sales Section received 2,558 Notices of Sale during the fiscal year. Revenue for the fiscal year totaled \$12,049,296.

Closing Agreements. Under provisions of the State Tax Uniform Procedure Law, applications for compromise/settlement of tax debts are processed. The Branch approved 57 Closing Agreements. Revenue on Closing Agreement cases totaled \$3,225,997.

Judgments. The Judgment Section secures overdue liabilities from taxpayers who neglected or refused to pay taxes and/or file returns through normal channels. The primary enforcement 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. In conjunction with 6,558 cases, the Division of Taxation

filed 13,908 Certificates of Debt in the Superior Court totaling \$154,900,628. The Judgment Section's revenue totaled \$7,911,901.

Compliance Services

The Compliance Services Branch provides services to the taxpaying public and the Division of Taxation; and works with other State agencies such as the Division of Motor Vehicles, the State Division of Alcoholic Beverage Control (ABC) and the Lottery Commission. Total Branch fiscal year collections were \$39,231,542. Some specific functions of the Branch are:

ABC Clearance Section. This section, working with the State ABC, is responsible for the issuance of the Alcoholic Beverage Retail Liquor License Clearance Certificate prior to the annual renewal of the license. There are approximately 10,000 licenses that must renew each year.

Delinquency Section. This section is responsible for issuing delinquency notifications when taxpayers fail to file required tax returns when due in accord with their filing status. Of the 26 taxes administered by the Division, 18 have delinquency programs.

Deferred Payment Section. This section provides an avenue for taxpayers to repay deficient taxes by way of a formal payment plan. This section monitors more than 2,500 active payment plans with monthly revenue averaging \$1 million.

Casual Sales Section. This section works with the Division of Motor Vehicles to verify, assess, and collect the appropriate sales tax on the purchase of motor vehicles, boats and aircraft. Out-of-State purchases are also questioned.

OSI Liaison. This area is the link to OSI, a private collection agency contracted to collect delinquent and deficient taxes for the Division. They assure that the vendor complies with Division policies and procedures; and act as facilitators between Division and OSI personnel.

This Branch also has a section responsible for **Vendor Set-Off**, a program that allows for the interception of monies due to vendors for services rendered and the application of said monies to deficient and delinquent taxes owed by the vendor; **SOIL**, Set-Off of Individual Liability, a program designed to withhold income tax refunds and rebates from taxpayers who have tax debts; **Lottery**, a project intended to verify to the New Jersey Lottery Commission that prospective lottery agents are current in their taxes; and **CATCH**, Citizens Against Tax Cheats, a vehicle to report those suspected of not paying, reporting, or collecting taxes.

Taxpayer Accounting

In its most simple terms, the Mission Statement of the Taxpayer Accounting Branch is to review bills and refunds and to answer taxpayer correspondence so that taxpayers can pay what they owe, receive what is due to them, and correct any errors in their accounts. To that end, the Branch issues bills for underpayment of tax and penalties and interest; reviews bills and refund or credit requests for accuracy; makes online adjustments in accounts to correct errors; and responds to taxpayer inquiries regarding the status of their accounts.

Taxpayer Accounting is comprised of the Correspondence and Review Sections for personal income tax, a Business Tax Section, and a Support Section. The Branch is, and will continue to be, very heavily involved in the Property Tax Reimbursement, NJ SAVER Rebate and Homestead Rebate programs and staffs Tax Practitioner Hotlines for tax practitioners who are unable to resolve client problems through normal channels.

Investigations

The Investigations Branch is the civil law tax enforcement arm for the Division of Taxation. The Branch is composed of seven field offices in five regions in order to provide geographic coverage for our discovery and enforcement activities.

Those activities include personal contact to register new businesses and to obtain delinquent tax returns and tax underpayments from businesses and individuals. Additional remedies utilized are a Certificate of Debt, a judgment that may be followed by levy, seizure, and sale by auction of assets of the business or personal property of individual tax debtors. Payment plans are encouraged to avoid the seizure and sale of assets. Some tax violations are prosecuted as disorderly person offenses in Trenton Municipal Court. The prime responsibility of the Branch is the discovery of vendors operating in New Jersey but not complying with their tax obligations. This is done using various investigative techniques and by canvassing various business locations.

In fiscal year 2000, more than 10,000 cases received personal contact resulting in only 143 seizures of business assets and/or personal assets (less than 1.5%). Twenty-six auctions were necessary because the tax debtors were unable to make acceptable payment arrangements to redeem their assets.

The field office locations and their county areas of responsibility are:

Region A—Newark: Essex, Hudson

Region B—Somerville: Sussex, Morris, Warren, Union, northern half of Somerset

Region B—Fair Lawn: Bergen, Passaic
 Region C—Camden: Camden, southern half of Burlington, Gloucester, Salem
 Region C—Quakerbridge: Mercer, Hunterdon, southern half of Somerset, western half of Middlesex, northern half of Burlington
 Region D—Sea Girt: Monmouth, northern half of Ocean, eastern half of Middlesex
 Region D—Northfield: Atlantic, Cape May, Cumberland, southern half of Ocean.

The field offices also provide walk-in taxpayer service and education in every office except Quakerbridge. In fiscal year 2000, field Taxpayer Service Offices assisted 58,137 taxpayers and tax practitioners over the phone and 53,978 in person with personal income tax preparation and inquiries; billing notices; business registrations; taxability inquiries; form completion and distribution; accepting tax payments; Homestead Rebate, Property Tax Reimbursement and NJ SAVER Rebate programs assistance.

The fifth region, Region E, is composed of special project teams with statewide responsibility. Their purpose is to identify areas of noncompliance, particularly by transient, out-of-State vendors that may have activities in New Jersey that create nexus for taxes administered by the Division. Region E conducts both industry specific investigations and geographic point of entry surveillances at various New Jersey border sites.

All five regions utilize their statutory authority to make an immediate, on-site assessment of tax due referred to as a “jeopardy assessment” when confronted with an out-of-State vendor who failed to register their business with New Jersey, failed to file tax returns, and/or failed to remit taxes due to New Jersey. Failure to satisfy the jeopardy assessment may result in immediate seizure of assets including vehicles. In fiscal year 2000, more than 10,834 vendors were researched for tax compliance. New business registrations were secured from 1,410 business owners and tax education provided to 15% of the vendors.

Highlights

- **Closing Agreements Approved.** Fifty-seven (57) Closing Agreements initiated by the Branch were approved. Collections on Closing Agreement cases totaled \$3,225,997.
- **Web Page Posting Project.** In April 1999, the Division of Taxation began posting information on its Web page pertaining to Certificates of Debt (judgments) filed against taxpayers who had the largest balances; both business taxpayers and individual taxpayers are listed. Prior to listing a taxpayer, the Branch sends notification of its intention to do so, via certified mail, to each taxpayer to be listed. Each month the listing is

refreshed. As of the close of fiscal year 2000, 1,715 such notices were sent. Collections realized by the Division in connection with these postings totaled \$3,707,712.

- As a result of recent Federal legislation, a new project was undertaken by Compliance Services. The Federal Offset of Individual Liability program (**FOIL**) allows the State of New Jersey, or any participating state, to offset income tax liability by a refund due the taxpayer from the Internal Revenue Service. The first year of taking part in this revenue-generating program yielded almost \$1,900,000 from only 10,000 taxpayers. This year the program has been expanded to include all New Jersey taxpayers with an income tax liability.
- With a programming change to the Vendor Set-Off program, collections for this endeavor nearly tripled to \$2,802,418. The programming change allowed for a more efficient system to identify vendors with State contracts.
- Collections in the Casual Sales section were up 40% to a record high of \$5,119,649 due to concerted efforts placed on the taxability of aircraft.
- In fiscal year 2000, the Taxpayer Accounting Branch answered nearly 120,000 pieces of correspondence and more than 37,000 phone calls; reviewed more than 68,000 bills and almost 47,000 refunds; received in excess of \$4 million and made almost 290,000 adjustments or corrections to taxpayer accounts.
- The Business Tax Section of Taxpayer Accounting successfully weathered the first Department of Labor billing since consolidated filing began with the third quarter of 1998. Some systems enhancements relative to payment allocation and a lot of good planning enabled the section to keep pace with the many phone calls and account problems that needed to be resolved in cooperation with Labor. Additional systems enhancements are still needed, but the first round of billing went much more smoothly than anticipated.
- Total collections from Field Investigators increased 7% to \$66,072,633. This increase can be credited to the success of the many compliance activities developed.
- The Municipal Court project saw an increase in revenue collection from \$2.78 million to \$6.75 million this fiscal year.
- The Special Projects Region had an increase in collections to \$5.9 million. This was a 10% increase from the previous fiscal year.

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 approximately 12,000 reports from holders who report unclaimed property that meets 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. This unit assists holders to attain compliance with unclaimed property laws.

Claims Processing Unit receives all claims for the return of unclaimed property. Claims are researched and prior to payment, rightful ownership is validated. Approximately 27,000 claims are received each year and about \$20 million is annually returned to New Jersey taxpayers.

Administration Unit manages the five Unclaimed Property Trust funds and the Unclaimed Property Security Portfolio. All funds and securities are monitored and reconciled on a monthly basis. This unit also oversees Unclaimed Property contracts and special projects.

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; monitors activities of county boards of taxation in all phases of tax administration; oversees the collection and remittance of the Realty Transfer Fees by county recording officials; audits the county appeals trust fund accounts for adequate controls and proper expenditures; 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’ offices for compliance with statutory responsibilities. The unit will also review tax assessor offices to determine if they have proper staff and equipment in order to carry out their duties.

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-1As for sales ratio purposes; gathers evidence for the defense of Table of Equalized Valuations appeals; collects material and labor costs 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. (Special studies and investigations are conducted as required to meet unusual or unique circumstances.)

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. Several publications related to Sales Ratio data are produced annually and are widely distributed to the assessment community and beyond. In cooperation with Local Property Field Staff and the Attorney General's Office, defends the Table of Equalized Valuations.

Technical Support provides assistance to county boards of taxation with electronic transmission of sales data, rules and regulations regarding changes in response to legislative changes affecting equalization, preparation of the county abstract of ratables, county equalization tables; and coordinates transmissions of data with data centers and county tax boards.

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. Local Property Branch personnel administer P.L.1999, C. 278, the continuing education bill for certified tax assessors. George Lorbeck and Patty Wright serve on the Continuing Education Eligibility Board and have full responsibility for the administrative functions of processing courses/seminars submitted to the Eligibility Board and the review and recording of certification credits submitted by holders of the Certified Tax Assessor (C.T.A.) certificate, as well as numerous other duties related to the recertification process.

Highlights

- Unclaimed Property receives approximately \$70 million in assets yearly.
- The Unclaimed Property Securities Portfolio received \$28 million in fiscal year 2000.
- 73 applications for Tax Assessors' Exams were filed.
- 12 revaluation programs were implemented in 2000 at an average cost of \$52.60 per line item and a total cost

of \$1,914,742. There were 17 reassessment programs implemented in 2000.

- \$158,376,249 in Realty Transfer Fees was generated with \$77,700,730 deposited into the General Fund and \$38,749,140 credited to the Neighborhood Preservation Nonlapsing Revolving Fund for fiscal year 2000.
- \$62,110,920 in State Revenue Sharing Distribution funds was reimbursed to New Jersey's 566 municipalities on November 1, 2000. The total amount of property tax deductions for senior and disabled citizens and surviving spouses was \$28,835,474. The total amount of veterans' deductions was \$33,275,446.

TECHNICAL SUPPORT

The Technical Support Activity consists of two branches – the Individual Tax Systems and IT Support Branch and the Business Tax Systems and MIS Support Branch. The combined services of these two branches provides the Division of Taxation with the technological assistance required to effectively administer the New Jersey State tax laws. Some of these services include the development, monitoring and maintenance of the various tax systems, the design and procurement of tax forms, applications, licenses, and other related information, the procurement, installation and maintenance of computer hardware and software, the maintenance and updating of the Division's Web site and the Intranet, and the training of Division employees. Additionally, Technical Support has responsibility for Wide Area Network (WAN) connectivity, network and e-mail administration and telecommunication, maintains various micro-based systems that support applications throughout the Division, performs special project work, and provides numerous informational reports for use both within and outside the Division. Technical Support personnel interact on a regular basis with representatives of other State and Federal agencies as well as outside vendors to provide these services in the most efficient manner possible. The activity continually strives to keep abreast of new technological developments and makes every effort to implement those that are consistent with and further enhance the goals of the Division.

Business and Individual Tax Systems. The analysts that support the various tax systems are responsible for the maintenance of and enhancements to existing tax systems and, when necessary, the development of new systems. These groups coordinate their efforts with those of the Office of Information Technology (OIT) in order to ensure that the day-to-day operational needs of the Division are met. They provide technical assistance to Division personnel as well as aid in problem resolution with respect to the various systems. Programming like facilities such as FDF-PC, DCF, NOW, NATURAL and TSO are often employed in providing these services. They also act as liaisons for the Division with other State, Federal and local agencies when required.

TAXNET Help Desk. This group possesses expertise in the various tax and data systems designed for use within the Division. It is their responsibility to assist Division personnel on a daily basis in resolving any problems encountered with these systems. They are also responsible for tracking the identification and resolution of these problems, and for performing table and file maintenance for the various systems. During 2000, the TAXNET Help Desk answered 4,536 telephone calls, completed 2,489

problem notification forms and 2,595 employee changes. In addition, 1,700 Telecommunication Request/Problem Detail Reports involving troubleshooting, removing and installing of telephone devices or other telecommunication equipment were completed.

Forms. The activity is responsible for the design and technical specifications of many New Jersey State tax forms, applications, instructions, booklets and other publications. Knowledge of the technological advancements that have been made in the printing and processing fields is critical to successful operations in this area. The analysts work in conjunction with the Division of Revenue personnel, who have responsibility for the processing of all tax returns, to ensure that all of the form requirements are met for the various types of processing equipment. Requirements include specific inks that will drop out for ICR, size of forms, margins, targets and registration marks, spacing of fields and specific fonts for OCR. The analysts coordinate their efforts with those of the purchase bureau and the printing contractors to provide quality products consistent with these requirements. The newest technology being implemented for the 2000 tax year is 2-D barcodes, where all of the information reported is in one barcode on the return. Other duties assigned to this group are attending bidders' conferences, performing site inspections of perspective vendors and occasionally supervising the production process to ensure quality control.

Network and Desktop Support. This unit is responsible for ensuring the availability of all network devices and services, including the Division's e-mail system and the CD ROM subscriptions which provide online access to many of the Division's research tools. In addition, they provide desktop hardware and software support by diagnosing, troubleshooting and repairing PCs and related devices. They are also responsible for the deployment and setup of new and upgraded PCs, including the installation of new software and the transfer of data.

Application Development and Audit/Investigations Support. This group processes data received from various outside agencies, provides users with information for audits, and develops new informational reports for Division managers. They also have the responsibility to assist field auditors and investigators with updates and maintenance of laptops, programs such as SmartPapers and evaluating new technologies for enhancements in efficiency.

Web Development and Training. This group has responsibility for the development and maintenance of the Division's Web site and Intranet site. The team also provides internal technical training for various desktop software and other programs and systems used Division-wide. Other responsibilities include the development of creative

PowerPoint and other media presentations for Division management's public speaking engagements.

- Implemented the system changes required to allow certain taxpayers on deferred payment plans to remit their payment through EFT.

Highlights

- Continued participation in the Federal Off-Set Program. Collections from the initial 14,000 notices totaled approximately \$650,000. Collections from the offsets of Federal refunds approximated \$1,360,000, which brings the total amount of debt collected to just over \$2,000,000. The program will be expanded in 2001 to include all income tax debts that meet the Federal regulations with an estimated initial mailing of 97,000 notices.
- In conjunction with other Division personnel, have begun to explore the benefits of incorporating Geographic Information Systems (GIS) in various areas within the Division including property administration, customer service and outreach, audit, and case assignment.
- Continued to work towards the replacement of the current MOD IV system that maintains and prepares the property tax information required by the Division. The development of a comprehensive RFP for a new Property Assessment Management System (PAMS) is in progress.
- Continued to assist the Division of Revenue and OIT in the development of the Centralized Revenue Management System. This project will enhance the Division's TAXNET systems and provide for non-tax debt functionality.
- Installation and upgrade of the Division's e-mail system, and network file server and operating system, providing greater capacity and more effective and efficient use of available resources.
- Continued to work with the Division of Revenue and OIT personnel on a 2-D barcode pilot project for certain 2000 tax year returns. 2-D barcoding will provide more accurate and efficient processing of the various computer generated tax forms.
- Continued to work with the Division of Revenue and OIT personnel on a project to integrate the filing of a corporation's Annual Report fee with their New Jersey Corporation Business Tax return.
- Continued to work on the expansion of the Division's internal training programs.
- Completed implementation of the NJ SAVER Rebate Program including the development of an Internet based inquiry system and the expansion of the eligible property owners who can file telephonically.

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 12 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. Responsible for the pickup, sorting, recording and delivery 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 responses to internal and external requests for tax records and the recommendation and implementation of exchange agreements with other agencies. Some of the agencies include the Internal Revenue Service, New Jersey State Police, Division of Criminal Justice, Division of Law, Division of State Lottery, and many other states through their Departments of Revenue/Taxation. Through this function the Division of Taxation, with the cooperation of 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 CRIMINAL INVESTIGATION

The Office of Criminal Investigation is responsible for the detection and investigation of alleged criminal violations of 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 willful intent to evade the tax laws are developed. Based on the findings of the investigation, recommendations for criminal prosecution are made to the State Attorney General's Office, the county prosecutor, or the United States Attorney's Office. 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 New Jersey State Police, the Federal Bureau of Investigation, the Internal Revenue Service, the United States Postal Inspection Service, 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, counterfeiting, 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 included attempted bribery of an employee, various physical threats to employees, and other integrity matters.

Highlights

- 98 cases were forwarded to prosecutors, 337 complaints were evaluated resulting in the initiation of 52

criminal cases. Total of 170 ongoing criminal investigations.

- 218 criminal investigations of cigarette tax violations were initiated; 68 of these cases involved the seizure of contraband cigarettes and the seizure of 1 vehicle. Seized 6,582 cartons of contraband cigarettes valued at \$220,497.
- 1,120 background investigations and 29 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.

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.

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. 1997, C. 264, initial collections of \$150 million are deposited in the Health Care Subsidy Fund.

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 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; 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 be-

ginning 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 began on or after January 1, 1996, and ended 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

For taxable years ending after June 30, 1984, a carryover of net operating loss was allowed as a deduction from entire net income for seven years following the year of the loss (C. 143, P.L.1985, approved April 22, 1985).

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), the extension of the carryforward of the research and development tax credit (C. 351, P.L. 1997), and the Neighborhood and Business Child Care Tax Incentive Program (C. 102, P.L. 1999). Electric and telephone companies are now subject to the Corporation Business Tax effective January 1, 1999.

Chapter 369, P.L. 1999, excludes certain hedge fund activity income of corporations of foreign nations from taxation under the Corporation Business Tax.

Chapter 12, P.L. 2000, provides that holders and former holders of a certificate of authority to operate a health maintenance organization are allowed a Corporation Business Tax credit for certain payments they are required to make.

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 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 (C. 17, P.L. 1996). 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.

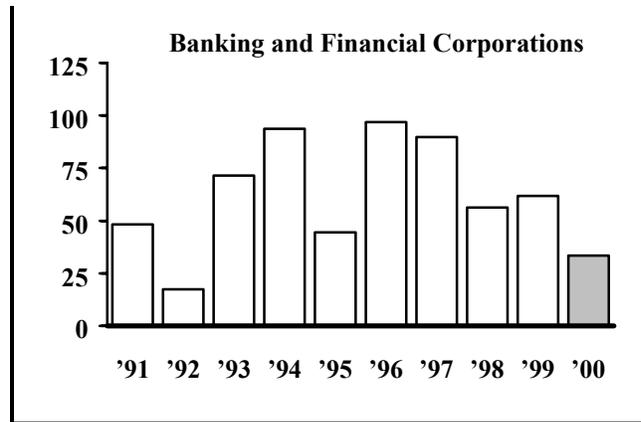
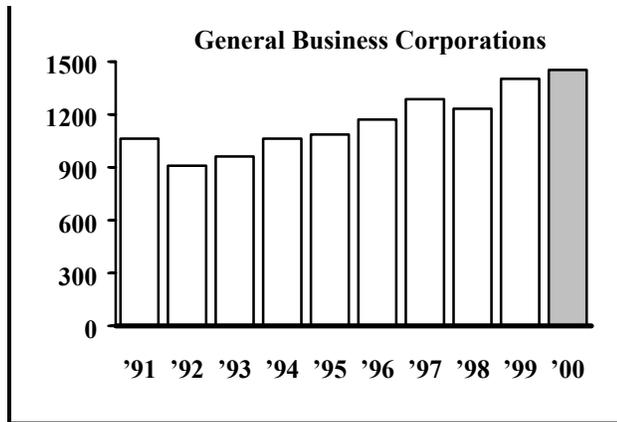
Deferred Pre-Dissolution Payment

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
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
1998	1,231,629,172
1999	1,402,906,622
2000	1,452,135,808

Fiscal Year	Collections
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
1998	56,234,674
1999	61,716,112
2000	33,483,692

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.

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%.

Filing Threshold

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. For the 1994 to 1998 tax years, filers with incomes of \$7,500 or less for the entire year (\$3,750 or less for married persons filing separately) pay no tax. The income levels were raised for the 1999 tax year as part of a three-year phase-in of higher filing thresholds, and filers with incomes of \$10,000 or less for the entire year (\$5,000 or less for married persons filing separately) pay no tax. For

tax year 2000, the filing threshold was \$10,000 or less for the entire year (single filers and estates and trusts), \$15,000 or less for the entire year (married couples filing jointly, heads of households, and surviving spouses), and \$7,500 or less for the entire year (married persons filing separately).

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; qualified medical savings account contributions; and for the "self-employed," qualified health insurance costs.
- Property tax deduction (or credit).
- Qualified conservation contribution.

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.

Effective for wages paid on and after January 1, 2000, certain employers of household workers may report and remit gross income tax withheld on an annual basis.

Disposition of Revenues

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

History

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

For tax years beginning before January 1, 2000, pension income for those eligible for Social Security by reason of age (62 years or over) or disability was 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). Chapter 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 (\$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). For tax years 1998 and thereafter, 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 \$500,000 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.

C. 106, P.L. 1998, raised from \$100 to \$400 the threshold at which quarterly estimated tax payments are required, effective for the 1999 tax year.

Effective for the 1999 through 2001 tax years certain deductions may be available to qualified childcare consortium members (C. 102, P.L. 1999).

C. 116, P.L. 1999, exempts qualified distributions from qualified State tuition program accounts.

C. 260, P.L. 1999, increased the gross income tax filing threshold to \$10,000 (\$5,000 for married persons filing separately) for the 1999 tax year. For married persons filing jointly, heads of household and surviving spouses, the threshold increased to \$15,000 (7,500 for married persons filing separately) for tax year 2000, and will increase to \$20,000 for tax year 2001 and later (\$10,000 for married persons filing separately).

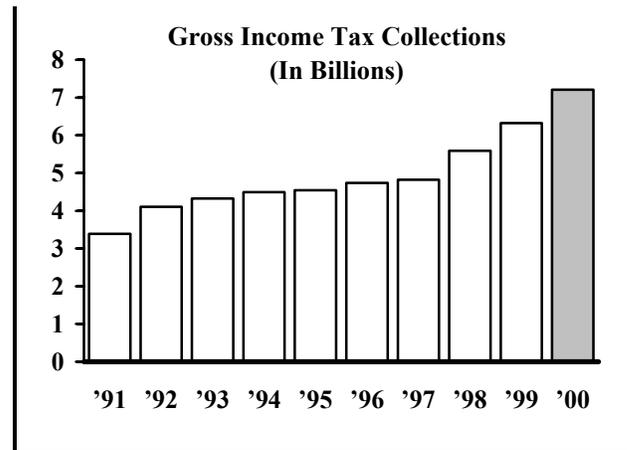
C. 94, P.L. 1999, allows certain employers of domestic helpers to file the withholding tax return annually, instead of quarterly or more frequently, for wages paid on or after January 1, 2000.

C. 177, P.L. 1999, increases the pension exclusion and "other retirement income exclusion." For tax year 2000, the exclusions are \$12,500 for a married couple filing jointly, \$6,250 for a married person filing separately, and \$9,375 for a single filer, head of household or surviving spouse. For tax year 2001, the exclusions will be \$15,000, \$7,500 and \$11,250 respectively; for tax year 2002, the amounts will be \$17,500, \$8,750, and \$13,125. For tax year 2003 and later, the exclusion amounts will be \$20,000 for a married couple filing jointly, \$10,000 for a married person filing separately, and \$15,000 for a single filer, head of household or surviving spouse.

C. 222, P.L. 1999, allows self-employed taxpayers, including more-than-2% shareholders of S corporations, to

deduct the cost of health insurance for the taxpayer and the taxpayer's spouse and dependents (subject to certain limitations) effective for the 2000 and later tax years.

Beginning with the 2000 tax year, C. 372, P.L. 1999, provides a deduction for a qualified conservation contribution.



Fiscal Year	Collections
1991	\$3,391,026,222 ¹
1992	4,101,895,000
1993	4,325,304,359
1994	4,493,659,929 ²
1995	4,540,081,765 ³
1996	4,733,786,100 ⁴
1997	4,825,410,635
1998	5,590,578,933
1999	6,323,893,129
2000	7,205,260,486

¹ Rates increased to 2%–7% effective January 1, 1991.

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

³ Rates reduced to 1.7%–6.58% effective January 1, 1995.

⁴ 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 did 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.

On April 15, 1999, the NJ SAVER and Homestead Rebate Act (C. 63, P.L. 1999) created a new, direct property tax relief program which will be phased in over five years beginning in 1999. Under the provisions of this new act, homeowners who qualify for both the Homestead Rebate and the NJ SAVER Rebate will receive either the Homestead Rebate or the new NJ SAVER Rebate, depending which program provides the greater benefit.

This same legislation increased the Homestead Rebate income threshold for tenants to \$100,000 and set the income threshold at \$40,000 for homeowners who are not 65 or older or blind or disabled. For 1998, tenants who were under 65, not blind or disabled and had income between \$40,000 and \$100,000 were eligible to receive a

\$30 Homestead Rebate provided they filed a Homestead Rebate Application by June 15, 1999. This amount increased to \$40 for the 1999 tax year and \$60 for the 2000 tax year. It will increase to \$80 for the 2001 tax year and \$100 for 2002 and thereafter.

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.

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.

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. However, proposed legislation has been introduced to extend the tax to December 31, 2005.

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.

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 1999 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

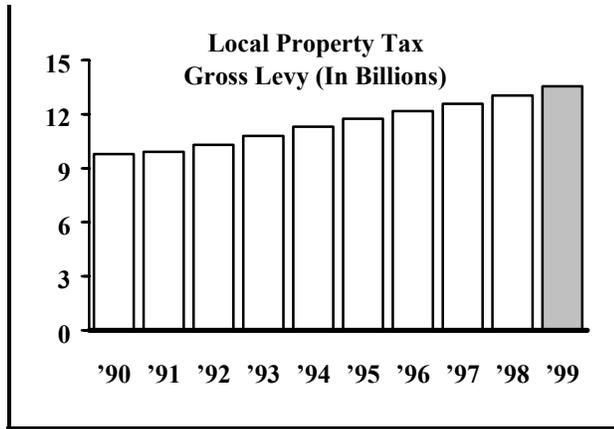
according to its value for agricultural use only. Chapter 51, Laws of 1960 (effective for tax year 1965) provided for such classification and also provided other significant modifications.

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 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 nonprofit organizations. Qualified senior citizens and disabled persons are permitted a tax deduction of \$250 annually as per N.J.S.A. 54:4-8.40 et. seq. The veterans' deduction was recently increased from \$50 to \$100 for tax year 2000, \$150 for 2001, \$200 for 2002 and \$250 for 2003 and thereafter pursuant to N.J.S.A. 54:4-8.10 et. seq.



Fiscal Year	Gross Tax Levy
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
1998	13,040,191,871
1999	13,558,860,459

Motor Fuels Tax

Description

A tax on motor fuels is applied to 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. See the New Jersey Constitution, Article 8, Section 2, paragraph 4.

NJ SAVER Rebate Program

Chapter 63, P.L. 1999, approved on April 15, 1999, and known as the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act), created the NJ SAVER Rebate program. New Jersey residents, regardless of age or income, who own, occupy, and pay property taxes on a home in New Jersey that was their principal residence on October 1 of any year are eligible to receive a rebate for that year.

The State calculates the rebate on each applicant's home by multiplying the equalized value of a home by the effective school tax rate for the municipality in which the home is located. The equalized value for the calculation cannot exceed \$45,000. Since school tax rates vary among municipalities, NJ SAVER Rebate amounts will vary. The program will be phased in over a five-year period beginning in 1999. The first rebate checks mailed in 1999 represented 20% of the maximum NJ SAVER Rebate. Homeowners received 40% of the maximum rebate in 2000 and will receive 60% of the maximum rebate in 2001; 80% of the maximum rebate in 2002; and 100% of the maximum rebate in 2003 and thereafter.

The NJ SAVER Rebate program and the Homestead Rebate program are two separate programs. Eligible applicants are entitled to either a Homestead Rebate or a NJ SAVER Rebate, and will receive whichever provides the higher benefit in their individual case.

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. In the case of fuel oils, aviation fuels, and motor fuels this rate is converted to \$0.04 per gallon pursuant to C. 48, P.L. 2000, adopted on June 30, 2000.

Disposition of Revenues

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

Property Tax Reimbursement Program

Chapter 348, P.L. 1997, approved January 14, 1998, created the Property Tax Reimbursement Program which effectively freezes property taxes for eligible New Jersey senior citizens and disabled persons by reimbursing them for property tax increases. The first year a resident satisfies all the eligibility requirements becomes their base year. Residents who remain eligible in succeeding years will be reimbursed for any increase in the amount of property taxes paid over the base year amount.

Residents are eligible if they (1) are age 65 or older or receiving Federal Social Security disability benefits; (2) owned and lived in a homestead (or mobile home which is on a leased site in a mobile home park) for at least the last three years; (3) lived in New Jersey and paid property taxes either directly or through rent for at least ten consecutive years; (4) paid the full amount of property taxes (or site fees if a mobile home owner) due on the home for both their base year and the year for which they are claiming the reimbursement; and (5) meet certain income eligibility limits for both the base year and the year for which they are claiming a reimbursement.

The income requirement will increase in subsequent years by the amount of the maximum Social Security benefit

cost of living increase for that year. Applicants must meet all requirements for both their base year and the year for which they are claiming a reimbursement. Once a homeowner's base year is established, it remains the same as long as they remain eligible in succeeding years. If a homeowner does not satisfy the requirements in one year, then their base year will become the next year that they satisfy all the requirements.

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 consumers, 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.

Public Utility Franchise Tax

Description

Public Utility Franchise Tax applies to all sewerage and water companies having lines and mains along, in, on, or over any public thoroughfare.

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 along, in, on, or over any street, highway, road, or other public place to the whole length of lines or mains. Measurements of lengths of lines or mains exclude service connections.

Administration

The Franchise Tax levied against the sewerage and water companies is payable to the State in three installments: 35% due May 15, 35% due August 15, and 30% due November 15.

Rate

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

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with P.L. 1997, C. 167.

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 companies in New Jersey.

Administration

The Gross Receipts Tax levied against the sewerage and water companies is payable to the State in three installments: 35% due May 15, 35% due August 15, and 30% due November 15.

Rate

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

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with P.L. 1997, C. 167.

Public Utility Excise Tax

Description

Public Utility Excise Tax is an additional tax on sewerage and water public utilities.

Administration

The Public Utility Excise Tax levied against the sewerage and water companies is payable to the State in full on May 1.

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 sewerage and water public utilities.

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with P.L. 1997, C. 167.

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.

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). Since 1995, payments have been paid on Class II railroad properties owned by New Jersey Transit Corporation through the Consolidated Municipal Tax Relief Aid Program administered by the Department of Community Affairs.

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. A co-operative form of ownership which is converted into a condominium form of ownership is exempt.

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 \$25 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 2000, \$38,749,140 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

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 certain 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 a Business Registration Application (Form NJ-REG). 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).

Effective January 8, 1998, the farm use exemption was amended to apply to tangible personal property (except automobiles, and except property incorporated into a building or structure) used "directly and primarily" in the production for sale of tangible personal property for sale on farms, ranches, nurseries, greenhouses, and orchards (C. 293, P.L. 1997).

Imprinting services performed on manufacturing equipment that is exempt under N.J.S.A. 54:32B-8.13 were exempted from sales and use tax effective March 1, 1998 (C. 333, P.L. 1997).

Chapter 221, P.L. 1999, provides for expanded sales and use tax exemptions for film and video industries.

Chapter 246, P.L. 1999, exempts repairs to certain aircraft from sales and use tax.

Chapter 248, P.L. 1999, clarifies the imposition of New Jersey sales and use tax on the retail sale of prepaid telephone calling arrangements. The statute shifts the

incidence of the tax from the point of use to the point at which the arrangement is sold to the consumer.

Sales and use tax exemption for the amount of sales through coin-operated vending machines was increased from \$0.10 to \$0.25 (C. 249, P.L. 1999).

"The Firearm Accident Prevention Act" (C. 253, P.L. 1999), exempts sales of firearm trigger locks from sales and use tax.

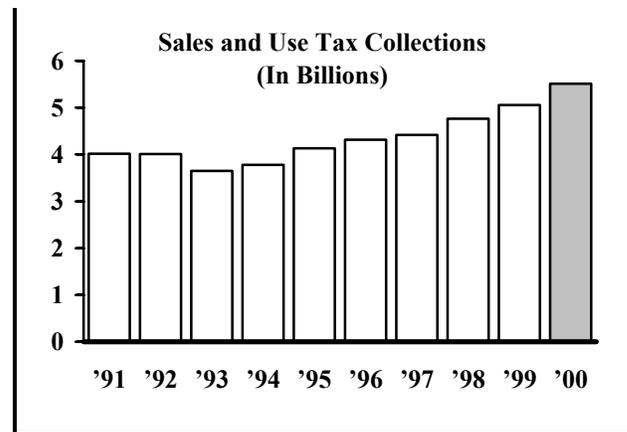
"The Secure Firearm Storage Act" exempts sales of firearm vaults from sales and use tax (C. 254, P.L. 1999).

Chapter 273, P.L. 1999, provides for general exemption from sales and use tax of costs of purchase and repair of commuter ferryboats.

"Farm use" sales tax exemption was revised through C. 314, P.L. 1999.

Chapter 365, P.L. 1999, provides sales tax exemptions for certain purchases by flood victims of Hurricane Floyd.

Chapter 416, P.L. 1999, grants exempt organization status under the New Jersey Sales and Use Tax Act to the National Guard, Marine Corps League, and war veterans' posts or associations. This law also creates a Sales and Use Tax Review Commission.



Fiscal Year	Collections
1991	\$4,013,147,198 ¹
1992	4,009,960,467
1993	3,651,122,672 ²

1994	3,778,506,912
1995	4,133,278,016
1996	4,318,372,824
1997	4,415,427,600
1998	4,766,194,660
1999	5,054,437,769
2000	5,508,045,603

¹ Rate increased to 7% on July 1, 1990.

² 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 possible benefits conferred on qualified businesses 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.

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.

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 2000 is \$1.25 per ton or \$0.375 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.

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 nonpetroleum 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 January 1, 1998) on the receipts from every sale of tobacco products by a distributor or wholesaler.

2000	675,000
2001	675,000
2002	700,000
2003	700,000
2004	850,000
2005	950,000
2006 and thereafter	1,000,000

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 1997, C. 264, initial collections of \$5 million are deposited in the Health Care Subsidy Fund.

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.

However, under provisions of The Taxpayer Relief Bill of 1997 (H.R. 1014), 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

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

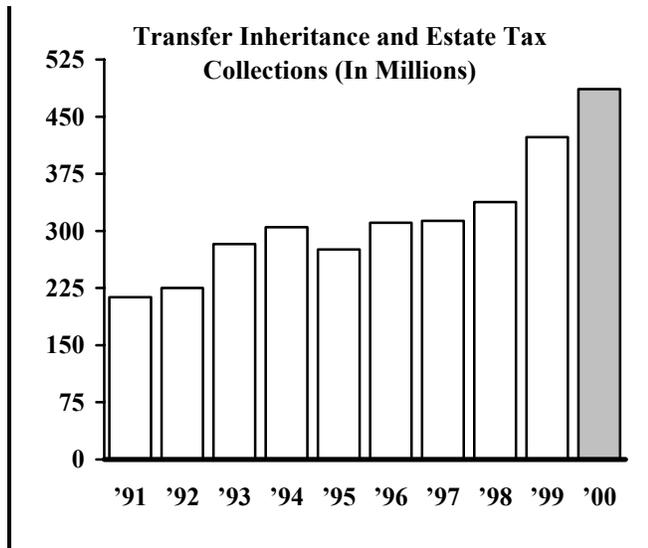
New Jersey first imposed an inheritance tax in 1892 at a rate of 5% on property transferred from a decedent to a beneficiary.

In 1909, legislation was enacted which formed the basis of the 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.

Chapter 29, P.L. 2000, clarified the calculation of the commissions to which executors are entitled for Transfer Inheritance Tax purposes.



Fiscal Year	Collections
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	337,679,941
1999	423,015,329
2000	485,948,339

Transitional Energy Facility Assessment

Description

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

Administration

The Transitional Energy Facility Assessment is assessed against the public utility energy companies or their successors or assignees and is due May 15.

Rate

The rates of taxation for each class and category of natural gas and electricity are established by the New Jersey Board of Public Utilities.

Disposition of Revenues

Revenues are deposited into an account that is used to fund the Energy Tax Receipts Property Tax Relief Fund, which is distributed to municipalities in accordance with C. 167, P.L. 1997.

Uniform Transitional Utility Assessment

Description

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

Administration

The Uniform Transitional Utility Assessment is assessed against the public utility energy companies and the public utility telecommunications companies, or their successors or assignees, and is due May 15. Any amount paid by a taxpayer shall be available only as a nonrefundable credit against the tax in which the estimation is made, and shall not be claimed until after August 1 of the year the assessment is paid.

Rate

For energy taxpayers, the assessment shall be equal to 50% of the total of the taxpayer's estimate of sales and use tax on energy (natural gas or electricity) and utility service (transportation or transmission of natural gas or electricity by means of mains, wires, lines, or pipes to users or customers) remittance for the calendar year and Corporation Business Tax liability for the calendar year.

For telecommunication taxpayers, the assessment shall be equal to 50% of the taxpayer's estimate of its Corporation Business Tax liability for the calendar year.

Disposition of Revenues

Revenues are deposited into accounts that are used to fund the Energy Tax Receipts Property Tax Relief Fund,

which is distributed to municipalities in accordance with C. 167, P.L. 1997.

**Table 1—Major State Tax Collections (Net)
Fiscal Years 1998–2000**

Tax Source	2000¹	% of Total	1999	% of Total	1998	% of Total	% Change '99–2000
Collected by the Division:							
Alcoholic Beverage (General Fund)	\$ 78,161,088	0.4%	\$ 75,975,263	0.5%	\$ 74,851,212	0.5%	2.9%
Cigarette (including dedicated fund) Corporation:	387,072,648	2.2	403,792,715	2.5	326,936,016	2.2	-4.1
Corporation Business ²	1,452,135,808	8.1	1,402,906,622	8.6	1,231,629,172	8.2	3.5
CBT Banks & Financials	33,483,692	0.2	61,716,112	0.4	56,234,674	0.4	-45.7
Environmental Taxes:							
Landfill Closure and Contingency	1,955,914	0.0	1,575,815	0.0	1,422,263	0.0	24.1
Litter Control	14,768,918	0.1	12,875,607	0.1	14,218,760	0.1	14.7
Public Community Water Systems	4,098,135	0.0	3,142,618	0.0	2,938,181	0.0	30.4
Solid Waste Recycling (Expired)	0	0.0	0	0.0	27,052	0.0	n/a
Solid Waste Services	4,313,339	0.0	2,430,120	0.0	2,889,143	0.0	77.5
Spill Compensation	16,918,661	0.1	16,124,880	0.1	16,541,266	0.1	4.9
Gross Income	7,205,260,486	40.4	6,323,893,129	38.7	5,590,578,933	37.3	13.9
Insurance Premiums	268,894,398	1.5	279,214,205	1.7	294,838,136	2.0	-3.7
Miscellaneous Revenues	490,013	0.0	(93,601)	0.0	1,878,465	0.0	-623.5
Motor Fuels	506,432,280	2.8	483,234,076	3.0	476,158,272	3.2	4.8
Petroleum Products	208,908,926	1.2	204,579,336	1.3	197,227,418	1.3	2.1
Public Utility Excise	9,091,650	0.1	8,920,114	0.1	9,174,800	0.1	1.9
Railroad Franchise	1,799,109	0.0	1,000,100	0.0	933,515	0.0	79.9
Railroad Property	3,039,162	0.0	2,907,664	0.0	2,523,656	0.0	4.5
Sales:							
Sales and Use	5,508,045,603	30.9	5,054,437,769	30.9	4,766,194,660	31.8	9.0
Atlantic City Lux & Promo (Loc. Use)	26,581,602	0.1	25,256,510	0.2	23,861,637	0.2	5.2
Tobacco Products Wholesale	12,686,653	0.1	13,755,468	0.1	11,682,321	0.1	-7.8
Cape May County Tourism (Loc. Use)	3,165,865	0.0	2,907,961	0.0	2,834,370	0.0	8.9
Casino Parking Fee	15,098,025	0.1	15,168,542	0.1	15,286,208	0.1	-0.5
Savings Institution	11,418,911	0.1	17,549,874	0.1	21,083,981	0.1	-34.9
Transfer Inheritance and Estate	485,948,339	2.7	423,015,329	2.6	337,679,941	2.3	14.9
Taxes Collected by the Division	\$16,259,769,225	91.2%	\$14,836,286,228	90.8%	\$13,479,624,052	89.9%	9.6
Collected Outside the Division:							
Boxing-Wrestling-TV	\$ 225,803	0.0%	\$ 398,058	0.0%	\$ 750,426	0.0%	-43.3
Casino Revenue	340,429,122	1.9	324,616,928	2.0	312,734,322	2.1	4.9
Casino Control	55,878,792	0.3	53,690,572	0.3	53,126,718	0.4	4.1
Lottery	719,928,948	4.0	652,342,709	4.0	642,829,785	4.3	10.4
Motor Vehicle Fees	383,050,206	2.1	394,417,040	2.4	435,855,324	2.9	-2.9
Outdoor Advertising ³	730,550	0.0	740,000	0.0	741,000	0.0	-1.3
Realty Transfer	77,687,046	0.4	71,298,780	0.4	63,259,822	0.4	9.0
Taxes Collected Outside the Division	\$ 1,577,930,467	8.8%	\$ 1,497,504,087	9.2%	\$ 1,509,297,397	10.1%	5.4
Total Major State Tax Collections	\$17,837,699,692	100.0%	\$16,333,790,315	100.0%	\$14,988,921,449	100.0%	9.2%

¹The 2000 figures are subject to adjustment.

²Includes Corporation Income Tax.

³The figures for 2000 are estimated.

Some numbers for prior years are revised.

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
Alcoholic Beverage Tax	54:41-1 <i>et seq.</i>	NJ SAVER Rebate.....	54:4-8.58a and 54:4-8.58b
Atlantic City Casino Parking Fee	5:12-173.1 to 173.5	Petroleum Products Gross Receipts Tax	54:15B-1 <i>et seq.</i>
Atlantic City Luxury Sales Tax	40:48-8-15 <i>et seq.</i> 54:32B-24.1 <i>et seq.</i>	Property Tax Reimbursement ...	54:4-8.67 <i>et seq.</i>
Atlantic City Tourism Promotional Fee	40:48-8.45 <i>et seq.</i>	Public Community Water System Tax.....	58:12A-1 <i>et seq.</i>
Cape May County Tourism Sales Tax.....	40:54D-1 to 10	Public Utility Taxes: Public Utility Excise, Franchise and Gross Receipts Taxes.....	54:30A-49 <i>et seq.</i>
Cigarette Tax.....	54:40A-1 <i>et seq.</i> 56:7-18 <i>et seq.</i>	Railroad Franchise Tax.....	54:29A-1 <i>et seq.</i>
Corporation Business (Net Income and Net Worth) Tax	54:10A-1 <i>et seq.</i>	Railroad Property Tax.....	54:29A-1 <i>et seq.</i>
CBT Banking Corporation....	54:10A-1 <i>et seq.</i>	Realty Transfer Fee.....	46:15-5 <i>et seq.</i>
CBT Financial Corporation ..	54:10A-1 <i>et seq.</i>	Sales and Use Tax.....	54:32B-1 <i>et seq.</i>
Corporation Income Tax.....	54:10E-1 <i>et seq.</i>	Savings Institution Tax	54:10D-1 <i>et seq.</i>
Gross Income Tax	54A:1-1 <i>et seq.</i>	Solid Waste Recycling Tax.....	13:1E-92 <i>et seq.</i>
Homestead Rebate	54:4-8.57 <i>et seq.</i>	Solid Waste Services Tax	13:1E-1 <i>et seq.</i>
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>	Spill Compensation And Control Tax	58:10-23.11 <i>et seq.</i>
Landfill Closure And Contingency Tax	13:1E-100 <i>et seq.</i>	Tobacco Products Wholesale Sales and Use Tax.....	54:40B-1 to 14
Litter Control Tax	13:1E-92 <i>et seq.</i>	Transfer Inheritance And Estate Taxes: Transfer Inheritance	54:33-1 <i>et seq.</i>
Local Property Tax	54:4-1 <i>et seq.</i>	Estate.....	54:38-1 <i>et seq.</i>
Motor Fuels Tax.....	54:39-1 <i>et seq.</i>	Transitional Energy Facility Assessment.....	54:30A-100 <i>et seq.</i>

LEGISLATION

Cigarette Tax

P.L. 1999, C. 328 — Sales of Reimported Cigarettes
(Signed into law on January 6, 2000) Forbids the stamping and sale of reimported cigarettes originally produced for export.

Under the legislation, distributors cannot stamp packages that:

- Do not comply with the Federal Cigarette Labeling and Advertising Act.
- Are labeled “For Export Only,” “U.S. Tax Exempt,” “For Use Outside U.S.,” or other wording indicating that the manufacturer did not intend that the product be sold in the United States.
- Have been altered adding or deleting words, labels or warnings described above.
- Were imported into the United States after January 1, 2000.
- Violate Federal trademark or copyright laws.

The law also makes it illegal to possess and/or sell cigarettes that fall into any of the above categories, and such cigarettes are subject to confiscation. This legislation became effective upon enactment.

Constitutional Amendment

Veterans’ Property Tax Deduction

On November 2, 1999 the electorate approved an amendment to Article VIII, Section I, paragraph 3 of the New Jersey Constitution increasing the property tax deduction for veterans from the current \$50 level to \$100 in tax year 2000, \$150 in tax year 2001, \$200 in tax year 2002 and \$250 in each subsequent tax year.

Dedication of Tax Revenues

Senate Concurrent Resolution No. 1 (filed with the Secretary of State on June 30, 2000) proposes a Constitutional amendment providing for the dedication of revenues from the Petroleum Products Gross Receipts Tax, and certain amounts from sales tax on revenues from the sale of new motor vehicles, for transportation purposes. The proposed amendment to the Constitution was on the ballot for the general election on November 7, 2000.

Corporation Business Tax

P.L. 1999, C. 369 — Certain Hedge Fund Income of Alien Corporations Excluded

(Signed into law on January 14, 2000) Excludes certain investment income generated in New Jersey by corporations from foreign nations involved in investing and trading for their own accounts. If a corporation has some activities that go beyond trading for its own accounts, the trading income may remain exempt in some cases. This act applies to privilege periods ending on or after July 1, 2000.

P.L. 2000, C. 12 — Insolvent HMO Assistance

(Signed into law on April 6, 2000) Establishes the “New Jersey Insolvent Health Maintenance Organization Assistance Fund Act of 2000” which provides for payment of certain individual and provider claims against HIP Health Plan of New Jersey, Inc. and American Preferred Provider Plan, Inc.

The law also provides that a member organization may offset against its corporation business tax liability an amount of not more than 10% of any assessment for each of the five privilege periods beginning on or after the third calendar year commencing after the assessment was paid, except that no member organization may offset more than 20% of its corporation business tax liability in any one year. This legislation became effective upon enactment and applies only to the insolvency of HIP Health Plan of New Jersey, Inc. and American Preferred Provider Plan, Inc.

Gross Income Tax

P.L. 1999, C. 177 — Pension Exclusion, Other Retirement Income Exclusion Increased

(Signed into law on August 3, 1999) Increases the maximum amount of certain retirement income that may be excluded from taxable income under the New Jersey Gross Income Tax Act as follows:

- For taxpayers filing joint returns: from \$10,000 to \$20,000
- For married, filing separate filers: from \$5,000 to \$10,000
- For single, head of household or qualifying widow(er) filers: from \$7,500 to \$15,000

Taxpayers eligible for the pension exclusion can exclude from reportable income either their actual pension income or the maximum exclusion amount for their filing status, whichever is less.

The higher exclusion limits extend as well to the Other Retirement Income Exclusion, the exclusion which allows taxpayers age 62 or older with earned income of \$3,000 or less to deduct the unused portion (if any) of their pension exclusion from their reportable gross income. The total amount of pension income plus other retirement income that may be excluded cannot exceed the new exclusion limits.

The new limits are to be phased in, in equal increments, over a four-year period commencing with taxable years beginning on or after January 1, 2000.

P.L. 1999, C. 222 — Health Insurance Costs for Self-employed Taxpayers

(Signed into law on September 22, 1999) Amends the Gross Income Tax Act to allow the self-employed and those who are more than 2% shareholders in an S corporation to deduct 100% of the cost of health insurance for themselves, their spouses and their dependents. The act took effect immediately and applies to tax years beginning on or after January 1, 2000.

P.L. 1999, C. 260 — Higher Tax Filing Thresholds

(Signed into law on October 18, 1999) Increases the minimum income level at which taxpayers become subject to the New Jersey gross income tax and are obligated to file a New Jersey gross income tax return. The income filing threshold increased to \$10,000 (\$5,000 for married persons filing separately) for the 1999 tax year. For tax year 2000 the threshold increased to \$15,000 for married persons filing jointly, heads of households and surviving spouses, and to \$7,500 for married persons filing separately. For tax year 2001 and later, the threshold will be \$20,000 (\$10,000 for married persons filing separately, single filers and estates and trusts).

P.L. 1999, C. 355 — Checkoff for Vietnam Veterans' Memorial Fund

(Signed into law on January 14, 2000) Makes the Vietnam Veterans' Memorial Fund checkoff on the gross income tax return permanent. This act applies to tax years beginning on or after January 1, 2000.

P.L. 1999, C. 372 — Qualified Conservation Contribution

(Signed into law on January 14, 2000) Provides a gross income tax deduction for qualified contributions of certain interests in real property located in this State for con-

servation purposes as defined under the Federal IRC section 170(h). The amount of the deduction will be equal to the amount allowed as a deduction for Federal income tax purposes. This act applies to tax years beginning on or after January 1, 2000.

P.L. 1999, C. 386 — Checkoff for Organ and Tissue Donor Awareness Education Fund

(Signed into law on January 14, 2000) Allows taxpayers to make voluntary contributions on their gross income tax returns for organ donor education programs. This act applies to tax years beginning on or after January 1, 2001.

Local Property Tax

P.L. 1999, C. 216 — Revaluation Relief Act of 1999

(Signed into law on September 21, 1999) Amends the Revaluation Relief Act of 1993 by adding a provision permitting municipalities the option to grant revaluation relief abatements to eligible properties through the use of a property tax rebate mechanism rather than through the current property tax credit mechanism. In addition, the bill allows the revaluation relief to be phased in over five years rather than the three years allowed under current law. The act took effect immediately and affects real property revaluation in the City of Newark.

P.L. 1999, C. 259 — Homestead Rebates

(Signed into law on October 15, 1999) Modifies one provision of the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act) P.L. 1999, c. 63. The technical change incorporated in this bill ensures that benefits provided to a tenant who is 65 years of age or older, or who is eligible to claim a deduction as a blind or disabled taxpayer, shall not be less than the minimum benefit provided to other eligible tenants (i.e., \$40 for tax year 1999; \$60 for tax year 2000; \$80 for tax year 2001; and \$100 for tax years 2002 and thereafter). The act took effect immediately.

P.L. 1999, C. 278 — Continuing Education Program for Tax Assessors

(Signed into law on December 8, 1999) Requires tax assessors to complete a specified number of continuing education credits for renewal of tax assessor certificates and establishes the Tax Assessor Continuing Education Eligibility Board to set curriculum requirements.

To renew a certificate, applicants must pay the required fee of at least \$50 and provide verification that the continuing education requirements were met. The

requirement for the first renewal is 50 continuing education credit hours during the preceding 5-year period. The requirement for subsequent renewals is 30 continuing education credit hours during the preceding 3-year period. This act took effect on July 1, 2000.

P.L. 1999, C. 284 — Recreational Vehicles

(Signed into law on December 20, 1999) Provides that a recreational vehicle installed in a campsite is not subject to tax as real property.

The legislation defines a recreational vehicle as a unit consisting of one or more transportable sections primarily constructed off-site, built on a permanent chassis, and designed to be used as a temporary dwelling. The unit is on a nonpermanent foundation and is not used as a dwelling on a permanent basis. This legislation became effective upon enactment.

P.L. 1999, C. 357 — Realty Transfer Fee

(Signed into law on January 14, 2000) Clarifies that the conversion from a cooperative to a condominium is not subject to the realty transfer fee. This legislation became effective upon enactment.

P.L. 2000, C. 9 — Annual Property Tax Deduction Increase

(Signed into law on March 30, 2000) Implements the State constitutional amendment approved by New Jersey voters on November 2, 1999, that increases the annual property tax deduction from \$50 to \$250 for certain veterans and their unmarried surviving spouses.

The new deduction amounts, which are being phased in over four years, increase to \$100 in calendar year 2000, \$150 in calendar year 2001, \$200 in calendar year 2002, and \$250 in calendar year 2003 and thereafter. This legislation became effective upon enactment.

Miscellaneous

P.L. 1999, C. 208 — Tax Court Proceedings

(Signed into law on September 17, 1999) Implements a series of recommendations promulgated by the Supreme Court's Committee on the Tax Court and adopts amendments dealing with county tax board appeals and certain Tax Court proceedings. The act took effect immediately. However, certain provisions apply to tax assessments for years commencing on or after January 1, 2000.

P.L. 1999, C. 375 — Authorization to Impose Municipal Taxes Extended

(Signed into law on January 14, 2000) Extends the municipal payroll and parking tax authorization for Jersey City, Elizabeth and Hudson County municipalities to December 31, 2004. The authorization for Newark was extended to September 30, 2000 and can be extended further under the terms of P.L. 1999, c. 216.

The law also clarifies that instrumentalities of the State, such as New Jersey Transit Corporation, are not exempt from local parking taxes. This legislation became effective upon enactment.

Petroleum Products Gross Receipts Tax

P.L. 2000, C. 48 — Rate Set at Statutory Minimum

(Signed into law on June 30, 2000) Sets the Petroleum Products Gross Receipts Tax rate on fuel oils, motor fuels and aviation fuel at the current 4 cents per gallon rate, the minimum statutory rate allowed. This prevents a possible administrative determination to increase the cents-per-gallon rate triggered by higher Statewide average gasoline prices. This law took effect immediately.

Sales and Use Tax

P.L. 1999, C. 221 — Expanded Exemption for Film and Video Industry

(Signed into law on September 22, 1999) Expands the sales and use tax exemption for the film and video industry to include purchases of tangible personal property for use directly and primarily in the production of film or video for sale, including parts, motor vehicles, tools and supplies. The act also exempts the services of installing, maintaining, servicing or repairing tangible personal property that is entitled to the exemption. The act took effect December 1, 1999 and applies to property sold and services rendered after that date.

P.L. 1999, C. 246 — Exemption for Certain Aircraft Repairs, Equipment

(Signed into law on October 15, 1999) Provides an exemption from New Jersey sales and use tax for repairs on aircraft having a maximum takeoff weight of 6,000 pounds or more, as certified by the FAA. The exemption also applies to machinery or equipment to be installed on such aircraft and to replacement parts therefor. However, the exemption

does not apply to the *sale* of aircraft of this class. The act took effect January 1, 2000.

P.L. 1999, C. 248 — Prepaid Telephone Calling Arrangements

(Signed into law on October 15, 1999) Clarifies the imposition of New Jersey sales and use tax on the retail sale of prepaid telephone calling arrangements (“calling cards”). The statute shifts the incidence of the tax from the point of use to the point at which the arrangement is sold to the consumer. Requiring vendors to charge tax on the retail selling price simplifies the tax collection and payment process. The act took effect January 1, 2000.

P.L. 1999, C. 249 — Exemption for Certain Vending Machine Sales

(Signed into law on October 15, 1999) Increases the allowable exemption from sales and use tax from \$0.10 to \$0.25 on sales of tangible personal property made through coin-operated vending machines. The exemption applies to sales of merchandise other than food and drink products. The act took effect immediately.

P.L. 1999, C. 253 — Firearm Accident Prevention Act

(Signed into law on October 15, 1999) Provides an exemption from New Jersey sales and use tax for sales of firearm trigger locks and other devices which enable a firearm to be made inoperable by anyone other than an authorized person. The act took effect December 1, 1999.

P.L. 1999, C. 254 — Secure Firearm Storage Act

(Signed into law on October 15, 1999) Provides an exemption from New Jersey sales and use tax for sales of vaults that provide safe and secure storage for firearms. The act took effect December 1, 1999.

P.L. 1999, C. 273 — Commuter Ferryboat Exemption

(Signed into law on November 24, 1999) Provides for an exemption from sales tax on the sales, repairs, alterations or conversion of ferryboats that are used primarily to transport passengers during peak commuting hours. This legislation became effective upon enactment.

P.L. 1999, C. 314 — Farmer’s Exemption

(Signed into law on January 6, 2000) Expands the sales tax exemption for certain purchases made for farm use. The law provides that the sales tax exemption for wrapping supplies will now include containers for use in a “farming enterprise.”

The farm use exemption is expanded to include the sale to a farmer of production and conservation services, in addition to the sale of tangible personal property. These sales must be directly and primarily used in the production,

handling and preservation for sale of an agricultural or horticultural commodity at the farming enterprise of the farmer. The exemption does not apply to sales of automobiles, energy or materials used to construct a building or structure other than a silo, greenhouse, grain bin, or manure handling equipment. This act applies to sales made on or after January 1, 2000.

P.L. 1999, C. 365 — Exemptions for Hurricane Floyd Victims

(Signed into law on January 14, 2000) Provides an exemption from sales tax paid by victims of Hurricane Floyd to replace motor vehicles, household goods, home repair materials, heating and cooling systems and appliances, as well as services to install, replace or repair property that was damaged or lost in flooding attributable to Hurricane Floyd in counties federally designated as disaster areas.

Documentation of the flood loss and proof of sales tax paid must accompany any claim for a refund. This legislation became effective upon enactment and applies retroactively to purchases made during the recovery period, September 17, 1999, through September 30, 2000. Refunds must be requested on or before March 31, 2001.

P.L. 1999, C. 416 — Exempt Organization Status

(Signed into law on January 18, 2000) Grants exempt organization status under the Sales and Use Tax Act to a National Guard organization, the Marine Corps League, war veterans’ posts or associations, and the auxiliary units of these organizations.

The law clarifies an existing requirement that the exemption from sales tax of a sale to an exempt organization shall apply only if no part of the net earnings of the organization benefit any private shareholder or individual and the organization does not engage in lobbying or political campaign activity.

The law also creates a Sales and Use Tax Review Commission to review any bills that would expand or reduce the base of the sales and use tax. This legislation took effect March 1, 2000.

Spill Compensation and Control Tax

P.L. 1999, C. 342 — Extension of Cap Benefit

(Signed into law on January 10, 2000) Provides an extension of the cap benefit under the Spill Compensation and Control Tax.

This law amends the Spill Compensation and Control Act to allow a Spill tax capped corporation's successor in interest pursuant to an IRC §368(a)(1)(D) reorganization on or before October 1, 1997 to be eligible for such cap, which is an annual tax limit of no more than 125% of the tax liability in the 1986 base year of the predecessor corporation. It would also allow the successor corporation a refund of any Spill taxes paid in excess of the capped limitation since January 1, 1996.

The law also clarifies that for a capped corporation or its qualified successor in interest, the taxes not included in the 1986 base would only be for those major facilities that prior to January 1, 1996, were entirely closed and decommissioned. This legislation became effective upon enactment.

Transfer Inheritance Tax

P.L. 2000, C. 29 — Executor Commissions

(Signed into law on June 16, 2000) Amends N.J.S.A. 3B:18-14 to clarify the calculation of the commissions to which executors of estates are entitled for Transfer Inheritance Tax purposes. This legislation became effective upon enactment.

COURT DECISIONS

Administration

Subject Matter Jurisdiction

James Construction Company, Inc., v. Director, Division of Taxation and Commissioner, Department of Labor, decided June 22, 1999; Tax Court; No. 005268-98. The Court ruled that the Tax Court does not have jurisdiction to hear unemployment compensation contribution cases. The Court found that neither the statutes, regulations, nor the Tax Court jurisdiction statutes grant judicial review by the Tax Court.

Subject Matter Jurisdiction

Delta Data Net, Inc., v. Director, Division of Taxation, decided July 23, 1999; Tax Court; No. 00661-1999. The Division sent the notice of assessment related to final audit determination for sales and use tax and corporate business tax (hereinafter "notice") dated September 3, 1998, by certified mail and addressed to plaintiff's address on September 2, 1998. The certified mail receipt indicates that plaintiff received the notice on September 4, 1998, as evidenced by the signature of plaintiff's employee. By letter dated January 15, 1999, plaintiff protested and requested a conference that was denied by the Division's February 5, 1999, letter for failure to file a protest within the 90-day period for the September 3, 1998, notice.

Pursuant to the Division's motion to dismiss the complaint, plaintiff claimed that the complaint should be heard because (1) the letter was dated September 3 and mailed on September 2 which indicates it is not the same letter, (2) the certified receipt number was not put on the September 3 letter and that casts doubt as to whether it is the same letter, (3) the letter was not addressed to someone like the company's CFO who had attended meetings with the Division concerning the audit at issue, (4) their June meeting with the Division was in the nature of a protest as they told the Division there were documents they needed to locate that would demonstrate that the tax was not owed, and (5) plaintiff is a zealous taxpayer that never would have ignored the notice.

The Court dismissed plaintiff's complaint due to lack of subject matter jurisdiction. The Court found that the September 3, 1998, notice of assessment was properly addressed, sent by certified mail to plaintiff, and received by plaintiff's employee. N.J.S.A. 54:49-19 provides that challenges to the notice of assessment must be filed with-

in 90 days of the date of the notice. Therefore, the Court ruled that plaintiff did not timely file its protest with the Division because plaintiff did not file a written protest within this 90-day period. Furthermore, the Court stated that:

"It is not the problem of the director, and again, even putting the strongest responsibility on the director to turn square corners, it is not the problem or obligation of the director to hand deliver that letter, to have knocked on the door and said, Mr. Devito, here we are with something, it's really important and you need to look at it."

Subject Matter Jurisdiction

Dundee Automotive, Inc., v. Director, Division of Taxation, decided July 30, 1999; Tax Court; No. 002143-99. Plaintiff's complaint was timely received by the Tax Court Management Office (hereinafter "office") on the 89th day after the date of the Division's Final Determination; however, the filing fee was not included. The office stamped the complaint "Received but not Filed" and permitted plaintiff ten days to remit the filing fee in order for the complaint to be considered filed timely. On the 17th day, the office received plaintiff's filing fee.

The Court granted the Division's motion to dismiss the complaint. The Court held that it lacked jurisdiction to hear the case because plaintiff failed to perfect his appeal with the Tax Court within 90 days of the date of the Final Determination.

Bankruptcy Choateness

In the Matter of Johns, Klear, and the State of New Jersey v. the USA, decided October 7, 1999; District Court; No. 99-2521 and 99-1880. The District Court reversed, in part, the Bankruptcy Court's determination of when the State's lien arising under the New Jersey Gross Income Tax Act became choate.

The District Court ruled that a State lien becomes established and enforceable on the assessment date (Citing *Monica Fuel Inc.*, 56 F.3d 508, 512 (3rd Cir. 1995)).

Under the New Jersey Gross Income Tax Act, the amount of tax that a return states is due is deemed assessed on the filing date (See N.J.S.A. 54:9-3(a)). Therefore, the Court held that the liens to the extent of the tax shown on the return were choate on the date plaintiffs filed their returns.

On the other hand, the Court ruled that penalty and interest were not deemed assessed on the filing date because

taxpayers did not include penalty and interest on their returns. The Court reasoned that the assessment of penalty and interest under the Gross Income Tax Act must be made through the deficiency assessment process, which process was not performed in either of the aforementioned cases. Therefore the Court held that the liens for interest and penalties were inchoate, were not perfected.

Time Period to File Appeal with Tax Court

Alex M. Ponzi-Montalto v. Director, Division of Taxation, decided November 16, 1999; Tax Court; No. 005577-1998. In 1992, the Division sent plaintiff a "Notice and Demand for Payment of Tax" (hereinafter Notice) stating that plaintiff had ten days to show cause why the State should not file a Certificate of Debt against her in her capacity as a responsible officer of her corporation. The Notice also stated: "A personal visit to the Division of Taxation is not necessary to discuss this matter. However, if you desire a conference, you *must* call or write in advance to arrange an appointment." Fourteen days later, plaintiff's attorney corresponded with the Division concluding as follows: "Accordingly, I wish you would review the enclosed orders and contact me at your earliest convenience so that we may discuss this matter further. Thank you." Thereafter, the Division filed a Certificate of Debt (hereinafter COD) against plaintiff. In the same year, plaintiff twice communicated with the Division via telephone and was advised that she would be held responsible.

In 1994, the Division issued a Warrant of Execution to satisfy the indebtedness set forth in the 1992 COD. In December 1994, the Division issued a second COD to plaintiff in her capacity as a responsible person of the same corporation for an additional amount of assessed taxes against her corporation. Notification of the docketing of the 1994 COD was sent to plaintiff in 1995.

In 1997, plaintiff's attorney corresponded with the Department of Law and Public Safety requesting a conference to dispute plaintiff's status as a responsible officer. On May 20, 1998, a representative of New Jersey's Attorney General wrote plaintiff's attorney advising that the Division would not release the client from responsibility and that the only alternative was Tax Court. On September 9, 1998, plaintiff filed a valid complaint with the Tax Court alleging that she was not a responsible officer for certain time periods and that her May 20, 1998, letter constituted an act of the Director from which she could appeal. In its September 10, 1999, bench opinion, the Court rejected plaintiff's argument concerning the May 20, 1998, letter without reiterating the analysis and reasoning in this opinion.

In its inquiry, the Court focused on the adequacy and validity of the Division's notifications with respect to the determinations of liability stated in the two CODs. The Court ruled that the notifications were adequate as they were not assessments and complied with the statutes in effect at that time. The Court found that the plaintiff did not request a hearing or formally protest any Division notification until 1997 and that her failure to appeal for more than four years was unexcusable whereas here she received notification of the liability being imposed. Therefore, the Court granted the Division's motion to dismiss the complaint on grounds of untimely filing.

Division's Inherent Power of Recoupment

Playmate Toys, Inc., v. Director, Division of Taxation, decided December 21, 1999; New Jersey Supreme Court; No. A-70. The Division granted a refund claim to plaintiff on time periods that were barred by the statute of limitations. Thereafter, the Division issued a final determination directing plaintiff to return the erroneous refund.

In a unanimous decision, the New Jersey Supreme Court affirmed the Appellate Division's holding that although the Division has no statutory power to recoup mistaken disbursements, it does have an inherent power to do so. However, the Court added that this inherent power is not unlimited as the "powers of the Division are not boundless." The Court differentiated this case concerning the correction of a clerical error from a case concerning the correction of an error in judgment.

Adequate Notice

Leonard Santos v. Director, Division of Taxation, decided January 21, 2000; Tax Court No. 002138-1999. By letter dated January 10, 1995, the Division notified plaintiff's corporation that it intended to conduct an audit of plaintiff's business. The letter was addressed to the business at their P.O. Box in Trenton. After plaintiff alleged that there was a complete loss of its accounting records, the Division mailed an arbitrary assessment to the corporation at its North Broad Street, Trenton site address on December 5, 1995. The postal service could not deliver the letter and returned it to the Division. On December 8, 1995, the arbitrary assessment was mailed to the Trenton P.O. Box. This letter was also returned to the Division by the postal service with a "Box Closed" notation on the envelope.

On July 15, 1996, the Division sent a notice and demand for payment of tax to the corporation at the Trenton P.O. Box address. Plaintiff's wife signed the mailing receipt. This notice advised the corporation that it had 90 days to

appeal the Division's determination of tax liability. The corporation neither protested the notice with the Division nor did it file a complaint with the Tax Court.

On July 15, 1996, the Division also sent a notice to plaintiff stating that he was personally liable for unpaid corporate taxes. This notice was sent to plaintiff's address at Monmouth Junction, New Jersey, but was returned by the postal service with a notation "Attempted, Not Known." Thereafter, the Division secured a Pennsylvania address for plaintiff through a credit-reporting agency. On October 3, 1996, the Division sent a notice to the PA address concerning plaintiff's personal liability for corporate taxes and stated that he had a right to an administrative hearing provided he complied with N.J.A.C. 18:1-1.8 by filing a proper protest. This mailing was signed as received by plaintiff's wife. On November 5, 1996, plaintiff's accountant filed a nonconforming N.J.A.C. 18:1-1.8 protest. The Division's Conference & Appeals Branch denied the protest as untimely and advised that an appeal to the New Jersey Tax Court must be made within a 90-day period. Plaintiff neither inquired as to why the protest was untimely nor did it file a complaint with the Tax Court.

On December 17, 1996, the Division's Judgment Section advised plaintiff that his protest was received and that the corporate tax liability was fixed because there was no timely challenge to the corporate determination. Plaintiff was simultaneously advised that the issue of his personal liability for taxes could be challenged if he filed a proper protest. Furthermore, plaintiff was notified that a Certificate of Debt would be filed against the plaintiff if the information were not supplied by January 10, 1997. Neither the plaintiff nor plaintiff's representative responded to the Division's December 17, 1996, letter. On January 17, 1997, the Division sent a notice to plaintiff advising him that on January 16, 1997, the Division entered a Certificate of Debt against him as a responsible person of his corporation.

There was no communication from plaintiff or his representatives until March 25, 1999, when plaintiff filed a motion in Superior Court seeking an order to vacate the judgment. The Superior Court judge denied the motion because the Tax Court had jurisdiction and allowed plaintiff 30 days to file the application with the Tax Court. Plaintiff then filed a motion similar to the one filed in Superior Court.

The Court granted the Division's motion to dismiss the complaint for untimely filing. The Court ruled that plaintiff had adequate notice of the nature and extent of the tax lia-

bility imposed both on the corporation and him personally because (1) plaintiff's wife had signed for notices of both the corporate assessment and the responsible person assessment, (2) the certification of plaintiff's accountant indicated that plaintiff was aware of the notices at least by November 1996, (3) although plaintiff requested a hearing in November 1996, plaintiff did not file a conforming protest in accordance with N.J.A.C. 18:1-1.8 or respond to or comply with Division communications thereafter, and (4) plaintiff did nothing more until over two years later when it filed a motion in Superior Court. The Court also ruled that the Division's notices provided plaintiff with an opportunity to be heard but plaintiff did not avail himself of that opportunity in a statutorily timely manner.

Refund Claims

Amplicon, Inc. v. Director, Division of Taxation, decided September 18, 1998; Tax Court No. 000413-98; Motion for Reconsideration denied March 11, 1999, No. M3031-98, aff'd; Appellate Division, No. A-1295-98T5 (March 10, 2000). The Appellate Division affirmed the Tax Court's ruling that the statutory provision permitting the filing of a refund claim within four years of payment does not apply to the situation where the payment was made pursuant to an assessment and the taxpayer either had an administrative hearing or failed to timely file for a hearing or appeal. (See N.J.S.A. 54:32B-20(b)). The Tax Court noted that audits would never close if extended statute of limitations were permitted as there could be repeated and endless attempts to seek refunds.

Subject Matter Jurisdiction

Frank Scallo v. Director, Division of Taxation, decided July 10, 1998, clarified August 26, 1998; Tax Court No. 000387-1998; aff'd; Appellate Division, No. A-7216-97T1 (March 20, 2000). On June 28, 1996, the Division sent plaintiff a Notice of Finding of Responsible Person Status which granted the right to an administrative hearing if the plaintiff applied for a hearing within 90 days of the notice. On January 16, 1997, the Division filed a Certificate of Debt against plaintiff. On April 23, 1997, plaintiff requested an administrative hearing challenging his status as a responsible person. Plaintiff's request was denied due to its untimeliness. Thereafter, plaintiff filed a complaint with the Tax Court.

The Tax Court dismissed the complaint for failure to state a claim upon which it could grant relief as plaintiff did not file a timely appeal to Tax Court. Essentially, plaintiff's request for an administrative hearing was untimely as the April 23, 1997, request for a hearing was more than 90 days after the Division's June 28, 1996, mailing of the Notice of Responsible Person Status.

Therefore, the Tax Court complaint was also untimely. The Appellate Division affirmed and noted the following:

1. Taxpayers must comply with all statutory requirements to appeal a tax assessment, including time limits for appealing to the Division of Taxation or the Tax Court;
2. If the time limit for an appeal is not met, there is “no inequity in ignoring the substantive claims” of a taxpayer and the complaint must be dismissed;
3. Certificate of Debt instruments are not judgments subject to review;
4. Taxpayers have a duty to know the law because the governing tax statutes “lay out the rights and duties of taxpayers” and their rights and duties can easily be discovered;
5. The 90-day appeal period is a reasonable time to “attack the validity of any assessments” and “it is the responsibility of taxpayers to determine whether the tax assessment is correct” or incorrect, within that time; and
6. The Division of Taxation is encouraged to file dispositive Motions to Dismiss in lieu of answers, where appropriate, which preserves judicial resources and economy.

Division’s Duty to Provide Notice of Changes to Tax Statutes

Schirmer-National Co. v. Director, Division of Taxation, 17 N.J. Tax 495 (Tax Court 1998); Motion for Reconsideration, *denied* January 4, 1999; No. M00348-96, *aff’d*, Appellate Division, No. A-3877-98T2 (March 31, 2000). The Tax Court followed its decision in *Aetna Burglar & Fire Alarm Co. v. Director, Div. of Taxation*, 16 N.J. Tax 584 (Tax Court 1997) that alarm monitoring services carried through telephone telecommunications are subject to sales tax pursuant to P.L. 1990 c. 40.

Plaintiff also argued that the provisions of P.L. 1990 c. 40 were so broad in taxing telecommunications that the sale of burglar alarm monitoring services should not be subject to tax until the time the Division provided proper notice of the tax law change. The Tax Court ruled that taxpayers are “put on notice of legislative enactments on the date the legislation becomes effective.” Consequently, the Division of Taxation was not obligated to provide taxpayers with notice of changes in the tax law. The Appellate Division affirmed.

Bankruptcy Discharge

Lloyd M. Cohen v. Director, Division of Taxation, decided June 13, 2000; Tax Court No. 008458-96. Plaintiff confessed to embezzling approximately two million dollars from his clients/creditors. The Chancery Division of the Superior Court appointed a custodial receiver to marshal assets and collect embezzled monies to satisfy the claims of the victims. In the process, the receiver entered into a closing agreement with the Internal Revenue Service and the Division where New Jersey gross income tax returns (NJ-1040s) were filed for the periods 1986 through 1994 and taxpayer, not the receiver, would be responsible for payment of any tax, penalty, and interest. Pursuant to a court order, plaintiff and other interested parties were notified of the proceeding that approved of the terms and conditions of the closing agreement including the understanding that plaintiff was the sole and primary person responsible for payments of tax, penalty, and interest.

On July 24, 1996, the Division issued an assessment against plaintiff for the above mentioned tax liability. Plaintiff filed a timely complaint in Tax Court challenging the Division’s assessment primarily on the grounds that the assessment was not valid against him personally because the NJ-1040s were filed by his custodial receiver. Plaintiff also filed for Chapter 7 with the United States Bankruptcy Court and the petition included the tax liabilities pertaining to the July 24, 1996, assessment. On or about February 14, 2000, the Bankruptcy Court granted plaintiff a Chapter 7 discharge.

On January 6, 2000, the Division filed a motion for summary judgment to dismiss plaintiff’s complaint. After numerous adjournments to allow plaintiff time to respond, plaintiff’s only submission was a copy of the order granting his Chapter 7 discharge.

The Court validated the Division’s July 24, 1996, assessment by granting summary judgment in favor of the Division because plaintiff failed to present facts in opposition to the Division’s motion. Failure to do so deemed the facts, as set forth by the Division, undisputed. The Court ruled that the receipt of a bankruptcy discharge does not invalidate Tax Court proceedings and that the issue of the discharge should be litigated in Bankruptcy Court because of its significant expertise.

Statute of Limitations and Record Retention

Alpha I, Inc., v. Director, Division of Taxation, decided June 13, 2000; Tax Court No. 00373-1999. Plaintiff did not provide the Division with purchase records to support the expenses pertaining to the first quarter of 1994. Therefore, the Division determined the use tax liability for the

first quarter of 1994 by extrapolating the results of their examination of records pertaining to subsequent periods two to three years thereafter.

Plaintiff claims that the use tax assessment should be set aside because there was no requirement to retain purchase records for longer than three years pursuant to N.J.S.A. 54:32B-16. However, under N.J.S.A. 54:32B-27(b), the Director is permitted to issue assessments of sales and use tax for up to four years from the date of the filing date of the return.

In upholding the Division's assessment as timely in conformity with the statute of limitations on assessments, the Court rationalized that to quash the assessment "would in effect reward taxpayer for destroying records that are still subject to an audit and additional assessment." The Court ruled that the three-year retention period set a minimum time period to retain records and that "[a]lthough the taxpayer was not required to keep records beyond this three-year period, destruction of the records would put the taxpayer in jeopardy because additional assessments may be levied until the expiration of the four-year statute of limitations." Therefore, the Court opined that taxpayer placed itself in peril by disposing of their records prior to the expiration of the statute of limitations period.

Corporation Business Tax

Receipts Includable in Numerator of Allocation Factor *Stryker Corporation v. Director, Division of Taxation*, decided August 16, 1999; Tax Court; No. 004852-96. At issue is whether the Division properly included in the numerator of the receipts fraction all receipts generated by drop shipment transactions occurring in New Jersey destined for out-of-State customers.

Osteonics Corporation, a New Jersey corporation, is the wholly-owned subsidiary of plaintiff, a Michigan corporation. Both plaintiff and Osteonics are located in the same building in Allendale, New Jersey. Plaintiff paid all the real estate related costs.

Osteonics' sole function was to receive and process customer orders for plaintiff's products manufactured at the New Jersey plant. Osteonics then placed its order with plaintiff. Plaintiff packed and shipped the products to Osteonics' customers via common carrier, F.O.B. Allendale, throughout the United States. Thereafter, Osteonics would bill its customers.

Although plaintiff did not invoice Osteonics for each order, company representatives reviewed Osteonics' sales receipts in order to determine price and profit allocations. Essentially, Osteonics retained a gross margin of approximately twenty percent.

As regards to sales to Osteonics, plaintiff allocated sales by the shipment's destination state. Accordingly, for tax purposes, plaintiff included sales of only New Jersey destination shipments in the numerator of the receipts fraction on its New Jersey corporate business tax return. Pursuant to an audit, the Division determined that all sales to Osteonics should be included in the numerator of the receipts fraction regardless of destination.

The Court held that plaintiff's sales receipts from its direct shipments to Osteonics' out-of-State customers to Osteonics are includable in the numerator under N.J.S.A. 54:10A-6(B)(6). The Court found that this statute required inclusion in the numerator of all receipts earned by the taxpayer in New Jersey including the intrastate transactions between plaintiff and Osteonics.

Standing to Appeal

Richard Pobuta v. Director, Division of Taxation, decided October 8, 1999; Tax Court; No. 002054-99. Plaintiff filed the complaint challenging the interest due on corporation business tax and sales and use tax owed by Campin Corporation as well as the gross income tax owed by plaintiff and his wife.

The Court held that Richard Pobuta lacked standing to appeal the corporate tax liabilities even though he was the sole officer, shareholder, and director of the corporation. Citing *Rule 1:21-1* of the *New Jersey Court Rules*, the Court ruled that only an attorney may file an appeal concerning corporate tax liabilities.

The Court held that it lacked jurisdiction to reduce interest below statutory minimum absent plaintiff's reasonable reliance on the Division's written advice furnished to the plaintiff. After establishing that interest was imposed at statutory minimum and there was no allegation of reliance on erroneous advice, the Court dismissed plaintiff's complaint.

Gross Income Tax

Taxability of Foreign S Corporation's Income to NJ Resident

Vincent Mancini v. Director, Division of Taxation, decided March 19, 1999; Tax Court; No. 2892-98. Plaintiff

is a New Jersey resident that owns a 25% interest in a corporation located in Pennsylvania that elected S corporate status for both Federal and Pennsylvania income tax purposes. Plaintiff's New Jersey gross income tax return did not report his pro rata share of income from this foreign S corporation. However, plaintiff's pro rata share of S corporation income was reported on his personal Federal income tax and Pennsylvania nonresident income tax returns.

The Court noted case precedent holding that a state has nexus to tax its residents or domiciliaries on all their income regardless of the source of that income. (Citing *Cohen v. Graves*, 300 U.S. 308, 312-314 (1937); and *Hoe v. Division of Taxation*, 2 N.J. Tax 67, 72 (1980 Tax), *aff'd*, 4 N.J. Tax 528 (1981 App. Div.), *cert. denied*, 87 N.J. 418 (1981)).

After examining the New Jersey Gross Income Tax Act, the Court found that the legislative intent was to tax a resident taxpayer's share of S corporation income as allocated to the resident pursuant to N.J.S.A. 54A:5-86 regardless of either the location of the S corporation or whether the corporation elected New Jersey S status. Therefore, the Court held that plaintiff was taxable on his pro rata share of the Pennsylvania S corporation income as calculated under the New Jersey Gross Income Tax Act.

Interest Deduction for Loan for Capital Contribution

John W. Dantzler, Jr. and Kathleen M. Dantzler v. Director, Division of Taxation, decided June 1, 1999; Tax Court; Motion for Reconsideration, denied, October 22, 1999; No. 006040-96. On defendant's motion for reconsideration, the Court declined to change its determination that interest on plaintiff's loan used to make his partnership capital contribution is a deductible business expense under the Gross Income Tax Act.

In essence, plaintiff borrowed money from the partnership for his capital contribution. Thereafter, plaintiff borrowed money from Citibank and repaid the loan to the partnership. At issue is the Citibank loan interest that was paid by the partnership to Citibank and withheld from amounts that would otherwise have been distributed to plaintiff.

Employee Status

Charles & Kathleen Santilli v. Director, Division of Taxation, decided July 26, 1999; Tax Court No. 5532-98. The Division determined that plaintiff was an employee based upon the following facts. Plaintiff received two 1994 W-2 statements from Prudential Insurance Company. Both showed Federal wages and FIT withholding, social secu-

rity wages and withholding, medicare wages and withholding, excess group life insurance costs, employee's 401(k) retirement plan, pension plan, and deferred compensation. The other also showed withholding for NJ HCF and NJ WDF. However, neither W-2 checked the box for statutory employee. On plaintiff's 1994 income tax returns, plaintiff deducted \$100 for a Keogh retirement plan and self-employment (SEP) deduction and nothing under the half of self-employment tax, line 25, of the return. Furthermore, plaintiff did not report anything on the self-employment schedule under self-employment tax on the 1994 Federal return except for an entry of zero on line 12 where a handwritten note states refer to the W-2.

Plaintiff claimed that the W-2 was issued because plaintiff was a full-time insurance salesman who was subject to FICA and an employee as defined by Internal Revenue Code section 312(d), but otherwise not considered an employee and was labeled self-employed pursuant to Revenue Ruling 90-93.

The Court ruled that although a W-2 customarily indicates an employer/employee relationship where taxes are withheld, it is not definitive. In making its determination, the Court applied the fourteen-factor test of N.J.A.C. 18:35-7.1(b) and compared the case of *Pope v. Director, Division of Taxation*, 4 N.J. Tax 268 (Tax Ct. 1982). After weighing all the relevant factors, the Court held that during the 1994 tax year plaintiff was not an employee of Prudential. The Court based its decision upon its finding that (1) the contract classified plaintiff as an independent contractor, (2) plaintiff sold insurance for approximately 26 other companies, (3) Prudential did not restrict plaintiff's geographical territory or control who he could hire, (4) plaintiff did not report to a Prudential employee, (5) there was no advertising that indicated plaintiff was a Prudential agent, (6) plaintiff incurred all expenses for his office, supplies, advertising, and entertainment expenses related to selling insurance, (7) Prudential paid plaintiff only a commission for new policies and renewals, (8) Prudential did not cover plaintiff under workmen's compensation insurance, and (9) although Prudential provided plaintiff with benefits, family medical, prescription, and dental, a pension, covered him under a disability plan and a 401(k) where Prudential matched his contribution, that these benefits were an entitlement based upon the amount of sales an agent produced for Prudential.

Statute of Limitations and Death Benefits

Joyce H. Eiszner v. Director, Division of Taxation, decided January 21, 2000; Tax Court No. 005058-98. Plaintiff relocated her residence to Illinois in July 1991, approximately ten months after the death of her husband.

At the time of his death, the husband was a New Jersey resident who was employed in New Jersey by CPC International, Inc. (“CPC”). CPC provided performance plans consisting of stock and stock options that are contingently granted to current employees. However, if an ex-employee died, retired, became disabled, or left by reason of voluntary separation, the board of directors had discretion as to whether a payment would be made. Immediately after the death of plaintiff’s husband, the board of directors authorized payment to her husband’s estate. The payment was distributed in 1992 and transferred to the husband’s revocable trust, a New Jersey Resident Trust. The trust distributed these monies to plaintiff.

Both the husband’s estate and trust each filed a 1992 Gross Income Tax Fiduciary Return in 1993. The estate return included the CPC amount received under the performance plan and described it as shares and performance award. The return for the estate identified that the total amount was distributed to the beneficiary trust and listed plaintiff’s address, social security number, and her status as a New Jersey nonresident. The trust return reported the entire income from the estate and noted the distribution of that amount to the plaintiff as beneficiary.

The plaintiff filed a 1992 New Jersey Gross Income Tax Nonresident Return on August 10, 1993 seeking a refund of first quarter estimated tax payments inadvertently paid to New Jersey. Attached to the New Jersey return was her 1992 Illinois Individual Tax Return with the “Supplement to Illinois” 1992 Federal Form 1040 U.S. Individual Income Tax Return. Although the New Jersey return reported the net amount of CPC’s payment to her husband under “Amount of Gross Income Everywhere,” it did not explain the nature and source of the income, it reported no income from New Jersey sources as well as no New Jersey tax due, and the New Jersey Estate and Trust Fiduciary Returns were not attached.

Approximately four years after plaintiff’s filing of her 1992 New Jersey nonresident return, the Director sent a Notice of Deficiency for the amount of tax owing on the CPC performance plan payment from which plaintiff timely protested. Thereafter, plaintiff timely appealed the Director’s Final Determination upholding the tax assessment on grounds that the Final Determination was issued beyond the three-year statute of limitations and, alternatively, that the CPC payment constituted a death benefit which is excluded from New Jersey gross income.

The Director conceded that the assessment was made beyond the three-year statute of limitations, however, it

claimed that the assessment was subject to the six-year statute of limitations under N.J.S.A. 54A:9-4(d). This statute essentially provides that tax assessments may be made within six years after the return was filed where an individual omits more than 25% of the amount of New Jersey income stated in the return without disclosing the nature and amount of the income either “in the return, or in a statement attached to the return, in a manner adequate to apprise the Director of the nature and amount of such item.” As there was no doubt that more than 25% of New Jersey income was omitted, the Court focused on whether the statutory disclosure requirement as stated on the return was met.

There was no previous authority interpreting N.J.S.A. 54A:9-4(d). Therefore, plaintiff urged the Court to interpret the disclosure requirement in accordance with rulings concerning the virtually identical section 6501 of the Internal Revenue Code (“Code”). Although the Code and New Jersey statute both require adequate disclosure of both the nature and amount, the Court found that the cited Federal cases focused on the amount component because the state source of the income, the nature component, is irrelevant in the Federal taxing model. Therefore, the Court adopted a common sense approach to determine whether the return’s disclosure provided a “clue” as to the nature of the income omission.

The Court held that the Director’s assessment was not time-barred by the three-year statute of limitations because plaintiff’s nonresident New Jersey and the attached Illinois and Federal returns disclosure of the source or nature of the income was inadequate to apprise the Director that the income was New Jersey sourced. The Court noted that the required Schedule E was not submitted to the Division along with the Federal return and that the Schedule E would have identified the source of the funds. Furthermore, the Court ruled that the Director has no duty to cross reference different returns filed by different entities not attached to plaintiff’s individual return.

Turning to the issue of whether the plan payment constituted an employee death benefit paid by or on behalf of CPC by reason of the death of plaintiff’s husband, which is excludable from gross income under N.J.S.A. 54A:6-4b, the Court held that it was not a death benefit because death did not trigger the payment. The Court found that the CPC plan made payments as a result of participation in the plan and not necessarily because of death as other employment-terminating factors, disability, retirement, and voluntary separation, also might result in a plan payment. Therefore, the Court ruled that the plan payment constituted deferred compensation under an incentive

compensation plan that is includable in plaintiff's gross income.

Partner's Distributive Share

Ronald J. Gumbaz v. Director, Division of Taxation, decided March 30, 2000; Tax Court No. 3494-97. Since 1981, plaintiff retained a 25% partnership interest in MTSG. Plaintiff's capital contributions to the MTSG partnership had a balance of \$20,883 as of 1993. However, plaintiff's balance in his MTSG capital account was negative \$28,403 as of December 31, 1993 due to partnership losses over the years.

In 1993, MTSG's amount of net income earned from its only investment in One Arkansas Associates was \$60,528 and it received \$868 in cash. MTSG reported plaintiff's distributive share of partnership income as \$15,132 and distributed \$217 to plaintiff. Plaintiff's Federal tax return also reported a \$47,010 loss from an S corporation. Plaintiff did not own interests in any other partnership in 1993.

Plaintiff's 1993 NJ-1040 reported zero income for plaintiff's distributive share of partnership income. The Division adjusted plaintiff's 1993 NJ-1040 return Line 20, Distributive Share of Partnership Income, from \$0 to \$15,132. Plaintiff claims that this income is not taxable because either (1) the income should be considered as a return of capital, (2) that the partnership income should be netted against the Subchapter S corporation loss or (3) that only the distribution received by him should be subject to tax. As discussed below, the Court rejected plaintiff's theories and held that plaintiff's \$15,132 distributive income share of partnership income is taxable under N.J.S.A. 54A:5-1k.

Distribution: N.J.S.A. 54A:5-4 states that a partner's distributive share of partnership income or gain received by the partnership shall be subject to tax whether or not distributed. Plaintiff claims that the partnership actually received \$868 and therefore that, not the \$15,132, should be the basis for his New Jersey income tax as he is a cash basis taxpayer. The Court responded that the \$60,528 of net income MTSG earned from One Arkansas Associates indicates the amount of income that MTSG has the power to demand distribution of from One Arkansas Associates. The fact that MTSG chose not to withdraw the full amount does not mean it was not earned or available to the partnership. Furthermore, the Court stated that "received" does not mean that the income must be physically or actually put in your hand. Therefore, the Court ruled that regardless of MTSG's actual withdrawals, MTSG received \$60,528 of income from One Arkansas Associates of which \$15,132 is plaintiff's

25% taxable portion regardless of whether the partnership actually received the money.

Return of Capital: Plaintiff claims that he is being taxed on the return of capital because he has a negative MTSG capital account balance and he has not yet realized his investment in the partnership. The Court ruled that plaintiff's distributive share of partnership income could not be considered a return of capital because in order for the income to be characterized as a return of capital the partnership interest must be sold.

Netting of Income and Losses: Plaintiff contends that he should be permitted to offset the 1993 partnership income against prior year partnership losses because he received no New Jersey tax benefit for partnership losses prior to 1993. The Court ruled that the Gross Income Tax Act does not specifically provide for a loss carryforward and therefore a taxpayer forfeits the loss if it cannot be offset by income in the same tax year.

Alternatively, plaintiff claims that he should be able to offset his 1993 \$15,132 partnership gain against the 1993 \$47,010 loss of the S corporation. The Court found that N.J.S.A. 54A:5-2 prohibits an inter-category offset by not permitting a taxpayer to apply losses within one category of gross income against gross income of another category. In 1993, New Jersey did not recognize S corporations and therefore there was no category of gross income to offset. In 1994, N.J.S.A. 54A:5-1p was added to tax the net pro rata share of S corporation income; however, the Court found that these are two separate categories of gross income and an inter-category offset is prohibited.

Interest Deduction – Acquisition Indebtedness to Purchase Shares in S Corporation

Carol and David Sidman v. Director, Division of Taxation, decided April 24, 2000; Tax Court No. 1031-99. Plaintiff David Sidman was a 4.32% shareholder in a corporation that qualified as a New Jersey subchapter S since January 1, 1994. In 1993, plaintiff purchased an additional interest in the corporation from two other shareholders so that he controlled 91.4% of the corporation. Terms of the purchase were a down payment of approximately 7% and equal monthly payments over 15 years with interest at 8%.

At issue is whether a subchapter S shareholder may deduct interest paid on a loan used to purchase shares in the corporation to determine net pro rata share of S corporation income. The Court found that N.J.S.A. 54A:5-1p was the applicable provision associated with this issue and simply stated that gross income includes the taxpayer's net pro rata share of the S corporation's income. The

Court stated that neither was there a New Jersey statute that permitted shareholders to deduct interest pertaining to their acquisition indebtedness concerning an S corporation nor did N.J.S.A. 54A:5-1p or its legislative history reference the application of Federal principles to this issue. Therefore, the Court held that there was no authority to permit plaintiff to deduct interest pertaining to the S corporation acquisition in determining the net pro rata share of his S corporation income.

Claim for Refund Following Paid Assessment

Pamela Cater and Thomas P. Rowe v. Director, Division of Taxation, decided April 28, 2000; Tax Court No. 002224-1999. In April 1993, the Division issued a deficiency assessment for the amount plaintiffs claimed as a credit for taxes paid to other jurisdictions on their timely filed 1989 New Jersey gross income tax return. Plaintiffs filed a petition for a redetermination of the deficiency under N.J.S.A. 54A:9-9(b). After an administrative conference was held, the Director’s July 1994 final determination disallowed the claimed credit. In August 1994, plaintiffs paid the deficiency and did not exercise their right to file a complaint with the Tax Court.

In January 1999, plaintiffs requested a refund by filing an amended 1989 New Jersey gross income tax return that claimed the same credit for taxes paid to other jurisdictions as the original 1989 return. The Division denied the refund request in January 1999 and noted as it did in its March 1999 final determination that this same matter was previously heard and decided in the prior July 1994 final determination. Thereafter, plaintiffs filed a complaint with the Tax Court.

As a general rule, N.J.S.A. 54A:9-8(a) provides that generally a taxpayer must file a refund claim within the later of three years from the time the return was filed or two years from the time the tax was paid. Although plaintiffs concede that the refund claim is untimely under 54A:9-8(a), plaintiffs claim that this general rule is inapplicable because they filed a timely petition for redetermination of the deficiency under N.J.S.A. 54A:9-9(b) and therefore their refund claim lies within the exception of N.J.S.A. 54A:9-8(e). First, the Court ruled that section N.J.S.A. 54A:9-8(e) does not extend the time a taxpayer has to file a refund claim. Secondly, the Court ruled that although N.J.S.A. 54A:9-8(e) permits the Director to determine whether or not a taxpayer made a tax “overpayment” that can be credited to the taxpayer after the expiration of the applicable period of limitations, the payment of a deficiency assessment does not constitute an “overpayment.” Therefore, the Court found that 8(e) was inapplicable to the instant case.

The Court found that the Director could consider a refund claim involving a paid gross income tax additional assessment under N.J.S.A. 54A:9-10(b). That section permits a taxpayer to file a refund claim provided that taxpayer did not protest or appeal from the additional assessment of tax. As plaintiffs previously protested the additional 1989 assessment, the Court found that this section was inapplicable.

The Court dismissed plaintiffs’ complaint for untimely filing. Furthermore, the Court noted that the application of the *res judicata* doctrine was also appropriate in this case. The Court stated that the Division’s denial of plaintiffs’ 1993 petition for redetermination of the 1989 tax deficiency involving the claim for credit for taxes paid to other jurisdictions was exactly the same issue plaintiffs presented in their 1999 refund claim. “The doctrine of *res judicata* is designed to bar relitigation of a cause that has been finally determined between the parties on the merits by a tribunal with appropriate jurisdiction. See *Roberts v. Goldner*, 79 N.J. 82, 85 (1979). Our Supreme Court has observed that, as a general rule, an adjudicative decision of an administrative agency should be accorded the same finality that is accorded the judgment of a court. See *Bressman v. Gash*, 131 N.J. 517, 526. I have concluded that an application of the doctrine is appropriate in this case.” Opinion, page 6.

Period to File Refund Claim

Clifford D. Wenrick v. Director, Division of Taxation, decided May 12, 2000; Tax Court No. 003571-99. Plaintiff filed his 1994 New Jersey gross income tax return (NJ-1040) on May 28, 1998, claiming a \$699 refund due to excess employer income tax withholding. Although plaintiff alleges that he filed for and was granted an extension for the 1994 Federal tax return, an extension was not requested in New Jersey.

The Court found that N.J.S.A. 54A:9-8(a) was the operative statute relating to limitations on refund claims concerning New Jersey gross income tax. This statute states that the amount of the refund “shall not exceed the portion of tax paid within the three years immediately preceding the filing of the claim plus the period of any extension of time for filing the return.”

The Court ruled that obtaining a Federal extension in and of itself does not automatically trigger a New Jersey extension. N.J.A.C. 18:35-6.1(a) permits a four-month extension to file the NJ-1040 where by the original due date of the NJ-1040, the taxpayer, at the time of application for Extension To File (1) paid 80% of the tax liability computed on the NJ-1040 when filed and (2) attached a copy of the application for

automatic Federal extension. As plaintiff never filed a request for extension with New Jersey, the Court ruled that plaintiff was not entitled to the four-month extension.

Due to the May 28, 1998, filing of the NJ-1040, the Court ruled that plaintiff was entitled to a refund of 1994 taxes to the extent they were overpaid three years preceding the date the return was filed, between May 28, 1998, and May 25, 1995. As the employer-withheld taxes were deemed paid on April 15, 1995, per N.J.S.A. 54A:9-8(h), the original 1994 NJ-1040 due date, the taxes at issue are more than three years after the date of payment. Therefore, the Court denied plaintiff's refund request.

Local Property Tax

Added Assessment on Improvements

Michael Otelsberg v. Bloomfield Township, decided June 25, 1999; Tax Court of New Jersey, No. 000128-97. Decision addressed the validity of a 1997 added assessment imposed on taxpayer's property for alleged improvements after October 1, 1996. Plaintiff purchased the three bedroom, single family home on December 10, 1996, for \$135,000. He contended that the house contained several negative features: unpleasant odors, an outmoded kitchen, and other neglect and physical deterioration. Taxpayer himself completed renovations in January 1997 including replacement of the carpet in the living room, dining room, hallway, and three bedrooms; renovation of the kitchen with new cabinets; and new interior painting. He did not file permits for any of the work performed. After he had received his 1997 notice of assessment for \$162,300, he filed a petition of appeal to the Essex County Board of Taxation.

At the May 1, 1997, hearing, both the taxpayer (appearing pro se) and the assessor agreed that the 1997 assessment would be reduced to \$135,000 (the purchase price). Taxpayer testified that the assessor did not indicate during the settlement conference that the municipality would later impose an added assessment on the subject property. On May 16, 1997, the County Board entered judgment reducing the assessment in accordance with the agreement.

After the execution of this judgment, the municipality levied an added assessment of \$36,700 for the improvements to the property for 1997, and prorated it for six months at \$18,350. On appeal by taxpayer, the County Board upheld the added assessment, which determination was subsequently appealed to the Tax Court.

The Tax Court found that the added assessment on the taxpayer's property for the 1997 tax year is valid. N.J.S.A. 54:4-63.3 grants the authority to a municipality to impose an added assessment on a property, when the building or structure has been "erected, added to or improved after October 1, and completed between January 1 and October 1." The Tax Court referred to its decision in *Harrison Realty Corp. v. Town of Harrison*, 15 N.J. Tax at 385, defining the term "improved" as:

The mere retrofitting, upgrading or remediation of deferred maintenance does not constitute an addition to the property; nor does it constitute an improvement. The term "improved," as used in the statute must, under the doctrine of *ejusdem generis*, be read in the context of the word "added" as used in this statute. That is to say, an improvement is in the nature of an addition.

There is no other case law other than the *Harrison* decision to provide guidance to the meaning of "improved" as found in the statute. Black's Law Dictionary defines improved as "to meliorate, make better, to increase the value or good qualities of, mend, repair..." It is a settled principle of statutory construction that "the language of a statute should be given its ordinary meaning and construed in a common sense manner to accomplish the legislative purpose."

The Tax Court also cited its decision rendered in *Snyder v. South Plainfield Borough*: "Without the added assessments, an improved property would escape taxation for a period of several months until the next regular assessment date." The taxpayer contends that the May 16, 1997, judgment reflects the true value of the subject property and binds the municipality to that assessment. The Tax Court found that, consistent with the *United States Postal Serv. v. Town of Kearney* decision, the executed stipulation of settlement in this litigation related only to the assessment under review at the time the settlement was made. The added assessment was not yet levied on May 1, 1997, nor was it before the County Board when they entered judgment based upon the stipulation of settlement.

Taxpayer has the burden of proof to establish by a preponderance of the evidence that the assessment appealed from is invalid. The Tax Court ruled that Otelsberg did not present any competent method of valuation. He did not present expert testimony or an appraisal report during trial. He relied solely upon his experience as the manager of a local real estate office to testify about his general knowledge of real estate values in the Township. He did

not testify as to value nor did he produce sales of comparable properties from which to draw a conclusion of value.

The municipality presented its assessor as an expert witness. He had an appraisal report, using comparable sales as an approach to valuation. He made adjustments to the subject property, concluding that the value of the subject property is \$171,700. Although he acknowledged his inability to gain access to the interior of some of his comparable sales, the evidence submitted by the municipality was more reliable than any evidence that the taxpayer submitted, the Tax Court concluded.

A municipality is empowered by the added assessment statute to levy additional taxes to a property where there has been an increase in the value to the property. The Court stated that all the improvements that the taxpayer made created a significant increase in the value to the property. The taxpayer cannot rely solely on the notion that the improvements made on the subject property were not additions; this was not a significant issue. The added assessment was valid, and a judgment was entered for 1997 for \$36,700 (prorated for six months).

Property Tax Assessment Reduced

Theodore Cohn v. Livingston Township, decided July 6, 1999; Tax Court of New Jersey, No. 004778-98. Local property tax appeal involves the one-family ranch home in Livingston Township. Plaintiff (Cohn) appealed the property’s 1998 assessment (\$103,000) to the Essex County Board of Taxation which reduced the assessed value to \$83,100. Plaintiff appealed from that determination.

Taxpayer appeared pro se. He was not an appraisal expert, and thus could not testify as an expert witness. He submitted four comparable sales in a timely manner ranging in price from \$210,000 to \$285,000, but he arrived at his estimate of value by averaging the four sales prices (\$260,000) without making adjustments between the comparable sales and the subject property. He provided no appraisal report.

His primary argument involved the subject’s proximity to high tension wires in the rear of the property. Review of tax maps and photographs of the subject property showed that a child residing at the taxpayer’s property would easily be able to have contact with the stanchion that holds the high tension wires. He also pointed to his rear yard slope and a drainage ditch on the rear edge of the property that causes flooding of his rear yard.

The municipality’s real estate appraiser qualified to testify as an expert witness. He also used four comparable sales

ranging in price from \$233,000 to \$310,000. Three of the four sales were located on different streets, distant from the subject property and, thus, clearly further from the high tension wires. He provided an adjustment grid demonstrating usual adjustments for size, age, location and amenities. The appraisal expert’s opinion of value of the subject property based upon the market sales approach was \$320,000. This expert witness did not make adjustments for the existence of the slope and drainage ditch on the subject property or for the proximity to the high tension wires, however.

The Tax Court is authorized by statute to consider reliable evidence from a pro se litigant, even if such evidence is not derived from expert opinion. It stated that the taxpayer’s comparable sales provided reliable evidence from which the Court can glean value. The Court is not bound to accept any or all of the expert’s testimony.

The Court examined the comparable sales provided and determined that the residential properties most approximate to high tension wires had a lower market value. The expert witness had not considered proximity to the wires an important factor. The plaintiff had thought that this negative factor was very relevant.

The Court found that, as of October 1, 1997, the relevant assessment date, the appraised value of the subject property was \$275,000. It then determined whether or not the taxpayer is entitled to discrimination relief on the basis of Chapter 123, or N.J.S.A. 54:51A-6. Livingston Township’s average ratio, as promulgated by the Director of the Division of Taxation for 1998, was 26.80%, with an upper limit of the common level range of 30.82% and a lower limit of 22.78%. The Court calculated the ratio of the original assessment (\$103,900) to true value as found by the Tax Court (\$275,000) at 37.78%, clearly above the upper level (30.82%) of the common level range. This entitled the taxpayer to Chapter 123 relief. When the Chapter 123 ratio of 26.80% was applied to the Court’s finding of true value (\$275,000), the resulting assessment for the subject property is \$73,700. Judgment for 1998 was entered for an assessment as follows:

Land	\$28,900
Improvement	44,800
Total	\$73,700

Failure to File Timely Complaint

Regent Care Center, Inc. v. Hackensack City, decided November 16, 1999; Tax Court of New Jersey, No. 005835-97. Plaintiff (Regent Care) moved to compel defendant (Hackensack City) to produce certain documents in a local property tax appeal after which the municipality

cross moved for dismissal of the taxpayer's complaint. Cross motion is based upon defendant/municipality's contention that taxpayer failed to timely file its complaint to the Tax Court by April 1, 1997, as required by N.J.S.A. 54:3-21.

The subject property in Hackensack is utilized as a nursing home. The assessor submitted a timely 1997 tax list to the County Board of Taxation that indicated a total assessment for the subject property of \$8,090,300. In 1996, the assessment was \$4,390,200. Taxpayer acknowledged receipt of a February 1 notification card that indicated the assessment to be \$4,390,200. However, a second Chapter 75 notification card was mailed to the taxpayer correcting the previous erroneous notice and informing the taxpayer that the accurate assessment for 1997 would be \$8,090,300. The taxpayer denied that it ever received this second notification. There is evidence that the company engaged to prepare and forward the notices of assessment for the municipality had performed a special mailing of Chapter 75 notices on February 28, 1997. No specific proof was submitted to show that the plaintiff received the corrected notice. Thus, the Tax Court determined that the municipality failed to produce sufficient evidence that the corrective notice was mailed to or received by the taxpayer. The taxpayer claimed that it became aware of the assessment increase when the tax bill for the third and fourth quarter of 1997 was received. The municipality demonstrated the mailing of said tax bills on July 11, 1997. Upon receipt of the tax bill toward the end of July 1997, plaintiff contacted the assessor's office and inquired about the increased assessment. In response, the assessor's office confirmed the increase in writing by letter dated July 29, 1997. Thus, the Court stated irrefutably that the tax bill was received between July 11 and July 29.

On September 15, 1997, taxpayer filed a verified complaint seeking temporary restraints to prevent the municipality from collecting and imposing interest on unpaid taxes as well as a proposed order for expedited discovery. On September 16, 1997, the parties presented oral argument before another Tax Court judge on the issue of restraints, which request was denied on the record. Taxpayer was advised by that judge to resubmit its litigation by means of a standard complaint for relief to the Tax Court that was accomplished on September 19, 1997.

The Tax Court found that fairness requires that this taxpayer should receive a reasonable time within which to appeal. The Court thoroughly analyzed N.J.S.A. 54:3-21 in this matter, and deemed forty-five days from the taxpayer's receipt of the third and fourth quarter tax bill as

appropriate. However, the taxpayer did not file its appeal within forty-five days of the receipt of the tax bill. Its first attempt at filing a complaint with the Tax Court was an in lieu of prerogative writ action seeking temporary restraints filed on September 15, 1997, after the forty-five day filing period. Neither N.J.S.A. 54:3-21 nor any other legislation or case law addresses the unusual circumstance where the purported notice fails to indicate a correct assessment. N.J.S.A. 54:3-21 addresses the issue of a change in assessment. There was no notification of a change in assessment in this case as defined by N.J.S.A. 54:3-21. The taxpayer herein failed to file a tax appeal within the extended forty-five day period. The Tax Court thus granted the municipality's cross motion dismissing the taxpayer's complaint and denied the taxpayer's motion for discovery.

Assessment Affirmed

Hillcrest Health Service System, Inc. v. Hackensack City, N.J. Tax Court, November 20, 1998, 18 N.J. Tax 38 (1998). Hillcrest Health Service System, Inc. is the Title 15A nonprofit parent corporation of a nonprofit subsidiary which operates Hackensack Medical Center, a property tax exempt hospital under N.J.S.A. 54:4-3.6. At issue before the New Jersey Tax Court was the taxable/exempt status for 1992-1993 of an aggregated lot and four-story, 60,000 sq. ft. building being constructed on it, owned by Hillcrest but leased to the Medical Center. For tax year 1992 the assessor calculated a partial assessed value of \$2,442,700 and upon completion of the structure applied a six-month prorated added assessment of \$1,310,400; for 1993 (a revaluation year) the assessed value imposed was \$4,557,100.

With respect to the 1992 partial assessment, Hillcrest contended that because the aggregated lot had, as separate lots, been used as parking space for the Medical Center, those lots and by extension the remaining land and incomplete structures should be property tax exempt based on their use for hospital purposes. As concerned the 1992 added assessment, Hillcrest maintained that hospital use existed as of completion of the improvements thereby voiding the added assessment. Finally regarding the 1993 regular assessment, Hillcrest asserted that the completed improvements were in actual use for hospital purposes on the assessment date and therefore qualified for tax exemption.

The City's main argument against exemption was that Hillcrest, the property owner, as distinguished from the Medical Center, the property user, was not organized exclusively for hospital purposes but rather a wide-ranging variety of health care activities and that certain

activities, such as home care services, were distinct from hospital operations.

Per Hillcrest's Certificate of Incorporation, Hillcrest was "...at all times exclusively operated for the benefit of, to perform the functions of, or to carry out the purpose of, Hackensack Medical Center, Hackensack Health and Hospital Foundation, and other affiliated or related organizations, all of which are publicly supported health care organizations organized for the purpose of establishing, maintaining, sponsoring and promoting activities relating to the improvement of continuous human health and well-being...." Besides the Medical Center, Hillcrest's subsidiaries included Hackensack Medical Center Foundation, Inc., fundraising coordinator; Essex Parking Co., hospital parking garage operator; Bergen Home Health Services, personal in-home care provider; Bergen Health Management System, Inc., day-care center operator for hospital employees' children; Hillcrest Properties, Inc., real estate holding company; and Bergen Health Systems, hospital energy consumption efficiency analyst.

Except for that portion of the building utilized as an open-to-the-public fitness center, Hackensack City did not dispute that the building was used for hospital purposes once occupied, nor did it dispute that use on the completion date was a determinant of a valid added assessment. However, in addition to exclusive organization, the City argued that the previous exempt hospital parking use was independent from the later use and did not continue during the construction period.

Paraphrasing the Tax Court's reasoning, when the previously separate parking lots ceased to support the main medical facility its exempt use was interrupted. Even if the new building were exempt, it was a different building on a different site from which parking was formerly provided and as land can be nontaxable only in connection with an exempt building, the lot in question could be exempt only upon completion of the new building. Since a continuing exempt use for the former parking area could not be established, an exempt claim by extension for other property being constructed failed. Further, even where the character of a building in progress and its adaptation to exempt use are evident, it is only actual use which permits exemption. (*Holy Cross Precious Zion Glorious Church of God v. Trenton City*, 2 N.J. Tax 352 (1981)). The Court decided as well that the fitness center, available to the general public for a fee, was used more than incidentally for other than hospital purposes and was not eligible for exemption. Also contested was qualifying ownership. The building of the new facility was financed by Hillcrest and leased to the

Medical Center to save the hospital from incurring debt so that ownership and use were clearly divided between the parent corporation and its subsidiary.

Guided by *Claremont Health Systems, Inc. v. Point Pleasant Bor.*, 16 N.J. Tax 604 (1997), this Tax Court held "Where the user of the property has only a leasehold interest, a hospital purposes exemption is unavailable." And the Tax Court in *Mega Care, Inc. v. Union Twp.*, 15 N.J. Tax 566 (1996) concluded that the requirement the property owner be organized for hospital purposes and the requirement the exemption claimant be the property owner could not be satisfied unless the affiliate owning the property was restricted by its own incorporation certificate to activities supporting and integrated with those of the hospital. In this case, Hillcrest's operations were not, by its own certificate of incorporation, restricted to support Hackensack Medical Center. Therefore, property owned by Hillcrest was not exempt although it was used by the hospital. Both the 1992 partial and added assessment and the 1993 full year assessment were affirmed.

Motor Fuels Tax

Assessment - Inadequate Records

Harvey Nobel & Beaverbrook Motors, Inc. v. Director, New Jersey Division of Motor Vehicles, decided June 19, 2000; Tax Court No. 323-1999. Harvey Noble is the shareholder of Beaverbrook Motors, Inc. (hereinafter BMI), a corporation that operates tow trucks and small tractor-trailers, as well as the sole proprietor of Beaverbrook Motors, a Gulf service station (hereinafter service station).

BMI vehicles obtained the majority of their fuel from the service station on an as-needed basis. At the time of each BMI fuel purchase, the service station processed a "house account" slip at the full-posted price. The house account slips were totaled and then debited to BMI's account on a daily basis through an inter-company accounting. Periodically, a settlement was made for the purchased fuel.

Pursuant to a Division of Motor Vehicle (DMV) audit, BMI was assessed tax due to DMV's denial of BMI's claimed fuel tax credit for motor fuel tax paid to New Jersey where fuel was used out-of-State because BMI's records were insufficient to establish fuel purchases in New Jersey. In accordance with the regulations, DMV used a 4 mpg factor to estimate fuel use because BMI did not maintain adequate records. After a conference, DMV's Final Determination upheld the audit assessment provid-

ing that “bartering is not an acceptable means of proving that fuel was purchased and the tax was paid.”

The Court first addressed whether DMV was precluded from claiming insufficiency of records as the basis for the assessment and limited to defending the assessment on the language contained in the Final Determination. The Court observed that case law did not require that an administrative agency state all possible grounds and theories to support their assessment nor did it preclude it from developing defensive theories to justify the assessment as long as it acts within the statutory period and meets due process requirements. The Court found that BMI was aware that DMV considered its records insufficient, that there was no claim of surprise or prejudice, and that case law indicated that alternative arguments would not prejudice the taxpayer because the Tax Court reviews proceedings *de novo*.

Addressing the issue of whether or not the house account slips constituted sufficient proof of New Jersey fuel purchases, the Court found that BMI’s records were not in accordance with the Regulation’s requirements because the records did not state all the required information. The Court refused to tailor an equitable remedy by relaxing the requirements of the Regulation. Furthermore, the Court stated that “[w]hether or not the taxpayer followed acceptable accounting procedures is also irrelevant since its use of acceptable accounting procedures is not the standard for compliance with the New Jersey Motor Fuels Use Tax Act.”

Finally, the Court upheld DMV’s estimated fuel use of 4 mpg based on the standard announced in the International Fuel Tax Agreement Audit Manual to calculate the use tax liability in the absence of adequate or complete records. Therefore, the Court upheld DMV’s Final Determination.

Sales and Use Tax

Adequacy of Books and Records

Seventeen Thirty Corp. v. Director, Division of Taxation, decided October 4, 1999; Tax Court No. 3648-97. In a prior hearing, April 16, 1999, the Court held that the three-dollar minimum purchase requirement to enter plaintiff’s video booth area constituted an admission charge subject to sales tax. This opinion concerns the total amount of plaintiff’s sales tax liability. Previously, the Court ruled that the burden of proving that the total token sales were not subject to sales tax was upon plaintiff, the person required to collect tax.

The Division assessed sales tax on all of plaintiff’s token sales. Plaintiff argued that the Division’s methodology was incorrect because (1) tokens were used to purchase merchandise where sales tax was collected, (2) the \$3 minimum token purchase requirement was only in effect for ten months of 1993, and (3) only three or four people paid the minimum purchase requirement as good customers or regular patrons were not required to buy a minimum token purchase. Plaintiff produced only verbal testimony regarding the aforementioned allegations. The Court found that the testimony was nothing more than “bare assertions” and cited the *Ridolfi v. Director, Division of Taxation*, 1 N.J. Tax 198, 202-203 (Tax Ct. 1980) ruling that naked assertions are insufficient to rebut the Director’s presumption of correctness. The Court quoted N.J.S.A. 54:32B-19, which sets forth the consequences of failing to maintain adequate books and records. Essentially, the statute permits the Director to determine the amount of tax due from any available information. Therefore, the Court upheld the Director’s sales and use tax assessment on all plaintiff’s token sales.

Fees for Exterminator’s Reinspection

Williams Termite & Pest Control, Inc. v. Director, Division of Taxation, decided October 8, 1999; Tax Court; No. 003650-1997. Plaintiff is in the business of exterminating termites and other pests. Plaintiff provided both inspection and treatment services during the period at issue. The initial contract provided for an inspection, treatment and a future annual reinspection and treatment fee. After performing the initial services, plaintiff sent annual renewal notices to its customers offering reinspection and further treatment services, if necessary, for a \$109 fee. Sales tax was charged on the initial contract price but not on the \$109 renewal. At issue was whether the renewal was subject to tax where the initial service included treatment.

The Court cited articles published in the January/February 1976, March/April 1979, and July/August 1981 *New Jersey State Tax News* that made it clear that the Division had pronounced that “when there is an obligation to retreat, and there has been a previous contract requiring treatment, the new charge, the warranty charge, the reinspection charge, the annual charge, whatever it is called, is subject to tax.” The Court found the Director’s interpretation logical acknowledging that there was no question of taxability where all the annual reinspection fees were charged with the initial contract.

The Court ruled that a “reinspection fee, which includes the right to a treatment, if necessary, which follows a treatment under the contract terms in this case, is subject

to sales tax.” The Court did not rule on the taxability of a reinspection fee following only an inspection as those facts were not before the Court.

Maintenance and Servicing

L&L Oil Service, Inc. v. Director, Division of Taxation, decided January 21, 2000; Tax Court No. 6341-97. Plaintiff was in the business of pumping waste oil, sludge, and anti-freeze from storage tanks, ranging in size from 276 to 1,000,000 gallons, located on both commercial and residential properties into its trucks. The waste materials were then transported to its facility where the waste was either purified or processed for resale. Plaintiff’s invoices usually charged a lump sum price for pumping and removal without charging sales tax. It should be noted that a few invoices included a separate transportation fee and a few charged sales tax. At issue in this case was whether or not plaintiff’s services constituted maintenance or servicing which is subject to sales tax.

The Court held that plaintiff’s waste removal services constituted maintenance or servicing because the removal allowed the tanks to be used again for their intended purpose of collecting waste. Therefore, the Court ruled that its customers’ payments were taxable under the Sales and Use Tax Act.

The Court rejected plaintiff’s alternative theories of non-taxability. First, the Court ruled that fees charged for removal did not constitute the acquisition of raw materials for an integrated waste removal, processing and resale operation because customers paid plaintiff only for the services of pumping and removal. Second, the Court ruled that simply because plaintiff did not have a license from the Department of Environmental Protection to perform maintenance or repair involving hazardous waste contained in storage tanks, even if such license was required, that did not make the services nontaxable because the DEP Tank Statutes and the Sales and Use Tax Act are not *in pari materia*. Third, the Court rejected plaintiff’s argument that the services were exempt because they involved the removal and transportation of wastes and would be exempt under the transportation exemption. Fourth, the Court ruled that plaintiff’s services did not constitute a capital improvement because there was no evidence that the value of the real property increased as a result of its services and plaintiff’s own expert testified that the services did not improve the storage tank’s condition. Finally, the Court refused to waive interest on the basis that plaintiff relied on erroneous advice from the Division. The Court found that none of plaintiff’s inquiry letters fully and accurately described the nature of plaintiff’s operations and neither

the Division’s correspondence nor the *New Jersey State Tax News* even suggested that plaintiff’s actual maintenance and service operations were exempt from sales tax.

Sale for Resale/Closing Agreements

Adamar of New Jersey t/a Tropicana Casino and Resort v. Director, Division of Taxation, 17 N.J. Tax 327 (Tax 1998), aff’d in part and rev’d in part; Appellate Division; No. A-3974-97T3 (February 25, 2000). Plaintiff is a casino that applied for and was judicially denied a sales tax refund concerning tax paid on purchases of both alcoholic and nonalcoholic beverages provided to patrons on a complimentary basis. As to the complimentary alcoholic beverages, the Appellate Division cited its decision in *GNOC Corp.* (see below) as controlling. With respect to the complimentary nonalcoholic carbonated beverages, this Court cited its opinion in *Boardwalk Regency* (see below) as controlling.

Sale for Resale/Closing Agreements

GNOC Corp. t/a The Grand v. Director, Division of Taxation, 17 N.J. Tax 327 (Tax 1998), aff’d. (App. Div. 2000); No. A-4045-97T3. In 1980, alcoholic beverages were statutorily exempted from sales and use tax under N.J.S.A. 54:32B-8.34. In 1981, the Director entered into a closing agreement, in accordance with N.J.S.A. 54:53-1, with the casino industry that was subsequently amended in 1986 and 1988. The 1981 agreement provided, *inter alia*, as follows:

No sales tax will be imposed in the provision of complimentary meals. However, a use tax pursuant to N.J.S.A. 54:32B-6 will be imposed upon the “cost” of a meal. For these purposes, the cost of the meal would be deemed to be 25% of the amount these meals are sold to the public by the casino. However, no sales and/or use tax will be imposed upon the provision of complimentary liquor.

The Court quoted the Appellate Division’s interpretation of the amendments to the original agreement as follows: “[T]he 1986 and 1988 agreements abandoned an effort to collect taxes for fully complimentary meals in exchange for an agreement by the plaintiff to collect and pay the sales tax for partially ‘comped’ meals and [nonalcoholic] beverages.” *Boardwalk Regency Corporation t/a Caesars Atlantic City Hotel & Casino v. Director, Division of Taxation*, 17 N.J. Tax 331 (Tax 1998), rev’d 18 N.J. Tax 328, 333 (App. Div. 1999). All the agreements contained a statutorily required clause stating that specific subse-

quent legislation would supersede the agreement and that the Division and the casinos would no longer be bound.

Effective July 1, 1990, the legislature repealed the N.J.S.A. 54:32B-8.34 sales and use tax exemption for retail sales of alcoholic beverages. Thereafter, the Division assessed use tax on plaintiff's tax-exempt, sale for resale purchases of alcoholic beverages that were provided as complimentary drinks to its patrons for the period January 1, 1991, to September 30, 1994.

Addressing the issue of whether the purchase of alcoholic beverages constituted a nontaxable sale for resale, the Appellate Division upheld the Tax Court's ruling that there was no resale of alcoholic beverages furnished to casino patrons on a complimentary basis because there was "legally insufficient consideration."

Concerning the issue of whether the agreement bars the Director from taxing the complimentary alcoholic beverages, the Tax Court ruled that purchases of alcoholic beverages provided as complimentary drinks were subject to sales and use tax because the agreement only reiterated the then current law that alcoholic beverages were exempt from sales and use tax. The Appellate Division affirmed but disagreed with the Tax Court's reasoning. The Appellate Division held that subsequent legislation repealing the alcohol exemption superseded the agreement.

Plaintiff's claim that specific legislation taxing "complimentary alcoholic beverages" was required to supersede the agreement was rejected by the Court. The Appellate Division ruled that the provision "[h]owever, no sales or use tax will be imposed upon the provision of complimentary liquor," was only inserted into the 1981 agreement to clarify the preceding sentence that alcoholic beverages would not be included in computing the 25% cost of a meal that was subject to sales/use tax. The Appellate Division reasoned that a meal could be interpreted to include a beverage and as alcoholic beverages were not then subject to sales/use tax they should be excluded from the tax computation on complimentary meals. Therefore, the Appellate Division ruled that specific legislation relating to "complimentary alcoholic beverages" was not required.

Sale for Resale/Closing Agreements

Boardwalk Regency Corporation t/a Caesars Atlantic City Hotel & Casino v. Director, Division of Taxation, 17 N.J. Tax 331 (Tax 1998), rev'd 18 N.J. Tax 328 (App. Div. 1999). The Division assessed use tax on plaintiff's purchases of nonalcoholic carbonated beverages purchased with an ST-3 sales tax resale certificate that were provided as complimentary drinks to its patrons and

provided to its own employees during working hours for the period January 1, 1991, to September 30, 1994.

During the periods at issue, nonalcoholic beverages were subject to sales and use tax. In 1981, the Director entered into a closing agreement in accordance with N.J.S.A. 54:53-1 with the casino industry that was subsequently amended in 1986 and 1988. The 1981 agreement provided, *inter alia*, as follows:

No sales tax will be imposed in the provision of complimentary meals. However, a use tax pursuant to N.J.S.A. 54:32B-6 will be imposed upon the "cost" of a meal. For these purposes, the cost of the meal would be deemed to be 25% of the amount these meals are sold to the public by the casino. However, no sales and/or use tax will be imposed upon the provision of complimentary liquor.

The 1986 agreement provided, *inter alia*, that there would be no imposition of sales or use tax on complimentary meals and defined complimentary meal to mean noncash payments for food or beverage. The Appellate Division found that "[t]he 1986 and 1988 agreements abandoned an effort to collect taxes for fully complimentary meals in exchange for an agreement by the plaintiff to collect and pay the sales tax for partially 'comped' meals and beverages."

Addressing the issue of whether the purchase of nonalcoholic beverages constituted a nontaxable sale for resale, the Appellate Division upheld the Tax Court's ruling that there was no resale of nonalcoholic beverages that were furnished to casino patrons and employees on a complimentary basis because there was "legally insufficient consideration."

On the issue of whether the agreement bars the Director from taxing the purchase of the nonalcoholic carbonated beverages at issue, the Tax Court held that the provision was invalid as the Director cannot compromise tax liabilities under N.J.S.A. 54:53-1 where they are not limited in time and are disadvantageous to the State. On appeal, the Appellate Division reversed and ruled that the Director's agreements must be deemed presumptively valid as he has broad discretion to settle tax disputes. The Court remanded the case for a factual finding of the scope of the settlement agreements as to whether the agreements addressed and included nonalcoholic beverages served complimentary with a meal and/or without a meal to plaintiff's customers and served complimentary to plaintiff's employees.

Assessment - Inadequate Books & Records

TAS Lakewood, Inc. v. Director, Division of Taxation, decided April 18, 2000; Tax Court No. 003058-98. The Division's audit of plaintiff's 1993 and 1994 New Jersey sales tax returns revealed discrepancies between gross receipts reported on plaintiff's filed tax returns. Plaintiff's 1993 New Jersey sales tax return reported gross sales of \$47,115 whereas its 1993 Federal corporation income tax return reported gross sales of \$1,040,157. Plaintiff's 1993 New York general business corporate franchise tax return reported gross sales of \$1,040,157; and that \$207,491, or 19.95%, of these sales were attributable to New York. As to 1994, plaintiff's New Jersey sales tax return reported gross sales of \$62,533 whereas its Federal corporation income tax return reported gross sales of \$882,748.

The Division was unable to audit plaintiff's books and records because plaintiff disposed of them when it ceased business operations. In determining the \$76,061.76 plus interest sales tax assessment, the Division recalculated the amount of New Jersey gross taxable sales for 1993 and 1994 by accepting US gross sales as reported on the corporation income tax returns as total sales and reducing that amount by the approximate 19.95 percentage of 1993 sales attributable to New York.

Plaintiff challenged the Division's assessment claiming that (1) sales were not subject to sales tax, (2) sales attributable to New Jersey are lower than the Division determined, (3) it is entitled to sales tax credit for tax it paid to suppliers on goods and services subsequently resold, and (4) sales consummated with exempt entities amounted to approximately 5% of its sales. Substantiation for plaintiff's allegations rested on the testimony of its vice president and 50% shareholder who acknowledged that there was no documentary proof to support his testimony.

The Court ruled that where the plaintiff fails to maintain records the Division is permitted to determine the amount of tax from available information, including external indices, and that this determination carries a presumption of correctness. The Court held that not only did plaintiff fail to rebut the presumption but that it had reviewed the audit figures based upon plaintiff's tax returns and found it to be reasonable and justified by law.

1999 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Atlantic			Englewood Cliffs Bor.	1.290	1.104
Absecon City	3.152	3.060	Fair Lawn Borough	2.750	2.564
Atlantic City	2.957	2.810	Fairview Borough	3.220	2.310
Brigantine City	2.577	2.610	Fort Lee Borough	2.450	2.540
Buena Borough	2.837	2.600	Franklin Lakes Borough	1.740	1.581
Buena Vista Township	2.431	2.130	Garfield City	2.740	2.907
Corbin City	3.025	2.110	Glen Rock Borough	2.880	2.626
Egg Harbor City	4.099	3.620	Hackensack City	3.820	3.335
Egg Harbor Township	2.367	2.230	Harrington Park Borough	2.460	2.412
Estell Manor City	2.232	2.040	Hasbrouck Heights Bor.	2.640	2.552
Folsom Borough	2.642	2.190	Haworth Borough	2.720	2.434
Galloway Township	2.688	2.600	Hillsdale Borough	2.510	2.219
Hamilton Township	2.669	2.530	Hohokus Borough	1.760	1.635
Hammonton Town	2.630	2.560	Leonia Borough	3.290	2.730
Linwood City	3.064	2.980	Little Ferry Borough	2.970	2.701
Longport Borough	1.252	1.250	Lodi Borough	3.700	3.291
Margate City	1.948	1.970	Lyndhurst Township	2.480	2.307
Mullica Township	2.532	2.420	Mahwah Township	2.050	1.436
Northfield City	3.030	3.070	Maywood Borough	2.710	2.520
Pleasantville City	3.357	3.340	Midland Park Borough	2.840	2.423
Port Republic City	2.465	2.330	Montvale Borough	2.100	1.751
Somers Point City	2.792	2.680	Moonachie Borough	2.080	1.810
Ventnor City	2.703	2.690	New Milford Borough	2.620	2.543
Weymouth Township	2.083	2.010	North Arlington Borough	2.630	2.473
Bergen			Northvale Borough	3.040	2.814
Allendale Borough	2.600	2.151	Norwood Borough	2.710	2.134
Alpine Borough	1.000	0.973	Oakland Borough	2.640	2.510
Bergenfield Borough	3.610	3.340	Old Tappan Borough	2.140	1.855
Bogota Borough	3.560	3.133	Oradell Borough	2.610	2.361
Carlstadt Borough	2.090	1.762	Palisades Park Borough	2.740	2.505
Cliffside Park Borough	2.460	2.235	Paramus Borough	2.130	1.863
Closter Borough	2.870	1.993	Park Ridge Borough	2.110	1.961
Cresskill Borough	2.770	2.335	Ramsey Borough	2.840	2.372
Demarest Borough	2.520	2.281	Ridgefield Borough	1.890	1.734
Dumont Borough	2.980	2.937	Ridgefield Park Village	3.270	3.065
Elmwood Park Borough	2.350	2.311	Ridgewood Village	2.980	2.491
East Rutherford Borough	1.920	1.957	River Edge Borough	2.760	2.602
Edgewater Borough	2.050	2.073	Rivervale Township	2.460	2.222
Emerson Borough	2.460	2.420	Rochelle Park Township	2.450	2.092
Englewood City	3.090	2.834	Rockleigh Borough	0.840	0.963
			Rutherford Borough	2.910	2.793

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Bergen (continued)			Shamong Township	2.470	2.410
Saddle Brook Township	2.190	2.216	Southampton Township	2.583	2.370
Saddle River Borough	0.990	0.957	Springfield Township	2.590	2.540
South Hackensack Twp.	2.340	1.988	Tabernacle Township	2.419	2.340
Teaneck Township	3.390	3.263	Washington Township	2.293	2.260
Tenafly Borough	2.680	2.483	Westampton Township	2.369	2.390
Teterboro Borough	1.340	1.266	Willingboro Township	3.396	3.230
Upper Saddle River Bor.	1.960	1.753	Woodland Township	2.718	2.540
Waldwick Borough	2.940	2.520	Wrightstown Borough	2.408	2.130
Wallington Borough	2.470	2.598			
Washington Township	2.380	2.179	Camden		
Westwood Borough	2.680	2.317	Audubon Borough	3.340	3.150
Woodcliff Lake Borough	2.200	1.900	Audubon Park Borough	3.590	3.520
Wood Ridge Borough	2.800	2.159	Barrington Borough	3.520	3.510
Wyckoff Township	2.020	1.814	Bellmawr Borough	3.490	3.290
			Berlin Borough	3.190	3.170
Burlington			Berlin Township	2.850	3.000
Bass River Township	2.616	2.590	Brooklawn Borough	3.320	3.430
Beverly City	2.923	2.880	Camden City	4.412	3.870
Bordentown City	3.284	3.290	Cherry Hill Township	3.070	2.900
Bordentown Township	2.968	2.900	Chesilhurst Borough	2.740	3.000
Burlington City	2.476	2.610	Clementon Borough	3.350	3.490
Burlington Township	2.504	2.370	Collingswood Borough	3.330	3.680
Chesterfield Township	2.269	2.230	Gibbsboro Borough	4.380	2.870
Cinnaminson Township	2.824	2.620	Gloucester City	2.860	2.960
Delanco Township	2.809	2.620	Gloucester Township	2.980	2.970
Delran Township	2.668	2.580	Haddon Township	3.120	3.130
Eastampton Township	2.710	2.740	Haddonfield Borough	3.170	3.160
Edgewater Park Township	2.912	2.710	Haddon Heights Borough	3.380	3.480
Evesham Township	2.756	2.600	Hi Nella Borough	3.590	3.890
Fieldsboro Borough	3.102	2.800	Laurel Springs Borough	3.420	3.640
Florence Township	2.884	2.850	Lawnside Borough	3.000	3.290
Hainesport Township	2.373	2.280	Lindenwold Borough	3.710	3.650
Lumberton Township	2.469	2.400	Magnolia Borough	3.460	3.640
Mansfield Township	2.275	2.210	Merchantville Borough	3.500	3.610
Maple Shade Township	2.937	2.740	Mount Ephraim Borough	3.600	3.770
Medford Township	2.840	2.710	Oaklyn Borough	3.200	3.350
Medford Lakes Borough	3.472	3.200	Pennsauken Township	2.870	3.080
Moorestown Township	2.927	2.420	Pine Hill Borough	3.590	3.560
Mt. Holly Township	3.041	2.890	Pine Valley Borough	3.200	2.270
Mt. Laurel Township	2.542	2.480	Runnemede Borough	3.190	3.320
New Hanover Township	2.152	2.180	Somerdale Borough	3.714	3.750
North Hanover Township	1.952	1.920	Stratford Borough	3.320	3.450
Palmyra Borough	3.076	2.990	Tavistock Borough	1.790	1.720
Pemberton Borough	2.782	2.620	Voorhees Township	3.910	3.210
Pemberton Township	2.629	2.740	Waterford Township	3.270	3.420
Riverside Township	2.575	2.450	Winslow Township	3.170	3.060
Riverton Borough	3.447	3.190	Woodlynne Borough	5.010	3.480

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Cape May			Newark City	24.530	3.690
Avalon Borough	0.990	0.920	North Caldwell Borough	5.440	2.330
Cape May City	1.630	1.510	Nutley Township	12.270	3.490
Cape May Point Borough	1.040	1.010	Orange City Township	28.640	4.450
Dennis Township	1.820	1.700	Roseland Borough	8.280	2.430
Lower Township	2.380	2.310	S. Orange Village Twp.	4.210	4.020
Middle Township	2.330	2.330	Verona Township	6.390	2.880
North Wildwood City	2.470	2.480	West Caldwell Township	2.920	2.810
Ocean City	1.720	1.640	West Orange Township	7.090	3.470
Sea Isle City	1.580	1.410			
Stone Harbor Borough	1.030	1.010	Gloucester		
Upper Township	1.630	1.580	Clayton Borough	2.894	2.810
West Cape May Borough	2.200	1.800	Deptford Township	2.348	2.480
West Wildwood Borough	2.390	2.310	East Greenwich Township	2.510	2.390
Wildwood City	3.000	3.200	Elk Township	2.575	2.660
Wildwood Crest Borough	2.100	1.960	Franklin Township	2.525	2.660
Woodbine Borough	2.120	1.900	Glassboro Borough	3.117	3.150
			Greenwich Township	2.266	2.150
Cumberland			Harrison Township	2.432	2.380
Bridgeton City	3.330	2.940	Logan Township	2.059	1.930
Commercial Township	2.590	2.130	Mantua Township	2.651	2.580
Deerfield Township	2.980	2.510	Monroe Township	2.796	2.660
Downe Township	2.770	2.700	National Park Borough	3.130	3.090
Fairfield Township	2.990	2.070	Newfield Borough	2.548	2.310
Greenwich Township	2.880	2.410	Paulsboro Borough	2.916	2.780
Hopewell Township	3.130	2.570	Pitman Borough	3.166	3.120
Lawrence Township	2.640	2.600	S. Harrison Township	2.371	2.290
Maurice River Township	2.350	2.450	Swedesboro Borough	2.777	2.650
Millville City	3.820	2.850	Washington Township	2.924	2.830
Shiloh Borough	2.790	3.130	Wenonah Borough	2.903	2.980
Stow Creek Township	2.900	2.250	West Deptford Township	2.684	2.350
Upper Deerfield Twp.	2.200	2.360	Westville Borough	2.984	2.960
Vineland City	2.910	2.460	Woodbury City	3.533	3.450
			Woodbury Heights Bor.	3.602	2.870
Essex			Woolwich Township	2.502	2.220
Belleville Township	12.980	3.990			
Bloomfield Township	3.760	3.610	Hudson		
Caldwell Borough Twp.	13.230	2.890	Bayonne City	4.086	3.836
Cedar Grove Township	8.500	2.330	East Newark Borough	5.430	3.145
East Orange City	23.710	6.040	Guttenberg Town	3.411	2.993
Essex Fells Township	11.190	2.020	Harrison Town	3.692	3.117
Fairfield Township	2.130	2.030	Hoboken City	3.087	2.678
Glen Ridge Boro Twp.	10.230	4.030	Jersey City	4.462	4.070
Irvington Township	22.230	5.010	Kearny Town	6.071	3.570
Livingston Township	10.220	2.670	North Bergen Township	3.685	3.774
Maplewood Township	9.680	3.770	Secaucus Town	2.570	2.695
Millburn Township	4.720	2.030	Union City	3.718	3.971
Montclair Township	3.750	3.490	Weehawken Township	2.784	3.042

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Hudson (continued)					
West New York Town	4.393	4.020	Cranbury Township	3.270	2.250
Hunterdon			Dunellen Borough	6.830	3.080
Alexandria Township	2.320	2.170	East Brunswick Township	4.890	2.600
Bethlehem Township	2.300	2.140	Edison Township	2.490	2.320
Bloomsbury Borough	2.500	2.610	Helmetta Borough	4.400	2.460
Califon Borough	2.600	2.570	Highland Park Borough	4.150	3.570
Clinton Town	2.670	2.630	Jamesburg Borough	2.910	2.930
Clinton Township	2.450	2.290	Metuchen Borough	2.790	2.720
Delaware Township	2.240	1.980	Middlesex Borough	4.530	2.860
East Amwell Township	2.400	2.400	Milltown Borough	2.690	2.720
Flemington Borough	2.810	2.740	Monroe Township	2.230	1.950
Franklin Township	2.480	2.240	New Brunswick City	3.330	3.380
Frenchtown Borough	2.780	2.660	North Brunswick Twp.	2.630	2.570
Glen Gardner Borough	2.850	2.840	Old Bridge Township	2.920	2.760
Hampton Borough	3.280	3.060	Perth Amboy City	2.980	3.030
High Bridge Borough	3.070	2.930	Piscataway Township	3.660	2.600
Holland Township	1.730	1.530	Plainsboro Township	2.600	2.550
Kingwood Township	2.040	2.130	Sayreville Borough	2.520	2.300
Lambertville City	2.310	2.230	South Amboy City	5.190	2.790
Lebanon Borough	2.640	2.420	South Brunswick Twp.	2.510	2.410
Lebanon Township	2.300	2.110	South Plainfield Bor.	3.340	2.500
Milford Borough	2.560	2.400	South River Borough	4.200	2.550
Raritan Township	2.610	2.500	Spotswood Borough	5.820	2.940
Readington Township	2.290	2.220	Woodbridge Township	4.970	2.630
Stockton Borough	2.300	2.280	Monmouth		
Tewksbury Township	2.110	1.920	Aberdeen Township	3.538	3.261
Union Township	2.220	2.100	Allenhurst Borough	1.664	1.579
West Amwell Township	2.110	1.910	Allentown Borough	2.896	2.902
Mercer			Asbury Park City	4.058	4.135
East Windsor Township	3.250	3.140	Atlantic Highlands Bor.	3.117	2.934
Ewing Township	2.960	2.820	Avon By The Sea Bor.	2.379	2.029
Hamilton Township	2.810	2.900	Belmar Borough	2.817	2.542
Hightstown Borough	3.770	3.630	Bradley Beach Borough	3.224	3.015
Hopewell Borough	2.740	2.680	Brielle Borough	1.992	2.010
Hopewell Township	2.450	2.460	Colts Neck Township	2.064	1.787
Lawrence Township	2.560	2.410	Deal Borough	0.960	0.977
Pennington Borough	2.940	2.730	Eatontown Borough	2.794	2.518
Princeton Borough	2.220	2.200	Englishtown Borough	2.383	2.261
Princeton Township	2.050	2.020	Fair Haven Borough	2.881	2.546
Trenton City	3.680	3.580	Farmingdale Borough	2.821	2.586
Washington Township	2.440	2.370	Freehold Borough	2.904	2.719
West Windsor Township	3.240	2.890	Freehold Township	2.177	2.177
Middlesex			Hazlet Township	2.822	2.611
Carteret Borough	3.250	3.190	Highlands Borough	3.866	3.608
			Holmdel Township	2.468	2.102
			Howell Township	2.451	2.392
			Interlaken Borough	2.113	1.844

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Monmouth (continued)			Kinnelon Borough	2.610	2.250
Keansburg Borough	3.711	3.467	Lincoln Park Borough	2.670	2.730
Keyport Borough	2.955	3.049	Long Hill Township	3.410	2.110
Little Silver Borough	2.754	2.496	Madison Borough	3.820	1.900
Loch Arbour Village	2.502	2.245	Mendham Borough	2.220	1.850
Long Branch City	3.306	3.183	Mendham Township	2.120	1.860
Manalapan Township	2.686	2.276	Mine Hill Township	2.750	2.610
Manasquan Borough	2.392	2.217	Montville Township	1.780	1.910
Marlboro Township	2.672	2.287	Morris Township	1.920	1.780
Matawan Borough	3.706	3.396	Morris Plains Borough	2.000	1.930
Middletown Township	2.680	2.458	Morristown Town	2.580	2.440
Millstone Township	2.316	2.173	Mountain Lakes Borough	2.410	2.230
Monmouth Beach Bor.	2.468	2.123	Mt. Arlington Borough	2.830	2.520
Neptune Township	3.070	2.874	Mt. Olive Township	2.440	2.520
Neptune City Borough	3.185	2.805	Netcong Borough	2.750	2.980
Ocean Township	2.838	2.538	Parsippany-Troy Hills Twp.	4.460	2.560
Oceanport Borough	2.505	2.384	Pequannock Township	2.540	2.390
Red Bank Borough	3.411	3.023	Randolph Township	4.960	2.430
Roosevelt Borough	5.331	4.722	Riverdale Borough	2.110	2.000
Rumson Borough	2.295	1.974	Rockaway Borough	2.610	2.520
Sea Bright Borough	2.437	2.334	Rockaway Township	4.760	2.800
Sea Girt Borough	1.436	1.451	Roxbury Township	5.450	2.430
Shrewsbury Borough	2.725	2.552	Victory Gardens Borough	3.380	3.080
Shrewsbury Township	3.580	3.623	Washington Township	2.390	2.420
South Belmar Borough	2.640	2.569	Wharton Borough	2.630	2.440
Spring Lake Borough	1.121	1.281			
Spring Lake Heights Bor.	2.357	1.950	Ocean		
Tinton Falls Borough	2.825	2.610	Barnegat Township	3.215	3.081
Union Beach Borough	2.922	3.084	Barnegat Light Borough	1.146	1.134
Upper Freehold Township	2.386	2.264	Bay Head Borough	1.301	1.209
Wall Township	2.311	2.174	Beach Haven Borough	1.858	1.702
West Long Branch Bor.	2.728	2.390	Beachwood Borough	2.681	2.563
			Berkeley Township	2.207	2.037
Morris			Brick Township	2.483	2.361
Boonton Town	2.590	2.490	Dover Township	2.512	2.320
Boonton Township	1.980	1.890	Eagleswood Township	2.607	2.426
Butler Borough	4.080	2.580	Harvey Cedars Borough	1.309	1.308
Chatham Borough	2.500	1.830	Island Heights Borough	2.872	2.745
Chatham Township	1.980	1.790	Jackson Township	2.969	2.804
Chester Borough	2.690	2.460	Lacey Township	2.075	1.986
Chester Township	2.340	2.020	Lakehurst Borough	3.093	3.163
Denville Township	2.950	2.140	Lakewood Township	2.756	2.626
Dover Town	2.790	2.840	Lavallette Borough	1.455	1.301
East Hanover Township	2.210	1.580	Little Egg Harbor Twp.	2.809	2.829
Florham Park Borough	1.590	1.480	Long Beach Township	1.390	1.344
Hanover Township	1.600	1.590	Manchester Township	2.555	2.469
Harding Township	1.590	0.950	Mantoloking Borough	0.930	0.961
Jefferson Township	2.440	2.250	Ocean Township	2.789	2.783

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Ocean (continued)			Somerset		
Ocean Gate Borough	2.739	2.772	Bedminster Township	1.400	1.430
Pine Beach Borough	2.446	2.343	Bernards Township	1.880	1.960
Plumsted Township	2.350	2.238	Bernardsville Borough	1.680	1.750
Point Pleasant Borough	2.560	2.395	Bound Brook Borough	3.140	3.210
Pt. Pleasant Beach Bor.	2.116	1.899	Branchburg Township	2.270	2.170
Seaside Heights Borough	2.552	2.471	Bridgewater Township	3.050	1.800
Seaside Park Borough	2.243	2.211	Far Hills Borough	1.830	1.310
Ship Bottom Borough	1.601	1.542	Franklin Township	2.380	2.390
South Toms River Bor.	2.914	2.705	Green Brook Township	2.160	2.010
Stafford Township	2.405	2.311	Hillsborough Township	2.470	2.400
Surf City Borough	1.514	1.488	Manville Borough	2.580	2.460
Tuckerton Borough	2.858	2.791	Millstone Borough	1.890	1.980
Passaic			Montgomery Township	2.430	2.540
Bloomington Borough	3.410	3.200	North Plainfield Borough	3.260	3.370
Clifton City	2.630	2.680	Peapack-Gladstone Bor.	1.660	1.740
Haledon Borough	3.070	3.230	Raritan Borough	2.440	2.400
Hawthorne Borough	2.780	2.650	Rocky Hill Borough	2.100	2.020
Little Falls Township	2.800	2.180	Somerville Borough	4.350	3.450
North Haledon Borough	4.190	2.530	South Bound Brook Bor.	3.600	3.450
Passaic City	4.030	3.920	Warren Township	1.840	1.820
Paterson City	20.870	4.350	Watchung Borough	1.910	1.850
Pompton Lakes Borough	3.580	3.250	Sussex		
Prospect Park Borough	2.890	3.050	Andover Borough	2.050	2.170
Ringwood Borough	3.370	3.160	Andover Township	2.990	2.670
Totowa Borough	2.260	2.270	Branchville Borough	2.020	1.820
Wanaque Borough	3.650	3.150	Byram Township	3.020	2.820
Wayne Township	2.570	2.390	Frankford Township	2.530	2.510
West Milford Township	3.760	3.240	Franklin Borough	3.240	3.300
West Paterson Borough	2.710	2.530	Fredon Township	2.620	2.540
Salem			Green Township	2.820	2.710
Alloway Township	1.960	2.017	Hamburg Borough	2.870	2.890
Carneys Point Township	2.470	2.187	Hampton Township	2.560	2.580
Elmer Borough	2.810	2.588	Hardyston Township	2.730	2.770
Elsinboro Township	2.770	2.631	Hopatcong Borough	2.940	3.090
Lower Alloways Crk. Twp.	1.210	0.915	Lafayette Township	2.440	2.310
Mannington Township	2.600	2.147	Montague Township	2.310	2.250
Oldmans Township	2.850	2.523	Newton Town	3.070	3.050
Penns Grove Borough	3.530	3.180	Ogdensburg Borough	3.360	3.440
Pennsville Township	2.640	2.347	Sandyston Township	2.370	2.270
Pilesgrove Township	2.220	2.206	Sparta Township	3.590	2.580
Pittsgrove Township	2.940	2.157	Stanhope Borough	3.600	3.240
Quinton Township	2.150	2.303	Stillwater Township	2.890	2.710
Salem City	3.800	3.393	Sussex Borough	2.610	2.630
Upper Pittsgrove Twp.	2.650	2.069	Vernon Township	2.750	2.670
Woodstown Borough	2.890	2.821	Walpack Township	1.060	0.930
			Wantage Township	2.800	2.580

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
Union			Warren		
Berkeley Heights Twp.	1.970	2.050	Allamuchy Township	2.390	2.270
Clark Township	4.650	2.880	Alpha Borough	3.140	3.010
Cranford Township	2.940	2.530	Belvidere Town	3.240	3.000
Elizabeth City	10.760	2.940	Blairstown Township	1.960	1.960
Fanwood Borough	6.450	2.750	Franklin Township	2.660	2.560
Garwood Borough	4.960	2.960	Frelinghuysen Township	2.630	2.500
Hillside Township	3.940	3.760	Greenwich Township	2.000	1.990
Kenilworth Borough	2.190	2.200	Hackettstown Town	3.580	3.200
Linden City	2.760	2.730	Hardwick Township	2.530	2.430
Mountainside Borough	3.330	1.760	Harmony Township	2.050	1.950
New Providence Borough	2.380	2.360	Hope Township	2.410	2.420
Plainfield City	3.680	3.520	Independence Township	2.500	2.440
Rahway City	3.160	3.280	Knowlton Township	2.860	2.620
Roselle Borough	4.620	4.770	Liberty Township	2.700	2.560
Roselle Park Borough	6.660	3.510	Lopatcong Township	2.450	2.400
Scotch Plains Township	5.170	2.630	Mansfield Township	3.520	2.900
Springfield Township	3.360	2.570	Oxford Township	2.220	2.110
Summit City	2.010	1.820	Phillipsburg Town	2.700	2.740
Union Township	9.380	2.990	Pohatcong Township	2.550	2.510
Westfield Town	4.100	2.370	Washington Borough	3.440	3.370
Winfield Township	105.340	11.970	Washington Township	2.970	2.940
			White Township	2.000	1.810

Abstract of Ratables and Exemptions 1999

	Col. 1	Col. 2	Col. 3	Col. 4	
	TAXABLE VALUE				
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)
Atlantic	\$ 6,323,104,100	\$ 11,992,383,330	\$ 18,315,487,430	\$ 5,445,600	\$ 18,310,041,830
Bergen	33,678,026,139	37,848,796,923	71,526,823,062	7,479,900	71,519,343,162
Burlington	6,240,478,869	14,276,507,486	20,516,986,355	15,475,200	20,501,511,155
Camden	5,330,623,689	14,063,869,112	19,394,492,801	61,417,272	19,333,075,529
Cape May	7,256,049,650	6,239,220,970	13,495,270,620	5,222,110	13,490,048,510
Cumberland	898,503,545	3,044,196,225	3,942,699,770	58,970,700	3,883,729,070
Essex	6,421,556,651	10,626,312,225	17,047,868,876	9,630,300	17,038,238,576
Gloucester	3,309,663,500	8,370,423,201	11,680,086,701	29,076,025	11,651,010,676
Hudson	7,271,199,498	11,555,160,082	18,826,359,580	38,349,700	18,788,009,880
Hunterdon	4,076,364,557	6,513,966,677	10,590,331,234	18,600	10,590,312,634
Mercer	6,870,154,810	12,758,243,939	19,628,398,749	8,010,940	19,620,387,809
Middlesex	13,377,041,150	23,719,347,796	37,096,388,946	68,611,000	37,027,777,946
Monmouth	16,838,631,454	23,983,077,315	40,821,708,769	14,250,100	40,807,458,669
Morris	14,072,222,773	22,095,584,352	36,167,807,125	341,200	36,167,465,925
Ocean	14,559,027,194	17,529,578,454	32,088,605,648	3,762,600	32,084,843,048
Passaic	8,823,644,454	11,339,013,784	20,162,658,238	1,881,400	20,160,776,838
Salem	660,844,558	2,065,431,612	2,726,276,170	417,900	2,725,858,270
Somerset	9,144,094,141	15,888,865,618	25,032,959,759	4,186,350	25,028,773,409
Sussex	3,012,609,646	5,132,005,895	8,144,615,541	680,480	8,143,935,061
Union	9,524,623,020	13,659,599,368	23,184,222,388	127,000	23,184,095,388
Warren	1,775,628,557	3,880,366,991	5,655,995,548	2,551,550	5,653,443,998
TOTALS	\$179,464,091,955	\$276,581,951,355	\$456,046,043,310	\$335,905,927	\$455,710,137,383

Abstract of Ratables and Exemptions 1999 (continued)

Col. 5	Col. 6	Col. 7	Col. 8	Col. 9		Col. 10	
COUNTY	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	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
Atlantic	\$ 116,073,379	\$ 18,426,115,209					\$ 26,306,069
Bergen	277,806,835	71,797,149,997					260,798,280
Burlington	144,893,725	20,646,404,880					59,990,968
Camden	174,914,536	19,507,990,065					307,263,946
Cape May	55,526,038	13,545,574,548					34,908,102
Cumberland	39,764,512	3,923,493,582					32,125,781
Essex	104,620,063	17,142,858,639			\$8,088,806		113,260,530
Gloucester	312,844,612	11,963,855,288					113,260,530
Hudson	143,995,136	18,932,005,016					15,495,583
Hunterdon	50,256,580	10,640,569,214					15,495,583
Mercer	153,931,549	19,774,319,358			1,356,391		133,335,459
Middlesex	298,669,403	37,326,447,349					47,058,091
Monmouth	343,597,056	41,151,055,725					187,370,406
Morris	224,302,284	36,391,768,209					302,866,445
Ocean	184,920,096	32,269,763,144					22,134,079
Passaic	105,727,422	20,266,504,260					127,339,098
Salem	23,402,635	2,749,260,905					13,181,216
Somerset	112,725,496	25,141,498,905					352,293,149
Sussex	45,458,155	8,189,393,216					62,388,311
Union	119,347,396	23,303,442,784					149,969,142
Warren	41,074,926	5,694,518,924					9,048,254
TOTALS	\$3,073,851,834	\$458,783,989,217			\$9,445,197		\$2,257,132,909

Abstract of Ratables and Exemptions 1999 (continued)

	Col. 10	Col. 11	Col. 12—APPORTIONMENT OF TAXES				
			Section A County Taxes				
	<u>EQUALIZATION</u>	Net Valuation on	I	II			
	(b)	Which County		ADJUSTMENTS RESULTING FROM			
	Amounts	Taxes Are	Total County	(a)		(b)	
	Added Under	Apportioned	Taxes	County Equalization Table		Appeals and Corrected Errors	
	R.S. 54:3-17 to 19	(Col. 6 – 9(a)	Apportioned	Appeals (R.S. 54:51A-4)		(R.S. 54:4-49; R.S. 54:4-53)	
	and	+ 9(b) – 10(a)	(Including Total	Deduct	Add	Deduct	Add
COUNTY	N.J.S.A. 54:11D-7	+ 10(b))	Net Adjustments)	Overpayment	Underpayment	Overpayment	Underpayment
Atlantic	\$ 743,990,662	\$ 19,143,799,802	\$ 85,820,109.81			\$ 638,667.08	
Bergen	8,030,195,549	79,566,547,266	196,435,305.65			2,557,107.65	
Burlington	1,150,108,839	21,736,522,751	107,133,399.42			174,114.52	\$ 20,715.10
Camden	871,908,448	20,072,634,567	172,924,819.00			921,905.00	
Cape May	691,321,913	14,201,988,359	59,521,840.35			90,022.73	
Cumberland	727,982,821	4,619,350,622	44,527,261.02			389,366.02	
Essex	20,497,451,341	37,632,221,174	281,440,454.88			3,378,491.88	
Gloucester	539,809,398	12,390,404,156	75,396,430.73			4,510,761.24	37,648.78
Hudson	1,580,158,022	20,512,163,038	178,068,449.88			3,166,053.75	48,240.87
Hunterdon	620,096,320	11,245,169,951	45,399,972.33			92,972.33	
Mercer	679,784,061	20,319,411,569	106,775,950.18			350,434.91	31,134.73
Middlesex	8,550,494,472	45,829,883,730	181,381,845.38			1,111,634.62	129,789.24
Monmouth	3,596,411,231	44,560,096,550	194,390,321.61			563,094.47	72,772.86
Morris	9,142,809,818	45,231,711,582	125,921,938.46			1,146,274.76	
Ocean	1,794,277,212	34,041,906,277	162,011,523.23			287,290.23	
Passaic	3,648,189,953	23,787,355,115	146,158,165.67			1,673,444.67	
Salem	378,338,076	3,114,417,765	28,499,264.03			31,445.45	6,729.42
Somerset	2,323,272,978	27,112,478,734	113,016,171.90			268,721.01	12,549.11
Sussex	683,504,422	8,810,509,327	40,150,787.00			83,064.00	
Union	9,440,311,493	32,593,785,135	150,989,972.17			857,205.17	
Warren	270,802,497	5,956,273,167	42,038,507.70			360,442.89	
TOTALS	\$75,961,219,526	\$532,478,630,637	\$2,538,002,490.40			\$22,652,514.38	\$359,580.11

Abstract of Ratables and Exemptions 1999 (continued)

Col. 12—APPORTIONMENT OF TAXES

COUNTY	Section A County Taxes			Section B		
	III Net County Taxes Apportioned	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) County Health Taxes	(c) County Open Space Taxes
Atlantic	\$ 85,181,442.73		\$ 85,181,442.73	\$ 3,696,675.00	\$ 3,222,262.00	\$ 1,914,388.55
Bergen	193,878,198.00		193,878,198.00			3,552,132.31
Burlington	106,980,000.00		106,980,000.00	5,290,000.00		8,694,600.00
Camden	172,002,914.00		172,002,914.00	4,387,804.00		2,007,263.46
Cape May	59,431,817.62		59,431,817.62	3,199,870.54		1,420,198.84
Cumberland	44,137,895.00		44,137,895.00		1,210,235.00	461,935.06
Essex	278,061,963.00		278,061,963.00			3,763,222.12
Gloucester	70,923,318.27		70,923,318.27	1,579,720.25		1,239,040.50
Hudson	174,950,637.00		174,950,637.00			
Hunterdon	45,307,000.00		45,307,000.00	3,631,043.00		
Mercer	106,456,650.00		106,456,650.00	6,987,236.00		4,058,182.86
Middlesex	180,400,000.00		180,400,000.00			4,582,988.37
Monmouth	193,900,000.00		193,900,000.00	7,295,391.00	1,055,411.00	10,000,000.00
Morris	124,775,663.70	\$125,000.00	124,650,663.70			11,873,324.29
Ocean	161,724,233.00		161,724,233.00	15,989,848.00	5,000,000.00	4,085,640.00
Passaic	144,484,721.00		144,484,721.00			237,873.56
Salem	28,474,548.00		28,474,548.00			
Somerset	112,760,000.00		112,760,000.00	5,988,149.00		8,130,000.00
Sussex	40,067,723.00	20,866.00	40,046,857.00	2,914,971.00	1,015,117.00	
Union	150,132,767.00		150,132,767.00			
Warren	41,678,064.81		41,678,064.81	2,681,396.00		1,191,255.00
TOTALS	\$2,515,709,556.13	\$145,866.00	\$2,515,563,690.13	\$63,642,103.79	\$11,503,025.00	\$67,212,044.92

Abstract of Ratables and Exemptions 1999 (continued)

Col. 12—APPORTIONMENT OF TAXES

Section C

Local Taxes to be Raised for

COUNTY	I DISTRICT SCHOOL PURPOSES			II LOCAL MUNICIPAL PURPOSES	
	(a) District School Budget	(b) Regional Consolidated and Joint School Budgets	(c) Local School Budget	(a) Local Municipal Budget	(b) Local Municipal Open Space
	Atlantic	\$ 178,293,349.50	\$ 29,261,717.02	\$ 3,756,309.62	\$ 194,195,374.61
Bergen	920,557,639.88	123,973,162.43	26,743,316.50	557,712,323.52	\$ 416,336.09
Burlington	269,552,481.74	72,183,101.77	9,834,217.00	91,065,348.36	1,487,995.30
Camden	286,507,319.00	47,451,277.50		124,042,355.60	
Cape May	75,909,860.00	10,235,407.00		87,003,185.00	
Cumberland	40,763,130.50	3,874,918.18	73,362.50	27,597,436.58	
Essex	462,385,330.75	92,921,544.11	6,924,144.43	395,778,245.34	98,070.04
Gloucester	151,159,186.13	21,253,815.87		78,250,584.73	60,784.00
Hudson	261,039,420.00		11,020,967.51	286,378,182.23	
Hunterdon	114,102,593.52	59,547,454.03		28,237,408.15	2,049,017.55
Mercer	167,707,688.00	141,882,260.43	1,220,025.00	123,296,782.00	2,197,330.31
Middlesex	691,881,169.50	31,014,703.14	4,412,642.69	262,880,856.01	1,723,147.98
Monmouth	469,175,386.81	155,300,427.01	21,116.50	230,405,108.19	1,773,331.36
Morris	460,135,030.41	139,916,163.72		221,691,389.36	3,785,432.49
Ocean	249,973,880.50	135,003,765.49	3,814,197.00	174,722,072.16	32,839.40
Passaic	299,999,344.50	25,570,050.00	250,990.00	226,684,642.25	
Salem	26,541,078.00	9,905,224.48		6,047,502.85	
Somerset	264,618,661.00	88,464,970.48		94,448,874.11	5,686,047.15
Sussex	108,828,616.50	40,027,778.80		45,052,677.50	151,497.00
Union	410,833,999.50	39,480,241.38	1,468,923.50	274,008,695.63	
Warren	62,702,458.50	22,685,198.00		19,349,161.73	468,543.25
TOTALS	\$5,972,667,624.24	\$1,289,953,180.84	\$69,540,212.25	\$3,548,848,205.91	\$19,930,371.92

Abstract of Ratables and Exemptions 1999 (continued)

	Col. 12	Col. 13			
COUNTY	Section D Total Tax Levy on Which Tax Rate is Computed (Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII (a), (b))	REAL PROPERTY EXEMPT FROM TAXATION			
		(a) Public School Property	(b) Other School Property	(c) Public Property	(d) Church and Charitable Property
Atlantic	\$ 499,521,519.03	\$ 514,283,300	\$ 32,141,600	\$ 1,389,463,700	\$ 219,064,200
Bergen	1,826,833,108.73	1,789,843,107	586,013,600	4,133,550,720	964,691,300
Burlington	565,087,744.17	550,163,370	73,304,300	1,728,258,968	410,580,570
Camden	636,398,933.56	780,356,000	190,089,300	1,365,879,658	603,023,100
Cape May	237,200,339.00	129,215,600	20,246,900	553,578,850	187,636,010
Cumberland	118,118,912.82	176,109,700	20,376,100	474,906,000	118,536,300
Essex	1,239,932,519.79	669,232,100	443,004,300	2,401,944,026	676,279,500
Gloucester	324,466,449.75	382,310,500	178,342,600	381,806,800	261,893,600
Hudson	733,389,206.74	566,730,900	366,403,100	2,300,424,980	650,665,343
Hunterdon	252,874,516.25	194,803,320	3,229,700	609,703,596	144,363,525
Mercer	553,806,154.60	523,521,100	1,404,066,950	2,084,962,079	468,154,510
Middlesex	1,176,895,507.69	1,794,857,300	826,213,400	1,258,583,050	785,421,650
Monmouth	1,068,926,171.87	895,440,899	183,542,000	1,782,862,742	574,161,077
Morris	962,052,003.97	677,958,400	241,669,050	1,862,966,861	629,424,900
Ocean	750,346,475.55	540,688,739	46,317,900	1,965,709,249	371,679,880
Passaic	697,227,621.31	506,393,400	200,516,300	1,364,328,725	624,618,600
Salem	70,968,353.33	86,983,850	17,027,800	151,285,300	70,842,300
Somerset	580,096,701.74	405,468,200	84,908,925	743,640,726	301,468,500
Sussex	238,037,514.80	222,946,600	17,572,400	448,035,679	110,639,290
Union	875,924,627.01	650,303,800	206,537,800	1,786,437,600	604,526,400
Warren	150,756,077.29	147,490,386	48,145,842	219,465,326	106,964,030
TOTALS	\$13,558,860,459.00	\$12,205,100,571	\$5,189,669,867	\$29,007,794,635	\$8,884,634,585

Abstract of Ratables and Exemptions 1999 (continued)

	Col. 13			Col. 14	
	REAL PROPERTY EXEMPT FROM TAXATION			AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
COUNTY	(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) Miscellaneous Revenues Anticipated
Atlantic	\$ 16,815,800	\$ 779,093,060	\$ 2,950,861,660	\$ 26,228,058.96	\$ 82,820,591.12
Bergen	344,348,600	2,227,128,700	10,045,576,027	65,555,984.58	224,053,194.43
Burlington	13,717,100	491,442,556	3,267,466,864	40,085,852.48	100,364,374.80
Camden	30,472,400	523,341,103	3,493,161,561	28,927,418.86	183,516,238.81
Cape May	2,550,500	258,469,950	1,151,697,810	15,397,855.77	60,733,911.02
Cumberland	5,705,300	142,650,600	938,284,000	9,418,324.28	46,697,081.10
Essex	46,493,100	710,157,291	4,947,110,317	58,665,207.41	529,062,715.32
Gloucester	8,196,800	122,002,700	1,334,553,000	18,660,544.08	55,328,844.51
Hudson	161,473,600	3,269,359,616	7,315,057,539	14,866,585.86	400,165,318.39
Hunterdon	10,972,600	80,678,163	1,043,750,904	18,154,723.15	32,145,789.20
Mercer	25,842,303	684,042,439	5,190,589,381	27,023,282.39	189,702,945.73
Middlesex	102,589,300	1,182,758,600	5,950,423,300	49,420,326.47	261,709,859.22
Monmouth	61,711,400	1,192,975,500	4,690,693,618	64,316,568.44	174,603,559.81
Morris	60,077,825	515,510,572	3,987,607,608	51,653,331.39	137,787,112.65
Ocean	10,978,000	248,564,271	3,183,938,039	51,324,229.01	117,428,519.41
Passaic	76,417,400	339,805,703	3,112,080,128	21,688,105.00	141,737,524.28
Salem	1,459,100	83,805,986	411,404,336	9,089,532.09	32,076,864.92
Somerset	23,396,700	421,448,121	1,980,331,172	35,198,024.38	76,317,641.86
Sussex	3,349,100	117,357,500	919,900,569	16,020,076.38	29,088,918.59
Union	168,840,600	400,801,200	3,817,447,400	32,357,124.00	200,850,342.71
Warren	12,857,716	128,645,058	663,568,358	12,934,434.00	25,023,385.47
TOTALS	\$1,188,265,244	\$13,920,038,689	\$70,395,503,591	\$666,985,588.98	\$3,101,214,733.35

Abstract of Ratables and Exemptions 1999 (continued)

	Col. 14		Col. 15	Col. 16	
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET		DEDUCTIONS ALLOWED		
COUNTY	(c) Receipts from Delinquent Tax and Liens	(d) Total of Miscellaneous Revenues (a + b + c)	(a) Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	(b) Veterans Deductions	Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
Atlantic	\$ 8,648,600.00	\$ 117,697,250.08	\$ 1,072,300	\$ 477,400	\$ 18,571,916,369
Bergen	26,456,955.00	316,066,134.01	3,582,325	1,950,700	77,704,825,523
Burlington	13,193,957.75	153,644,185.03	1,640,725	1,062,350	21,581,019,985
Camden	16,249,458.00	228,693,115.67	2,962,000	1,108,250	19,808,382,119
Cape May	6,839,986.74	82,971,753.53	639,000	314,550	14,135,526,570
Cumberland	5,569,450.00	61,684,855.38	1,110,750	278,550	4,503,820,914
Essex	50,702,797.24	638,430,719.97	1,743,950	836,500	37,007,887,501
Gloucester	10,152,557.51	84,141,946.10	1,382,150	603,846	12,316,770,715
Hudson	19,182,412.69	434,214,316.94	1,408,750	454,300	19,998,174,445
Hunterdon	5,035,282.03	55,335,794.38	279,375	225,650	10,792,028,194
Mercer	15,899,701.44	232,625,929.56	1,720,500	677,950	20,071,084,944
Middlesex	13,897,909.39	325,028,095.08	3,072,500	1,568,051	44,691,161,845
Monmouth	24,052,718.57	262,972,846.82	1,621,500	1,262,250	44,364,588,069
Morris	13,394,286.00	202,834,730.04	1,044,075	888,450	44,897,555,650
Ocean	17,273,496.00	186,026,244.42	4,553,267	1,874,000	33,947,777,139
Passaic	8,582,471.00	172,008,100.28	1,743,550	749,350	23,480,541,147
Salem	3,761,342.50	44,927,739.51	403,500	171,600	2,994,689,173
Somerset	7,603,427.21	119,119,093.45	791,850	507,350	26,793,008,418
Sussex	6,424,677.84	51,533,672.81	453,300	288,900	8,750,893,816
Union	20,712,493.00	253,919,959.71	2,245,500	1,020,950	31,887,085,664
Warren	5,631,923.29	43,589,742.76	481,000	228,200	5,894,107,329
TOTALS	\$299,265,903.20	\$4,067,466,225.53	\$33,951,867	\$16,549,147	\$524,192,845,529

1999 Assessed Value of Partial Exemptions and Abatements
(Summary Addendum to Abstract of Ratables)

COUNTY	Pollution Control	Fire Suppression	Fallout Shelter	Water/Sewage Facility	UEZ Abatement	Home Improvement	Multi-Family Dwelling	Class 4 Abatement
Atlantic	–	–	–	–	–	–	–	–
Bergen	\$ 450,000	–	–	–	–	\$ 340,300	–	–
Burlington	4,429,100	\$ 157,000	\$ 1,000	\$ 600,000	\$ 236,700	–	–	–
Camden	79,000	–	–	–	–	565,820	–	\$ 538,800
Cape May	–	–	1,000	–	–	172,900	\$ 23,700	–
Cumberland	3,863,500	219,300	–	–	–	–	4,442,200	–
Essex	352,900	–	101,800	–	8,539,100	36,000	–	–
Gloucester	13,507,725	–	–	13,300	–	79,800	–	1,900,700
Hudson	262,400	–	–	2,500,000	–	–	4,792,300	–
Hunterdon	–	–	–	–	–	–	–	–
Mercer	–	8,090	110,200	62,800	6,547,650	–	–	–
Middlesex	3,864,000	1,405,600	–	–	–	580,600	–	90,000
Monmouth	1,820,200	–	–	2,601,200	–	170,600	–	–
Morris	198,400	–	1,000	141,800	–	–	–	–
Ocean	48,600	447,500	5,800	–	–	–	–	–
Passaic	–	–	–	274,800	–	609,400	43,800	953,400
Salem	–	–	–	–	–	–	–	–
Somerset	–	–	–	–	–	2,022,500	–	–
Sussex	–	–	–	–	–	–	–	4,080
Union	127,000	–	–	–	–	–	–	–
Warren	1,209,800	–	15,200	–	1,235,100	–	–	91,450
TOTALS	\$30,212,625	\$2,237,490	\$236,000	\$6,193,900	\$16,558,550	\$4,577,920	\$9,302,000	\$3,578,430

1999 Assessed Value of Partial Exemptions and Abatements (continued)
(Summary Addendum to Abstract of Ratables)

COUNTY	Dwelling Abatement	Dwelling Exemption	New Dwelling/ Conversion Abatement	New Dwelling/ Conversion Exemption	Multiple Dwelling/ Abatement	Multiple Dwelling/ Exemption	Commercial/ Industrial Exemption	Total Assessed Value (Col. 3 of Abstract)
Atlantic	–	\$ 2,502,600	–	\$ 171,600	–	\$ 25,000	\$ 2,746,400	\$ 5,445,600
Bergen	\$ 277,800	6,411,800	–	–	–	–	–	7,479,900
Burlington	2,188,400	3,626,200	–	–	\$ 10,000	–	4,226,800	15,475,200
Camden	976,552	11,503,100	–	–	3,746,600	–	44,007,400	61,417,272
Cape May	15,200	1,297,600	–	1,727,410	91,000	–	1,893,300	5,222,110
Cumberland	1,264,000	7,650,600	–	–	–	–	41,531,100	58,970,700
Essex	35,800	532,700	–	–	–	–	32,000	9,630,300
Gloucester	–	5,311,900	–	–	–	–	8,262,600	29,076,025
Hudson	4,661,000	–	\$5,648,500	–	852,000	–	19,633,500	38,349,700
Hunterdon	18,600	–	–	–	–	–	–	18,600
Mercer	13,000	1,235,100	–	–	–	–	34,100	8,010,940
Middlesex	12,560,100	11,447,800	–	–	2,065,700	–	36,597,200	68,611,000
Monmouth	2,348,600	6,928,100	114,500	27,700	–	214,200	25,000	14,250,100
Morris	–	–	–	–	–	–	–	341,200
Ocean	30,000	1,008,500	–	–	–	–	2,222,200	3,762,600
Passaic	–	–	–	–	–	–	–	1,881,400
Salem	–	392,900	–	–	–	–	25,000	417,900
Somerset	–	1,723,500	–	–	–	–	440,350	4,186,350
Sussex	–	–	–	–	–	–	676,400	680,480
Union	–	–	–	–	–	–	–	127,000
Warren	–	–	–	–	–	–	–	2,551,550
TOTALS	\$24,389,052	\$61,572,400	\$5,763,000	\$1,926,710	\$6,765,300	\$239,200	\$162,353,350	\$335,905,927

1999 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	-	-	-	-
TOTALS	0	0	0	0

Summary of 1999 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
Atlantic	1,798	202	171	760	0	79	426	75	1	84
Bergen	3,019	775	424	770	0	121	668	254	1	6
Burlington	929	601	12	166	0	33	3	62	9	43
Camden	1,150	65	82	497	0	154	40	109	15	188
Cape May	282	20	27	161	0	29	3	19	1	22
Cumberland	273	38	12	135	1	18	7	26	0	36
Essex	3,378	98	166	1,100	8	265	1,301	398	0	42
Gloucester	485	8	46	202	0	23	14	38	3	151
Hudson	3,337	862	121	696	5	176	867	610	0	0
Hunterdon	361	59	33	140	2	13	5	37	36	36
Mercer	1,439	455	85	705	0	114	10	65	4	1
Middlesex	1,164	140	52	293	0	95	227	82	1	274
Monmouth	1,449	146	90	667	1	177	219	139	1	9
Morris	918	85	131	366	0	142	94	82	5	13
Ocean	1,235	207	204	470	0	110	12	112	4	116
Passaic	2,015	393	267	403	0	147	645	68	0	92
Salem	70	17	7	16	0	7	1	7	0	15
Somerset	786	250	82	277	0	42	35	57	1	42
Sussex	713	290	87	124	0	55	30	52	9	66
Union	1,291	19	64	397	0	0	668	143	0	0
Warren	263	18	16	129	1	14	36	31	15	3
TOTALS	26,355	4,748	2,179	8,474	18	1,814	5,311	2,466	106	1,239

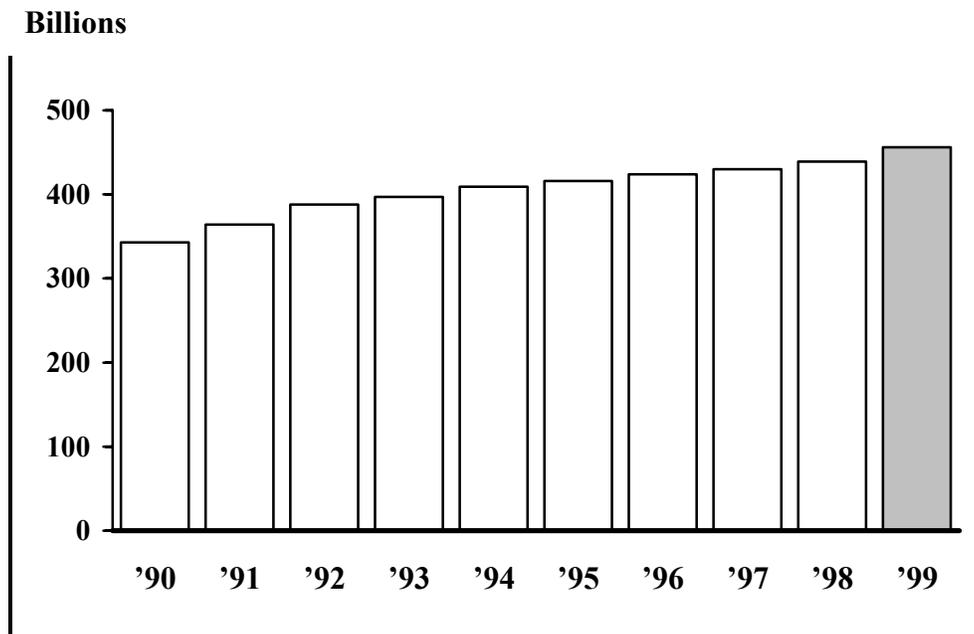
Summary of 1999 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	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			
Atlantic	500	1,143	3	1	147	4	\$ 450,832,094	\$ 25,671,862
Bergen	188	2,118	1	3	698	11	1,558,272,067	101,126,003
Burlington	418	392	8	13	94	4	149,529,664	26,607,595
Camden	109	784	2	0	255	0	313,518,378	26,208,318
Cape May	26	196	0	0	58	2	65,394,000	5,790,850
Cumberland	81	98	0	2	56	36	40,607,500	7,007,800
Essex	211	1,816	0	0	1,339	12	421,208,699	25,161,510
Gloucester	116	260	8	7	92	2	92,026,675	11,031,200
Hudson	169	1,955	0	0	1,213	0	843,816,737	64,536,571
Hunterdon	67	229	23	9	32	1	104,795,391	11,182,835
Mercer	77	1,168	8	1	172	13	265,906,290	36,164,843
Middlesex	116	759	1	1	280	7	374,063,999	21,097,100
Monmouth	150	1,038	3	7	248	3	420,718,000	36,781,700
Morris	158	492	8	8	249	3	331,716,350	34,097,421
Ocean	442	674	2	5	112	0	425,901,080	22,405,440
Passaic	437	877	3	2	689	7	326,868,950	16,771,867
Salem	11	29	7	2	21	0	12,520,300	1,833,500
Somerset	98	584	8	5	86	5	266,109,879	17,308,102
Sussex	194	399	26	26	59	9	119,321,085	12,287,250
Union	68	681	0	0	540	2	354,347,450	13,820,200
Warren	74	121	6	3	58	1	58,530,560	6,234,190
TOTALS	3,710	15,813	117	95	6,498	122	\$6,996,005,148	\$523,126,157

**Summary of 1999 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. 8							
	Total Amount of Assessment Increases Granted	Net Total Assessments (Col. 4 – 5 + 6)	Number of Appeals in Each Filing Fee Category							
			\$5.00	\$25.00	\$100.00	\$150.00	Class \$25	Other	No Fee	Total
Atlantic	\$ 344,300	\$ 425,504,532	1,353	290	33	16	44	1	61	1,798
Bergen	4,564,398	1,461,710,462	515	1,514	322	92	5	0	571	3,019
Burlington	1,225,600	124,147,669	158	74	15	10	4	51	617	929
Camden	2,063,500	289,373,560	596	229	49	40	16	0	220	1,150
Cape May	532,700	60,135,850	159	77	20	7	1	0	18	282
Cumberland	2,200	33,601,900	153	16	8	6	0	12	78	273
Essex	5,008,200	401,055,389	2,502	684	78	14	58	0	42	3,378
Gloucester	36,700	81,032,175	264	96	18	7	5	0	95	485
Hudson	1,117,800	780,397,966	1,781	1,017	168	59	0	11	301	3,337
Hunterdon	861,500	94,474,056	46	199	22	4	13	0	77	361
Mercer	3,253,100	232,994,547	812	239	30	23	12	323	0	1,439
Middlesex	3,525,500	356,492,399	603	363	52	42	5	0	99	1,164
Monmouth	786,900	384,723,200	578	340	103	32	1	290	105	1,449
Morris	3,873,560	301,492,489	263	203	86	29	5	189	143	918
Ocean	914,700	404,410,340	624	277	39	26	23	0	246	1,235
Passaic	546,000	310,643,083	1,292	461	59	17	12	0	174	2,015
Salem	300	10,687,100	34	13	3	1	0	11	8	70
Somerset	3,101,760	251,903,537	117	205	43	16	0	0	405	786
Sussex	1,370,284	108,404,119	244	174	22	5	11	0	257	713
Union	0	340,527,250	576	531	101	21	0	0	62	1,291
Warren	0	52,296,370	128	87	19	6	14	0	9	263
TOTALS	\$33,129,002	\$6,506,007,993	12,798	7,089	1,290	473	229	888	3,588	26,355

Total Taxable Value Land and Improvements in New Jersey 1990 – 1999



1999 County Values

Atlantic	\$ 18,315,487,430	Middlesex	\$ 37,096,388,946
Bergen	71,526,823,062	Monmouth	40,821,708,769
Burlington	20,516,986,355	Morris	36,167,807,125
Camden	19,394,492,801	Ocean	32,088,605,648
Cape May	13,495,270,620	Passaic	20,162,658,238
Cumberland	3,942,699,770	Salem	2,726,276,170
Essex	17,047,868,876	Somerset	25,032,959,759
Gloucester	11,680,086,701	Sussex	8,144,615,541
Hudson	18,826,359,580	Union	23,184,222,388
Hunterdon	10,590,331,234	Warren	5,655,995,548
Mercer	19,628,398,749	Total	\$456,046,043,310

Taxes Administered by the Public Utility Tax Section for 2000 (Calendar Year Due)

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

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

PUBLIC UTILITY TAXES

Classification	No. of Companies	Excise Taxes	Franchise Taxes	Gross Receipts Taxes	TEFA	UTUA (CBT)	UTUA (S&U-EN)
Sewer Companies	18	\$ 351,866	\$ 918,730	\$ 1,806,646	NA	NA	NA
Water Companies.....	41	8,740,251	25,879,943	41,174,850	NA	NA	NA
Energy Companies.....	9	NA	NA	NA	\$215,975,769	\$53,302,512	\$257,467,947
Telephone Companies	3	NA	NA	NA	NA	35,850,893	NA
Totals	71	\$9,092,117	\$26,798,673	\$42,981,496	\$215,975,769	\$89,153,405	\$257,467,947
Total Net Tax Assessed.....							\$641,469,407

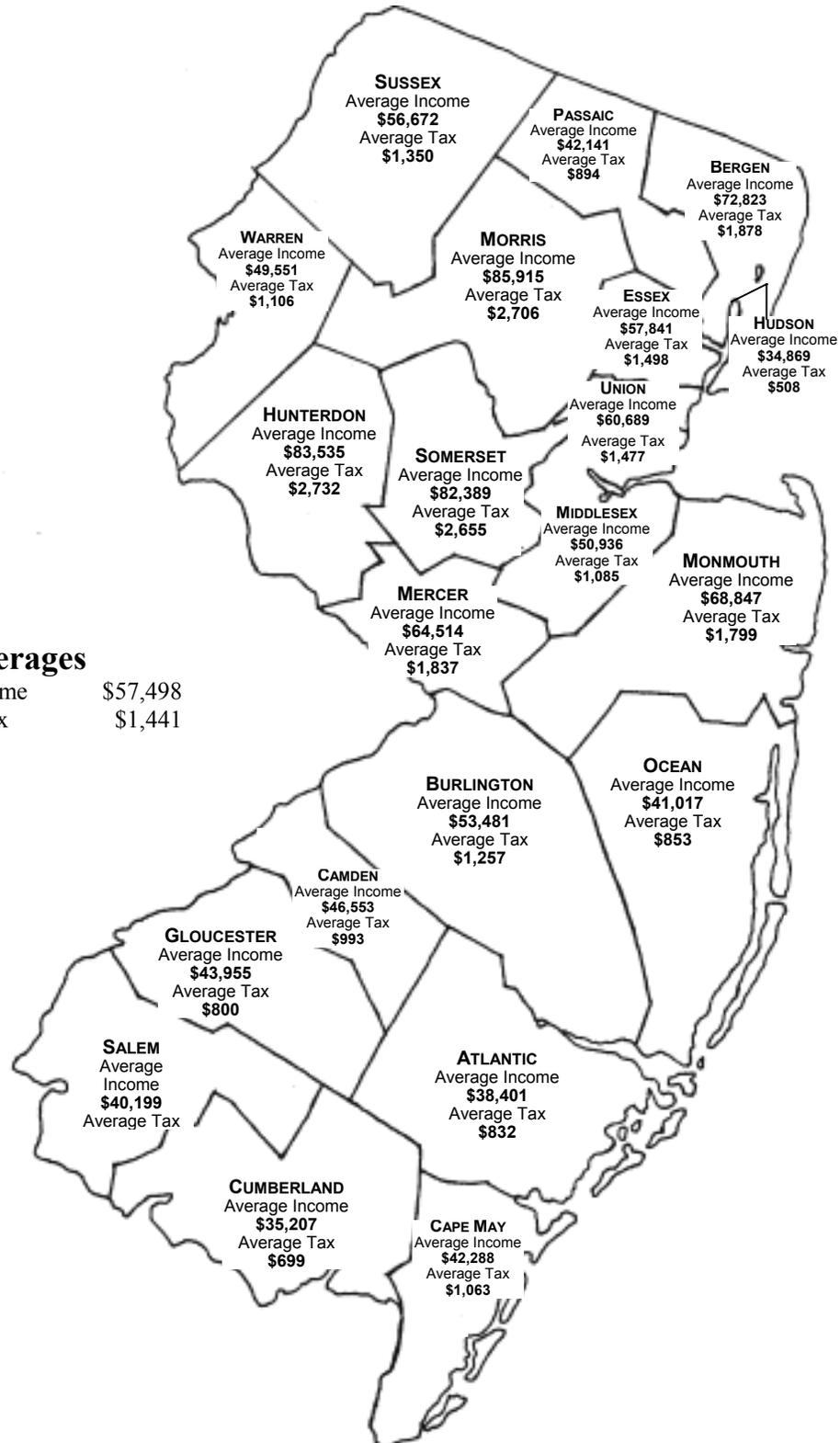
Individual Income Tax Returns County Profile 1998

County	No. of Returns	NJ Taxable Income	Net Charged Tax
Atlantic	101,993	\$ 3,494,802,000	\$ 84,841,000
Bergen	403,947	27,150,401,000	758,473,000
Burlington	174,862	8,502,650,000	219,835,000
Camden	206,223	8,666,113,000	204,865,000
Cape May	43,117	1,641,288,000	45,815,000
Cumberland	54,701	1,721,145,000	38,220,000
Essex	296,794	15,688,022,000	444,711,000
Gloucester	98,277	3,888,586,000	78,623,000
Hudson	221,381	6,968,716,000	112,467,000
Hunterdon	52,777	4,076,195,000	144,167,000
Mercer	140,829	8,355,142,000	258,669,000
Middlesex	305,410	14,072,424,000	331,225,000
Monmouth	263,633	16,658,184,000	474,211,000
Morris	198,669	15,872,266,000	537,625,000
Ocean	203,724	7,370,422,000	173,723,000
Passaic	204,500	7,642,726,000	182,746,000
Salem	25,549	925,577,000	18,563,000
Somerset	139,331	10,692,803,000	369,869,000
Sussex	59,839	3,055,142,000	80,799,000
Union	203,016	11,245,888,000	299,851,000
Warren	43,230	1,920,451,000	47,817,000
County Unknown	74,292	4,994,528,000	158,871,000
Totals	3,516,094	\$184,603,471,000	\$5,065,986,000

Average Gross Income and Average Income Tax By County — Tax Year 1998

Statewide Averages

Average Gross Income \$57,498
Average Income Tax \$1,441



Sales and Use Tax Collections by Business Type
Return Years 1997–1999
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	1997	1998	1999	1997	1998	1999	1997-8	1998-9
Exempt Organizations	637	666	951	\$ 2,531	\$ 2,634	\$ 2,526	4.1%	- 4.1%
Manufacturing	13,831	13,538	18,932	231,413	240,890	244,421	4.1	1.5
Service	84,657	82,836	115,558	1,220,889	1,359,248	1,351,119	11.3	- 0.6
Wholesale	12,030	11,901	16,800	212,468	224,997	234,355	5.9	4.2
Construction	19,164	18,666	24,489	92,437	93,978	99,673	1.7	6.1
Retail	97,834	96,188	134,142	2,478,365	2,630,105	2,806,287	6.1	6.7
Government	25	34	32	3,360	568	481	- 83.1	- 15.4
Not Classified	7,068	7,246	11,342	52,475	64,153	73,846	22.3	15.1
Totals	235,246	231,075	322,246	\$4,293,938	\$4,616,573	\$4,812,708	7.5%	4.2%

2000 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
CORPORATION NET INCOME	7.5%	8.7%	7%	8.333%	7.5%, 9%	7.5%, 8%	8.85%	5.1%– 8.5%	9.99%
PERSONAL INCOME	*3%– 4.5%	*2.2%– 5.95%	*2%– 4.85%	5.85%	*1.4%– 6.37%	*4%– 6.85%	*2.96%– 3.83%	*0.691%– 6.98%	2.8%
*Graduated Rates									
MOTOR FUELS¹									
• Excise Tax/Gal.									
Gasoline	\$0.25	\$0.23	\$0.235	\$0.21	\$0.105²	\$0.08	0	\$0.22	\$0.12
Diesel	\$0.18	\$0.22	\$0.2425	\$0.21	\$0.135	\$0.08	0	\$0.22	\$0.12
• Sales Tax	6%	0.5%	0	5%	0	4%	4.25%	0	0
¹ Various other taxes are applied to motor fuels in the states of Delaware, New Jersey, New York, Ohio and Pennsylvania.									
² 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).									
ALCOHOL									
• Excise Tax/Gal.									
Beer	\$0.19	\$0.16	\$0.09	\$0.11	\$0.12	\$0.14	\$0.255 ²	\$0.18	\$0.08
Wine	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$0.70	\$0.70	\$0.1893	\$0.1893	\$0.32– \$1.50	See Foot- note 4
Liquor	\$2.05, \$4.50	\$2.50, \$3.75	\$1.50	\$4.05	\$4.40	\$2.54, \$6.44	\$3.54, \$7.44 ²	See Foot- notes 3 and 4	See Foot- note 4
• Sales Tax	6%	None	5%	5% ¹	6%	4%	8.25% ²	5%	6%
¹ Purchases for off-premises consumption are not taxable.									
² New York City rate includes New York State rate.									
³ Ohio Department of Liquor Control must pay the State Treasury \$3.38 for each gallon sold.									
⁴ In these states, the government directly controls all sales. Revenue is generated from various taxes, fees and net profits.									
TOBACCO									
• Excise Tax									
Cigarettes (20/pack)	\$0.50	\$0.24	\$0.66	\$0.76	\$0.80	\$1.11	\$0.64 ¹	\$0.24	\$0.31
Other Tobacco (% of Wholesale Price)	20%	15%	15%	75%	48%	20%	20%	17%	0
• Sales Tax	6%	None	5%	5%	6%	4%	8.25% ¹	5%	6%
¹ New York City rate includes New York State rate.									

2000 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% ¹	8.25% ²	5% ³	6% ⁴

¹ State rate is 4%; counties and municipalities may impose additional tax up to 4% plus an additional metropolitan area surcharge of .25%.

² New York City rate includes New York State rate.

³ State rate is 5%; each county may impose an additional 1.5%.

⁴ 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	NYC	OH	PA
Beer On-Premises	T	E	T	T	T	T	T	T	T
Beer Off-Premises	T	E	T	E ¹	T	T	T	T	T
Cigarettes	T	E	T	T	T	T	T	T	T
Clothing	E ²	E	T	E ³	E	T	T	T	E
Food Off-Premises	E ⁴	E	E ⁴						
Liquor On-Premises	T	E	T	T	T	T	T	T	T
Liquor Off-Premises	T	E	T	E ¹	T	T	T	T	T
Manufacturing Equipment	E	E	E	E	E	E	E	E	E
Motor Fuels	E	E	E	E ⁵	E	T	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.

¹ If purchased as “take-out” item from a package store.

² Single article \$74.99 and under; however, single article \$75.00 or over is taxable.

³ Single article \$175 and under; however, single article over \$175 is taxed on the amount in excess of \$175.

⁴ 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.

⁵ 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, 2000)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Alabama	*2%–5%	5%	4%	\$0.16	\$0.165
Alaska	None	*1–9.4	None	0.08	1.00
Arizona	*2.87–5.04	7.968	5	0.18	0.58
Arkansas	*1–7	*1–6.5	4.625	0.195	0.315
California	*1–9.3	8.84	6	0.18	0.87
Colorado	4.63	4.63	2.9	0.22	0.20
Connecticut	*3–4.5 ¹	7.5	6	0.25	0.50
Delaware	*2.2–5.95	8.7	None	0.23	0.24
Dist. of Columbia	*6–9.5	9.5	5.75	0.20	0.65
Florida	None	5.5	6	0.04	0.339
Georgia	*1–6	6	4	0.075	0.12
Hawaii	*1.6–8.75	*4.4–6.4	4	0.16	1.00
Idaho	*1.9–8.1	8	5	0.25	0.28
Illinois	3	4.8	6.25	0.19	0.58
Indiana	3.4	3.4	5	0.15	0.155
Iowa	*0.36–8.98	*6–12	5	0.20	0.36
Kansas	*3.5–6.45	4	4.9	0.20	0.24
Kentucky	*2–6	*4–8.25	6	0.15	0.03
Louisiana	*2–6	*4–8	4	0.20	0.24
Maine	*2–8.5	*3.5–8.93	5	0.235	0.74
Maryland	*2–4.85	7	5	0.235	0.66
Massachusetts	5.85	8.333	5	0.21	0.76
Michigan	4.2	2.1	6	0.19	0.75
Minnesota	*5.35–7.85	9.8	6.5	0.20	0.48
Mississippi	*3–5	*3–5	7	0.18	0.18

*Graduated Rates

¹Applied to percent of adjusted gross income ranging from 25% to 100%.

Major State Tax Rates (continued)

(On July 1, 2000)

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	5	0.239	0.34
Nevada	None	None	6.5	0.23	0.35
New Hampshire	5 ²	7	None	0.18	0.52
New Jersey	*1.4%–6.37	7.5, 9	6	0.105	0.80
New Mexico	*1.7–8.2	*4.8–7.6	5	0.17	0.21
New York	*4–6.85	7.5,8	4	0.08	1.11
North Carolina	*6–7.75	6.9	4	0.231	0.05
North Dakota	*2.67–12	*3–10.5	5	0.21	0.44
Ohio	*0.691–6.98	*5.1–8.5	5	0.22	0.24
Oklahoma	*0.5–6.75	6	4.5	0.16	0.23
Oregon	*5–9	6.6	None	0.29	0.58
Pennsylvania	2.8	9.99	6	0.12	0.31
Rhode Island	26 ³	9	7	0.28	0.71
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.22	0.33
Tennessee	6 ²	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	24 ³	*7–9.75	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	*4.73–6.75	7.9	5	0.264	0.59
Wyoming	None	None	4	0.14	0.12
US AVERAGE	2.48%–5.75%	5.5%–6.6%	4.75%	\$0.191	\$0.42

*Graduated Rates

¹Applied to percent of adjusted gross income ranging from 25% to 100%.

²Imposed on interest and dividend income only.

³Of Federal adjusted gross income.