

# The State of New Jersey TAX EXPENDITURE REPORT

FISCAL YEAR 2026



Stronger, Fairer,  
and More Prepared  
for the Future

Philip D. Murphy, Governor  
Tahesha L. Way, Lt. Governor

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## Introduction

A State Tax Expenditure Report must be included in the Governor's Annual Budget Message, pursuant to P.L. 2009, Chapter 189. This is New Jersey's fifteenth annual Tax Expenditure Report.

### WHAT IS A TAX EXPENDITURE?

Usually, when we speak of expenditures made by the State (or other governments), we are referring to *direct expenditures*. These are the typical expenditures that comprise a state budget – money spent on the personnel, goods and services required to support state programs and policy priorities in areas such as education, transportation, public safety, health and welfare, environmental protection and others.

In some cases, rather than distributing funds directly, the State will instead support certain priorities by reducing the amount of revenue it would otherwise collect under existing taxes. Like direct expenditures, these targeted tax reductions – typically provided in the form of tax exemptions, exclusions, credits, deductions or special rates – support the State's programs and policy priorities and are referred to as *tax expenditures*.

Tax expenditures can:

- Reduce tax burdens for specific groups of taxpayers – both individuals and businesses;
- Lower or eliminate taxes on goods, services or transactions that would normally be taxed;  
or
- Combine these features by providing tax relief that targets certain types of income or transactions for specific groups of taxpayers.

Some tax expenditures are widely available and benefit many taxpayers: for example, the federal mortgage interest deduction that allows homeowners who itemize their deductions to subtract the interest portion of their mortgage payments from their income, thus lowering their overall income tax bill; or special exemptions that eliminate sales tax on food and clothing in many states. Other tax expenditures are more narrowly focused, such as incentives that encourage specific types of businesses to locate in certain areas in exchange for a reduction in their corporate or property tax liability.

What these examples share in common is that they reduce the total revenue that would otherwise be collected under these taxes. Thus, tax expenditures are essentially a form of spending executed through the tax code.

## **WHAT ARE THE TYPES OF TAX EXPENDITURES?**

For the purposes of this report, the Division of Taxation considers “tax expenditures” to be only those tax-revenue-reducing provisions explicitly specified under State law. These generally fall into five categories of preferential tax treatment: exemptions, exclusions, deductions, credits and direct property tax relief. These five categories are defined as follows:

**Exemptions** are categories of goods (or certain uses of those goods) or services that by law cannot be taxed. For example, prescription drugs are exempt under the New Jersey Sales and Use Tax law, as are food and clothing, as noted above. These expenditures often are not required to be reported. Social Security income is exempt for New Jersey Income Tax purposes and does not need to be reported on the State Income Tax return. Some exemptions, such as the Personal Exemption and Veteran Personal Exemption, represent reductions in taxable income intended to recognize certain unspecified personal costs incurred by individuals. (Other reductions in taxable income are classified as deductions, as described below).

**Exclusions** are similar in nature to exemptions, but may apply to only a portion of that otherwise-taxed category. For example, unlike Social Security income, only a portion of pension income is nontaxable. The portion of pension income not subject to tax is referred to as the Pension Exclusion.

**Deductions** reduce the amount of income or business receipts that are subject to tax. These reductions are usually tied to a particular type of expense that was incurred – for example, mortgage interest or alimony paid. Deductions may reduce taxable income by a specified dollar amount or a percentage of the expense incurred, and may be available broadly or to a specific category of recipient. Deductions are provided for any number of reasons, including the avoidance of double taxation on items that may have been taxed already. Common New Jersey Income Tax deductions include certain medical expenses and alimony.

**Credits** are direct reductions from the amount of taxes that must be paid. Because tax credits directly reduce the amount of taxes collected, they generally have a greater effect on revenues than exemptions, exclusions or deductions. Credits may result in refunds to taxpayers having no tax liability, as in the case of the New Jersey Earned Income Tax Credit.

**Direct Property Tax Relief** refers to direct payments from governmental entities to taxpayers who have completed the appropriate forms, in order to offset their local property tax burden.

## WHAT'S IN THIS REPORT?

This report provides estimates of the dollar amounts by which New Jersey's tax expenditures reduce the final tax liability of individuals and businesses in the State. The estimates herein best reflect current law at the time of publication of this report, and do not assume or reflect policy changes recommended at the time of the Governor's Budget Message. The tax expenditures included in this report are grouped according to the taxes to which they apply. They are first presented in a comprehensive table organized by tax and type of tax expenditure, and are then explained in greater detail throughout the tax-specific sections that follow.

P.L. 2009, Chapter 189, requires the publication of all State tax expenditures made in the last completed fiscal year, the current fiscal year and the fiscal year to which the budget message applies. For the purposes of this report, those years are FY 2024, FY 2025 and FY 2026. The tax expenditure numbers for FY 2025 are estimated based on the first six months of actual data from FY 2025.

In addition to the estimates of the value of the tax expenditures, the law requires this report to include the following information, provided in the detailed sections of the report:

- Citation of the enabling legislation;
- Effective date of the tax expenditure;
- Objective of the tax expenditure;
- Description of the tax expenditure;
- Data source used for the estimate; and
- A measure of the reliability of the estimate.

While there are provisions in the tax code that represent direct expenditures or that aid in the efficient collection of revenue, the compilers of this report have made every effort to include only those provisions that represent actual tax expenditures as described above.

## RELIABILITY OF THE ESTIMATES

Every estimate of the fiscal impact of a tax expenditure provided in this report is assigned a reliability rating on a scale of 1 to 4, 1 being the most reliable and 4 being the least. The rating takes into account the source and quality of the available data and the associated methodology used in calculating the estimated revenue foregone as a result of the given exemption, credit, deduction or exclusion. While estimates of the fiscal impact of many tax expenditures can be calculated directly from information reported on tax returns, others by necessity must be derived from incomplete or aggregate data from tax returns, from other State government agencies or from external sources such as federal agencies and market studies. **As such, estimates in the report should be understood in the context of their reliability ratings and are subject to change annually as new data become available and methodologies for estimating are revisited.** The ratings scale is provided below. Both the numeric rating and its definition are provided with the description of each tax expenditure for which an estimate is provided.

<b>Reliability Rating</b>	<b>Definition</b>
1	Based on the population of verified tax returns.
2	Based on a sample of verified tax returns.
3	Based on unverifiable tax records or information from other State government agencies.
4	Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

The table below provides the distribution of ratings for tax expenditures under three major taxes and other taxes. Each column provides the rating distribution within a given tax. For example, under the Gross Income Tax, out of 46 tax expenditure estimates, three have a reliability rating of 1, 28 have a reliability rating of 2, and so on. Reading across the rows gives the distribution of each rating across taxes. For example, out of 38 tax expenditure estimates with a reliability rating of 1, there are three under the Gross Income Tax, none under the Sales and Use Tax, 11 under the Corporation Business Tax and 24 under other taxes.

#### **Reliability Ratings by Tax**

<b>Rating</b>	<b>GIT</b>	<b>SUT</b>	<b>CBT</b>	<b>Other</b>	<b>Total</b>
<b>1</b>	3	0	11	24	<b>38</b>
<b>2</b>	28	0	0	2	<b>30</b>
<b>3</b>	2	6	14	5	<b>27</b>
<b>4</b>	13	33	1	0	<b>47</b>
<b>Total</b>	<b>46</b>	<b>39</b>	<b>26</b>	<b>31</b>	<b>142</b>

## What is New in This Edition?

The Tax Expenditure Report is formatted to highlight the costs of various tax incentives and tax-related benefits provided by the State of New Jersey. Some incentives are used to comply with Federal law or are required by the State Constitution.

This report contains estimates for the previous, current, and next fiscal year. In some cases, estimates will differ from the corresponding figures in a prior report. This is either because the data has been revised to reflect the most up-to-date figures or because improved techniques have been used to estimate the expenditures.

This edition includes updates in the following tax expenditures:

### **Gross Income Tax**

The Alternative Business Calculation Adjustment gross income tax deduction, non-refundable Gold Star Family Counseling tax credit, and refundable Wounded Warrior Caregivers tax credit are now included in the Tax Expenditure Report.

An alternative method to calculate a depreciation deduction for eligible capital expenditures incurred in connection with the construction of new affordable housing developments, as defined in the “Fair Housing Act”, is available under the gross income tax.

### **Sales and Use Tax**

The Sales and Use Tax exemption on the sale of zero emission vehicles is phasing-out. Effective October 1, 2024, through June 30, 2025, a Sales Tax rate of 3.3125 percent will be imposed on the sale of zero emission vehicles. Beginning July 1, 2025, the sale of such vehicles will be taxed at the full statutory rate, which is currently 6.625 percent.

Sales and Use Tax exemptions are available for the sale of investment metal bullion and investment coins, and for the purchases made by contractors or repair persons of materials, supplies, and services for certain affordable housing projects as defined in the “Fair Housing Act”.

### **Corporation Business Tax**

An alternative method to calculate a depreciation deduction for eligible capital expenditures incurred in connection with the construction of new affordable housing developments, as defined in the “Fair Housing Act”, is available under the corporation business tax.

The Next New Jersey Program, a tax credit program for eligible artificial intelligence businesses, as approved by the New Jersey Economic Development Authority, is included in this year’s report.

The Historic Property Reinvestment Program, a New Jersey Economic Development Authority tax

credit program to incentivize rehabilitation of designated historic structures, or structures in designated historic districts, throughout New Jersey, is included in this year's report.

### **Local Property Tax Supported by State Government**

The Stay NJ Property Tax Credit Program, a program intended to provide property tax relief to senior homeowners and tenants, is included in this year's report.

### **Narrative Updates**

Significant changes have been made in the Overview sections of this report to prioritize relevant information and streamline the updating process.

## Summary of Identifiable State Tax Expenditures (\$millions)

	<i>Fiscal Year</i>		
	<i>2024</i>	<i>2025</i>	<i>2026</i>
<b>Gross Income Tax</b>			
<i>Credit</i>			
3 New Jersey Angel Investor Tax Credit Act	25.1	35.0	35.0
13 Credit for Taxes Paid to Other Jurisdiction(s)	4,734.5	4,851.8	4,951.5
30 Filing Threshold – Gross Income Under \$20,000	112.1	116.0	126.2
40 New Jersey Earned Income Tax Credit	507.2	523.9	545.6
46 Property Tax Credit	34.0	32.9	31.7
53 Sheltered Workshop Tax Credit	0.1	0.1	0.1
62 Child and Dependent Care Tax Credit	23.9	25.2	25.2
63 Child Tax Credit	230.6	223.2	213.8
64 Organ/Bone Marrow Donation Deduction/Credit	0.1	0.2	0.2
67 Gold Star Family Counseling Credit	0.2	0.2	0.2
68 Wounded Warriors Caregivers Credit	0.1	0.1	0.1
<i>Deduction/Exemption</i>			
2 Alimony and Separate Maintenance Payments	70.3	72.0	76.5
16 Deductions from Business Income	1,254.4	1,343.6	1,417.0
17 Deductions from Rents, Royalties, Patents and Copyrights	773.3	827.2	870.7
19 Dependents Attending College	11.5	12.3	11.9
31 Health Enterprise Zone Deduction	1.0	1.1	1.5
37 Medical Expenses	519.5	563.7	614.9
47 Property Tax Deduction	748.6	791.2	832.0
48 Qualified Conservation Contribution	0.4	0.3	0.6
52 Self-Employed Health Insurance Costs	114.2	122.0	127.4
65 New Jersey College Affordability Act Deductions	15.6	16.0	16.5
66 Alternative Business Calculation Adjustment	110.6	115.9	110.7
<i>Exclusion</i>			
7 Capital Gain Exclusion on Sale of Principal Residence	513.6	510.0	504.2
11 Child Support	31.0	31.0	29.2
21 Employee 401(k) Contributions	230.2	253.8	274.1
23 Employer 401(k) Contributions	230.2	253.8	274.1

**Summary of Identifiable State Tax Expenditures  
(\$millions)**

	<i>Fiscal Year</i>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
24 Employer Contributions to Retirement Plans	1,670.9	1,617.0	1694.7
25 Exempt Interest (Federal) Exclusion	88.5	66.7	87.6
26 Exempt Interest (State) Exclusion	15.0	10.2	12.1
29 Gifts and Inheritances	769.1	812.3	836.8
36 Lottery Winnings under \$10,000	0.1	0.1	0.1
42 Other Retirement Income Exclusion and Special Exclusion	21.0	21.7	23.2
43 Pension Exclusion	350.1	353.4	361.8
44 Permanent Disability Exclusion	32.8	32.4	33.9
49 Railroad Retirement Exclusion	9.7	10.4	11.1
54 Social Security Income Exclusion	1,673.5	1,706.2	1,812.3
56 Temporary Disability Exclusion	42.9	46.3	47.7
57 Unemployment Insurance Exclusion	80.4	82.8	85.3
59 Welfare Assistance Payments	60.3	77.1	85.6
60 Workers' Compensation Exclusion	15.4	15.9	16.4
<b>Exemption</b>			
1 Age 65 Years or Older Exemption	50.7	51.7	54.3
4 Blind/Disabled Exemption	2.3	2.7	2.1
18 Dependent Child Exemption	148.3	150.9	151.7
41 Other Dependent Exemptions	10.2	11.1	10.8
55 Taxpayer and Spouse/CU Partner	249.9	254.5	266.8
61 Veteran Personal Exemption	33.9	35.5	35.8

**Summary of Identifiable State Tax Expenditures  
(\$millions)**

	<i>Fiscal Year</i>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Sales and Use Tax</b>			
<b><i>Exclusion</i></b>			
4 Bakery Items	33.9	34.6	35.4
25 Credit for Certain Property When Used as a Trade-in	278.7	271.5	264.4
33 Eggs, Fish, Meat and Poultry	281.6	295.8	310.6
54 Food Purchased With Food Stamps	149.6	171.0	195.4
58 Garbage Removal and Sewer Services (as defined in <u>N.J.S.A. 54:32B-3(b)(4)</u> )	24.0	22.5	21.0
70 Internet Access Service	173.7	186.9	201.2
71 Laundry and Dry Cleaning Services for Clothing	99.1	101.0	105.0
78 Massage Therapy Services (as defined in <u>N.J.S.A. 54:32B-3(b)(9)</u> )	11.9	12.3	12.7
84 Municipal Parking Charges	9.0	8.9	8.9
91 Participatory Sporting Activities	119.0	131.5	144.0
104 Purchases for Resale	6,197.2	6,465.5	6,745.4
109 Resale of Taxable Services	343.5	359.9	377.0
<b><i>Exemption</i></b>			
3 Advertising To Be Published in a Newspaper	9.0	8.5	8.7
7 Broadcast Equipment (as defined in <u>N.J.S.A. 54:32B-8.13(e)</u> )	6.0	6.1	6.1
14 Charitable Organizations Exemption	81.5	83.5	85.5
16 Clothing and Footwear	635.5	622.9	610.6
27 Dietary Supplements	25.4	23.8	22.3
30 Disposable Household Paper Products	32.2	33.3	34.5
34 Electricity Sales, Exchanges and Delivery (as defined in <u>N.J.S.A. 54:32B-8.46</u> )	12.8	13.0	13.1
40 Exempt Organizations: State of New Jersey and Its Agencies	635.4	681.5	731.1
43 Exempt Organizations: United States of America	473.0	485.5	498.4
46 Feminine Hygiene Products	8.8	9.2	9.6
50 Firearm Storage Vaults	0.2	0.2	0.2
53 Food and Food Ingredients	1,594.6	1,698.8	1,809.8
83 Motor, Airplane and Railroad Fuels	1,062.3	1,070.2	1062.8

**Summary of Identifiable State Tax Expenditures  
(\$millions)**

	<i>Fiscal Year</i>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
88 Over-the-Counter Drugs	54.7	57.5	60.3
94 Prescribed Drugs and Medications	697.3	697.3	697.4
99 Property Purchased for Film or Video Productions	15.6	15.1	14.6
101 Prosthetic Devices	70.8	75.4	80.3
106 Recycling Equipment Purchases (as defined in <u>N.J.S.A. 54:32B-8.36</u> )	0.3	0.3	0.3
113 Salem County Reduced Sales Tax	6.3	6.8	7.3
117 School Textbooks	3.1	2.9	2.8
121 Sewing Materials	4.0	3.9	3.7
123 Solar Energy Devices and System Components	28.9	38.3	50.7
131 Urban Enterprise Zone Exempt Business Purchases	27.7	26.3	33.6
137 Zero Emission Vehicles	210.2	140.0	0.0
138 Metal Bullion and Certain Investment Coins	4.5	4.9	5.3
139 Contractor Supplies and Materials – Affordable Housing	13.5	13.8	14.3
Other			
132 Urban Enterprise Zone Special Sales Tax Rate	192.2	191.9	207.1

**Corporation Business Tax**

***Credit***

42 The Economic Redevelopment and Growth Program	80.5	72.5	69.1
43 Grow New Jersey Assistance Program	465.5	338.3	318.3
3 New Jersey Angel Investor Tax Credit Act	0.0	0.0	0.0
5 AMA Tax Credit	12.7	10.2	8.2
6 Business Employment Incentive Program (BEIP)	128.8	89.7	2.8
8 Business Retention and Relocation Assistance Grants	11.3	2.3	2.3
13 Economic Recovery Tax Credit	0.1	0.1	0.1
14 Effluent Equipment Tax Credit	0.2	0.2	0.3
16 New Jersey Film and Digital Media Tax Credit	145.5	183.7	249.0
19 Manufacturing Equipment and Employment Investment Tax Credit	19.6	21.7	23.7
20 Neighborhood Revitalization State Tax Credit	13.5	15.7	17.9
23 New Jobs Investment Tax Credit	0.1	0.0	0.0
27 Redevelopment Authority Project Tax Credit	0.0	0.0	0.0

**Summary of Identifiable State Tax Expenditures  
(\$millions)**

	<i>Fiscal Year</i>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
29 Research and Development Tax Credit	449.0	510.6	572.3
30 Sheltered Workshop Tax Credit	0.0	0.0	0.0
31 Urban Enterprise Zone Employee Tax Credit	0.0	0.0	0.0
32 Urban Enterprise Zone Investment Tax Credit	0.0	0.0	0.0
33 Urban Transit Hub Tax Credit	78.8	93.1	79.4
34 New Jersey Innovation Evergreen Fund	0.0	60.0	60.0
35 Emerge Program	0.0	15.6	15.6
36 Food Desert Relief Program	15.0	21.0	19.0
37 Aspire Program	0.0	0.0	0.9
38 Low Carbon Concrete Products	0.0	10.0	10.0
39 Alternative Method of Depreciation	0.0	16.4	15.9
40 Next New Jersey Program	0.0	0.0	0.0
41 Historic Property Reinvestment Program	0.0	0.0	8.0

**9-1-1 System and Emergency Response Assessment**

*Exemption*

1 Exempt Telephone Lines	0.4	0.3	0.3
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**Alcoholic Beverage Tax**

*Exclusion*

1 Out-of-State Sales - Beer and Malt	21.6	27.7	28.1
2 Out-of-State Sales - Liquor	9.5	11.4	11.6
3 Out-of-State Sales - Still Wine	24.4	25.1	25.5
4 Out-of-State Sales - Vermouth/Sparkling Wine/Apple Cider	2.5	2.4	2.4

**Cigarette Tax**

*Credit*

1 Director's Redemption of Certain Stamps	0.9	0.9	0.9
2 Distributor Discounts	0.9	0.9	0.9

**Summary of Identifiable State Tax Expenditures  
(\$millions)**

	<i>Fiscal Year</i>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Domestic Security Fee</b>			
<i>Credit</i>			
1 Total Deductions	1.0	1.0	1.0
<b>Hotel/Motel Occupancy Fee</b>			
<i>Credit</i>			
1 Government Exemption	3.6	4.5	4.7
<i>Deduction/Exemption</i>			
2 Permanent Resident Exemption	9.0	8.5	8.8
<i>Exclusion</i>			
3 Rooms for Assembly	0.9	1.0	1.0
<b>Local Property Tax Support by State Government</b>			
<i>Deduction</i>			
1 Senior Citizens and Disabled Persons Property Tax Deduction	7.2	6.6	6.0
2 Veteran’s Property Tax Deduction	31.9	29.9	28.0
<i>Direct Property Tax Relief</i>			
3 Property Tax Reimbursement (Senior Freeze)	182.8	208.3	228.7
4 Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)	2,206.8	2,331.9	2,388.4
5 Stay NJ Tax Credit Program	0.0	0.0	556.8
<b>Motor Fuels Tax</b>			
<i>Exemption</i>			
1 Exported Fuels	0.0	0.0	0.0
2 Fuel Used by Aircraft	0.0	0.0	0.0
3 Fuel Used by Ambulances	0.1	0.1	0.1
4 Fuel Used by Certain Agricultural Tractors and Farm Machinery	0.0	0.0	0.0

**Summary of Identifiable State Tax Expenditures  
(\$millions)**

	<i>Fiscal Year</i>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
5 Fuel Used by Certain Autobuses	0.4	0.4	0.4
6 Fuel Used by Non-Highway Equipment	0.6	0.6	0.6
7 Off Road Use of On Road Vehicles	0.3	0.3	0.3
8 Total Exempt Government Sales	1.4	1.4	1.4
<b>Motor Vehicle Tire Fee</b>			
<i>Exemption</i>			
1 Exempt Tires Sales Times \$1.50 Tire Fee	2.9	3.5	3.8
<b>Nursing Home Assessment</b>			
<i>Exemption</i>			
1 Exempt Days Times Rate	20.5	18.6	17.7
<b>Petroleum Products Gross Receipts Tax</b>			
<i>Exemption</i>			
1 Withdrawn for Use Outside New Jersey	735.0	735.0	735.0
<b>Realty Transfer Fee</b>			
<i>Deduction/Exemption</i>			
1 Exempt Sales Exceeding \$1 million Where the Grantee Pays	133.6	70.0	59.8
<i>Exemption</i>			
2 Partial Realty Transfer Fee Exemption (Sales Price Known)	52.0	42.0	43.5
3 Total Realty Transfer Fee Exemption for Sales Price Less than \$100 (Sales Price Known)	193.1	164.0	159.1
4 Total Realty Transfer Fee Exemption Where Such Sales Price Would Have Exceeded \$100 (Sales Price Known)	16.5	15.9	16.4

## **Detail of Identifiable State Tax Expenditures**

### **Gross Income Tax Overview**

#### **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**

Marginal rates for tax years beginning on or after January 1, 2020, range from 1.4 percent to 10.75 percent

#### **Filing Threshold**

For tax years beginning on or after January 1, 2001, the filing threshold is \$10,000 or less for the entire year (single filers, married persons filing separately, and estates and trusts), and \$20,000 or less for the entire year (married couples filing jointly, heads of household, and surviving spouses).

#### **Exemptions**

- Taxpayer, \$1,000
- Taxpayer's spouse/civil union partner or domestic partner who does not file separately, \$1,000
- Taxpayer 65 years old or more, additional \$1,000; same for spouse/civil union partner age 65 or older who does not file separately
- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse/civil union partner who does not file separately
- Taxpayer's dependent child and other dependents, \$1,500
- Taxpayer's dependent under age 22 and attending college full time, additional \$1,000
- Veterans honorably discharged, \$6,000; in addition to the \$1,000 personal exemption

#### **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 percent of gross income; qualified medical savings account contributions; and for the "self-employed," qualified health

insurance costs

- Property Tax Deduction, up to \$15,000, if refundable credit is not taken
- Qualified Conservation Contributions
- Deduction for eligible taxpayers who provide primary care medical and/or dental services at a qualified practice located in or within five miles of a Health Enterprise Zone
- Organ or bone marrow donation deduction for unreimbursed expenses for travel, lodging, and lost wages related to the donation, up to \$10,000
- New Jersey Better Educational Savings Trust (NJBEST) contributions, up to \$10,000
- Principal and interest payment on student loans under the New Jersey College Loans to Assist State Students (NJCLASS), up to \$2,500
- Tuition paid to an in-State higher learning institution, up to \$10,000
- Deduction for the Alternative Business Calculation Adjustment

### **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 will not exceed the proportion of tax otherwise due that the amount of the taxpayer's income subject to tax by the other jurisdiction bears to the taxpayer's entire New Jersey income
- Amounts withheld by an employer and payments of estimated tax, including any payments made in connection with the sale or transfer of real property by a nonresident, estate, or trust
- Amounts paid by an S corporation on behalf of a shareholder
- Amounts paid by a partnership on behalf of a partner
- New Jersey Earned Income Tax Credit
- Excess unemployment and disability insurance contributions withheld
- Property Tax Credit, up to \$250, if deduction is not taken
- Sheltered Workshop Tax Credit
- Garden State Film and Digital Media Jobs Act Credit
- Child and Dependent Care Tax Credit
- Organ/Bone Marrow Donation Credit for employers
- Child Tax Credit
- Angel Investor Tax Credit
- Gold Star Family Counseling Credit
- Wounded Warrior Caregivers Credit

## Disposition of Revenues

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

## Recent History

P.L. 2024, Chapter 1: The law allows GIT taxpayers to utilize an alternative method to calculate a depreciation deduction of eligible capital expenditures incurred in connection with the construction of new affordable housing developments, owned by the taxpayer.

P.L. 2023, Chapter 125: The law revises the statute of limitations for a taxpayer to adjust their credit for taxes paid to another jurisdiction if the taxpayer's income is adjusted by another state. The law also establishes an employer convenience income sourcing rule for New Jersey. The law creates a tax credit for resident taxpayers that successfully challenge another state's employer convenience income sourcing rules when working from a New Jersey location. The law establishes a pilot program within the Economic Development Authority to provide grants to qualifying businesses that reassign their New Jersey resident employees to New Jersey locations.

P.L. 2023, Chapter 72: The law doubles the benefit amount of the Child Tax Credit. This refundable tax credit is available to taxpayers with less than \$80,000 in taxable income and who have children age five years and younger at the end of the taxable year.

P.L. 2023, Chapter 4: The law provides gross income tax credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete. For GIT filers, the credits may not reduce the taxpayer's liability below zero. Unused credits may be carried forward for up to seven tax years. The Division of Taxation can neither issue more than \$10 million in tax credit certificates per year nor allow any taxpayer to obtain tax credits of more than \$1 million in any tax year. This law went into effect on July 30, 2023, and applies to tax years beginning on or after January 1, 2024.

P.L. 2022, Chapter 125: The law codified the existing treatment of the cancellation of a disabled veteran's federal student loan debt for New Jersey Gross Income Tax purposes. The cancellation or forgiveness of debt income is currently not subject to New Jersey Gross Income Tax. The law codified this treatment as it applies specifically to certain federal student loan debt held by disabled veterans that is discharged through the Total and Permanent Disability discharge program of the U.S. Department of Education. This law went into effect on December 5, 2022.

P.L. 2022, Chapter 71: The law exempts compensation for services performed by a member of a district board of elections from Gross Income Tax, including any compensation paid to an election officer during an early voting period. This law went into effect on July 28, 2022.

P.L. 2022, Chapter 24 and P.L.2022, Chapter 115: The law created a refundable Child Tax Credit

for resident taxpayers with taxable incomes of \$80,000 or less. This credit is available for all filing statuses except married filing separate. The taxable income ranges and credit amounts are the same, regardless of filing status. A taxpayer could claim a tax credit amount of up to \$500 per child under the age of six. This law applies to tax years beginning on or after January 1, 2022.

### 1 Age 65 Years or Older Exemption

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/6/1976

**2026 Estimate:** \$54,300,000

**Applied Date:** 7/1/1976

**Objective:** To provide tax relief to senior citizens.

**Description:** An exemption is allowable for the taxpayer 65 years of age or over at the close of the taxable year in the amount of \$1,000. An exemption is also allowable for a taxpayer's spouse 65 years of age or over at the close of the taxable year in the amount of \$1,000.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 907,800 exemptions were claimed in Tax Year 2023.

### 2 Alimony and Separate Maintenance Payments

**Citation:** N.J.S.A. 54A:3-2

**Effective Date:** 7/8/1976

**2026 Estimate:** \$76,500,000

**Applied Date:** 7/1/1976

**Objective:** To avoid double taxation of alimony payments, which are subject to Gross Income Tax payable by the recipient.

**Description:** A deduction is available for amounts paid as alimony to a former spouse, or to a spouse receiving separate maintenance pursuant to a court decree. Such amounts must be reported as income to the recipient of alimony or separate maintenance payments.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 28,600 returns took this deduction in Tax Year 2023.

### 3 New Jersey Angel Investor Tax Credit Act

**Citation:** N.J.S.A. 54A:4-13

**Effective Date:** 1/31/2013

**2026 Estimate:** \$35,000,000

**Applied Date:** 1/1/2012

**Objective:** To encourage investment in New Jersey technology businesses.

**Description:** Upon approval by the NJEDA, a taxpayer is allowed a credit against the Gross Income Tax (N.J.S.A. 54A:1-1 et seq.) amount due for the taxable year, of up to 25 percent of the qualified investment made in a New Jersey emerging technology business, up to a maximum allowed credit of \$500,000 for the taxable year for each qualified investment made by the taxpayer. A maximum of up to \$35 million in credits may be approved per calendar year.

**Data Source:** New Jersey Economic Development Authority

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

### 4 Blind/Disabled Exemption

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/6/1976

**2026 Estimate:** \$2,100,000

**Applied Date:** 7/1/1976

**Objective:** To provide tax relief for the blind and individuals with disabilities.

**Description:** A taxpayer is allowed a \$1,000 exemption if the taxpayer was blind or disabled on the last day of the tax year. If a taxpayer is filing jointly, the taxpayer's spouse can take a \$1,000 exemption if they were also blind or disabled on the last day of the tax year.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 97,300 exemptions were claimed in Tax Year 2023.

### 7 Capital Gain Exclusion on Sale of Principal Residence

**Citation:** N.J.S.A. 54A:6-9.1

**Effective Date:** 3/20/1998 **2026 Estimate:** \$504,200,000

**Objective:** This exclusion conforms the Gross Income Tax treatment of gains derived from the sale or exchange of a principal residence to a similar federal income tax exemption provided under the federal Taxpayer Relief Act of 1997.

**Description:** Gross income does not include up to \$500,000 in gain from the sale of a personal residence, subject to certain timing restrictions similar to restrictions found in the parallel federal income tax exclusion.

**Data Source:** U.S. Internal Revenue Service

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 11 Child Support

**Citation:** N.J.S.A. 54A:5-1(n)

**Effective Date:** 7/8/1976 **2026 Estimate:** \$29,200,000

**Objective:** As part of the original legislation which created the Gross Income Tax, the Legislature ensured child support is not included in gross income. This exclusion remains in effect.

**Description:** Child support payments received are not included in gross income.

**Data Source:** U.S. Department of Health and Human Services

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 13 Credit for Taxes Paid to Other Jurisdiction(s)

**Citation:** N.J.S.A. 54A:4-1

**Effective Date:** 7/7/1993

**2026 Estimate:** \$4,951,500,000

**Objective:** To allow resident taxpayers who receive income from other taxing jurisdictions (work or derive income in other states or cities that impose tax on those earning income there) which is subject to tax both in New Jersey and in that other jurisdiction to take a credit for those taxes. The credit is the greater of the tax actually paid or a calculated amount representing the proportion of income subject to tax in the other jurisdiction as compared to income from all sources which is taxable to a New Jersey resident.

**Description:** A New Jersey resident is allowed a credit for tax paid to certain other jurisdictions when the income is subject to tax by both New Jersey and the outside jurisdiction.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** 595,600 returns used this credit in Tax Year 2023.

### 16 Deductions from Business Income

**Citation:** N.J.S.A. 54A:5-1(b)

**Effective Date:** 7/24/1998

**2026 Estimate:** \$1,417,000,000

**Objective:** The allowance of legitimate business deductions from gross income realized from an unincorporated business, primarily the same deductions as allowed for federal income tax purposes, ensures that only net income is subject to the Income Tax.

**Description:** In calculating net income from the operation of a business, profession or other activity, taxpayers are permitted to deduct all costs and expenses incurred in the conduct of such business.

**Data Source:** U.S. Internal Revenue Service; NJ-1040 forms.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** This deduction was reported on 643,900 returns reporting business income in Tax Year 2023.

### 17 Deductions from Rents, Royalties, Patents and Copyrights

**Citation:** N.J.S.A. 54A:5-1(d)

**Effective Date:** 7/24/1998

**2026 Estimate:** \$870,700,000

**Objective:** To allow the recipients of rent, royalty, patent and copyright income to reduce gross income from these sources by the legitimate costs of earning such income.

**Description:** In calculating net income, taxpayers are permitted to deduct all costs and expenses.

**Data Source:** December 2018 Gross Income Tax Calculator and IMF/IRTF file (IRS).

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of federally allowable business expenses including that for rents, royalties, patents and copyrights. This serves to simplify New Jersey's tax calculations. This deduction was reported on 320,600 returns in Tax Year 2023.

### 18 Dependent Child Exemption

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/12/1990

**2026 Estimate:** \$151,700,000

**Applied Date:** 1/1/1991

**Objective:** To financially support child-rearing taxpayers.

**Description:** A taxpayer is allowed a \$1,500 exemption for each dependent who qualifies as a dependent of the taxpayer during the taxable year for federal income tax purposes.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 1.5 million exemptions were claimed in Tax Year 2023.

19 **Dependents Attending College**

**Citation:** N.J.S.A.54A:3-1.1

**Effective Date:** 9/2/1976 **2026 Estimate:** \$11,900,000

**Objective:** To provide additional relief for taxpayers whose dependents were and are attending college.

**Description:** A deduction which reduces taxable income by \$1,000 for each dependent claimed on the New Jersey tax return who is under age 22 for the entire tax year and is attending college full-time.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 224,500 exemptions were claimed in Tax Year 2023.

21 **Employee 401(k) Contributions**

**Citation:** N.J.S.A. 54A:6-21

**Effective Date:** 1/1/1984 **2026 Estimate:** \$274,100,000

**Objective:** Allows for employee contributions to their own 401(k) retirement fund to be excluded from gross income. This exclusion took effect January 1, 1984.

**Description:** Gross income does not include amounts contributed by an employee to a 401(k) retirement plan.

**Data Source:** U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** It is assessed that this expenditure is effective as individuals enrolled in other pension or retirement plans seek the advantage of the 401(k) contribution exclusion.

### 23 Employer 401(k) Contributions

**Citation:** N.J.S.A. 54A:6-21

**Effective Date:** 1/1/1984

**2026 Estimate:** \$274,100,000

**Objective:** Allows for employer contributions, on behalf of the employee, to an employee's 401(k) retirement fund to be excluded from gross income. This exclusion took effect January 1, 1984.

**Description:** Gross income does not include amounts contributed by an employer on behalf of and at the election of an employee to a 401k retirement plan.

**Data Source:** U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Effective January 1, 1984, 401(k) pension contributions were made allowable to reduce taxable annual income to assist taxpayers funding their own retirement.

### 24 Employer Contributions to Retirement Plans

**Citation:** N.J.S.A. 54A:6-10

**Effective Date:** 7/8/1976

**2026 Estimate:** \$1,694,700,000

**Applied Date:** 8/30/1976

**Objective:** To encourage employer support of employee retirement.

**Description:** Employer contributions to employee retirement plans are not included in gross income for Gross Income Tax purposes.

**Data Source:** U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** The Gross Income Tax Act does not require employer contributions to a retirement account to be taxed or reported as income by a recipient. This fosters employer support of employee retirement without consequence to the employee.

### 25 Exempt Interest (Federal) Exclusion

**Citation:** N.J.S.A. 54A:6-14

**Effective Date:** 7/8/1976

**2026 Estimate:** \$87,600,000

**Objective:** Non-discretionary. Required under federal law.

**Description:** Gross income does not include interest on (or capital gain from) obligations of a U.S. agency, including such received through an investment fund.

**Data Source:** National income and product accounts, table 7.11, Bureau of Economic Analysis

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The federal government requires certain interest earned to be exempt. The State of New Jersey follows this requirement. This encourages the investment in government bonds and other similar instruments.

### 26 Exempt Interest (State) Exclusion

**Citation:** N.J.S.A. 54A:6-14

**Effective Date:** 7/8/1976

**2026 Estimate:** \$12,100,000

**Objective:** The exemption of interest on New Jersey obligations was a part of the original Gross Income Tax Act as an attempt to encourage investment in New Jersey securities.

**Description:** Gross income does not include interest on obligations of a New Jersey State agency, Authority or a New Jersey political subdivision.

**Data Source:** National income and product accounts, table 7.11, Bureau of Economic Analysis

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The State of New Jersey excludes certain interest earned from taxation. This encourages the investment in government bonds and other similar instruments.

**29 Gifts and Inheritances**

**Citation:** N.J.S.A. 54A:6-5

**Effective Date:** 7/8/1976

**2026 Estimate:** \$836,800,000

**Objective:** As part of the original legislation which created the Gross Income Tax, the Legislature ensured that gross income does not include the value of property acquired by gift, bequest, devise or inheritance as they may be taxed under other tax laws.

**Description:** Gross income does not include the value of property acquired by gift, bequest, devise or inheritance.

**Data Source:** Inheritance Tax Master Cash File, Division of Taxation

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** These income sources have been nontaxable since the inception of the Gross Income Tax as they may be taxed under other tax laws.

**30 Filing Threshold – Gross Income Under \$20,000**

**Citation:** N.J.S.A. 54A:8-3.1

**Effective Date:** 9/11/1980

**2026 Estimate:** \$126,200,000

**Objective:** To provide tax relief to those with gross income less than \$20,000

**Description:** New Jersey filers with gross income totaling less than \$20,000, or \$10,000, depending on filing status, are not subject to income taxation.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 1,328,600 returns fell below the filing threshold in Tax Year 2023.

31 **Health Enterprise Zone Deduction**

**Citation:** N.J.S.A. 54A:3-8

**Effective Date:** 3/1/2005

**2026 Estimate:** \$1,500,000

**Objective:** To provide access to quality medical and dental primary care for the traditionally medically underserved communities in New Jersey. To that end, this law institutes incentives to encourage primary care physicians and dentists to set up and maintain their medical and dental offices in the State's medically and dentally underserved areas.

**Description:** A taxpayer engaged in providing primary care in a practice located within a Health Enterprise Zone or in a qualified practice located within 5 miles of a Health Enterprise Zone is allowed a deduction.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** 334 returns took this deduction in Tax Year 2023.

36 **Lottery Winnings under \$10,000**

**Citation:** N.J.S.A. 54A:6-11

**Effective Date:** 6/29/2009

**2026 Estimate:** \$100,000

**Objective:** To support recipient agencies and populations benefiting from State Lottery proceeds.

**Description:** Gross income does not include individual winnings or prize amounts under \$10,000 from the New Jersey Lottery.

**Data Source:** Extrapolation of New Jersey Lottery Commission data

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

### 37 Medical Expenses

**Citation:** N.J.S.A. 54A:3-3

**Effective Date:** 9/22/1999

**2026 Estimate:** \$614,900,000

**Objective:** To allow taxpayers to deduct the cost of certain medical expenses under the New Jersey Gross Income Tax.

**Description:** A taxpayer is allowed to deduct from gross income unreimbursed medical expenses for the taxpayer, spouse or domestic partner, and dependents to the extent that such medical expenses exceed two percent of the taxpayer's gross income.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The federal government allows for deductions for medical expenses when the expenses total more than 10 percent of Adjusted Gross Income, while New Jersey alters that standard to two percent of New Jersey Gross Income. New Jersey has provided residents a greater deduction and, therefore, a greater relief from the growing burden of medical expenses than the federal government. Approximately 1,630,600 returns in Tax Year 2023.

### 40 New Jersey Earned Income Tax Credit

**Citation:** N.J.S.A. 54A:4-7

**Effective Date:** 6/30/2010

**2026 Estimate:** \$545,600,000

**Objective:** To assist low- to moderate income New Jersey families with providing for their children, reduce child poverty, help families afford better care for their children, support WorkFirst NJ efforts, and foster employment Statewide.

**Description:** The law provides a refundable tax credit program for low- to moderate-income individuals and families with earned income. The State credit is equal to 40 percent of the federal Earned Income Tax Credit for eligible filers. More information is available at <https://www.state.nj.us/treasury/taxation/eitc/eitcinfo.shtml>.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 577,600 Earned Income Tax Credit claims were issued, at an average credit of \$878 per claim, for Tax Year 2023.

41 **Other Dependent Exemptions**

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/12/1990

**2026 Estimate:** \$10,800,000

**Applied Date:** 1/1/1991

**Objective:** To provide additional exemption(s) to all dependents for which the taxpayer is eligible to take a federal exemption.

**Description:** A taxpayer is allowed a \$1,500 exemption for each dependent who qualifies as a dependent of the taxpayer during the taxable year for federal income tax purposes.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

42 **Other Retirement Income Exclusion and Special Exclusion**

**Citation:** N.J.S.A. 54A:6-15

**Effective Date:** 7/8/1976

**2026 Estimate:** \$23,200,000

**Objective:** This "additional exclusion" allows those eligible seniors, who receive less than the maximum exclusion to reduce other, passive income receipts up to the maximum excludable amounts otherwise available to provide parity amongst senior taxpayers. The additional Special Exclusion is provided for those seniors who cannot receive Social Security or Railroad Retirement benefits.

**Description:** For taxable years beginning on or after January 1, 2021, the maximum excludable amounts are \$100,000 for married/civil union couples filing jointly, \$75,000 for individuals, and \$50,000 for married/civil union partners filing separately. Those taxpayers with income between \$100,000 and \$150,000 may be eligible for an exclusion based on a percentage of their reported taxable pension, annuity, and IRA withdrawals.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

### 43 Pension Exclusion

**Citation:** N.J.S.A.54A:6-10

**Effective Date:** 7/8/1976

**2026 Estimate:** \$361,800,000

**Objective:** The pension exclusion was included in the original Gross Income Tax Act and any and all modifications were intended to provide limited tax relief to New Jersey senior and disabled taxpayers.

**Description:** For taxable years beginning on or after January 1, 2021, the maximum excludable amounts are \$100,000 for married/civil union couples filing jointly, \$75,000 for individuals, and \$50,000 for married/civil union partners filing separately. Those taxpayers with income between \$100,000 and \$150,000 may be eligible for an exclusion based on a percentage of their reported taxable pension, annuity, and IRA withdrawals.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 563,100 resident returns claimed this exclusion in Tax Year 2023.

### 44 Permanent Disability Exclusion

**Citation:** N.J.S.A. 54A:6-10

**Effective Date:** 7/8/1976

**2026 Estimate:** \$33,900,000

**Objective:** To exclude amounts received as permanent disability payments through a public or private plan from gross income.

**Description:** Gross income does not include amounts received as permanent disability payments through a public or private plan.

**Data Source:** Annual Personal Income Tables (BEA).

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 46 Property Tax Credit

**Citation:** N.J.S.A. 54A:3A-20

**Effective Date:** 1/1/1996

**2026 Estimate:** \$31,700,000

**Objective:** To provide a tax credit in the amount of \$50 for homeowners or renters who do not benefit from taking a property tax deduction.

**Description:** A tax credit in the amount of \$50 for homeowners or renters who do not take a property tax deduction. This credit is also available to certain senior or disabled residents who do not have a Gross Income Tax obligation.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** For New Jersey residents who have, for years, suffered from the burden of high property taxes, this credit, based on a calculation, reduces taxable liability. All residents who qualify take advantage of the most financially beneficial option. About 730,900 returns claimed this credit in Tax Year 2023.

### 47 Property Tax Deduction

**Citation:** N.J.S.A. 54A:3A-16

**Effective Date:** 1/1/1996

**2026 Estimate:** \$832,000,000

**Objective:** To provide tax relief by reducing a taxpayer's income by up to \$15,000 for property taxes paid by homeowners, or the rental equivalent thereof paid by tenants, on a taxpayer's principal residence in this State.

**Description:** Taxpayers are entitled to a deduction up to \$15,000 from gross income for property taxes due and paid for that calendar year on the taxpayer's homestead.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 2,052,000 returns claimed this deduction in Tax Year 2023.

### 48 **Qualified Conservation Contribution**

**Citation:** N.J.S.A. 54A:3-6

**Effective Date:** 1/14/2000

**2026 Estimate:** \$600,000

**Objective:** To provide New Jersey taxpayers with an incentive to transfer ownership interests in real property to governmental or nongovernmental agencies engaged in land conservation or, through such means as development easements and conservation restrictions, to limit permanently the use of such property so that its natural character is preserved.

**Description:** A taxpayer is allowed a deduction against gross income for a qualified conservation contribution if so qualified under IRC section 170(h).

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 1,160 returns took this deduction in Tax Year 2023.

### 49 **Railroad Retirement Exclusion**

**Citation:** N.J.S.A. 54A:6-3

**Effective Date:** 7/8/1976

**2026 Estimate:** \$11,100,000

**Objective:** To exclude payments received under the Railroad Retirement Act from gross income.

**Description:** Two years after the Social Security Act of 1935, the Railroad Retirement and Carrier Taxing Acts of 1937 became law, allowing employees of the railroad industry to have a retirement pension. Like Social Security, the State of New Jersey excludes this income from taxation to allow our State's seniors to have greater disposable income. This ensures that both Social Security and Railroad Retirement Benefits recipients are treated equitably.

**Data Source:** Personal Current Transfer Data, SAIRC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

52 **Self-Employed Health Insurance Costs**

**Citation:** N.J.S.A. 54A:3-5

**Effective Date:** 9/22/1999

**2026 Estimate:** \$127,400,000

**Objective:** The law allows self-employed taxpayers to deduct health insurance costs. Employer paid health benefits are not included in employees' taxable income; the law provides equitable treatment of self-employed and employee taxpayers.

**Description:** Self-employed taxpayers are allowed to deduct, from their gross income, an amount equal to the amount paid, during the taxable year, for insurance for medical expenses for themselves, their spouses and dependents.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of federally allowable business expenses. This serves to simplify New Jersey's tax calculations. This deduction ensures that those self-employed taxpayers are not burdened with taxes on expenditures for maintaining good health.

53 **Sheltered Workshop Tax Credit**

**Citation:** N.J.S.A. 54A:4-11

**Effective Date:** 3/1/2005

**2026 Estimate:** \$100,000

**Objective:** To support the operations of nonprofit agencies that furnish extended employment programs to individuals with disabilities.

**Description:** A credit available to certain taxpayers that employ qualified person(s) under an extended employment program.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

### 54 Social Security Income Exclusion

**Citation:** N.J.S.A. 54A:6-2

**Effective Date:** 7/8/1976

**2026 Estimate:** \$1,812,300,000

**Applied Date:** 7/1/1976

**Objective:** To ensure that Social Security benefits received are not taxable under the Gross Income Tax to any extent.

**Description:** Social Security benefits received are not taxable under the Gross Income Tax to any extent.

**Data Source:** New Jersey Gross Income Tax Returns; Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The State of New Jersey does not tax monies received as Social Security benefits, preserving the value of this important component of income for New Jersey's seniors.

### 55 Taxpayer and Spouse/CU Partner

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/6/1976

**2026 Estimate:** \$266,800,000

**Applied Date:** 7/1/1976

**Objective:** All taxpayers receive a personal exemption of \$1,000 for themselves, their spouse and dependents, intended, in the same manner as federal tax exemptions, to shield from taxable income an allowance for personal needs.

**Description:** Each taxpayer is allowed a personal exemption of \$1,000 which may be taken as a deduction from his or her New Jersey gross income. An additional exemption is allowable for the taxpayer's spouse, or domestic partner, who does not file separately.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 5,075,000 exemptions were claimed in Tax Year 2023.

56 **Temporary Disability Exclusion**

**Citation:** N.J.S.A. 54A:6-6

**Effective Date:** 7/8/1976

**2026 Estimate:** \$47,700,000

**Objective:** To ensure that gross income does not include amounts received as temporary disability payments through the New Jersey State temporary disability insurance law.

**Description:** Gross income does not include amounts received as temporary disability payments through the New Jersey State temporary disability insurance law.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** The State Income Tax has never applied to the receipt of temporary disability benefits, thereby preserving the full value of this income for those periods when individual taxpayers are precluded from working.

57 **Unemployment Insurance Exclusion**

**Citation:** N.J.S.A. 54A:6-13

**Effective Date:** 7/8/1976

**2026 Estimate:** \$85,300,000

**Objective:** To ensure that gross income does not include benefits received under any unemployment insurance law. This exclusion remains in effect.

**Description:** Gross income does not include benefits received under any unemployment insurance law.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Especially in times of financial distress, our State has, since the inception of the State's personal Income Tax, deemed that unemployment payments will not be impacted by taxation.

59 **Welfare Assistance Payments**

**Citation:** N.J.S.A. 54A:6-13

**Effective Date:** 7/8/1976

**2026 Estimate:** \$85,600,000

**Objective:** To ensure that monies received as welfare assistance are not included in gross income.

**Description:** Monies received as welfare assistance are not included in gross income.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** New Jersey has taken the position that individuals who fall below the poverty line and receive money from Welfare Assistance programs are not taxed. All who are qualified take advantage of this exclusion.

60 **Workers' Compensation Exclusion**

**Citation:** N.J.S.A. 54A:6-6

**Effective Date:** 7/8/1976

**2026 Estimate:** \$16,400,000

**Objective:** To ensure that gross income does not include amounts received through worker's compensation acts.

**Description:** Gross income does not include amounts received through worker's compensation acts.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Like temporary disability payments, the State does not reduce the value of these payments which are received by taxpayers who cannot work during the period for which worker's compensation payments are received.

61 **Veteran Personal Exemption**

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 1/1/2017

**2026 Estimate:** \$35,800,000

**Applied Date:** 10/14/2016

**Objective:** To provide additional tax relief to veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status.

**Description:** For Tax Year 2019 and each tax year thereafter, a personal exemption of \$6,000 is allowed for veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status, as defined in N.J.S.A. 38A:1-1. This exemption is in addition to the \$1,000 personal exemption that each taxpayer is entitled to, and any other additional exemption for which the veteran is eligible.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 189,600 exemptions were claimed in Tax Year 2023.

**62 Child and Dependent Care Tax Credit**

**Citation:** N.J.S.A. 54A:4-17 **2026 Estimate:** \$25,200,000

**Objective:** To allow New Jersey resident taxpayers with taxable income of \$150,000 or less who receive the federal Child and Dependent Care Credit to be granted a refundable Gross Income Tax credit.

**Description:** For taxpayers with gross incomes below \$150,000, provides a tax credit for expenses related to the care of one or more qualifying individuals. Qualifying individuals include children under age 13 and spouses or other dependents incapable of self-care. The credit is equal to between 10 percent and 50 percent of the federal credit for expenses for household and dependent care services (IRC 26 U.S.C. s. 21), depending on the taxpayer’s gross income (credit levels for Tax Year 2022 are shown in the table below). The credit is refundable.

<i>NJ taxable income:</i>	<i>Amount of NJ credit:</i>
Not over \$30,000	50 percent of federal credit
Over \$30,000 but not over \$60,000	40 percent of federal credit
Over \$60,000 but not over \$90,000	30 percent of federal credit
Over \$90,000 but not over \$120,000	20 percent of federal credit
Over \$120,000 but not over \$150,000	10 percent of federal credit

**Data Source:** NJ-1040 data

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 120,300 credits were claimed in Tax Year 2023 with an average credit amount of \$198.

**63 Child Tax Credit**

**Citation:** N.J.S.A. 54A:4-17.1

**Effective Date:** 6/30/2022 **2026 Estimate:** \$213,800,000

**Objective:** To provide New Jersey resident taxpayers with taxable income of \$80,000 or less as well as children age five or younger a refundable Gross Income Tax credit.

**Description:** For taxpayers with gross incomes below \$80,000, provides a refundable tax credit of \$200 to \$1,000 per dependent child aged five or younger. The credit is \$1,000 per eligible child for filers with income of \$30,000 or less, \$800 for filers with income of over \$30,000 but not over \$40,000, \$600 for filers with income of over \$40,000 but not over \$50,000, \$400 for filers with income of over \$50,000 but not over \$60,000, and \$200 for filers with income of over \$60,000 but not over \$80,000.

**Data Source:** Gross Income Tax Calculator using NJ-1040 data.

**Reliability:** 1 Based on the population of verified tax returns.

**Effectiveness:** 235,400 returns used this credit in Tax Year 2023.

64 **Organ/Bone Marrow Donation Deduction/Credit**

**Citation:** N.J.S.A. 54A:3-10 and N.J.S.A. 54A:4-20

**Effective Date:** 5/21/2020

**2026 Estimate:** \$200,000

**Objective:** To compensate New Jersey organ donors for unreimbursed expenses associated with organ donation, and to compensate employers of organ donors who provide their employees with additional paid time off associated with organ donation.

**Description:** Taxpayers may deduct from gross income up to \$10,000 of unreimbursed expenditures for travel, lodging and lost wages related to an organ donation incurred in the taxable year. Eligible employers can take a credit of 25 percent of the employee's salary for up to 30 days of missed time for each donation, provided the paid time off was in addition to any other paid time off to which the employee was entitled.

**Data Source:** NJ-1040 data

**Reliability:** 1 Based on the population of verified tax returns.

65 **New Jersey College Affordability Act Deductions**

**Citation:** N.J.S.A. 54A:3-12 through 54A:3-14

**Effective Date:** 6/29/2021

**2026 Estimate:** \$16,500,000

**Objective:** Provides Gross Income Tax deductions to help defray higher education costs for New Jersey taxpayers.

**Description:** The law creates three deductions related to the costs of higher education. The first allows taxpayers with gross income under \$200,000 to deduct up to \$10,000 annually in contributions made to an NJBEST college savings plan. The second allows for an annual deduction of up to \$2,500 of principal and interest paid on student loans made under the NJCLASS program for taxpayers with gross income under \$200,000. The third allows a deduction of up to \$10,000 for tuition paid at New Jersey higher education institutions.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 66 **Alternative Business Calculation Adjustment Deduction**

**Citation:** N.J.S.A. 54A:3-9

**Effective Date:** 1/1/2012

**2026 Estimate:** \$110,700,000

**Objective:** Gross Income Tax deduction for taxpayers with business losses.

**Description:** Four categories of business income are applicable under the calculation adjustment: 1) net profits from business, 2) partnership income, 3) S corporation income, and 4) net gains or income from rents, royalties, patents, and copyrights. This adjustment allows taxpayers to partially offset gains in one or more categories of business income with losses in the other categories of business income. It also allows taxpayers to carry forward such unused losses for up to twenty years to calculate future adjustments.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** This deduction was reported on 172,240 returns reporting business income in Tax Year 2023.

### 67 **Gold Star Family Counseling Credit**

**Citation:** N.J.S.A. 54A:4-16

**Effective Date:** 1/1/2018

**2026 Estimate:** \$200,000

**Objective:** Incentivize mental health care professionals to provide counseling to Gold Star family members free of charge.

**Description:** Non-refundable credit amount is equal to the number of hours of counseling provided times the TRICARE rate for the service. The mental health care professional must provide at least 20 hours of counseling to qualify for the credit. The maximum number of hours authorized for the credit is 40. A Gold Star family member is a New Jersey resident and the surviving spouse, close relative, or legal guardian of a member of the United States Armed Forces or the National Guard who died while on active duty.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

68 **Wounded Warriors Caregivers Credit**

**Citation:** N.J.S.A. 54A:4-14

**Effective Date:** 1/1/2018

**2026 Estimate:** \$100,000

**Objective:** Gross Income Tax credit to family caregivers of disabled armed service members.

**Description:** Refundable credit for taxpayers that provide care for a relative who is a qualifying armed services member. Taxpayers gross income must be \$100,000 or less (for joint filers, heads of households, and widow(er)s) or \$50,000 or less (for single and separate filers). Disability must arise out of service in any war or conflict on or after September 11, 2001. Credit amount is equal to the federal veteran disability compensation of the armed services member for which the family caregiver renders care, or \$675, whichever is less.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 1 Based on the population of verified tax returns.

## Sales and Use Tax Overview

### Description

Sales and Use Tax applies to receipts from the retail sale, rental, or use of tangible personal property or digital property; retail sale of producing, fabricating, processing, installing, maintaining, repairing, and servicing tangible personal property or digital property; maintaining, servicing, or repairing real property; certain direct-mail services; tattooing, tanning, and massage services; investigation and security services; information services; limousine services; sales of restaurant meals and prepared food; rental of hotel and motel rooms; certain admission charges; certain membership fees; parking charges; storage services; sales of magazines and periodicals; delivery charges; and telecommunications services, except as otherwise provided in the Sales and Use Tax Act.

A compensating Use Tax is also imposed when taxable goods and services are purchased and New Jersey Sales Tax is either not collected or is collected at a rate less than New Jersey's Sales Tax rate. The Use Tax is due when such goods, or the goods on which taxable services are performed, come into New Jersey. If Sales Tax was paid to another state, the Use Tax is only due if the tax was paid at a rate that is less than New Jersey's rate.

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; magazines and periodicals sold by subscription and membership periodicals; casual sales except motor vehicles and registered boats; clothing; farm supplies and equipment; flags of New Jersey and the United States; unprepared food and food ingredients purchased for human consumption; food sold in school cafeterias; prescription and certain nonprescription drugs and other medical aids; motor fuels; textbooks; professional and personal services unless otherwise taxable under the Act; real estate sales; tangible personal property used in research and development; production machinery and equipment.

The Sales and Use Tax Act was amended, effective October 1, 2005, to conform New Jersey's law to the requirements of the Streamlined Sales and Use Tax Agreement.

SSUTA is a multi-state effort to simplify and modernize the collection and administration of Sales and Use Taxes. The adoption of the SSUTA resulted in significant changes in New Jersey's tax policy and administration, including uniform product definitions and changes in the taxability of specific items. In addition, the SSUTA provided for the creation of a new central registration system, certain amnesty provisions, and minor changes in the treatment of exemption certificates.

## **Rate**

The rate of tax is 6.625 percent as of January 1, 2018.

## **Disposition of Revenues**

Revenues are deposited in the State Treasury for general State use; provided, however, a percentage of the annual revenue derived from the tax is constitutionally dedicated for the purposes of property tax reform.

## **Recent History**

P.L. 2024, Chapter 80: The law revises the definition of a “qualified assistance fund expense” to include the improvement of transportation infrastructure located within the UEZ, regardless of whether the improvement is made within a commercial or transportation corridor. The law also clarifies that qualifying municipalities would be able to use funds received through the UEZ program for transportation infrastructure projects and related debt service.

P.L. 2024, Chapter 73: The law modifies the definition of “hemp product” and adds a definition of “total THC” (tetrahydrocannabinol) pursuant to the New Jersey Hemp Farming Act. It also amends the New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization (CREAMM) Act to add a definition of “intoxicating hemp product” and “total THC.” The law imposes Sales Tax and local transfer tax (if imposed by the municipality) to retail sale of intoxicating hemp beverages.

P.L. 2024, Chapter 64: The law exempts receipts of investment metal bullion and investment coin sales from Sales and Use Tax. “Investment metal bullion” is defined as any elementary precious metal that has been put through a process of smelting or refining. This includes, but is not limited to, gold, silver, platinum, and palladium in a state or condition that its value depends on its contents, not its form. It does not include any precious metal that has been assembled, fabricated, manufactured, or processed for industrial, aesthetic, or artistic use. “Investment coin” is defined as any numismatic coin manufactured of gold, silver, platinum, palladium, or other metal having fair market value of not less than \$1,000, and does not include jewelry or works of art made of coins or commemorative medallions.

P.L. 2024, Chapter 19: The law phases-out the Sales and Use Tax exemption for sales of zero emission vehicles (ZEVs). Effective October 1, 2024, through June 30, 2025, a tax rate of 3.3125 percent will be imposed on the sale of ZEVs. Beginning July 1, 2025, ZEVs will be taxed at the full statutory rate, which is currently 6.625 percent. The law also repeals the annual Sales Tax holiday established by P.L. 2022, Chapter 21, for the sale of certain school supplies and sport or recreational equipment.

P.L. 2024, Chapter 3: The law provides a Sales and Use Tax exemption for purchases made by

contractors or repair persons of materials, supplies, and services for certain affordable housing projects. All units must be for occupants with moderate, low, or very low incomes as defined in the “Fair Housing Act”.

P.L. 2023, Chapter 282: The law clarifies that the retail sale of recreational cannabis and cannabis products sold in Urban Enterprise Zones (UEZs) are subject to the full Sales Tax rate, and that the resulting tax revenues be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund instead of the Urban Enterprise Zone Assistance Fund. Non-cannabis related retail sales made by businesses located in designated UEZs continue to qualify for the 50 percent Sales Tax exemption.

P.L. 2022, Chapter 97: The law excludes the installation of signs from the existing capital improvement Sales and Use Tax exemption. Sign fabricators and installation contractors can purchase signs or materials used to fabricate or install signs without paying Sales Tax if they issue a fully completed resale certificate to the seller. However, they must charge their customers Sales Tax on the sales price of all signs. This law applies to transactions occurring on or after October 1, 2022.

P.L. 2022, Chapter 42: The law authorizes a Sales and Use Tax exemption for certain purchases made by certain supermarkets and grocery stores located within Urban Enterprise Zones. The law clarifies that the \$100,000 exempt purchase limitation imposed on UZ-4/UZ-5 holders is an annual limitation. In addition, the law allows unlimited exempt purchases by supermarkets or grocery stores within Urban Enterprise Zones if they receive an annual certification from the State Department of Community Affairs. This law went into effect on June 30, 2022.

P.L. 2022, Chapter 21: The law established a 10-day Sales Tax exemption period for certain retail purchases of personal computers with a sales price of less than \$3,000, school computer supplies priced less than \$1,000, school supplies, school art supplies, school instructional materials, and sport or recreational equipment. This law went into effect on June 30, 2022, and was applicable to purchases made between 12:01 a.m. on the ninth day preceding the first Monday in September of each year and 11:59 p.m. on the first Monday in September of each year. For 2022, the dates were August 27 through September 5. For 2023, the dates are August 26 through September 4. This law was later repealed by P.L.2024, Chapter 19, and only was in effect during Calendar Years 2022 and 2023.

**3 Advertising To Be Published in a Newspaper**

**Citation:** N.J.S.A. 54:32B-8.30

**Effective Date:** 9/11/1980

**2026 Estimate:** \$8,700,000

**Applied Date:** 9/11/1980

**Objective:** To exempt Receipts from the sales of advertising to be published in a newspaper from the tax imposed by the Sales and Use Tax Act.

**Description:** Receipts from the sales of advertising to be published in a newspaper are exempt from the tax imposed under the Sales and Use Tax Act.

**Data Source:** Statista.com website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**4 Bakery Items**

**Citation:** N.J.S.A. 54:32B-3(c)(3)(ii)(c)

**Effective Date:** 7/2/2005

**2026 Estimate:** \$35,400,000

**Applied Date:** 10/1/2005

**Objective:** The State's Sales and Use Tax has been revised to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey continues to remain compliant with the provisions of the SSUTA.

**Description:** Bakery items sold as such, including but not limited to, bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pie, tarts, muffins, bars, cookies, and tortillas are exempt from tax if sold without eating utensils provided by the seller.

**Data Source:** Food Marketing Institute data.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 7 **Broadcast Equipment (as defined in N.J.S.A. 54:32B-8.13(e))**

**Citation:** N.J.S.A. 54:32B-8.13(e)

**Effective Date:** 7/14/1997

**2026 Estimate:** \$6,100,000

**Applied Date:** 1/1/1998

**Objective:** This exemption allows commercial broadcasters or cable operators to purchase certain otherwise-taxable items for their own use without payment of the tax.

**Description:** Machinery, apparatus, or equipment used directly and primarily in the production or transmission of radio or television broadcasts by commercial broadcasters operating under a broadcasting license issued by the Federal Communications Commission or by providers of cable/satellite television program services. The exemption also applies to parts with a useful life of more than one year.

**Data Source:** Economic Census 2007-2012, US Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 14 **Charitable Organizations Exemption**

**Citation:** N.J.S.A. 54:32B-9(b)

**Effective Date:** 7/8/2006

**2026 Estimate:** \$85,500,000

**Objective:** To exempt purchases made by certain charitable entities for the purposes of those entities from tax in an effort to reduce costs for those organizations.

**Description:** New Jersey Exempt Organizations may purchase otherwise-taxable items for their own use without payment of the Sales Tax on those items.

**Data Source:** IRS website – Tax Year 2021 Statistics on Charities and other Tax-Exempt Organizations.

BEA Personal Income data series, up to 2024.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 16 Clothing and Footwear

**Citation:** N.J.S.A. 54:32B-8.4

**Effective Date:** 12/19/2008

**2026 Estimate:** \$610,600,000

**Objective:** To exclude receipts from sales of articles of clothing and footwear from the New Jersey Sales and Use Tax. This exemption does not apply to fur clothing, clothing accessories or equipment, sport or recreational equipment, or protective equipment.

**Description:** Receipts from sales of articles of clothing and footwear, excluding fur clothing, for human use are exempt from the tax imposed under the "Sales and Use Tax Act."

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** New Jersey exempts most clothing and footwear in recognition of the critical nature of these purchases.

### 25 Credit for Certain Property When Used as a Trade-in

**Citation:** N.J.S.A. 54:32B-2(o)(2)(E)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$264,400,000

**Objective:** To stipulate that the "sale price" does not include credit for any trade-in of property of the same kind accepted in part payment and intended for resale if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

**Description:** Within the Sales and Use Tax Act, the term "sales price" does not include credit for any trade-in of property of the same kind accepted in part payment and intended for resale if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

**Data Source:** New Jersey MVC New & Used Car Sales Report FY 2014-2024. Quora.com website.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

27 **Dietary Supplements**

**Citation:** N.J.S.A. 54:32B-8.2

**Effective Date:** 12/19/2008

**2026 Estimate:** \$22,300,000

**Objective:** To exclude sales of food and food ingredients and dietary supplements sold for human consumption from the New Jersey Sales and Use Tax.

**Description:** Products required by the federal government to be labeled as a dietary supplement, and that are identifiable by the Supplement Facts box on the label are exempt from New Jersey Sales and Use Tax.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** New Jersey allows for the exemption of certain medical supplies, including dietary supplements, to support the health and welfare of New Jersey citizens.

30 **Disposable Household Paper Products**

**Citation:** N.J.S.A. 54:32B-8.44

**Effective Date:** 7/15/1991

**2026 Estimate:** \$34,500,000

**Objective:** To exclude sales of disposable household paper products, including towels, napkins, toilet tissues, cleaning tissues, diapers, paper plates and cups purchased for household use, from the tax imposed under the "Sales and Use Tax Act".

**Description:** Sales of disposable household paper products such as towels, napkins, toilet tissue, paper plates, and paper cups are exempt from Sales Tax.

**Data Source:** Consumer Expenditure Survey 2018-2023 data, U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

33 **Eggs, Fish, Meat and Poultry**

**Citation:** N.J.S.A. 54:32B-3(c)(3)(i)(B)

**Effective Date:** 12/1/2008

**2026 Estimate:** \$310,600,000

**Applied Date:** 12/1/2008

**Objective:** To define prepared food as two or more food ingredients mixed or combined by the seller for sale as a single item, but not including food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer. Also aligns with federal Food and Drug Administration regulations to prevent food borne illnesses.

**Description:** The sale of eggs, fish, meat, poultry and foods that contain these raw animal foods that require cooking by the consumer are not subject to Sales Tax.

**Data Source:** Consumer Expenditure Survey 2017-2023 data, U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

34 **Electricity Sales, Exchanges and Delivery (as defined in N.J.S.A. 54:32B-8.46)**

**Citation:** N.J.S.A. 54:32B-8.46

**Effective Date:** 1/16/2010

**2026 Estimate:** \$13,100,000

**Applied Date:** 1/16/2010

**Objective:** The law requires that the Board of Public Utilities, when determining electric and natural gas rates, pass along to consumers all tax savings realized by utilities as a result of this bill. To encourage more competition and free market among electrical sales within municipal boundaries, and thus prevent the establishment of regulated monopolies.

**Description:** Receipts from the sale, exchange, delivery or use of electricity are exempt from the tax imposed under the "Sales and Use Tax Act," if the electricity is sold by a municipal electric corporation to customers within its municipal or regulatory

**Data Source:** Government Finances 2017-2022 – New Jersey Data Extrapolated by Mean of Growths.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

40 **Exempt Organizations: State of New Jersey and Its Agencies**

**Citation:** N.J.S.A. 54:32B-9(a)(1)

**Effective Date:** 7/8/2006

**2026 Estimate:** \$731,100,000

**Objective:** In order to ensure that the business of governmental entities is conducted in the most cost-efficient manner possible for the benefit of taxpayers, purchases by government are not subject to Sales and Use Tax.

**Description:** Certain purchasers are exempt from Sales and Use Tax including the State of New Jersey, or any of its agencies, instrumentalities and public authorities.

**Data Source:** State and Local Government Finances 2017-2023 – Data Extrapolated by Harmonic Mean.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

43 **Exempt Organizations: United States of America**

**Citation:** N.J.S.A. 54:32B-9(a)(2)

**Effective Date:** 7/8/2006

**2026 Estimate:** \$498,400,000

**Objective:** The State exempts the federal government on purchases it makes from the burden of Sales and Use Tax subjectivity and also from the requirement of Sales Tax collection on certain sales it makes.

**Description:** The law exempts the United States of America, and any of its agencies and instrumentalities, where it is the purchaser, user or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

**Data Source:** USA Spending Government website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

46 **Feminine Hygiene Products**

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008

**2026 Estimate:** \$9,600,000

**Objective:** These necessary personal hygiene items have been long determined to be exempt from the tax.

**Description:** An exemption is provided for feminine hygiene products such as tampons, sanitary napkins and panty liners.

**Data Source:** Statista.com website. Extrapolated by 2022 New Jersey Population Share.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

50 **Firearm Storage Vaults**

**Citation:** N.J.S.A. 54:32B-8.51

**Effective Date:** 12/1/1999

**2026 Estimate:** \$200,000

**Objective:** To ensure a place of secure storage for firearms and to prevent tragic events caused by firearms from occurring through affording lawful firearm owners with an effective means of storing their firearms in a place that, while convenient to the owner, is inaccessible to a child, intruder or anyone else that the owner would wish to exclude from access to firearms.

**Description:** Receipts from sales of firearm vaults providing secure storage for firearms.

**Data Source:** US Census Bureau 2015 Population Estimates; Business Insider, July 2015; Sportsmanguide.com website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

53 **Food and Food Ingredients**

**Citation:** N.J.S.A. 54:32B-8.2

**Effective Date:** 12/19/2008

**2026 Estimate:** \$1,809,800,000

**Objective:** The State's Sales and Use Tax laws have been revised to conform with various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey remains compliant with the provisions of the SSUTA.

**Description:** Food sold for human consumption in various states but not including hot or prepared food, candy and soft drinks.

**Data Source:** Consumer Expenditure Surveys 2022 and 2023, U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

54 **Food Purchased With Food Stamps**

**Citation:** N.J.S.A. 54:32B-2(o)(2)(D)

**Effective Date:** 9/11/1980

**2026 Estimate:** \$195,400,000

**Objective:** To clarify that "sales price" does not include the amount for which food stamps have been used for full or partial payment.

**Description:** The term "sales price" does not include the amount for which food stamps have been properly tendered in full or partial payment.

**Data Source:** SNAP data from the USDA, Food & Nutrition Service for FY 2018 and FY 2023.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

58 **Garbage Removal and Sewer Services (as defined in N.J.S.A. 54:32B-3(b)(4))**

**Citation:** N.J.S.A. 54:32B-3(b)(4)

**Effective Date:** 4/16/1967

**2026 Estimate:** \$21,000,000

**Applied Date:** 5/1/1967

**Objective:** To exclude garbage removal and sewer services performed on a regular contractual basis for a term not less than 30 days from subjectivity to the New Jersey Sales and Use Tax.

**Description:** Garbage removal and sewer maintenance services performed on a regular contractual basis for a term not less than 30 days is exempt from the Sales and Use Tax.

**Data Source:** Economic Census 2007-2012, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

70 **Internet Access Service**

**Citation:** N.J.S.A. 54:32B-2(cc)(12)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$201,200,000

**Objective:** To conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA) to simplify and modernize the State's tax collection and administrative process.

**Description:** Internet access service charges, including the routing of internet traffic, are not subject to tax.

**Data Source:** U.S. Bureau of Labor Statistics CEX Data from 2017 and 2022. NJ Data Extrapolated.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

71 **Laundry and Dry Cleaning Services for Clothing**

**Citation:** N.J.S.A. 54:32B-3(b)(2)(iii)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$105,000,000

**Objective:** Generally, the sale of most clothing and footwear, other than certain specialty items, is not subject to the Sales Tax. This exemption ensures that the laundering and/or dry cleaning of those items also remains exempt.

**Description:** Charges for laundering, dry cleaning, tailoring, weaving, and pressing, limited specifically to clothing, are exempt.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

78 **Massage Therapy Services (as defined in N.J.S.A. 54:32B-3(b)(9))**

**Citation:** N.J.S.A. 54:32B-3(b)(9)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$12,700,000

**Applied Date:** 1/1/2009

**Objective:** To provide an individual with massage, bodywork or somatic services tax free in order to treat a physical ailment or another purpose prescribed by a doctor.

**Description:** Massage therapy services performed pursuant to a doctor's prescription or performed at a licensed medical professional's place of business to treat a physical ailment is exempt from tax.

**Data Source:** American Massage Therapy Association survey data and U.S. BEA data.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

83 **Motor, Airplane and Railroad Fuels**

**Citation:** N.J.S.A. 54:32B-8.8

**Effective Date:** 9/11/1980

**2026 Estimate:** \$1,062,800,000

**Objective:** These fuels, dependent on their use, may be subject to State motor fuels taxation.

**Description:** The sale of fuels for use in motor vehicles, airplanes and railroad cars is exempt.

**Data Source:** U.S. Energy Information Administration Data.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

84 **Municipal Parking Charges**

**Citation:** N.J.S.A. 54:32B-3(i)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$8,900,000

**Objective:** The majority of services provided to the users of government services have been tax exempt since the tax was enacted in 1966. This exemption provided that benefit to parking facilities so operated.

**Description:** The law exempts charges for parking, storing or garaging provided a motor vehicle by a municipality, county, or municipal or county parking authority.

**Data Source:** 2017 and 2020 State and Local Governmental Finance, U.S. Census Bureau, Local Government Parking Charges.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 88 **Over-the-Counter Drugs**

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008

**2026 Estimate:** \$60,300,000

**Objective:** The sales of over the counter drugs are included under the general exemption of medically necessary items sold to end consumers to alleviate human suffering.

**Description:** Sales of over-the-counter drugs where there is a label identifying the product as a drug, such as a Drug Facts panel or a statement of active ingredients.

**Data Source:** Statista.com website, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 91 **Participatory Sporting Activities**

**Citation:** N.J.S.A. 54:32B-3(e)(1)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$144,000,000

**Objective:** The exemption from tax is related to the participatory nature of the sport, as opposed to mere admission charges for viewing an event, which are generally subject to tax.

**Description:** Charges for sporting activities where the purchaser pays a fee to engage as a participant such as kart racing or batting cage fees.

**Data Source:** Business Research Company website, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

94 **Prescribed Drugs and Medications**

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008

**2026 Estimate:** \$697,400,000

**Objective:** The general medical exemption for medication and related items provided to end consumers to alleviate human suffering encompasses prescribed medications.

**Description:** Drugs sold pursuant to a doctor's prescription are exempt from tax provided there is a label identifying the product as a drug, such as a Drug Facts panel or a statement of active ingredients.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

99 **Property Purchased for Film or Video Productions**

**Citation:** N.J.S.A. 54:32B-8.49

**Effective Date:** 12/1/1999

**2026 Estimate:** \$14,600,000

**Objective:** To encourage the expansion of the commercial production of motion pictures and videos in New Jersey.

**Description:** Tangible personal property used directly and primarily in the production of film or video for sale including charges for installing, maintaining, servicing, or repairing such property are exempt from tax.

**Data Source:** Ibis World Industry Statistical Reports website, New Jersey Motion Picture & Television Commission.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Massachusetts has done an extensive study of its similar film tax credit. [www.mass.gov/Ador/docs/dor/News/2010FilmIncentiveReport.pdf](http://www.mass.gov/Ador/docs/dor/News/2010FilmIncentiveReport.pdf)

### 101 Prosthetic Devices

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008

**2026 Estimate:** \$80,300,000

**Objective:** Prosthetic devices fall within the meaning of the general exemption for medically necessary items purchased by end consumers for the alleviation of human suffering.

**Description:** The sale of prosthetic devices, including repair parts and replacement parts, is exempt from Sales Tax.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 104 Purchases for Resale

**Citation:** N.J.S.A. 54:32B-2(e)(1)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$6,745,400,000

**Objective:** One of the basic tenets of the Sales Tax law in this State is that the tax is levied on the purchase of taxable goods and services by end consumers. All purchases for resale, whether they are finished goods acquired for retail sale or work in process acquired by manufacturers to finish or add value to the product, such purchases are not subject to tax as the final sale of the finished good to an end consumer, reflecting all added value, will be taxed.

**Description:** Items purchased to resell, or to be incorporated into other products for resale, are exempt from Sales Tax.

**Data Source:** Wholesale and Construction Exemptions in New Jersey Sales Tax Reports.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

106 **Recycling Equipment Purchases (as defined in N.J.S.A. 54:32B-8.36)**

**Citation:** N.J.S.A. 54:32B-8.36

**Effective Date:** 10/1/2005

**2026 Estimate:** \$300,000

**Objective:** To ensure that recycling equipment, which provides environmental benefits, is not subject to the tax.

**Description:** Receipts from the sales of recycling equipment used exclusively to sort and prepare solid waste for recycling or in the recycling of solid waste is exempt from the tax.

**Data Source:** Institute for Scrap Recycling Industries website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

109 **Resale of Taxable Services**

**Citation:** N.J.S.A. 54:32B-3(b)

**Effective Date:** 12/19/2008

**2026 Estimate:** \$377,000,000

**Objective:** The resale of otherwise-taxable services is treated in an identical manner to the resale of otherwise taxable goods; these transactions are exempt from tax. The Sales Tax in New Jersey is levied on the sale, to end consumers of taxable tangible personal property and certain taxable services.

**Description:** The law exempts services when purchased by a contractor or vendor for resale such as in subcontracted service.

**Data Source:** New Jersey Division of Taxation Reports 2019-2023.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

113 **Salem County Reduced Sales Tax**

**Citation:** N.J.S.A. 54:32B-8.45

**Effective Date:** 7/8/2006

**2026 Estimate:** \$7,300,000

**Objective:** There is a 50 percent reduction in the Sales Tax rate on certain otherwise fully taxable purchases within the entire county of Salem. This preferential tax treatment was enacted to allow for competitiveness with the state of Delaware which has no Sales Tax.

**Description:** Sales of tangible personal property, except for motor vehicles, are subject to New Jersey Sales Tax at a reduced 50 percent rate.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State agencies.

### 117 School Textbooks

**Citation:** N.J.S.A. 54:32B-8.21

**Effective Date:** 10/1/2005

**2026 Estimate:** \$2,800,000

**Objective:** The Sales Tax law has exempted textbooks from tax since the law became effective in 1966. In general, books, whether in physical form or delivered electronically, are taxable. This exemption recognizes the value of books for educational purposes.

**Description:** The sale of textbooks for use by students in a school, college, university, or other educational institution, approved as such by the Department of Education, when the educational institution declares that the books are required reading for school purposes.

**Data Source:** NJ.Gov Higher Education Data 2018-2022. NJ Spotlight.com website. Educationdata.org – Textbooks cost estimates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 121 Sewing Materials

**Citation:** N.J.S.A. 54:32B-8.4

**Effective Date:** 12/19/2008

**2026 Estimate:** \$3,700,000

**Objective:** In general, clothing and footwear for human use, other than certain specified specialty items, is exempt from tax. The law provides that the materials which are incorporated into normally exempt clothing are also exempt.

**Description:** Receipts from sales of sewing materials, such as fabrics, thread, knitting yarn, buttons and zippers, purchased by noncommercial purchasers for incorporation into clothing as a constituent part thereof, are exempt from the tax imposed under the Sales and Use Tax Act.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

123 **Solar Energy Devices and System Components**

**Citation:** N.J.S.A. 54:32B-8.33

**Effective Date:** 9/11/1980

**2026 Estimate:** \$50,700,000

**Objective:** To support the solar energy industry, these approved energy-generation systems have been made tax exempt. Qualifications for exemptions are determined by standards set by The Division of Energy Planning and Conservation.

**Description:** Devices or systems specifically approved by the Board of Public Utilities, Division of Energy and designed to provide heating or cooling or electrical or mechanical power by converting solar energy to some other usable energy source, including devices for storing solar-generated energy.

**Data Source:** BEA Personal Income, Economic Census 2012-2017.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

131 **Urban Enterprise Zone Exempt Business Purchases**

**Citation:** N.J.S.A. 52:27H-79

**Effective Date:** 12/17/2008

**2026 Estimate:** \$33,600,000

**Objective:** Urban Enterprise Zones, of which there are currently 37 in 37 cities, are a designated portion of a city or town where it has been deemed that it is a public purpose to stimulate economic activity.

**Description:** A great variety of face-to-face sales made at business locations within these designated areas are subject to 50 percent of the current Sales Tax rate. The law provided certain advantages for hiring local citizens as well. This exemption permits those urban enterprise zone-located businesses to purchase items for the use of the business within that location without payment of the Sales Tax. As of January 1, 2022, only the first \$100,000 of annual taxable purchases are Tax Exempt.

**Data Source:** New Jersey Department of Community Affairs, UEZ Authority internal records.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**132 Urban Enterprise Zone Special Sales Tax Rate**

**Citation:** N.J.S.A. 52:27H-80

**Effective Date:** 8/15/1983

**2026 Estimate:** \$207,100,000

**Applied Date:** 8/15/1983

**Objective:** To allow for a reduced Sales Tax rate on certain purchases in designated Urban Enterprise Zones (UEZs) in order to stimulate economic activity in those areas. A UEZ is a designated area within a municipality which has suffered economic problems and meets certain other criteria. UEZs are created through legislation enacted by the State Legislature that provides for the designation of additional UEZs following a review of applications that are submitted by cities that meet the required criteria. Decisions are based upon the need of the city for economic development, the unemployment rate, the percentage of families on welfare, the potential benefits as demonstrated by the application, and other similar factors.

**Description:** Allows qualified businesses in a UEZ to collect Sales Tax at one-half the regular rate on the retail sale of goods other than motor vehicles, alcoholic beverages, cigarettes, manufacturing equipment, and energy. Currently there are 32 Urban Enterprise Zones.

**Data Source:** DORES Reports and UEZ Authority data.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

**137 Zero Emission Vehicles**

**Citation:** N.J.S.A. 54:32B-8.55 (P.L. 2003, Chapter 266, § 11; amended 2024, Chapter 19)

**Effective Date:** 1/14/2004

**2026 Estimate:** \$0

**Objective:** There are stringent standards to be met, set by the Environmental Protection Administration, to attain the designation of 'zero-emission vehicle' and if a vehicle meets such standards, as the reduction of atmospheric pollutants helps to improve the quality of air.

**Description:** Receipts from sales of zero emission vehicles (ZEVs) were exempt from the Sales and Use Tax. Effective October 1, 2024, through June 30, 2025, a tax rate of 3.3125 percent will be imposed on the sale of ZEVs. Beginning July 1, 2025, ZEVs will be taxed at the full statutory SUT rate, which is currently 6.625 percent.

**Data Source:** New Jersey Department of Environmental Protection.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

138 **Metal Bullion and Certain Investment Coins**

**Citation:** N.J.S.A. 54:32B-8.32

**Effective Date:** 9/12/2024

**2026 Estimate:** \$5,300,000

**Objective:** To exempt receipts from the sales of investment metal bullion and investment coins from the Sales and Use Tax (SUT).

**Description:** Exempts receipts of investment metal bullion and investment coin sales from the SUT. Investment metal bullion is defined as any elementary precious metal that has been put through a process of smelting or refining. This includes, but is not limited to, gold, silver, platinum, and palladium in a state or condition that its value depends on its contents, not its form. It does not include any precious metal that has been assembled, fabricated, manufactured, or processed for industrial, aesthetic, or artistic use. Investment coin is defined as any numismatic coin manufactured of gold, silver, platinum, palladium, or other metal having fair market value of not less than \$1,000, and does not include jewelry or works of art made of coins or commemorative medallions.

**Data Source:** Fiscal impacts from multiple states revenue departments.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

143 **Contractor Supplies and Materials – Affordable Housing Projects**

**Citation:** N.J.S.A. 54:32B-8.22

**Effective Date:** 3/20/2024

**2026 Estimate:** 14,300,000

**Objective:** To exempt receipts from the sales of materials, supplies and services for certain affordable housing projects.

**Description:** The law amendment provides a sales and use tax exemption for purchases made by contractors or repair persons of materials, supplies, and services for certain affordable housing projects. All units must be for occupants with moderate, low, or very low incomes as defined in the “Fair Housing Act”.

**Data Source:** New Jersey Department of Community Affairs.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

## **Corporation Business Tax Overview**

### **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, maintaining an office, deriving receipts, or engaging in contracts 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.

Also, a corporation is defined as any other entity classified as a corporation for federal income tax purposes and any state or federally chartered building and loan association or savings and loan association. Taxpayers must pay the greater of their liability under the net Income Tax or the alternative minimum assessment. The income-based 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.

The alternative minimum assessment is based on apportioned gross receipts or gross profits. Exempt from the tax are certain agricultural cooperative 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 rates range from 6.5 percent to 9 percent on adjusted entire net income, or the portion of entire net income allocated to New Jersey. However, most taxpayers pay the top rate of 9 percent. For privilege periods beginning in 2024 through 2028, there is an additional 2.5 percent Corporate Transit Fee on taxpayers with allocated taxable net income over \$10 million.

The minimum Corporation Business Tax ranges from \$375 to \$2,000 (depending on corporate structure) for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is \$5 million or more.

## Disposition of Revenues

Revenues collected from general business corporations are deposited in the State Treasury for general State use.

Article 8, Section 2, paragraph 6, of the State Constitution was amended to dedicate four percent of Corporation Business Tax revenue to fund hazardous discharge cleanup, underground storage tank improvements, and surface water quality projects.

## Recent History

P.L. 2024, Chapter 61: The law modifies definitions and eligibility requirements that the New Jersey Economic Development Authority (NJEDA) uses to award Historic Property Reinvestment Program tax credits, as well as revises the amount of the award or tax credit allowed.

P.L. 2024, Chapter 49: The law establishes the “Next New Jersey Program” under the jurisdiction of the New Jersey Economic Development Authority, and modifies certain parts of the “New Jersey Economic Recovery Act of 2020.” Beginning July 25, 2024, through March 1, 2029, a business that is primarily engaged in the artificial intelligence industry may apply to receive tax credit(s) that may be applied against their Corporation Business Tax or Insurance Premium Tax liabilities.

P.L. 2024, Chapter 40: The law amends eligibility requirements that the New Jersey Economic Development Authority will use to award tax credits for the Business Retention and Relocation Assistance Act (P.L. 1996, c.25), the Business Employment Incentive Program Act (P.L. 1996, c.26), the Urban Transit Hub Tax Credit Act (P.L. 2007, c.346), and the Grow New Jersey Assistance Act (P.L. 2011, c.149) programs. The law changes how the tax certificate holder may either use or transfer the credit. For all programs, the tax certificate holder can now first use the credit in the tax period *for* which it was issued, or the tax period *in* which it was issued. Additionally, tax credits issued for the Business Retention and Relocation Assistance and the Grow New Jersey Assistance programs can be first used in any tax period during the project’s specified commitment duration, while tax credits issued for Business Employment Incentive Program and the Urban Transit Tax Credit program can be first used in any tax period during the time the business is required to maintain the project at a New Jersey location.

P.L. 2024, Chapter 33: The law amends the Garden State Film and Digital Media Jobs Act to address the treatment of wages paid under reciprocity agreements. It expands the definition of “qualified film production expenses” and “qualified digital media content production expenses” to include the treatment of New Jersey wages and salaries paid to Pennsylvania residents. In addition, the definition of “full-time or full-time equivalent employee” was also modified to include Pennsylvania residents working in New Jersey.

P.L. 2024, Chapter 20: The law imposes a 2.5 percent Corporate Transit Fee on Corporation Business Tax (CBT) taxpayers with allocated taxable net income in excess of \$10 million. The Corporate Transit Fee is in addition to the taxpayer's regular CBT liability, and taxpayers cannot claim a credit against the fee except for credits for installment payments, estimated payments made with request for an extension of time to file a return, or overpayments from prior privilege periods. The definition of "Allocated taxable net income" is identical to "taxable net income" as defined in the Corporation Business Tax Act for the purpose of this chapter law.

P.L. 2024, Chapter 1: The law allows CBT taxpayers to utilize an alternative method to calculate a depreciation deduction of eligible capital expenditures incurred in connection with the construction of new affordable housing developments, owned by the taxpayer.

P.L. 2023, Chapter 197: The law establishes the Cultural Arts Incentives Program, which incentivizes the establishment of cultural arts projects in New Jersey. An eligible cultural arts institution seeking a tax credit pursuant to the program must apply for the credit with the NJEDA beginning January 1, 2026, and prior to March 1, 2029. Tax credits awarded to a cultural arts institution under this program may be applied against Corporation Business Tax (CBT) and Insurance Premium Tax (IPT) liabilities.

P.L. 2023, Chapter 118: The law allows for businesses to apply New Jersey Innovation Evergreen tax credits against their Insurance Premiums Tax liability. The law no longer requires that a purchaser apply for a tax credit transfer certificate in the same privilege period in which the director allowed the credit. The law modifies the treatment of tax credits that are sold under the Food Desert Relief Program. The change allows a business to claim a tax credit in the privilege period during which the sale is approved.

P.L. 2023, Chapter 98: The law revises various provisions of "New Jersey Economic Recovery Act of 2020," specifically revisions to New Jersey Aspire Program. The law allows an eligible New Jersey Aspire Program tax certificate holder to transfer all or some of the tax credit amount to another recipient for use in the tax period that the original certificate was issued. In addition, the law allows the tax certificate holder to carry forward all or a portion of the tax credit amount over five successive tax periods.

P.L. 2023, Chapter 97: The law revises provisions of the Garden State Film and Digital Media Jobs Act. The law extends the timeframe of the credit's availability, to privilege periods or tax years beginning before July 1, 2039.

P.L. 2023, Chapter 4: The law provides corporation business tax credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete. For CBT filers, the credits may not reduce the amount of tax due below the statutory minimum. Unused credits may be carried forward for up to seven privilege periods. The Division of Taxation can neither issue more than \$10 million in tax credit certificates per year nor allow any taxpayer to obtain tax credits of more than \$1 million in any privilege period. This law

went into effect on July 30, 2023, and applies to privilege periods beginning on or after January 1, 2024.

P.L. 2022, Chapter 75: The law increases total available tax credits under the Economic Redevelopment and Growth (ERG) Program by \$25 million while also amending requirements for certain mixed use parking projects undertaken by municipal redevelopers under ERG.

P.L. 2022, Chapter 48: The law allows certain cannabis businesses to benefit from specific economic and financial incentives they were previously not eligible to receive. It redefined the types of economic and financial incentive awards considered to be “State or local economic incentives” under the “New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act.” In addition, the law newly defines “small business” for determining which cannabis businesses may be eligible for certain financial incentives or funding provided by the NJEDA or Department of Labor and Workforce Development. This law went into effect on June 30, 2022.

P.L. 2022, Chapter 47: The law revises certain provisions of the Food Desert Relief Program administered by the New Jersey Economic Development Authority (NJEDA). Credits issued under the program now may be applied against Insurance Premium Tax liabilities, in addition to Corporation Business Tax liabilities. The law also adds a seven-year carryforward provision for those credits sold by the NJEDA to eligible businesses. Taxpayers may apply to the Division of Taxation and the NJEDA for a tax credit transfer certificate in lieu of the taxpayer being allowed to claim their credit against their tax liability. The taxpayer is allowed to sell the credit for no less than \$25,000 during the privilege period in which they receive the certificate, and the taxpayer may not sell the certificate, or use it as collateral, for less than 85 percent of the credit amount. Credits purchased from a taxpayer may be carried forward for 10 privilege periods and cannot reduce tax liability below the statutory minimum tax. This law became effective on June 30, 2022.

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*Note: The New Jersey Economic Development Authority (NJEDA) provides tax expenditure estimates for certain business tax credits available under the CBT and GIT. These estimates reflect credits certified and issued or expected to be issued in the fiscal year in question, including credits for prior tax years. These credits are not necessarily applied to returns during the fiscal year in which they are issued. In addition, for some credit programs, the estimates reflect the statutory maximum for credits that can be issued in the tax year.*

## **The Economic Redevelopment and Growth Program (ERG)**

**Citation:** N.J.S.A. 52:27D-489e

**Effective Date:** 9/18/2013

**2026 Estimate:** \$69,100,000

**Applied Date:** 9/18/2013

**Objective:** To encourage capital investment in New Jersey commercial and residential real estate projects.

**Description:** The Economic Redevelopment and Growth program (ERG) is an incentive for real estate development projects that have a financing gap, what the New Jersey Economic Development Authority (NJEDA) defines as having insufficient revenues to support the project debt service under a standard financing scenario. The incentive can also apply to projects that have a below-market development margin or rate of return. The ERG involves a "grant" of tax benefits offered on annual incremental State and local taxes for a period of up to 75 percent of the annual incremental State tax and/or local tax revenue or 85 percent if the company is located in a Garden State Growth Zone.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

## Grow New Jersey Assistance Program

**Citation:** N.J.S.A. 34:1B-243 et seq.

**Effective Date:** 9/18/2013

**2026 Estimate:** \$318,300,000

**Applied Date:** 9/18/2013

**Objective:** To encourage job creation by attracting and retaining businesses in New Jersey.

**Description:** This program is administered by the New Jersey Economic Development Authority (EDA). The program allows the EDA to grant tax credits to businesses that meet the eligibility qualifications of the grant program. The tax credit is applied against the business's Corporation Business Tax liability pursuant to N.J.S.A. 54:10A-5. The amount of the tax credit that exceeds the business's tax liabilities for the tax period can be carried forward for a period of 20 years, provided the total value of all credits awarded by the EDA do not exceed the yearly limit of \$200,000,000 or \$1,500,000,000 in the course of ten years, as set forth. Businesses that receive the tax credit can also apply for a benefit transfer certificate covering tax periods over one or more years in lieu of using the credits. The transfer certificate can be sold to another business that has Corporation Business Tax liabilities for consideration of an amount which is a minimum of at least 75 percent of the value of the tax credit transferred. The amount of a tax liability shall be subject to the same limitations and considerations that apply to the use of the credit by the business that originally received the credit.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

### 3 New Jersey Angel Investor Tax Credit Act

**Citation:** N.J.S.A. 54:10A-5.30

**Effective Date:** 1/31/2013

**2026 Estimate:** \$0

**Applied Date:** 1/1/2012

**Objective:** To encourage investment in New Jersey technology businesses.

**Description:** Upon approval by the NJEDA, a taxpayer is allowed a credit against the Corporation Business or Gross Income Tax amount due for the taxable year, of up to 25 percent of the qualified investment made in a New Jersey emerging technology business, up to a maximum allowed credit of \$500,000 for the taxable year for each qualified investment made by the taxpayer. The amount of credits approved by the NJEDA cannot exceed \$35 million in any calendar year.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

## 5 AMA Tax Credit

**Citation:** N.J.S.A. 54:10A-5af

**Effective Date:** 7/1/2002

**2026 Estimate:** \$8,200,000

**Objective:** To provide that, if a taxpayer incurs an AMA (Alternative Minimum Assessment) liability in excess of the regular Corporation Business Tax (CBT) liability, the excess may be carried over to subsequent years and used as a credit against the regular CBT liability. The carryovers were designed never to expire. There are, however, limitations as to how much credit can be taken on any single return.

**Description:** 1) If the alternative minimum assessment for a taxpayer computed pursuant to this section exceeds the tax computed pursuant to section 5 of P.L. 1945, Chapter 165 (C.54:10A-5) for a privilege period, the taxpayer is allowed an amount of credit equal to the amount by which the alternative minimum assessment computed pursuant to this section for the privilege period exceeds the tax computed pursuant to section 5 of P.L. 1945, Chapter 165 (C.54:10A-5) for that privilege period; provided however, that a taxpayer shall not be allowed a credit for any amount of alternative minimum assessment for a privilege period for which a credit is allowed pursuant to section 29 of P.L. 2002, Chapter 40 (C.54:10A-5b). The amount of credit may be carried forward for application in subsequent privilege periods subject to the limitations of paragraph (2) of this subsection.

2) A taxpayer may apply all or a portion of the credits allowed by paragraph (1) of this subsection against the tax computed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), for a privilege period for which the tax pursuant to that section exceeds the alternative minimum assessment computed for the privilege period pursuant to this section; provided however, that the amount of credit applied shall not reduce the amount of tax otherwise due to less than the alternative minimum assessment as computed pursuant to this section for the privilege period, shall not reduce the amount of tax otherwise due by more than 50 percent, and shall not reduce the amount of tax otherwise due below the statutory minimum provided in subsection (e) of section 5 of P.L. 1945, Chapter 162 (C.54:10A-5).

**Data Source:** Division of Taxation Unpublished Data

**Reliability:** 1 Based on the population of verified tax returns.

## 6 Business Employment Incentive Program (BEIP)

**Citation:** N.J.S.A. 34:1B-124 et seq.

**Effective Date:** 5/9/1996

**2026 Estimate:** \$2,800,000

**Applied Date:** 6/1/1996

**Description:** The Business Employment Incentive Program, codified at 34:1B-124 et seq. (P.L. 1996, Chapter 26) was one of the State's tools, jointly administered by the New Jersey Economic Development Authority and the New Jersey Division of Taxation, to promote job growth in New Jersey. Approved businesses receive annual cash grants based on the number of new jobs they have created in the State of New Jersey.

The Business Employment Incentive Program statute was changed through P.L. 2015, Chapter 194, effective January 1, 2016. A business that was eligible to receive a grant under the Business Employment Incentive Program (BEIP) to direct the New Jersey Economic Development Authority (authority) to convert the grant to a refundable tax credit against its Corporation, Gross Income, or Insurance Premium Tax liability in an amount equal to the credit payment schedule provided in the bill. The direction to convert the grant to a tax credit is to be irrevocable. Approved tax credits may only be applied in the tax period for which they are issued and are not to be carried forward. If the credit exceeds the amount of tax liability otherwise due from a business that pays Corporation Business Taxes, the amount of excess is to be deemed an overpayment and the business is to receive a refund without interest due to it.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

## 8 Business Retention and Relocation Assistance Grants

**Citation:** P.L. 1996, Chapter 25, § 4, as amended.

**Effective Date:** 5/9/1996

**2026 Estimate:** \$2,300,000

**Applied Date:** 6/1/1996

**Objective:** The purpose of the program is to encourage economic development, preserve existing jobs, and stimulate new job activity in New Jersey.

**Description:** The Business Retention and Relocation Assistance Act (C.34:1B-112 et seq., was signed into law on May 9, 1996 and was subsequently amended and expanded in scope. The BRRAG Program, which approved new projects until 2013, was a one-time grant of Corporation Business Tax credits (or Insurance Premiums Tax credits as applicable) to businesses to assist them in retaining jobs and developing projects that relocate within the state. Additionally, eligible businesses would also be authorized to acquire certain materials without payment of Sales Tax. Grants of up to \$1,500 per job were available for relocation of jobs within the state and were scored based on a number of factors, such as the type of industry, quality of the jobs, and consistency with New Jersey's Smart Growth policies, with bonus grants of up to an additional 50 percent available for businesses relocating 2,000 jobs or more into a designated urban center.

**Data Source:** New Jersey Economic Development Authority

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

**13 Economic Recovery Tax Credit**

**Citation:** N.J.S.A. 52:27BBB-53 et seq.

**Effective Date:** 6/30/2002

**2026 Estimate:** \$100,000

**Objective:** To foster business investment in qualified municipalities established under the authority of the "Qualified Municipality Open For Business Incentive Program".

**Description:** The credit is equal to \$2,500 for each new full-time position at that location in credit year one and \$1,250 for each new full-time position at that location in credit year two. No taxpayer shall be allowed more than a single 24 month continuous period in which credits shall be allowed for activity at a location within a qualified municipality. The credit allowable under this section shall not exceed 50 percent of the tax liability otherwise due and shall not reduce the tax liability to an amount less than the statutory minimum.

Any unused credit may be carried forward, if necessary, for use in the five privilege periods following the privilege period for which the credit is allowed. The credit allowed for credit year one may be refundable at the close of the privilege period in which or with which credit year two ends. The amount of the credit received for credit year one remaining, if any, after the liabilities for the privilege period in which or with which credit year two ends and for any prior privilege period have been satisfied, multiplied by the sustained effort ratio, shall be an overpayment for the purposes of section N.J.S.A. 54:49-15 for the privilege period in which or with which credit year two ends; that amount of the credit received for credit year one remaining, if any, that is not an overpayment may be carried forward.

**Data Source:** Division of Taxation Unpublished Data

**Reliability:** 1 Based on the population of verified tax returns.

**14 Effluent Equipment Tax Credit**

**Citation:** N.J.S.A. 54:10A-5.31

**Effective Date:** 7/1/2002

**2026 Estimate:** \$300,000

**Objective:** To establish a credit against the corporation franchise tax (P.L. 1945, Chapter 162 C.54:10A-1 et seq.) for the purchase of treatment equipment that is used exclusively for the treatment of effluent from a wastewater treatment system.

**Description:** Tax credit for purchase of effluent treatment, conveyance equipment.

**Data Source:** Division of Taxation Unpublished Data

**Reliability:** 1 Based on the population of verified tax returns.

16 **New Jersey Film and Digital Media Tax Credit**

**Citation:** N.J.S.A. 54:10A-5.39b

**Effective Date:** 1/12/2006

**2026 Estimate:** \$249,000,000

**Objective:** To support and expand business opportunities to produce films in New Jersey

**Description:** Allows for a tax credit of up to 35 percent of a company's qualified film production expenses in New Jersey to be applied against Corporation Business Tax in the year the expenses are incurred. Digital media projects are eligible to receive tax credits of up to 35 percent of qualified production expenses up to a cap of \$30 million per year.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

**Effectiveness:** Film Tax Credit Activity Report: <https://www.njeda.gov/wp-content/uploads/2024/01/Film-Activity-Report-Q4-202363.pdf>

Digital Media Tax Credit Activity Report: <https://www.njeda.gov/wp-content/uploads/2024/01/Digital-Media-Activity-Report-Q4-2023-002.pdf>

19 **Manufacturing Equipment and Employment Investment Tax Credit**

**Citation:** N.J.S.A. 54:10A-5.16 through N.J.S.A. 54:10A-5.21

**Effective Date:** 1/1/1994 **2026 Estimate:** \$23,700,000

**Objective:** The purpose of the Manufacturing Equipment and Employment Investment Tax Credit is to offset the purchase of manufacturing equipment and to support the creation of new jobs. The law allows a Corporation Business Tax credit of two percent on the purchase price on new machinery or equipment during the first year of operation. For each of the next two years, a company could qualify for an additional credit of three percent by creating new jobs, capped at \$1,000 per additional employee.

**Description:** A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), in an amount equal to two percent of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of \$1,000,000; provided however, that if a taxpayer has 50 or fewer employees (an average number of full-time employees and full-time employee equivalents of 50 or less) and entire net income to be used as a measure of the tax determined pursuant to section 6 of P.L. 1945, Chapter 162 (C.54:10A-6) of less than \$5,000,000 for the tax year, the taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), in an amount equal to four percent of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of \$1,000,000.

**Data Source:** Division of Taxation Unpublished Data TY 2019 – 2022 extrapolated as a mean of reported numbers.

**Reliability:** 1 Based on the population of verified tax returns.

20 **Neighborhood Revitalization State Tax Credit**

**Citation:** N.J.S.A. 52:27D-490 et seq.

**Effective Date:** 7/1/2002

**2026 Estimate:** \$17,900,000

**Objective:** To create an incentive for businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit.

**Description:** A business entity shall be eligible for a certificate for neighborhood revitalization State tax credits if it has provided funding for a qualified project that has been approved in accordance with sections 4 and 5 of P.L.2001, Chapter 415 (C.52:27D-493 and C.52:27D-494).

- a. Credits may be granted in an amount up to 100 percent of the approved assistance provided to a nonprofit organization to implement a qualified neighborhood preservation and revitalization project.
- b. The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, Chapter 162 (C.54:10A-1 et al.), "The Savings Institution Tax Act," P.L.1973, Chapter 31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, Chapter 132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, Chapter 5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, Chapter 42 (C.54:15B-3).
- c. The credit allowed to a business entity under this section may not exceed for any taxable year \$1,000,000 or the total amount of tax otherwise payable by the business entity for the taxable year and, in addition, shall not exceed limitations placed on the amounts of credits or carryforward credits allowed, if any, under the relevant statute as enumerated in subsection b. of this section concerning the tax for which a credit is being claimed.
- d. Credit shall not be allowed for activities for which the business entity is receiving credit under any other provision against any tax on business related income other than the New Jersey Gross Income Tax, including, but not limited to, the Corporation Business Tax, Insurance Premiums Tax, Petroleum Products Gross Receipts Tax, public utilities franchise tax, Public Utilities Gross Receipts Tax, public utility excise tax, railroad franchise tax, and the saving institution tax.
- e. The tax credit shall be awarded only for assistance provided within the same year in which the commissioner issued the certificate, or if the commissioner approved assistance for more than one year, within the year in which payment was scheduled.
- f. The total tax credits certified for all qualified projects proposed in a fiscal year shall not exceed \$10,000,000.

**Data Source:** Division of Taxation Reports.

**Reliability:** 1 Based on the population of verified tax returns.

23 **New Jobs Investment Tax Credit**

**Citation:** N.J.S.A. 54:10A-5.5 through N.J.S.A. 54:10A-5.15

**Effective Date:** 7/7/1993

**2026 Estimate:** \$0

**Objective:** To create a Corporation Business Tax credit for creating new jobs in New Jersey.

**Description:** The New Jobs Investment Tax Credit is taken in five equal annual installments. The annual credit cannot exceed 50 percent of that portion of the Corporation Business Tax liability which is attributable to and the direct result of the taxpayer's qualified investment and shall not reduce the tax liability below the statutory minimum. This tax credit is available for investment in new or expanded business facilities that create new jobs in New Jersey.

**Reliability:** 1 Based on the population of verified tax returns.

27 **Redevelopment Authority Project Tax Credit**

**Citation:** N.J.S.A. 55:19-3

**Effective Date:** 7/26/1991

**2026 Estimate:** \$0

**Objective:** To incentivize job creation.

**Description:** Any taxpayer that is actively engaged in the conduct of business at a location within a project as defined in N.J.S.A. 55:19-1 et seq., and whose business at that location consists primarily of manufacturing or other business that is not retail sales or warehousing oriented, may be entitled to claim the Redevelopment Authority Project Tax Credit. The credit is \$1,500 each year for two years for new employees that were unemployed or on public assistance prior to joining a manufacturing company in the project area. The Redevelopment Authority Project Tax Credit is allowed in the tax year following the tax year of qualification, and may be continued into a second tax year if such qualification continues. Any credit which remains after the second tax year following the tax year of qualification is forfeited.

**Data Source:** Division of Taxation Unpublished TY Data 2019 – 2022 Extrapolated as Mean of Reported Data.

**Reliability:** 1 Based on the population of verified tax returns.

29 **Research and Development Tax Credit**

**Citation:** N.J.S.A. 54:10A-5.24

**Effective Date:** 1/1/1998

**2026 Estimate:** \$572,300,000

**Objective:** Research and development costs have been deemed to be critical corporate expenditures as they could result in future economic activity based on product discovery and innovation. This credit is one of the most used credits available to corporations, clear demonstration of its importance.

**Description:** A taxpayer is allowed a credit against their Corporation Business Tax liability equal to 10 percent of the excess of the qualified research expenses for the privilege period over the base amount; and 10 percent of the basic research payments determined in accordance with section 41 of the Internal Revenue Code of 1986, 26 U.S.C. s.41, and other restrictions as set forth in the law.

For privilege periods beginning on and after January 1, 2018, amounts paid or incurred by the taxpayer in carrying on any trade or business of the taxpayer during the privilege period, including as contributions, to an energy research consortium for energy research shall also qualify as a basic research payment for purposes of this subsection.

**Data Source:** Division of Taxation Unpublished TY Data 2019 – 2022 Extrapolated as Mean of Reported Data.

**Reliability:** 1 Based on the population of verified tax returns.

30 **Sheltered Workshop Tax Credit**

**Citation:** N.J.S.A. 54:10A-5.38

**Effective Date:** 1/12/2006

**2026 Estimate:** \$0

**Objective:** To support the operations of nonprofit agencies that furnish extended employment programs to individuals with disabilities.

**Description:** A credit available to certain taxpayers that employ qualified person(s) under an extended employment program.

**Reliability:** 1 Based on the population of verified tax returns.

31 **Urban Enterprise Zone Employee Tax Credit**

**Citation:** N.J.S.A. 52:27H-78

**Effective Date:** 8/4/1988

**2026 Estimate:** \$0

**Objective:** To allow a business, which is not retail sales or warehouse oriented, within a specified enterprise zone to receive an employee tax credit against the tax imposed by the Corporation Business Tax Act.

**Description:** This credit is available to a taxpayer that was certified as a qualified business in the preceding tax year as well as the current tax year. The amount of this credit in addition to the amount of any other tax credits taken is limited to 50 percent of the taxpayer's total tax liability and cannot exceed an amount which would reduce the total tax liability below the statutory minimum. The credit is \$1,500 if the employee was formerly unemployed or on public assistance; \$500 if the employee meets the other qualifications but not these. Qualifying employees must have been hired after certification and must have worked six consecutive months in the tax year following the tax year in which employment began.

**Data Source:** Division of Taxation reports TY 2019 – 2022.

**Reliability:** 1 Based on the population of verified tax returns.

32 **Urban Enterprise Zone Investment Tax Credit**

**Citation:** N.J.S.A. 52:27H-78c and 52:27H-86

**Effective Date:** 8/4/1988

**2026 Estimate:** \$0

**Objective:** To allow a business within a specified enterprise zone, which is not retail sales or warehouse oriented and is unable to receive employee tax credits, to receive a one-time tax credit against the tax imposed by the Corporation Business Tax Act for new investment into the enterprise zone.

**Description:** A qualified business which is not entitled to an employee tax credit may be entitled to the investment tax credit. This credit is only available to an employer with less than 50 employees. The investment must be at least \$5,000 if there are 10 or fewer employees, and increases by \$500 for each additional employee.

**Data Source:** Division of Taxation reports TY 2019 – 2022.

**Reliability:** 1 Based on the population of verified tax returns.

**33 Urban Transit Hub Tax Credit**

**Citation:** N.J.S.A. 34:1B-207 et seq.

**Effective Date:** 7/28/2009

**2026 Estimate:** \$79,400,000

**Objective:** To promote economic development in urban transit hubs through a tax credit program for capital investment and increased employment. The approved tax credit is only allowable after the capital expenditure has actually been made.

**Description:** This tax credit is based on a capital investment made by a qualified business to a location defined as an Urban Transit Hub. An Urban Transit hub is property located within a 1/2 mile radius surrounding the mid-point of a New Jersey Transit Corporation, Port Authority Transit Corporation or Port Authority Trans-Hudson Corporation rail station platform area, including all light rail stations, and property located within a one mile radius of the mid-point of the platform area of such a rail station if the property is in a qualified municipality under the "Municipal Rehabilitation and Economic Recovery Act," P.L. 2002, Chapter 43 or a property located within a 1/2 mile radius surrounding the mid-point of one of up to two underground light rail stations' platform areas that are most proximate to an interstate rail station or a property adjacent to, or connected by rail spur to a freight rail line, if the business utilizes that freight line for loading and unloading freight cars on trains per declaration made by the Economic Development Authority.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

**34 New Jersey Innovation Evergreen Fund (NJIEF)**

**Citation:** N.J.S.A. 34:1B-288 through 34:1B-302

**Effective Date:** 1/7/2021

**2026 Estimate:** \$60,000,000

**Objective:** Partnering with private-sector venture capital firms to raise and invest funds in innovative early-stage companies in New Jersey.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Evergreen Program, administered by the New Jersey Economic Development Authority, will raise funds in part through auctions of up to \$300 million in tax credits that can be used against Corporation Business Tax or Insurance Premiums Tax liabilities, with the annual issuance not to exceed \$60 million.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

35 **Emerge Program**

**Citation:** N.J.S.A. 34:1B-336 et seq.

**Effective Date:** 1/7/2021

**2026 Estimate:** \$15,600,000

**Objective:** To encourage economic development in priority sectors and targeted communities through tax credits for businesses that create and/or retain jobs.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the EmERGE Program, administered by the New Jersey Economic Development Authority, provides tax credits ranging from \$500 to \$8,000 per job for firms that create at least 35 jobs and/or retain at least 500 jobs in eligible locations in the State, meet minimum capital investment requirements, and yield a minimum net positive economic benefit to the State of at least 200 percent to 400 percent, among other requirements. Combined assistance under the EmERGE Program and Aspire Program, also authorized under the ERA of 2020, is capped at \$1.1 billion annually for six years.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

36 **Food Desert Relief Program**

**Citation:** N.J.S.A. 34:1B-303 through 34:1B-310

**Effective Date:** 1/7/2021

**2026 Estimate:** \$19,000,000

**Objective:** To use tax credits, loans, grants and other assistance to address the food security needs of New Jersey communities by increasing access to nutritious foods and seek new approaches to alleviating food deserts.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Food Desert Relief Program, administered by the New Jersey Economic Development Authority, will provide up to \$40 million annually in tax credits, grants and other assistance to incentivize establishment and/or retention of supermarkets and grocery stores in food desert communities. Eligible businesses must be retail outlets of at least 16,000 square feet, be the first or second supermarket or grocery store in a designated food desert and commit to accepting benefits from SNAP, WIC and other assistance programs.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

**37 Aspire Program**

**Citation:** N.J.S.A. 34:1B-324 through 34:1B-335

**Effective Date:** 1/7/2021

**2026 Estimate:** \$900,000

**Objective:** Gap financing tool to support commercial, mixed use, and residential real estate development projects.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Aspire Program, administered by the New Jersey Economic Development Authority. Most Aspire projects will be subject to a total award cap of \$42 million, but residential projects also receiving Low Income Housing Tax Credits or projects located in certain economically disadvantaged locations may receive up to \$60 million. Combined assistance under the Aspire Program and Emerge Program, also authorized under the ERA of 2020, is capped at \$1.1 billion annually for six years.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

**38 Low Carbon Concrete Products**

**Citation:** N.J.S.A. 54:10A-5.49, 54A:10A-5.50, and 54A:4-23

**Effective Date:** 7/30/2023

**2026 Estimate:** \$10,000,000

**Objective:** Tax credits for concrete mixes supplied pursuant to contracts with State government agencies in accordance with global warming potential baselines and thresholds for low-embodied carbon concrete and concrete that incorporates carbon capture, utilization, and storage technology.

**Description:** Corporation business tax (CBT) credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete. The Division of Taxation can neither issue more than \$10 million in tax credit certificates per year, nor allow any taxpayer to obtain tax credits of more than \$1 million in any privilege period. Nonrefundable gross income tax credits are also authorized under this law and count towards the \$10 million cap. Most, if not all of the tax credit claims associated with this program are expected under the CBT.

**Data Source:** Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

### 39 Alternative Method of Depreciation

**Citation:** N.J.S.A. 54:10A-4.17

**Effective Date:** 1/1/2025

**2026 Estimate:** \$15,900,000

**Objective:** To allow taxpayers to utilize an alternative method of depreciation for certain affordable housing related expenditures under the Corporation Business Tax.

**Description:** The alternative method of depreciation allows taxpayers to depreciate eligible expenditures related to the development of affordable housing over a 10-year period. Affordable housing is housing that is occupied or restricted to occupancy by households with income no greater than 80 percent of the regional median income, included to, but not limited to, housing that is deed restricted as affordable pursuant to the "Fair Housing Act". An "Affordable housing development" qualifying for this method of depreciation must have commenced construction after January 1, 2025, must have taxes that are not abated or exempted, and must not be subsidized for the construction of low and moderate income housing. Furthermore, an affordable housing development includes one or more units of housing, where at least 20 percent of the units qualify as affordable housing. The method of depreciation is calculated as 2 times (the number of affordable housing units in the development divided by the total number of housing units in the development).

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

### 40 Next New Jersey Program

**Citation:** N.J.S.A. 34:1B-394

**Effective Date:** 7/25/2024

**2026 Estimate:** \$0

**Objective:** To provide tax credits to eligible artificial intelligence (AI) businesses as approved by EDA, and to attract new investment in AI-related industries in the state.

**Description:** Tax credits would be provided to businesses or divisions primarily engaged in the AI or large-scale AI data center industry. An eligible business is one that has at least 50 percent of its employees engaged in AI-related activities, or at least 50 percent of the business's revenue generated from AI-related activities. Under the program, the amount of the tax credit allowed for a particular project would be equal to the lesser of either: 0.1 percent of the business's total capital investment multiplied the number of new full-time jobs, 25 percent of the eligible business's total capital investment, or \$250 million. The program provides that up to \$500 million in tax credits, originally allocated for the New Jersey Aspire Program and the Emerge Program, be made available to eligible AI businesses.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

## 41 Historic Property Reinvestment Program

**Citation:** N.J.S.A. 34:1B-270 through N.J.S.A. 34:1B-276

**Effective Date:** 9/4/2024

**2026 Estimate:** \$8,000,000

**Objective:** To provide tax credits under the NJEDA Historic Property Reinvestment Program.

**Description:** The Historic Property Reinvestment Program, a tax credit program to incentivize rehabilitation of designated historic structures, or structures in designated historic districts, throughout New Jersey. The focus is historic preservation as a component of community development, aiming to attract long-term private investment into New Jersey while preserving properties throughout the state that have historic value. The program encourages smart, targeted investments in communities in the form of durable and sustainable investment in the state's economic infrastructure.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies.

## **9-1-1 System and Emergency Response Assessment Overview**

### **Description**

P.L. 2004, Chapter 48, imposes a fee on periodic billings to mobile telecommunications and telephone exchange customers. This fee is charged by:

- Mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State; and
- Telephone exchange companies for each telephone voice grade access service line provided as part of that telephone exchange service.

The fee is not applicable to the federal government, its agencies, or instrumentalities. The fee is also not applicable to State, county and municipal governments, and school districts from the fee imposed on telephone exchange services.

### **Rate**

The 9-1-1 System and Emergency Response Fee is \$0.90 for each voice grade access service number and line to mobile telecommunications and telephone exchange customers.

### **Disposition of Revenues**

The revenue collected pursuant to the fee is deposited into the 9-1-1 System and Emergency Response Trust Fund and is appropriated to offset relevant expenditures in the Department of Law and Public Safety, Department of Military and Veteran's Affairs, and the Department of the Treasury.

## 9-1-1 System and Emergency Response Assessment

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### 1 Exempt Telephone Lines

**Citation:** N.J.S.A. 52:17C-17 et seq.

**Effective Date:** 6/29/2004

**2026 Estimate:** \$300,000

**Applied Date:** 7/1/2004

**Objective:** To continue an established tradition of providing 9-1-1 system equipment and maintaining this system without any cost to local governments.

**Description:** Exemptions include lines billed to customers enrolled in the Lifeline Telecommunication program, or in receipt of Lifeline Telecommunication or Universal Service Fund benefits, State government agencies, and county and municipal governments and their agencies, and school districts.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## **Alcoholic Beverage Tax Overview**

### **Description**

Under the Alcoholic Beverage Tax Law at N.J.S.A. 54:43-1 et seq. (P.L. 1933, Chapter 434), New Jersey levies and imposes an excise tax upon any sale of alcoholic beverages made within this State, or upon any delivery of alcoholic beverages made within or into this State.

### **Rates**

Alcoholic beverages are subject to excise taxes on each gallon. The tax on beer is imposed at \$0.12 per gallon. The tax on liquor is imposed at \$5.50 per gallon. The tax on wine, vermouth, and sparkling wine is imposed at \$0.875 per gallon. Cider containing at least 3.2 percent of alcohol by volume but no more than seven percent of alcohol by volume is taxed at the rate of \$0.15 per gallon. Tax on bitters, grenadine and other mixers: All bitters, grenadine, highballs, cocktails, cordials and other mixes that are classified by the IRS as intoxicating liquors and which require federal strip stamps are taxable at the rate of \$5.50 per gallon. (N.J.A.C. 18:3-3.3)

### **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, and beginning on July 1, 2009, \$22 million of the tax revenue is deposited into the Health Care Subsidy Fund. A small percentage also goes to the New Jersey Wine Promotion Account.

## Alcoholic Beverage Tax

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### 1 Out-of-State Sales - Beer and Malt

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/14/1938

**2026 Estimate:** \$28,100,000

**Applied Date:** 7/1/1938

**Objective:** Out-of-State sales are not subject to the tax.

**Description:** No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 2 Out-of-State Sales - Liquor

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/14/1938

**2026 Estimate:** \$11,600,000

**Applied Date:** 7/1/1938

**Objective:** Out-of-State sales of these products are not subject to the tax.

**Description:** No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the Director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

**3 Out-of-State Sales - Still Wine**

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/14/1938

**2026 Estimate:** \$25,500,000

**Applied Date:** 7/1/1938

**Objective:** Out-of-State sales of these products are not subject to the tax.

**Description:** No tax imposed by this subtitle is payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the Director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

**4 Out-of-State Sales - Vermouth/Sparkling Wine/Apple Cider**

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/4/1938

**2026 Estimate:** \$2,400,000

**Applied Date:** 7/1/1938

**Objective:** Out-of-State sales of these products are not subject to the tax.

**Description:** No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## Cigarette Tax Overview

### 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.

### Rate

Effective July 1, 2009, the tax rate is \$2.70 per pack of 20 cigarettes.

A distributor is allowed a .166667 percent discount on the purchase of 1,000 or more stamps or meter impressions.

### Disposition of Revenues

The first \$391.5 million in revenue collected from the cigarette tax is dedicated to the Health Care Subsidy Fund (N.J.S.A. 26:2H-18.58g). Additionally, starting on July 1, 2018, an amount equal to one percent of gross cigarette tax collections is dedicated to the Department of Health to fund anti-smoking initiatives (N.J.S.A. 26:2H-18.58g). Any remaining revenue collections are deposited in the State Treasury for general State use.

**1 Director's Redemption of Certain Stamps**

**Citation:** N.J.S.A. 54:40A-19

**Effective Date:** 6/21/1957

**Applied Date:** 4/16/1956

**2026 Estimate:** \$900,000

**Objective:** To allow any distributor or dealer to receive a credit for any unused or mutilated, but identifiable, stamps for the face value of the given stamp.

**Description:** The Director shall redeem any unused or mutilated, but identifiable, stamps that any distributor or dealer may present for redemption, and issue a refund of the face value.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

**2 Distributor Discounts**

**Citation:** N.J.S.A. 54:40A-11

**Effective Date:** 10/31/2008

**2026 Estimate:** \$900,000

**Objective:** To allow for a tax credit due to the service and expense of the distributor in affixing and handling revenue stamps, for any sale of 1,000 stamps or more.

**Description:** On sales of revenue stamps the Director shall allow, as compensation for the services and expenses of the distributor in affixing and handling of such stamps, a discount of 1.80 percent [*level stipulated in original statute*] of the face amount of any sale of 1,000 stamps or more; provided, that the distributor has complied with all the provisions of this Act; and, provided, further, however, that the Director shall be empowered to adjust such discount to provide equivalent compensation with respect to the face value of each 1,000 stamps or more. The current level of the discount is 0.166667 percent.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns

## **Domestic Security Fee Overview**

### **Description**

A statutory assessment designated as the “Domestic Security Fee” is imposed under P.L. 2002, Chapter 34 on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented under rental agreements of not more than 28 days.

### **Rate**

Effective July 8, 2006, the fee is assessed at the rate of \$5 per day. The fee applies only to the first 28 days of a rental agreement with the same renter. Thus, the maximum rental fee in the aggregate is \$140 even if the actual rental extends beyond 28 days.

### **Disposition of Revenues**

The first \$2 of the fee is paid to the State Treasurer for deposit in the New Jersey Domestic Security Account. The remaining revenues are deposited in the State Treasury for general State use.

## 1 Total Deductions

**Citation:** N.J.S.A. App.A:9-78

**Effective Date:** 7/1/2002

**2026 Estimate:** \$1,000,000

**Applied Date:** 8/1/2002

**Objective:** The exemption for certain motor vehicles from the Sales and Use Tax is likewise applied to the domestic security fee on those exempted vehicles.

**Description:** The law does not impose the Domestic Security Fee on motor vehicle rentals that are exempt for Sales and Use Tax purposes, such as resale transactions and rentals to tax exempt organizations or government agencies.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on data files of incomplete or unverified information from actual tax returns

## **State Occupancy Fee and Municipal Occupancy Tax Overview**

### **Description**

P.L. 2003, Chapter 114 imposes a State Occupancy Fee and authorizes the imposition of a Municipal Occupancy Tax on charges for the rental of a room in a hotel, motel, or similar facility in most New Jersey municipalities. P.L.2018, Chapter 49 imposed the Hotel and Motel Occupancy Fee (as well as the Sales and Use Tax) on rentals of transient accommodations, effective October 1, 2018.

### **Rate**

The State Occupancy Fee rate is 5 percent for occupancies on and after July 1, 2004, or at a lower rate in cities in which such occupancies are already subject to tax:

Atlantic City, Elizabeth, Newark, and Jersey City —1 percent  
The Wildwoods—3.15 percent

As of July 2024, an overwhelming majority of municipalities have enacted a municipal occupancy tax rate of 3 percent.

### **Disposition of Revenues**

The monies collected from the State Occupancy Fee are statutorily dedicated, in varying percentages, pursuant to N.J.S.A. 54:32D-2, to the New Jersey State Council on the Arts for cultural projects; the New Jersey Historical Commission; the Division of Travel and Tourism in the Department of State for tourism advertising and promotion; and the New Jersey Cultural Trust. Any amount over the dedication is allocated to the General Fund. Collections from the Municipal Occupancy Tax are distributed back to the municipality.

### 1 Government Exemption

**Citation:** N.J.S.A54:32D-1b

**Effective Date:** 7/1/2003

**2026 Estimate:** \$4,700,000

**Applied Date:** 7/1/2003

**Objective:** To allow occupancies that are exempt for Sales and Use Tax purposes, including occupancies for government use, a credit from the Hotel/Motel occupancy fee.

**Description:** The law provides that the Hotel/Motel Occupancy Fee will not apply on occupancies that are exempt for Sales and Use Tax purposes, including occupancies for government use.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 2 Permanent Resident Exemption

**Citation:** N.J.S.A. 54:32D-1b (P.L. 2003, Chapter 114, as amended)

**Effective Date:** 7/1/2003

**2026 Estimate:** \$8,800,000

**Objective:** To allow occupancies that are exempt for Sales and Use Tax purposes or motel occupancy where the purchaser resides at the lodging facility for at least 90 day, a deduction/exemption from the Hotel/Motel occupancy fee.

**Description:** The law provides that the Hotel/Motel Occupancy Fee will not apply on occupancies that are exempt under the Sales and Use Tax Act such as a hotel or motel occupancy where the purchaser resides at the lodging facility for at least 90 days.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 3 Rooms for Assembly

**Citation:** N.J.S.A. 54:32D-1b (P.L. 2003, Chapter 114, as amended)

**Effective Date:** 7/1/2003

**2026 Estimate:** \$1,000,000

**Objective:** To allow occupancies that are exempt for Sales and Use Tax purposes or using rooms for the purpose of assembly an exclusion from the Hotel/Motel Occupancy

**Description:** The law provides that the Hotel/Motel Occupancy Fee is imposed on rooms used for occupancy. The fee is not imposed on rooms used for the purpose of assembly, such as conference, meeting or banquet rooms.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## **Local Property Tax Supported by State Government Overview**

### **Description**

New Jersey offers several property tax deductions and exemptions, which are typically managed by the local municipality a resident resides in. The State also offers property tax relief via reimbursement programs such as Senior Freeze (Property Tax Reimbursement, the Affordable New Jersey Communities for Homeowners and Renters (ANCHOR), and the Stay NJ Property Tax Credit program.

### **Deductions**

Senior Citizens and Disabled Persons Property Tax Deduction  
Veterans Property Tax Deduction

### **Exemptions**

100% Disabled Veteran Property Tax Exemption

### **Reimbursement**

Senior Freeze (Property Tax Reimbursement)  
Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)  
Stay NJ Property Tax Credit program

### **Recent History**

P.L. 2024, Chapter 88: The law requires the Division to promulgate a combined single application for the ANCHOR rebate, Property Tax Reimbursement (Senior Freeze) benefit, and Stay NJ; notify claimants in writing with a detailed calculation of the amount they are entitled to receive, if eligible; outline the maximum benefit allowed; replace the definition of “gross income” with “income;” amend the definition of “eligible claimant;” and amend N.J.S.A. 54:4-8.58, N.J.S.A. 54A:3A-17, as well as facets of N.J.S.A. 47:1B-3 (Daniel’s Law).

P.L. 2023, Chapter 84 allows a Property Tax Reimbursement program claimant to retain their base year when their income exceeds the income limit for the application year so long as the claimant’s income in the succeeding tax year does not also exceed the income limit. The claimant will be ineligible for reimbursement in the year that their income exceeds the limit. If the claimant again exceeds the income limit for any succeeding tax year, they will have to establish a new base year when they become eligible.

P.L. 2023, Chapter 75 established the Stay NJ property tax credit program and the Stay NJ Task Force, expanded income limits and modified ownership requirements for eligibility to receive homestead property tax reimbursement, and enhanced ANCHOR benefits for seniors.

## Local Property Tax Support by State Government

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### 1 Senior Citizens and Disabled Persons Property Tax Deduction

**Citation:** N.J.S.A. 54:4-8.41

**Effective Date:** 1/3/1990

**2026 Estimate:** \$6,000,000

**Applied Date:** 1/1/1991

**Objective:** To establish an annual deduction of \$250 for real Property Taxes in the event a given dwelling is owned by qualified senior citizens or disabled persons.

**Description:** An annual \$250 deduction from real property taxes is provided for the dwelling of a qualified senior citizen, disabled person or their surviving spouse.

**Data Source:** Department of Community Affairs data reports TY 2019 – 2022.

**Reliability:** 1 Based on the population of verified tax returns.

### 2 Veteran's Property Tax Deduction

**Citation:** N.J.S.A. 54:4-8.11

**Effective Date:** 3/30/2000

**2026 Estimate:** \$28,000,000

**Objective:** To implement the State constitutional amendment, approved by the voters of the State on November 2, 1999, which provides for a veteran's property tax deduction and to increase that annual property tax deduction for certain veterans and surviving spouses of those veterans from \$50 to \$250.

**Description:** The law provides a \$250 real estate tax deduction for residents who served or currently serve in the Armed Forces of the United States during a time of war and who were honorably discharged. Surviving spouses are also eligible for this deduction.

**Data Source:** Department of Community Affairs data reports TY 2019 – 2022.

**Reliability:** 1 Based on the population of verified tax returns.

## Local Property Tax Support by State Government

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### 3 Property Tax Reimbursement (Senior Freeze)

**Citation:** N.J.S.A. 54:4-8.67

**Effective Date:** 1/14/1998

**2026 Estimate:** \$228,700,000

**Description:** The Property Tax Reimbursement program, otherwise known as Senior Freeze, seeks to refund Property Tax increases to eligible senior and disabled homeowners and mobile homeowners. Claimants must satisfy all eligibility requirements for two consecutive years to be eligible to receive reimbursement. Beginning with the 2023 filing season, the income limits for the program, which are now automatically adjusted for increases in the cost of living, were set at \$150,000 for Tax Year 2022 and \$163,050 for Tax Year 2023, and the 10 consecutive years of residency requirement was eliminated. Furthermore, if a claimant's income exceeds the income limits for an application year, the claimant is allowed to retain their base year so long as the claimant's income in the succeeding tax year does not also exceed the income limit.

**Data Source:** New Jersey Office of Revenue and Economic Analysis and Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 4 Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)

**Citation:** N.J.S.A. 54A:3A-15, Modified by FY 2023 Appropriations Act, Section 82 (Dept. of the Treasury), Subsection 75 (State Subsidies and Financial Aid) and P.L. 2023, Chapter 75)

**Effective Date:** 1/1/1996, Modified 6/30/2022

**2026 Estimate:** \$2,388,400,000

**Applied Date:** 1/1/1996, Modified 6/30/2022

**Objective:** Expands the tax relief available under the existing Homestead Benefit program to cover more homeowners and renters with higher benefit levels. The Homestead Benefit program also provided a property tax rebate for homeowners and renters.

**Description:** The ANCHOR program established new income eligibility and benefit levels for property tax relief recipients, beginning with tax year 2019. Homeowners with gross incomes of \$150,000 or less will receive \$1,500; with income of more than \$150,000 and up to \$250,000 will receive \$1,000; residential renters with income of \$150,000 or less will receive \$450. Those who are 65 and older receive an additional \$250. You must have paid rent to be eligible.

**Data Source:** New Jersey Office of Revenue and Economic Analysis and Division of Taxation.

**Reliability:** 2 Based on a sample of verified tax returns

## Local Property Tax Support by State Government

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### 5 Stay NJ Property Tax Credit Program

**Citation:** N.J.S.A. 54:4-8.75c

**Effective Date:** 1/1/2026

**2026 Estimate:** \$556,800,000

**Objective:** To provide uniform property tax relief to senior citizen homeowners and tenants.

**Description:** The Stay NJ program established a new benefit equal to 50 percent of property taxes paid or \$6,500, whichever amount is less. The program institutes a higher income eligibility limit of \$500,000 and compares aggregate ANCHOR and Senior Freeze benefits to the new Stay benefit to give homeowners the highest benefit amount. The program also requires a single combined application for the ANCHOR, Senior Freeze, and Stay NJ programs, and stipulates quarterly credits to be applied to local property tax bills beginning with Calendar Year 2026. The Fiscal Year 2026 estimate reflects two out of the four annual quarterly payments for Calendar Year 2026 being credited to recipients during the second half of Fiscal Year 2026.

**Data Source:** New Jersey Office of Revenue and Economic Analysis and Division of Taxation.

**Reliability:** 2 Based on a sample of verified tax returns

## **Motor Fuels Tax**

### **Description**

P.L. 2010, Chapter 22, the Motor Fuels Tax Act, effective July 1, 2010, as amended, and operative beginning January 1, 2011, repeals prior Motor Fuels legislation in order to make sweeping changes in the licensing, reporting, and the imposition and collection of the Motor Fuels Taxes.

Motor fuels taxes are levied on all grades of gasoline, diesel, and gasohol (a mixture of ethanol and unleaded gasoline). Dyed Fuel is exempt from taxation.

The tax is due from the consumer, but it is remitted to the State by the supplier, or in rare cases, by the distributor. The tax is pre-collected by the supplier before going all the way down the supply chain.

### **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 petroleum gas sold or used to propel motor vehicles on public highways.

The Diesel Fuel 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.

Tax exempt sales include sales to the United States or any agency or instrumentality thereof and to the State of New Jersey and its political subdivisions, departments and agencies. Sales of dyed fuel and sales for export are also exempt.

### **Disposition of Revenues**

Certain revenues are credited to a special account in the General Fund and are dedicated from the Motor Fuels Tax, the Petroleum Products Gross Receipts Tax, and the Sales and Use Tax to the Transportation Trust Fund for maintenance of the State's transportation system (New Jersey Constitution, Article 8, Section 2, paragraph 4).

### 1 Exported Fuels

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 6/29/2010

**2026 Estimate:** \$0

**Applied Date:** 10/1/2010

**Objective:** To stipulate that fuels exported outside of the State are, in general, exempt from the tax imposed with certain limitations applying.

**Description:** Fuels exported outside New Jersey are generally exempt from imposition of the tax, with certain limitations.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 2 Fuel Used by Aircraft

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010

**2026 Estimate:** \$0

**Objective:** To exempt fuel used by aircrafts from the tax imposed by the Motor Fuels Tax Act.

**Description:** Fuel used by aircraft is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L.2010, c.22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issues.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 3 Fuel Used by Ambulances

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010

**2026 Estimate:** \$100,000

**Objective:** To allow the fuel used by an ambulance to be exempt from the current Motor Fuels Tax, or receive a refund of taxes imposed.

**Description:** Fuel used by ambulances is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Reliability:** 1 Based on the population of verified tax returns.

**Data Source:** New Jersey Division of Taxation.

**Effectiveness:** Current law allows for the deduction or exclusion of certain vehicles, including ambulances, from the motor fuels tax in order to reduce an entities' expenses. All eligible to benefit take advantage of either this deduction or exemption.

### 4 Fuel Used by Certain Agricultural Tractors and Farm Machinery

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010

**2026 Estimate:** \$0

**Objective:** Motor fuel used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuel Tax Act of 2010.

**Description:** Fuel used by agricultural tractors not operated on a public highway is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 5 Fuel Used by Certain Autobuses

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010

**2026 Estimate:** \$400,000

**Objective:** Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

**Description:** Fuel used by autobuses while being operated over the highways of this State in those municipalities to which the operator has paid a monthly franchise tax for the use of the streets therein under the provisions of R.S.48:16-25 and autobuses while being operated over the highways of this State in a regular route bus operation as defined in R.S.48:4-1 and under operating authority conferred pursuant to R.S.48:4-3, or while providing bus service under a contract with the New Jersey Transit Corporation or under a contract with a county for special or rural transportation bus service subject to the jurisdiction of the New Jersey Transit Corporation pursuant to P.L. 1979, Chapter 150 (C.27:25-1 et seq.), and autobuses providing commuter bus service which receive or discharge passengers in New Jersey is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L. 2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 6 Fuel Used by Non-Highway Equipment

**Citation:** N.J.S.A. 54:39-112a

**Effective Date:** 10/1/2010

**2026 Estimate:** \$600,000

**Objective:** Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

**Description:** Fuel used by stationary machinery and vehicles or implements not designed for the use of transporting persons or property on the public highways is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L.2010, Chapter 22 (C.54:39-101 et seq.), and a refund.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 7 Off Road Use of On Road Vehicles

**Citation:** N.J.S.A. 54:39-112a(8)

**Effective Date:** 10/1/2010

**2026 Estimate:** \$300,000

**Objective:** Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

**Description:** Fuel used by highway motor vehicles that are operated exclusively on private property is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

### 8 Total Exempt Government Sales

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010

**2026 Estimate:** \$1,400,000

**Objective:** To stipulate that sales made to government entities are exempt under the current Motor Fuels Tax Act and were exempt under the previous statute.

**Description:** Sales made to government entities are exempt under the current motor fuels law and were exempt under the previous statute.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## **Motor Vehicle Tire Fee Overview**

### **Description**

P.L. 2004, Chapter 46 imposes a fee on the sale of new motor vehicle tires, including new tires sold as a component part of a motor vehicle, either sold or leased, that are subject to New Jersey Sales Tax. The tire fee is imposed per tire, including the spare tire sold as part of a motor vehicle. The tire fee also applies to sales of new tires in connection with a repair or maintenance service.

### **Rate**

The motor vehicle tire fee is \$1.50 per tire.

### **Disposition of Revenues**

The revenue collected from the Motor Vehicle Tire Fee is deposited in the Tire Management and Cleanup Fund established in the Department of Environmental Protection. Any additional revenue collected is available for appropriation to the Department of Transportation to support snow removal operations.

**1 Exempt Tires Sales Times \$1.50 Tire Fee**

**Citation:** N.J.S.A. 54: 32F-1 et seq.

**Effective Date:** 6/29/2004

**2026 Estimate:** \$3,800,000

**Applied Date:** 8/1/2004

**Objective:** To offset the cost of proper scrap tire pile management.

**Description:** The law exempts the Motor Vehicle Tire Fee on transactions where Sales Tax would be exempt. Examples could include new tire sales for resale, tires sold to exempt organization or government agency and vehicles purchased by non-residents where the vehicle will be registered in their state of residency.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## **Nursing Home Provider Assessment Overview**

### **Description**

The New Jersey "Nursing Home Quality of Care Improvement Fund Act" established an assessment on nursing homes, in accordance with federal regulations set forth at 42 C.F.R. 433.68, in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes.

The Department of Health is responsible for the oversight, coordination and disbursement of fund monies. The New Jersey Division of Taxation is charged with the responsibility for collecting the quarterly assessments. The fund will receive revenues from quarterly assessments from nursing homes based upon payment of an assessment in accordance with 42 C.F.R. 433.68. This assessment shall be paid to the Division of Taxation, Department of the Treasury.

### **Rate**

The per diem assessment rate is \$14.67 per non-Medicare day to applicable nursing homes.

**1 Exempt Days Times Rate**

**Citation:** N.J.S.A. 26:2H-92 et seq.

**Effective Date:** 6/29/2004

**2026 Estimate:** \$17,700,000

**Applied Date:** 7/1/2004

**Objective:** To ensure compliance with applicable federal requirements that will enable the State to receive its maximum share of federal Medicaid matching funds.

**Description:** The New Jersey Nursing Home Quality Care Act established a quarterly assessment on nursing homes in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## **Petroleum Products Gross Receipts Tax Overview**

### **Description**

The Petroleum Products Gross Receipts Tax (PPGRT) 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. P.L. 2024, Chapter 7 requires that the PPGRT rate be recalculated annually to ensure that revenue collections meet the Highway Fuel Cap Revenue Target determined for each fiscal year. The FY 2025 Highway Fuel Cap is set by the new statute at exactly \$2.032 billion, with annual, defined growth required through FY 2029. Any change to the PPGRT rate must be implemented by January 1st of each year.

### **Rate**

Gasoline and Liquefied Petroleum Gas (LPG) – Effective January 1, 2025, the tax rate on gross receipts from the first sale of gasoline, including blended fuel that contains gasoline or is intended for use as gasoline, and LPG in the State, is \$0.344 per gallon.

Diesel Fuel – Effective January 1, 2025, the tax rate on gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, is \$0.344 per gallon.

Fuel Oil – Effective January 1, 2025, the tax rate on gross receipts from the first sale of fuel oil products in New Jersey is \$0.124 per gallon.

Petroleum Products Other than Highway Fuel and Aviation Fuel – Effective January 1, 2025, companies that refine and/or distribute petroleum products (other than highway fuel and aviation fuel) pay a tax of 7 percent on their gross receipts from the first sale of those products in New Jersey.

Additional Tax – There is an additional tax of \$0.04 per gallon on the gross receipts from the first sale in New Jersey of gasoline, blended fuel that contains gasoline or that is intended for use as gasoline, LPG, and aviation fuel.

The additional tax is also imposed on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene at a rate of \$0.08 per gallon.

### **Disposition of Revenues**

Certain revenues are credited to a special account in the General Fund and dedicated to the Transportation Trust Fund under the New Jersey Constitution, Article 8, Section 2, paragraph 4.

## **Recent History**

P.L. 2024, Chapter 7: Beginning Fiscal Year 2025, the law increases the highway fuel cap annually through Fiscal Year 2029. It also changes the date from August 15 to November 15 by which the State Treasurer and the Legislative Budget and Finance Officer must determine the total revenue derived from the gas taxes collected in the prior State fiscal year.

**1 Withdrawn for Use Outside New Jersey**

**Citation:** N.J.S.A. 54:15B-3

**Effective Date:** 6/30/2000

**2026 Estimate:** \$735,000,000

**Objective:** To set the Petroleum Products Gross Receipts Tax rate on fuel oils, aviation fuels and motor fuels subject to tax under R.S.54:39-1 et seq. at the current rate of 4¢ per gallon which is the minimum statutory rate allowed.

**Description:** Petroleum Gross Receipts Tax is only levied upon petroleum products for use or consumption within this State. Any such products withdrawn to be used outside New Jersey are exempt.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## **Realty Transfer Fee Overview**

### **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 recited in the deed.

The Realty Transfer Fee does not apply to a deed: for a consideration of less than \$100; by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; solely in order to provide or release security for a debt or obligation; which confirms or corrects a deed previously recorded; on a sale for delinquent taxes or assessments; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as an "ancient deed" pursuant to R.S. 46:16-7; acknowledged or proved on or before July 3, 1968; between husband and wife, or parent and child; conveying a cemetery lot or plot; in specific performance of a final judgment; releasing a right of reversion; previously recorded in another county and full Realty Transfer Fee paid or accounted for, as evidenced by written instrument, attested by the grantee, and acknowledged by the county recording officer; by an executor or administrator of a decedent to a devisee or heir to effect distribution of the decedent's estate in accordance with the provisions of the decedent's will or the intestate laws of this State; recorded within 90 days following the entry of a divorce decree which dissolves the marriage between grantor and grantee; issued by a cooperative corporation, as part of a conversion of all of the assets of the cooperative corporation into a condominium, to a shareholder upon the surrender by the shareholder of all of the shareholder's stock in the cooperative corporation and the proprietary lease entitling the shareholder to exclusive occupancy of a portion of the property owned by the - corporation.

### **Rate**

In accordance with Chapter 66, Laws of 2004, as amended by Chapter 19, Laws of 2005, the level or rate of the Realty Transfer Fee is as follows:

**Standard Transactions and New Construction**

***Total Consideration not Over \$350,000***

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$2.00
150,000	200,000	3.35
200,000	350,000	3.90

***Total Consideration Over \$350,000***

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$2.90
150,000	200,000	4.25
200,000	550,000	4.80
550,000	850,000	5.30
850,000	1,000,000	5.80
1,000,000	*	6.05

**Senior Citizens or Blind or Disabled Persons; Low and Moderate Income Housing**

***Total Consideration not Over \$350,000***

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$0.50
150,000	350,000	1.25

***Total Consideration Over \$350,000***

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$1.40
150,000	550,000	2.15
550,000	850,000	2.65
850,000	1,000,000	3.15
1,000,000	*	3.40

### **Additional Fee Where Consideration is Over \$1 million**

Effective February 1, 2005, a 1 percent fee is imposed upon grantees (buyers) on property transfers for consideration in excess of \$1 million for property Class 2 “residential”; Class 3A “farm property (regular)” if effectively transferred with other property to the same grantee; Class 4A commercial (other than industrial or apartment); and cooperative units, which are Class 4C. The 1 percent fee is imposed on the entire amount of such consideration recited in the deed. The 1 percent fee is not imposed upon organizations determined by the Internal Revenue Service to be exempt from federal income taxation that are the buyers in deeds for a consideration in excess of \$1 million.

### **Disposition of Revenues**

The Realty Transfer Fees per \$500 of consideration will be allocated according to the type of transaction as follows: Affordable Housing and the State Extraordinary Aid Account.

## Realty Transfer Fee

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### 1 Exempt Sales Exceeding \$1 million Where the Grantee Pays

**Citation:** N.J.S.A 46:15-7.4

**Effective Date:** 7/8/2006

**2026 Estimate:** \$59,800,000

**Applied Date:** 8/1/2006

**Objective:** In an effort to provide adequate funding for State services during what was then an austere fiscal period, the Realty Transfer Fee was increased on certain high-value income-producing properties (not including residential property, farm property, industry).

**Description:** The 1 percent fee shall not apply to a deed if a real property transfer is incidental to a corporate merger or acquisition and the equalized assessed value of the real property transferred is less than 20 percent of the total value of all assets exchanged in the merger.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on data files of incomplete or unverified information from actual tax returns

### 2 Partial Realty Transfer Fee Exemption (Sales Price Known)

**Citation:** N.J.S.A. 46:15-10.1

**Effective Date:** 6/30/2004

**2026 Estimate:** \$43,500,000

**Objective:** To generate revenue through the "general purpose fee" to be used for general State purposes. The bill also makes a number of editorial revisions in the text of the Realty Transfer Fee statute for purposes of clarifying its provisions.

**Description:** Under the partial Realty Transfer Fee exemption, the State portion of the fee is not charged on sale of a one- or two-family residential premises owned and occupied by a senior citizen, blind person or disabled seller or the sale of low and moderate income housing. Transfers of title to real property upon which there is new construction shall be 80 percent exempt from payment based on the first \$150,000 of consideration.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on data files of incomplete or unverified information from actual tax returns

**3 Total Realty Transfer Fee Exemption for Sales Price Less than \$100 (Sales Price Known)**

**Citation:** N.J.S.A. 46:15-10(a)

**Effective Date:** 1/14/2000

**2026 Estimate:** \$159,100,000

**Objective:** To exempt the Realty Transfer Fee to a deed imposed if the consideration is less than \$100.

**Description:** The law does not impose a Realty Transfer Fee to a deed where the consideration, as defined in section 1(c) of the law, is less than \$100.00.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on data files of incomplete or unverified information from actual tax returns

**4 Total Realty Transfer Fee Exemption Where Such Sales Price Would Have Exceeded \$100 (Sales Price Known)**

**Citation:** N.J.S.A. 46:15-10

**Effective Date:** 1/14/2000

**2026 Estimate:** \$16,400,000

**Objective:** To clarify that the conversion of real property from a cooperative form of ownership to a condominium form of ownership is not subject to the Realty Transfer Fee, which applies to sales and transfers of interests in real property, by specifying an exemption.

**Description:** Statutory exemptions to the Realty Transfer Fee include: sales by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; sales made solely in order to provide or release security for a debt or obligation.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on data files of incomplete or unverified information from actual tax returns

## Appendix I: Tax Expenditures that Do Not Have an Estimate

The following statutory provisions, segregated by tax, have been deemed tax expenditures. This agency cannot make estimates of their value at this time.

### Gross Income Tax

#### *Deduction*

6 Cafeteria Plan, Qualified Option [N.J.S.A. 54A:6-24](#)(P.L. 1995, Chapter 111)

#### *Deduction/Exemption*

15 Medical Savings Account Contributions [N.J.S.A. 54A:3-4](#) (P.L. 1997, Chapter 414)  
28 Gambling Losses [N.J.S.A. 54A:5-1\(g\)](#) (P.L. 1976, Chapter 47; amended 1977, Chapter 40, 1977, Chapter 273, 1981, Chapter 423, 1983, Chapter 571, 1987, Chapter 76, 1987, Chapter 310, 1990, Chapter 79, 1993, Chapter 173, 1997, Chapter 414, 1998, Chapter 57)

#### *Exclusion*

8 Cash or Assistance from a Charitable Organization [N.J.S.A. 54A:6-5](#), [N.J.S.A. 54A:6-22](#)  
9 Certain Exclusions from Military Pay [N.J.S.A. 54A:6-7](#) (P.L. 1976, Chapter 47)  
10 Charitable Trust or Pension/Profit Sharing Plan Trust [N.J.S.A. 54A:2-1](#) (P.L. 1976, Chapter 47)  
12 Commuter Transportation Benefits [N.J.S.A. 54A:6-23](#) (P.L. 1993, Chapter 108; amended 1996, Chapter 121; 2001, Chapter 162)  
14 Damages for Personal Injury or Illness [N.J.S.A. 54A:6-6](#) (P.L. 1976, Chapter 47)  
20 Education IRA or State Tuition Plan Earnings [N.J.S.A. 54A:6-25](#) (P.L. 1997, Chapter 237; amended P.L. 1999, Chapter 46, Chapter 116, P.L. 2001, Chapter 262)  
22 Employee's Death Benefits [N.J.S.A. 54A:6-4](#) (P.L. 1976, Chapter 47)  
27 Family Leave Benefits [N.J.S.A. 54A:6-31](#)  
32 Holocaust Reparations and Restitution [N.J.S.A. 54A:6-29](#) (P.L. 1998, Chapter 113)  
33 Homeless Persons' Assistance Programs [N.J.S.A. 54A:6-22](#) (P.L. 1988, Chapter 29; amended P.L. 2008, Chapter 127)  
34 Life Insurance Payments [N.J.S.A. 54A:6-4](#) (P.L. 1976, Chapter 47)  
35 Loan Redemption [N.J.S.A. 54A:6-25.1](#) (P.L. 2005, Chapter 157)  
38 Medical Savings Account Contributions [N.J.S.A. 54A:6-27](#) (P.L. 1997, Chapter 414)  
39 Military Pension and Survivor's Benefit Payments [N.J.S.A. 54A:6-26](#) (P.L. 1997, Chapter 409; amended 2001, Chapter 84)  
50 Roth IRA Distributions [N.J.S.A. 54A:6-28](#) (P.L. 1998, Chapter 57)  
51 Scholarships and Fellowship Grants [N.J.S.A. 54A:6-8](#) (P. L. 1976, Chapter 47)

**Sales and Use Tax****Exclusion**

1 Admission to Athletic Games: Elementary or Secondary Schools	<u>N.J.S.A.</u> 54:32B-9(f)(2)(A) (P.L.1997, Chapter 162, s.27)
2 Admissions Charges from an Exempt Organization	<u>N.J.S.A.</u> 54:32B-9(f) (P.L. 1997, Chapter 162)
10 Capital Improvements to Real Property	<u>N.J.S.A.</u> 54:32B-3(b)(4) (P.L. 1966, Chapter 30)
12 Casino Parking Charges pursuant to an agreement between the CRDA and a Casino Operator	<u>N.J.S.A.</u> 54:32B-3(i)
29 Direct Mail Advertising and Processing Services (as defined in N.J.S.A. 54:32B-3(b)(5))	<u>N.J.S.A.</u> 54:32B-3(b)(5) (P.L. 2008, Chapter 123)
31 Distribution of Certain Corporate Property	<u>N.J.S.A.</u> 54:32B-(2)(e)(4)(c)
36 Employer Provided Parking	<u>N.J.S.A.</u> 54:32B-3(i) (P.L. 2007, Chapter 105)
52 Food and Drink for Airline Passengers	<u>N.J.S.A.</u> 54:32B-3
55 Food Sold by a Manufacturer	<u>N.J.S.A.</u> 54:32B-3(c)(3)(ii)(A)
56 Food Sold in an Unheated State	<u>N.J.S.A.</u> 54:32B-3(c)(3)(ii)(B)
57 Food that is Cut, Repacked or Pasteurized by the Seller	<u>N.J.S.A.</u> 54:32B-3(c)(3)(i)(B)
59 Garment Services	<u>N.J.S.A.</u> 54:32B-3(b)(2)(iii)
63 Hotel Occupancy by a Permanent Resident	<u>N.J.S.A.</u> 54:32B-2(m)
66 Inconsequential Tangible Personal Property	<u>N.J.S.A.</u> 54:32B-(2)(e)(4)(A)
67 Initiation Fees and Membership Dues: Exempt Entity Operated	<u>N.J.S.A.</u> 54:32B-3(h)(2)
68 Initiation Fees and Membership Dues: Youth Membership	<u>N.J.S.A.</u> 54:32B-3(h)(1)
69 Interest, Financing, and Carrying Charges	<u>N.J.S.A.</u> 54:32B-2(oo)(2)(B)
72 Limousine Services - Funerals	<u>N.J.S.A.</u> 54:32B-3(b)(13)
81 Milk Sales by Coin-Operated Vending Machine	<u>N.J.S.A.</u> 54:32B-3(c)(2)
86 Non-Reimbursed Discounts	<u>N.J.S.A.</u> 54:32B-2(oo)(2)(A)
89 Parking Charges Subject to Other Taxes	<u>N.J.S.A.</u> 54:32B-3(i)
90 Parking Charges Subject to the Atlantic City Parking Fee	<u>N.J.S.A.</u> 54:32B-3(i)
92 Partnership Distributions (as defined in <u>N.J.S.A.</u> 54:32B-(2)(e)(4)(D))	<u>N.J.S.A.</u> 54:32B-(2)(e)(4)(D)
93 Prepared Food Delivered to Homebound	<u>N.J.S.A.</u> 54:32B-3(c)(1)
96 Private Services to a Homeowner	<u>N.J.S.A.</u> 54:32B-3(b)(2)(i)
98 Property Contributed Towards Partnership Interest	<u>N.J.S.A.</u> 54:32B-(2)(e)(4)(F)
105 Radio and Television Programming Services	<u>N.J.S.A.</u> 54:32B-2(cc)(13)

110 Residential Home Heating System services (as defined in <u>N.J.S.A. 54:32B-3(b)(4)</u> )	<u>N.J.S.A. 54:32B-3(b)(4)</u>
111 Residential Parking	<u>N.J.S.A. 54:32B-3(i)</u>
116 Sales of Property held for Security	<u>N.J.S.A. 54:32B-2(e)(4)(G)</u>
118 Services Performed as an Employee	<u>N.J.S.A. 54:32B-3</u>
119 Services Rendered by Certain Individuals	<u>N.J.S.A. 54:32B-3(b)(2)(v)</u>
120 Services to Exempt Medical Equipment	<u>N.J.S.A. 54:32B-3(b)(2)</u>
122 Shoe Repairs	<u>N.J.S.A. 54:32B-3(b)(2)(iv)</u>
124 Storage of Property Held for Sale	<u>N.J.S.A. 54:32B-3</u>
127 Taxes Imposed on the Consumer	<u>N.J.S.A. 54:32B-2(o)(2)(c)</u>
128 Transfer of Property for Corporate Stock	<u>N.J.S.A. 54:32B-2(e)(4)(E)</u>
129 Transfer of Property to a Corporation	<u>N.J.S.A. 54:32B-2(e)(4)(B)</u>

**Exemption**

Breast Pumps, Breast Pump Milk Collection and Storage Supplies , Certain Breast Pump services and Repair	<u>N.J.S.A 54:32B-8.63</u> ( P.L. 2017, Chapter 276)
5 Barges	<u>N.J.S.A 54:32B-8.12</u> ( P.L. 1988, Chapter 53)
6 BPU-Regulated Service Provider purchases of equipment (as defined in <u>N.J.S.A. 54:32B-8.13C</u> )	<u>N.J.S.A. 54:32B-8.13(c)</u> (L. 1980, Chapter 105, § 25; amended 1985, Chapter 266; 1989, Chapter 2, § 1; 1995, Chapter 317; 1996, Chapter 26, § 18; 1997, Chapter 162, § 23).
8 Building Materials and Supplies Purchased for an Exempt Organization	<u>N.J.S.A. 54:32B-8.22</u> (P.L. 1980, Chapter 105, amended 1983, Chapter 303, § 31; P.L. 1988, Chapter 83, § 1; P.L. 1988, Chapter 93, § 5; P.L. 2006, Chapter 34, § 2)
9 Business Retention and Relocation Assistance Grant Program – Sales Tax Exemption (STX)	<u>N.J.S.A. 34:1B-114</u> (P.L. 1996, Chapter 25, § 4, eff. May 9, 1996; amended 2004, Chapter 65, § 4, eff. June 30, 2004; 2007, Chapter 310, § 1, eff. Jan. 13, 2008; 2010, Chapter 123, § 3, eff. Jan. 6, 2011.)
11 Cargo Containers	<u>N.J.S.A. 54:32B-8.12</u> (P.L. 1980, Chapter 105, § 24; amended P.L. 1981, Chapter 218, § 1; P.L. 1988, Chapter 53; P.L. 1999, Chapter 273)
13 Casual Sales	<u>N.J.S.A. 54:32B-8.6</u> (P.L. 1980, Chapter 105, § 18; amended P.L. 1983, Chapter 400, § 7; P.L. 1989, Chapter 123, § 4; P.L. 2005, Chapter 126, § 10.)
15 Chemicals and Catalysts used in manufacturing processes	<u>N.J.S.A. 54:32B-8.20</u> (L. 1980, Chapter 105, 32, eff. Sept. 11, 1980)
17 Cogeneration Facility purchases of machinery and	<u>N.J.S.A. 54:32B-8.13(d)</u>

	apparatus (as defined in <u>N.J.S.A. 54:32B-8.13(d)</u> )	
18	Coin-Operated Telephone Service	<u>N.J.S.A. 54:32B-8.58</u> (P.L. 2008, Chapter 123, § 16)
19	Coin-Operated Vending Machine Sales under \$.25	<u>N.J.S.A. 54:32B-8.9</u>
20	Commercial Fishing Boats and Boat Repairs	<u>N.J.S.A. 54:32B-8.12</u>
21	Commercial Fishing Vessels	<u>N.J.S.A. 54:32B-8.12</u>
22	Commercial Trucks and Truck Repairs (as defined in <u>N.J.S.A. 54:32B-8.43</u> )	<u>N.J.S.A. 54:32B-8.43</u> (P.L. 1990, Chapter 115, § 3)
23	Commercial Trucks Used for Interstate Travel	<u>N.J.S.A. 54:32B-8.43</u>
24	Concession Stand Sales: State-Owned Veterans Facilities	<u>N.J.S.A. 54:32B-8.54</u>
26	Diabetic Supplies	<u>N.J.S.A. 54:32B-8.1</u>
28	Diplomats, Consulates and Foreign Embassies	<u>N.J.S.A. 54:32B-9(a)(3)</u>
32	Durable Medical Equipment	<u>N.J.S.A. 54:32B-8.1</u> (P.L. 1980, Chapter 105, § 13; amended 1982, Chapter 227, § 5; 1987, Chapter 383, § 1; 2005, Chapter 126, § 7; 2008, Chapter 123, § 6).
35	Electronically Delivered Software for Business Use	<u>N.J.S.A. 54:32B-8.56</u> (P.L. 2005, Chapter 126, §15; amended 2006, Chapter 44, §12; 2008, Chapter 123, §11).
37	Energy and Utility Service	<u>N.J.S.A. 54:32B-8.47</u> (P.L. 1997, Chapter 162, § 33; amended 2007, Chapter 94, § 1)
38	Equipment for Printing and Publishing	<u>N.J.S.A. 54:32B-8.29</u> (P.L. 1980, Chapter 105, 41. Amended by P.L. 1985, Chapter 440, 1)
39	Equipment Used on Boats or Ships	<u>N.J.S.A. 54:32B-8.12</u> (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273).
41	Exempt Organizations: Parent-Teachers Associations	<u>N.J.S.A. 54:32B-9(b)</u> (P.L. 1997, Chapter 162)
42	Exempt Organizations: United Nations	<u>N.J.S.A. 54:32B-9(a)(3)</u>
44	Farm machinery and apparatus (as defined in <u>N.J.S.A. 54:32B-8.16</u> )	<u>N.J.S.A. 54:32B-8.16</u>
45	Farm Vehicles and Vehicle Repairs	<u>N.J.S.A. 54:32B-8.43</u>
47	Ferryboats carrying passengers (as defined in <u>N.J.S.A. 54:32B-8.12</u> )	<u>N.J.S.A. 54:32B-8.12</u> (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999)
48	Films, Records and Tapes Used in Radio and Television	<u>N.J.S.A. 54:32B-8.18</u>
49	Firearm Safety Locks	<u>N.J.S.A. 54:32B-8.50</u>

51	Flag sales (American and New Jersey State)	<u>N.J.S.A.</u> 54:32B-8.26 (P.L. 1980, Chapter 105)
60	Gas, Water, Steam and Fuel in Containers and Bulk	<u>N.J.S.A.</u> 54:32B-8.7
61	Gold and Silver	<u>N.J.S.A.</u> 54:32B-8.32
62	Government-owned Ships and Other Vessels	<u>N.J.S.A.</u> 54:32B-8.12
64	Human Blood and its Derivatives	<u>N.J.S.A.</u> 54:32B-8.1
65	Imprinting Services	<u>N.J.S.A.</u> 54:32B-8.48
73	Limousines and Limousine Repairs	<u>N.J.S.A.</u> 54:32B-8.52
74	Locomotives, Railroad Cars and Other Railroad Rolling Stock	<u>N.J.S.A.</u> 54:32B-8.27
75	Magazines and Periodicals	<u>N.J.S.A.</u> 54:32B-8.5
76	Marine Terminal Facility equipment and apparatus (as defined in <u>N.J.S.A.</u> 54:32B-8.12)	<u>N.J.S.A.</u> 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999).
77	Marine Terminal Services (as defined in <u>N.J.S.A.</u> 54:32B-8.12)	<u>N.J.S.A.</u> 54:32B-8.12
79	Medical Oxygen	<u>N.J.S.A.</u> 54:32B-8.1
80	Membership Periodicals	<u>N.J.S.A.</u> 54:32B-8.5
82	Mobility Enhancing Equipment	<u>N.J.S.A.</u> 54:32B-8.1
85	Newspapers	<u>N.J.S.A.</u> 54:32B-8.5
87	Out-of-State Sales	<u>N.J.S.A.</u> 54:32B-8.10
95	Printed Advertising Material Delivered Out-of-State	<u>N.J.S.A.</u> 54:32B-8.39
97	Production Machinery	<u>N.J.S.A.</u> 54:32B-8.13(a)
100	Property Used in Research and Development or Laboratory Sense	<u>N.J.S.A.</u> 54:32B-8.14
102	Protective Work Equipment	<u>N.J.S.A.</u> 54:32B-8.4
103	Public Passenger Buses	<u>N.J.S.A.</u> 54:32B-8.28 (P.L. 1991, Chapter 497)
107	Rental of Tangible Personal Property to Related Parties	<u>N.J.S.A.</u> 54:32B-8.53
108	Repairs to Certain Aircraft	<u>N.J.S.A.</u> 54:32B-8.35(b)
112	Sale-Leaseback Transactions	<u>N.J.S.A.</u> 54:32B-8.57
114	Sales by a Mortician, Undertaker or Funeral Director	<u>N.J.S.A.</u> 54:32B-8.17
115	Sales of Certain Aircraft	<u>N.J.S.A.</u> 54:32B-8.35(a)
125	Tax Exempt Organizations: National Guard and War Veteran Posts	<u>N.J.S.A.</u> 54:32B-9(b)(4)
126	Tax Exemption for Certain Fishing Vessels and Equipment	<u>N.J.S.A.</u> 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273)
130	Transportation Charges Exemption	<u>N.J.S.A.</u> 54:32B-8.11 (P.L. 1980, Chapter

133	Utility Equipment Purchases (as defined in <u>N.J.S.A. 54:32B-8.13(b)</u> )	105, § 23; amended 1997, Chapter 162, § 22; 2006, Chapter 44, § 8) <u>N.J.S.A. 54:32B-8.13(b)</u>
134	Vessels of 50-ton burden or more (as defined in <u>N.J.S.A. 54:32B-8.12</u> )	<u>N.J.S.A. 54:32B-8.12</u> (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273) <u>N.J.S.A. 54:32B-9(b)</u>
135	Volunteer Fire and Similar Emergency Companies' purchases (as defined in <u>N.J.S.A. 54:32B-9(b)</u> )	<u>N.J.S.A. 54:32B-9(b)</u>
136	Wrapping Supplies	<u>N.J.S.A. 54:32B-8.15</u>
138	Partial Sales Tax Exemption for Boats and Other Vessels	<u>N.J.S.A. 54:32B-4.2-54:32B-6.1 et seq.</u> ( P.L. 2015, Chapter 170)

## Corporation Business Tax

### *Credit*

17	HMO Assistance Fund Tax Credit	<u>N.J.S.A. 17B:32B-12</u>
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### *Exemption*

7	Business Income of Non-Profits	<u>N.J.S.A. 54:10A-3€</u>
9	Cemetery Corporations not conducted for profit	<u>N.J.S.A. 54:10A-3(d)</u>
24	Non-Profit Corporations	<u>N.J.S.A. 54:10A-3(e)</u> (P.L. 1945, Chapter 162)
25	Non-Profit Retirement Communities	<u>N.J.S.A. 54:10A-3(h)</u> (P.L. 1973, Chapter 275)
26	Non-Stock Residential Housing	<u>N.J.S.A. 54:10A-3(g)</u> (P.L. 1963. Chapter 59)

## Cigarette Tax

### *Exemption*

3	U.S. Constitution Federal laws	<u>N.J.S.A. 54:40A-8</u> through <u>N.J.S.A. 54:40A-10</u> , N.J.A.C. 18:5-2.4
4	U.S. V.A. for Free Distribution to Hospitalized Veterans	<u>N.J.S.A. 54:40A-10</u> (P.L. 1948, Chapter 65, p. 159, §303, amended P.L. 1955, Chapter 18)

## Local Property Tax Support by State Government

### *Exemption*

Non-Theater of War Veteran Property Tax Exemption	<u>N.J.S.A 54:4-3.33a</u>
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## **Appendix II: Taxes of the State of New Jersey**

The following outline provides basic information regarding taxes imposed by the State of New Jersey and administered by the Division of Taxation and the Division of Revenue and Enterprise Services that a new business may be responsible for collecting and paying.

### **New Jersey Gross Income Tax**

(N.J.S.A. 54:A:1-1 et seq.)

Personal Income Tax is imposed on the New Jersey taxable income of resident and nonresident individuals, estates and trusts for taxable years ending on or after July 1, 1976. Residents are subject to tax on all income, regardless of where it was earned, while nonresidents are only subject to tax on income derived from sources within New Jersey.

The withholding requirements apply to *every* New Jersey employer making payment of taxable wages. For New Jersey Gross Income Tax purposes, the term "employer" includes organizations that may be exempt from federal income tax or New Jersey Corporation Business Tax, such as religious organizations and governmental agencies.

Generally, anything regarded as "wages" for federal withholding purposes is subject to withholding for the New Jersey Income Tax. Every employer is required to file a quarterly return of tax withheld (NJ-927) for each calendar quarter. Some employers are also required to file a monthly remittance (NJ-500). Employers classified as "weekly payers" must remit payment of withholdings by means of Electronic Funds Transfer (EFT) on the Wednesday of the week following the week in which the taxes were withheld.

Employers not classified as weekly payers must remit the tax withheld with their withholding return either monthly or quarterly, depending on the amount of withholding liability.

### **Reciprocal Agreement**

(New Jersey & Pennsylvania Residents Only)

Under the Reciprocal Tax Agreement, the compensation derived by residents of either state (New Jersey or Pennsylvania) will be subject to income tax only in the state of residence including compensation income derived from sources within the other state.

Compensation that is limited to the provisions of the Reciprocal Agreement means salaries, wages, tips, fees, commissions, bonuses and other remuneration received for services rendered. Businesses or professional income earned by a resident of either state is not covered by the Reciprocal Agreement and is subject to the income tax of the state in which it is earned.

## **Withholding Requirement for Contractor Services**

(N.J.S.A.54A:7-1)

Effective January 1, 2007, the law requires persons, other than a governmental entity, homeowner, or tenant, who maintain an office or transact business in New Jersey and make payments for services to certain unincorporated construction contractors and unregistered individuals to withhold New Jersey Gross Income Tax at the rate of 7 percent from those payments. For more information regarding the withholding requirement for contractor services, go to the Division's Web site at:

[www.state.nj.us/treasury/taxation/noticegit.shtml](http://www.state.nj.us/treasury/taxation/noticegit.shtml).

## **Unemployment and Disability Taxes**

If you are employing, or expect to employ, one or more persons, you should notify the Division of Revenue and Enterprise Services so that a determination can be made as to whether or not you are subject to the law. Under the law (N.J.S.A. 43:21-19(h1) et seq.) it is your responsibility to make the fact known.

**Determination of Liability** - If you start a business and employ one or more individuals and pay wages of \$1,000 or more in a calendar year, you may be subject to the law.

If you acquire the organization, trade or business, or substantially all the assets of an employing unit which is already subject to the law, you immediately become a subject employer.

If you are subject to the provisions of the Federal Unemployment Tax Act (FUTA) you automatically become subject under the law, unless the services performed are specifically excluded under the New Jersey law. An employing unit is generally subject to FUTA if it had covered employment during some portion of a day in 20 different calendar weeks within the calendar year or had a quarterly payroll of \$1,500 or more.

**Note:** Agricultural Employers -You are liable for contributions on wages paid to agricultural employees if:

1. You were already a registered employer, or
2. Not registered, you were or became subject to the Law, having paid wages of \$1,000 or more in a calendar year to one or more workers for services performed in a non-agricultural business operation, or
3. You acquired the organization, trade or business, or substantially all the assets of an employing unit already subject to the law, or
4. You are subject to the Federal Unemployment Tax Act, or
5. Not subject under the above provisions, you:
  1. Paid gross cash remuneration of \$20,000 or more to individuals employed in

agricultural labor during any calendar quarter, or

2. Employed ten or more individuals in agricultural labor, regardless of whether they were employed at the same moment of time, for some portion of a day in each of 20 different calendar weeks, whether or not such weeks were consecutive.

**Special Employers** - Under certain circumstances, a crew leader who provides a crew to an agricultural employer, can be considered the employer of the crew for unemployment tax purposes. The agreement between the crew leader and entity must comply with all federal and State regulations and the crew leader must be registered under the New Jersey Crew Leader Registration Act. For further information contact any Regional Office.

**Domestic Employers** - In order for you to become subject to the law, you must have paid gross cash wages of at least \$1,000 to domestic labor in a calendar quarter.

The State of New Jersey and its political subdivisions are subject to the law.

#### **Set Off of Individual Liability**

(N.J.S.A. 54A:9-7 et seq.)

Public Laws of 1981, Chapter 239, provides the authority for the New Jersey Department of the Treasury to apply or cause to be applied any monies due a taxpayer as a Gross Income Tax refund or Homestead Property Tax rebate, or both, if necessary, toward satisfaction of any indebtedness that the taxpayer may have outstanding to any agency or institution of the New Jersey State *Government* or the Internal Revenue Service.

#### **Corporation Business Tax**

(N.J.S.A. 54:10A-1 et seq.)

The Corporation Business Tax Act imposes a franchise tax for the privilege of having or exercising a corporate charter, deriving income or doing business, employing or owning capital or property or maintaining an office in New Jersey. The tax also applies to foreign corporations falling into one of the following categories:

Holds a general Certificate of Authority issued by the Division of Revenue and Enterprise Services to do business in New Jersey; or

- Holds a certificate, license, or other authorization issued by another New Jersey department or agency authorizing it to engage in business within New Jersey; or
- Employs or owns capital in New Jersey; or
- Employs or owns property in New Jersey; or
- Maintains an office in New Jersey; or

- Derives receipts from sources in New Jersey; or
- Engages in contacts in New Jersey; or
- Does business in New Jersey.

Returns are required to be filed on or before the 15th day of the fourth month following the close of the taxpayer's accounting period. Every corporation must, before commencing to do business in this State, obtain a Corporate Charter from the Division of Revenue and Enterprise Services.

### **New Jersey S Corporations**

P.L. 1993, Chapter 173, provides that a corporation may elect to be treated as a New Jersey S corporation. A corporation may make the election to be treated as a New Jersey S corporation only if the corporation is or will be an S corporation pursuant to Section 1361 of the Internal Revenue Code, and each initial shareholder of the corporation consents to the election and the jurisdiction requirements by submitting the S corporation election form (CBT-2553).

### **Notice of Business Activities Reporting Act**

(N.J.S.A. 14A:13-14 to 14A:13-23)

Foreign corporations which carry on any activity or own or maintain any property in this State, unless specifically exempted, must file an annual Notice of Business Activities Report. No report is necessary if the foreign corporation has received a Certificate of Authority to do business in New Jersey or has filed a timely return as required under the Corporation Business Tax or the Corporation Income Tax Acts.

The failure of a foreign corporation to file a timely report may prevent the use of the courts in New Jersey for all contracts executed and all causes of action that arose at any time prior to the end of the last accounting period for which the corporation failed to file a required timely report.

### **Corporation Banking and Financial Business Tax**

(N.J.S.A. 54:10A-1 *et seq.*)

Banking and financial businesses that operate as corporate entities are subject to the provisions of the New Jersey Corporation Business Tax Act. For a calendar year operation, a Banking and Financial Corporation Return (BFC-1) is due on the 15th day of April or the 15th day of the fourth month after the close of the fiscal year.

### **Sales and Use Tax**

(N.J.S.A. 54:32B-1 *et seq.*)

A tax is imposed on the receipts from every retail sale or rental of tangible personal property,

food and beverage sold by restaurants or caterers, and charges for admissions and occupancies of hotel rooms except as otherwise provided in the Act. The tax is also imposed on the receipts from every sale except for resale of certain services as enumerated in the Act including, for example, installing, repairing or maintaining tangible or real property, storage services, telecommunications, direct mail processing, investigation and security services.

A Use Tax is imposed on items acquired for use in this State on which a Sales Tax would be due but has not been paid.

The law exempts many items such as food ingredients for human consumption, prescription drugs, ordinary clothing and footwear, and utilities such as water, steam, and fuel.

The Act further provides tax exemptions for certain items and services when used or consumed under specifically defined conditions or circumstances.

The Sales and Use Tax is imposed on the consumer; however, every person required to collect any tax imposed by this Act shall be personally liable for collecting and remitting such tax.

Persons required to collect the tax and persons accepting exemption certificates must complete the Registration Application (NJ-REG).

Sales and Use Tax returns (Forms ST-50/ST-51) must be filed electronically, either online or by phone. All vendors are required to file quarterly returns (Form ST-50), and some vendors may also have to file monthly returns (ST-51).

### **Salem County**

(N.J.S.A. 54:32B-8.45 et seq.)

Certain sales made by businesses located in Salem County are taxable at a reduced Sales Tax rate. To qualify for the rate, the sale must be made from a place of business regularly operated by the vendor for the purpose of making retail sales at which items are regularly exhibited and offered for retail sale and which is not utilized primarily for the purpose of catalogue or mail order sales. Also, merchandise must be ordered or picked up in person by the purchaser at the place of business in Salem County. Salem County vendors file the ST-450 return.

### **Atlantic City Luxury Sales Tax**

(N.J.S.A. 40:48-8.15 et seq.)

Atlantic City imposes a tax on specified retail sales or sales at retail occurring within the city limits. "Retail sale" or "sale at retail" is defined to include:

- Any sale in the ordinary course of business for consumption of whiskey, beer or other

alcoholic beverages by the drink in restaurants, cafes, bars, hotels, and similar establishments;

- Any cover, minimum, entertainment or other similar charge made to any patron of any restaurant, cafe, bar, hotel or other similar establishment;
- The hiring (with or without service) of any room in any hotel, inn, rooming or boarding house;
- The hiring of any rolling chair, beach chair or cabana; and
- Admissions to any theater, moving picture, pier, exhibition or place of amusement.

Vendors are required to be licensed. Sales to or by the State of New Jersey or its political subdivisions, sales exempt under federal law, and sales by a church or bona fide nonprofit charitable association are exempt.

The ST-250 return is required to be filed by vendors on or before the 20th day of each month covering receipts for the preceding calendar month. Taxes are paid by the purchaser to the vendor who remits the tax to the State. Payment accompanies the return.

### **Cape May County Tourism Sales Tax**

(N.J.S.A. 40:54D-1 et seq.)

The Tourism Improvement and Development District Act authorizes qualified municipalities to levy an additional Sales and Use Tax on predominantly tourism-related retail sales. The retail sales to be taxed include admissions, hotel occupancies, food and drink sold in restaurants, or similar establishments.

To qualify for the additional Sales Tax, all such retail sales must be taxable under the Sales and Use Tax Act (P.L. 1966, Chapter 30; N.J.S.A. 54:32B-1 et seq.). The local Sales and Use Tax would "piggyback" onto the State Sales and Use Tax which would be collected by the Division of Revenue and Enterprise Services placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for financing tourism promotion activities and projects within the district. Businesses that make sales of tourism-related items will file the ST-350 return on a monthly basis.

### **Urban Enterprise Zone**

(N.J.S.A. 52:27H-60 et seq.)

The Urban Enterprise Zone Act authorizes certain tax benefits for businesses designated as "qualified" by the Department of Commerce and Economic Development. These tax benefits are covered under the Sales and Use Tax Act and the Corporation Business Tax Act.

Application can be made with the Division of Revenue and Enterprise Services for these benefits

only after the business has been designated as "qualified" by the Department of Commerce and Economic Development.

### **State Occupancy Fee and Municipal Occupancy Tax**

(N.J.S.A. 40:48E-1 et seq.)

As of August 1, 2003, there is a State Occupancy Fee imposed on the rental of a room in a hotel, motel or similar facility, other than for assembly purposes. The rate in all municipalities other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest and North Wildwood was 7 percent as of August 1, 2003, and is reduced to 5 percent as of July 1, 2004. The State Occupancy Fee in those specific municipalities remains constant at 1 percent, except for the Wildwoods, where it is 3.15 percent. In addition, each municipality may adopt an ordinance imposing a Municipal Occupancy Tax which can be imposed at a rate of up to 1 percent as of August 1, 2003, and up to 3 percent as of July 1, 2004.

There is an exemption from the State Occupancy Fee and Municipal Occupancy Tax for rentals by agencies and instrumentalities of the federal government, agencies, instrumentalities and political subdivisions of the State of New Jersey and the United Nations and similar organizations. Holders of an Exempt Organization Certificate (ST-5) are not exempt from the State Occupancy Fee or Municipal Occupancy Tax.

All businesses engaged in renting rooms in a hotel or similar facility must file the HM-100 Return by the 20th of each month and report and remit the State Occupancy Tax and the Municipal Occupancy Fee, if applicable. The HM-100 is also available on the Division's Web site.

### **Alcoholic Beverage Tax**

(N.J.S.A. 54:43-1 et seq.)

The Alcoholic Beverage Tax Act imposes taxes on alcoholic beverages.

The Alcoholic Beverage Tax is to be paid by manufacturers, wholesalers and other persons licensed by the Division of Alcoholic Beverage Control. Retail licenses are authorized and issued by municipalities of New Jersey.

### **Cigarette Tax**

(N.J.S.A. 54:40A-1 et seq.)

A tax is imposed on the sale, use or possession for sale or use within New Jersey of all cigarettes. License fees are payable by distributors, wholesalers, manufacturers, retailers and vending machine retailers.

**Motor Fuels Tax**

(N.J.S.A. 54:39-101 *et seq.*)

The Motor Fuels Tax applies to sales of gasoline, diesel fuel or liquefied petroleum gas used in motor vehicles on public highways.

**Insurance Premiums Tax**

(N.J.S.A. 54:16-1 *et seq.*, 16A-1 *et seq.*, 54:18A-1 *et seq.*, 54:17-4 *et seq.*)

Insurance Premiums Tax applies to premiums collected on insurance risks in this State during the preceding calendar year. The tax applies to every stock, mutual and assessment insurance company organized or existing under any general or special law of this State or any other state or foreign country transacting business in this State.

Taxable premiums of life insurance companies include all gross contract premiums except premiums for reinsurance and annuity considerations, less certain specified deductions. Non-life companies generally are taxed upon gross premiums and assessments except reinsurance premiums less certain deductions.

An annual Premium Tax return, reporting the tax liability for the preceding calendar year, must be filed and the tax paid by March 1 of each year. The March 1 return must also include a prepayment of the current year's tax liability equivalent to 50 percent of the prior year's tax liability. An additional prepayment of the current year's liability, also equivalent to 50 percent of the prior year's tax liability, is due June 1 of each year.

A tax on the premiums for fire insurance written by a company not organized under the laws of New Jersey must be reported and paid to the treasurer of a duly incorporated firemen's relief association in which the fire insurance risk is located by March 1 of each year, covering the preceding calendar year. The company must also report these premiums on the annual premium tax return. A deduction for the amount of tax paid directly to a firemen's relief association(s) applicable to the calendar year covered by the annual Premium Tax return is allowed.

A tax on the three-year average underwriting profits on ocean marine insurance is reported to the Commissioner of Insurance by April 1 of each year.

A tax on premiums charged for surplus lines coverage is collected from the insured by the surplus lines agent.

Insurance companies may also be subject to retaliatory tax under certain provisions in the law (N.J.S.A. 17:32-15. 17B:23-5).

**Realty Transfer Fee**

(N.J.S.A. 46:15-5)

Recording of deeds which transfer title to real property in New Jersey is subject to the Realty Transfer Fee. The fee is collected by the County Clerk or County Registrar of Deeds when the deed is presented for recording in the county in which the transfer of title occurred.

**Public Utility Franchise Tax**

(N.J.S.A. 54:30A-49 et seq.)

The Public Utility Franchise and Gross Receipts Taxes apply to persons, co-partnerships, associations, and corporations, other than those specifically exempted, operating as sewerage or water companies or providing sewerage and water service in the State of New Jersey.

**Local Property Tax**

(N.J.S.A. 54:4-1 et seq.)

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 and telegraph companies and messenger systems.

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.

**Spill Compensation and Control Tax**

(N.J.S.A. 58:10-23.11 et seq.)

The Spill Compensation and Control Tax is imposed upon the transfer of petroleum products and other hazardous substances, as determined by the New Jersey Department of Environmental Protection, within New Jersey.

The tax is payable by:

1. the operator or owner of the receiving major facility or vessel on a transfer of a hazardous substance from a major facility or vessel; or
2. the operator or owner of the transferring New Jersey major facility on a transfer of a previously untaxed non petroleum hazardous substance to a non-major facility; or
3. the owner of a hazardous substance transferred to a public storage terminal from a major facility or vessel.

A major facility is a facility with a storage capacity of 200,000 gallons or more for all hazardous substances, including petroleum products, or a storage capacity of 20,000 gallons or more of non-petroleum hazardous substances.

The SCC-5 return is required to be filed on or before the 20th day of each month for the preceding month's hazardous substance transfers.

### **Litter Control Fee**

(N.J.S.A. 13:1 E-213 through 13:1 E-223)

The Clean Communities and Recycling Grant Act imposes an annual Litter Control Fee on all gross receipts from wholesale sales and on all gross receipts from retail 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 \$500,000 in annual retail sales of litter-generating products is excluded from this fee for that calendar year. Annual returns (LF-5) are required to be filed on or before March 15 of each year.

Litter-generating products are: beer and other malt beverages, cigarette and tobacco products, cleaning agents and toiletries, distilled spirits, food for human or pet consumption, glass containers sold as such, groceries, metal containers sold as such, motor vehicle tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products and household paper other than roll stock and wood pulp, plastic or fiber containers made of synthetic material and sold as such, soft drinks and carbonated waters, and wine.

### **Sanitary Landfill Taxes**

All sanitary landfill taxes are reportable on one consolidated Sanitary Landfill Tax Return (Form SLT-5).

The Consolidated Sanitary Landfill Tax Return (Form SLT-5) must be filed by the 20th day of the month following that in which tax liability was first incurred and monthly thereafter.

### **Landfill Closure and Contingency Tax**

(N.J.S.A. 13:1 E-100 *et seq.*)

The Landfill Closure and Contingency Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal.

The Act also requires the sanitary landfill facility owner or operator to establish an escrow

account, administered by the New Jersey Department of Environmental Protection, and to deposit into the account \$1.00 per ton of all solid waste accepted for disposal.

### **Solid Waste Services Tax**

(N.J.S.A. 13:1 E-138a)

The Solid Waste Services Tax is levied on the owner or operator of every sanitary landfill facility in New Jersey on all solid waste accepted for disposal.

The revenue collected from the Solid Waste Services Tax will be deposited in the Solid Waste Services Tax Fund to be administered by the New Jersey Department of Environmental Protection.

### **Petroleum Products Gross Receipts Tax**

(N.J.S.A. 54:15b-1 *et seq.*)

The Petroleum Products Gross Receipts Tax imposes a tax on (a) the gross receipts derived or gallons sold from the first sale of petroleum products made to points in New Jersey, and (b) the dollar consideration given or contracted to be given for petroleum products imported or caused to be imported for use or consumption within New Jersey.

Receipts from (a) the sale of home heating oil and propane gas used exclusively for residential use, and (b) the sale of petroleum products to governmental entities and exempt organizations are exempt. This exemption does not extend to home heating oil and propane gas for commercial use.

Monthly remittances (PPT-41) and Quarterly reconciliation returns (PPT-40) are required to be filed no later than the 25th day of the month following the end of the month the tax was collected.

### **Tobacco and Vapor Products Tax**

(N.J.S.A. 54:40B-1 *et seq.*)

The Tobacco and Vapor Products Tax is imposed on sales of all tobacco products (excluding cigarettes as defined in N.J.S.A. 54:40A-2) by a wholesaler or distributor.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax on the wholesale sales price of the products.

Monthly returns (TP-20) are required to be filed no later than the 20th day of the month following the month the tax was collected.

**Domestic Security Fee**

(N.J.S.A. App. A:9-78 as amended by P.L. 2006, Chapter 42 § 1 )

The Domestic Security Fee Act imposes a \$5 per day fee on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented for the transportation of persons and noncommercial freight, for a period of not more than 28 days. The fee, which must be designated as the

"Domestic Security Fee" in the rental agreement, is separate from and in addition to any Sales and Use Tax imposed on the rental transaction and is not to be included in the receipts subject to Sales and Use Tax liability assessed pursuant to the "Sales and Use Tax Act," P.L.1966, Chapter 30 (C.54:32B-1 et seq.).

The fee must *be* reported on Form DSF-100, which is filed telephonically or by using an Internet based application on the Division of Taxation's Web site. The quarterly return must be filed whether or not there are any fees due for the quarter.

**New Jersey Motor Vehicle Tire Fee**

(N.J.S.A. 54:32F-1)

As of August 1, 2004, a fee of \$1.50 per tire is imposed on the retail sale of new motor vehicle tires, including tires that are a component part of a motor vehicle that is sold or leased. The Motor Vehicle Tire Fee is imposed on those transactions that are subject to the New Jersey Sales Tax Act. Thus, it is not imposed on sales made to federal or State governmental agencies and entities, qualified exempt organizations; sales for an exempt use; sales to nonresidents.

## **Emergency Preparedness and 9-1-1 System Assessment**

(N.J.S.A. 52:17C-17 et seq.)

The "Emergency Preparedness and 9-1-1 System Assessment" fee of \$0.90 is to be charged by:

- Mobile telecommunications companies for each *voice* grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State, and
- Telephone exchange companies for each telephone *voice* grade access service line provided as part of that telephone exchange service.

The law became effective July 1, 2004, for mobile telecommunications and August 1, 2004, for PBX Systems.

The fee must be reported on Form ERF-100, which is required to be filed on or before the 20th day of the month following the close of the calendar quarter and must be filed by phone. Payments must be made by electronic check, electronic funds transfer, or credit card.