

A REPORT ON TAX EXPENDITURES IN NEW JERSEY



NEW JERSEY DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION

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**STATE TAX EXPENDITURE REPORT
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1) INTRODUCTION

On January 12, 2010, Governor Corzine signed A-2139 into law as Chapter 189 of the Public Laws of 2009. The law requires a State tax expenditure report to be included in the Governor's annual budget message, commencing with the Governor's FY 2011 Budget message. This is the first such report.

State tax expenditure means those revenue losses attributable to provisions of State tax law which establish special tax treatment, including but not limited to tax law definition, deduction, exclusion, exemption, deferral, credit, preferential tax rate or other special tax provision resulting in a reduced tax liability for certain persons, individuals, types of income, transactions or property from the liability which would be presumed to exist without the State tax expenditure.

Certain goods or services, by law, are not subject to tax, or are not taxed under certain circumstances.

P.L. 2009, c.189 requires the reporting 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 subject years are FY 2009, FY 2010 and FY 2011.

It was not possible for the Division of Taxation to formulate data to attempt to address the following requirements of the law:

describe the objective of each State tax expenditure,

determine whether each State tax expenditure has been effective in achieving the purpose for which the tax expenditure was enacted and currently serves, including an analysis of the persons, including corporations, individuals or other entities, benefited by the expenditure,

the effect of each State tax expenditure on the fairness and equity of the distribution of the tax burden, and

the public and private costs of administering the State tax expenditures.

This report will present a summary table of the State tax expenditures, first by tax and then by category of tax expenditure. The body of the report provides a more detailed explanation of each tax and the tax expenditure(s) available under that levy.

Organization of the Text- For the purposes of this report, the Division of Taxation considers "tax expenditures" to be only those provided explicitly under statute, whether the enabling statute or subsequent provisions modifying the original statute. Primarily those statutory provisions allow for three categories of preferential tax treatment: exemptions, deductions and credits.

Exemptions are categories of goods, or certain uses thereof, or services that the law bars from subjectivity to taxation. Many times these expenditures are not even required to be reported. For example, under the New Jersey sales tax law, prescription drugs are exempt. Social Security income is exempt for New Jersey income tax purposes. **Exclusions** are similar in nature to exemptions.

Deductions reduce income or receipts subject to tax. Deductions are provided for any number of reasons, including the avoidance of double taxation on items which may have been taxed already. Common New Jersey income tax deductions include certain medical expenses and alimony paid.

Credits are direct reductions from the amount of taxes that must be paid. The provision of tax credits in tax law directly reduces taxes collected and, therefore, has a greater effect on revenues than do exemptions 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.

The estimates used in this report are from the New Jersey Economic Development Authority, the Division of Revenue and various offices within the New Jersey Division of Taxation. Tax returns do not require the provision of the kinds of data that would enhance tax expenditure reporting. Additionally, the Division of Taxation, in an effort to relieve taxpayer burden, requires as little information as is practicable to be included in taxpayer filings. Some estimates in this document are the result of standard economic estimating techniques using publicly-available information. The narrative describing each tax provides some specifics on how tax expenditures were arrived at.

For this first edition of the tax expenditure report, it was not possible to provide estimates for all the items listed in the Appendix as “tax expenditures”.

NOTE: The reporting of zeroes (0) in the summary of identified state tax expenditures indicates that no deduction was claimed in that category for FY09 or FY10 and FY11 estimates are that no deduction will be claimed for that year.

ACKNOWLEDGEMENTS

This report is a collaborative venture and represents the work of various units within and outside the Division of Taxation. Special thanks for their invaluable assistance is given to the Office of Revenue and Economic Analysis, the Regulatory Services Bureau, the Audit and Local Property Tax branches, the Disclosure Office and the Office of Legislative Analysis (all from the Division of Taxation), as well as the Economic Development Authority and the Division of Revenue. The report was compiled by John Kelly, the Division of Taxation’s Legislative Liaison.

2) SUMMARY OF IDENTIFIABLE STATE TAX EXPENDITURES
(In millions)

	FY09	FY10*	FY11 [◊]
Gross Income Tax (N.J.S.A. 54A:1-1, et seq.) P. L.1976, c.47, effective July 8, 1976 – additional tax expenditure categories listed in Appendix I which begins on page 29			
<i>Exclusions</i>			
Pension exclusion (N.J.S.A. 54A:6-10), P.L.1976, c. 47; amended P.L. 1977, c.40, c.273, P.L. 1979, c.79, P.L. 1990, c.61, P.L. 1999, c.177.	\$ 126.7	\$ 120.8	\$ 119.9
Exempt interest (state) exclusion (N.J.S.A. 54A:6-14), P. L. 1976, c. 47 ¹	\$ 79.8	\$ 61.4	\$ 64.3
Exempt interest (federal) exclusion (N.J.S.A. 54A:6-14), P.L. 1976, c. 47	\$ 233.7	\$ 179.6	\$ 188.3
Other retirement income exclusion (N.J.S.A. 54A:6-15), P.L. 1977, c. 273	\$ 20.6	\$ 18.6	\$ 18.8
<i>Deductions/Exemptions</i>			
Personal exemptions and deductions (N.J.S.A. 54A:3-1), P.L. 1976, c.47; amended P.L. 1990, c.61, P.L. 1993, c.178, P.L. 1993, c.320, P.L. 2003, c.246	\$ 295.9	\$ 292.1	\$ 285.8
Dependent under 22 in attendance at college (N.J.S.A. 54A:3-1.1), P.L. 1976, c. 84, effective Sept. 2, 1976.	\$ 8.2	\$ 8.3	\$ 8.2
Additional deduction for those 65 and over	\$ 15.6	\$ 18.4	\$ 12.4
Alimony (N.J.S.A. 54A:3-2), P.L. 1976, c. 47, effective July 8, 1976.	\$ 27.4	\$ 27.5	\$ 26.5
Medical expenses (N.J.S.A. 54A:3-3), P.L. 1976, c.47; amended P.L. 1997, c.414, P.L. 1999, c.222.	\$ 230.4	\$ 251.4	\$ 253.1
Self-employed health insurance costs (N.J.S.A. 54A:3-5), P.L. 1999, c.222	\$ 61.7	\$ 68.4	\$ 65.8
Qualified conservation contribution (N.J.S.A. 54A:3-6), P.L. 1999, c.372	\$ 1.0	\$ 1.2	\$ 1.0
Tax deduction for Health Enterprise Zone (N.J.S.A. 54A:3-8), P.L. 2004, c.139	\$ 0.2	\$ 0.5	\$ 0.3
Property Tax Deduction (N.J.S.A. 54A:3A-16), P.L. 1996, c.60	\$ 334.2	\$ 289.0	\$ 365.4
Expenses to generate net income from business (N.J.S.A. 54A:5-1(b)), P. L.1976, c.47; amended 1977, c.40, 1977, c.273, 1981, c.423, 1983, c.571, 1987, c.76, 1987, c.310, 1990, c.79, 1993, c.173, 1997, c.414, 1998, c.57.	\$ 504.5	\$ 511.4	\$ 520.4
Expenses to generate net income from rents, royalties, patents and copyrights (N.J.S.A. 54A:5-1(d)), P.L. 1976, c.47; amended P.L. 1977, c.40, P.L. 1977, c.273, P.L. 1981, c.423, P.L. 1983, c.571, P.L. 1987, c.76, P.L. 1987, c.310, P.L. 1990, c.79, P.L. 1993, c.173, P.L. 1997, c.414, P.L. 1998, c.57.	\$ 149.3	\$ 149.7	\$ 154.4

* FY10 tax expenditures contain both actual amounts and estimates

◊ FY11 tax expenditures based on estimates

¹ Includes exempt municipal issues

2) SUMMARY OF IDENTIFIABLE STATE TAX EXPENDITURES

(In millions)

	FY09	FY10*	FY11 [◇]
<i>Credits</i>			
Credit for taxes paid to other jurisdiction(s) (N.J.S.A. 54A:4-1), P. L.1976, c. 47; amended P.L. 1993, c.173	\$ 2,505.0	\$ 2,525.6	\$ 2,537.7
New Jersey Earned Income Tax Credit Payments (N.J.S.A. 54A:4-7)	\$ 218.0	\$ 223.4	\$ 230.0
Property tax credit in lieu of deduction (N.J.S.A. 54A:3A-20), P. L.1996, c.60	\$ 17.7	\$ 20.3	\$ 14.5
Sheltered workshop credit N.J.S.A. 54A:4-11), P.L. 2004, c.318	\$ 23.4	\$ 23.6	\$ 24.1
<i>Below threshold non-filers</i>			
Taxable income under \$20,000 (N.J.S.A. 54A:8-3.1)	\$ 57.3	\$ 57.3	\$ 57.3
Sales and Use Tax - additional tax expenditure categories listed in Appendix I which begins on page 29			
<i>Exemptions</i>			
Food and food ingredients (N.J.S.A. 54:32B-8.2)	\$ 1,192.7	\$ 1,235.8	\$ 1,280.5
Clothing and footwear (N.J.S.A. 54:32B-8.4)	\$ 855.3	\$ 885.9	\$ 918.3
Disposable household products (N.J.S.A. 54:32B-8.44), specifically eyeglasses	\$ 56.4	\$ 61.0	\$ 68.1
Over-the-counter drugs (N.J.S.A. 54:32B-8.1)	\$ 159.6	\$ 185.1	\$ 214.7
Drugs sold pursuant to doctor's prescription (N.J.S.A. 54:32B-8.1)	\$ 15.2	\$ 13.7	\$ 12.3
Motor, airplane and railroad fuels (N.J.S.A. 54:32B-8.8)	\$ 405.0	\$ 412.7	\$ 420.6
School textbooks (N.J.S.A. 54:32B-8.21)	\$ 17.4	\$ 19.4	\$ 21.7
Disposable household products (N.J.S.A. 54:32B-8.44)	\$ 90.1	\$ 96.5	\$ 103.3
Corporation Business Tax - additional tax expenditure categories listed in Appendix I which begins on page 29			
<i>Income Exclusions</i>			
Dividend Exclusion (ALL) (Schedule A-4, Line 16)	\$ 4,092.3	\$ 4,243.9	\$ 4,243.9
Dividend Exclusion (less than 50% owned) (Schedule A-4, Line 12)	\$ 177.0	\$ 159.3	\$ 159.3
60% of Investment Company Income (CBT-100, Page 1, Line 6)	\$ 0.9	\$ 49.3	\$ 49.3
96% of Real Estate Investment Trust/Regulated Investment Company Income (CBT-100, Page 1, Line 7)	\$ 11.7	\$ 16.9	\$ 16.9
<i>Deductions</i>			
Exceptions to Related Intangible Costs Expense Add Back (Schedule A-4, Line 3)	\$ 109.1	\$ 127.8	\$ 127.8
Net Operating Loss Deduction (Schedule A-4, Line 35)	\$ 148.0	\$ 275.5	\$ 275.5
All Income of New Jersey S Corporations (Form CBT-100S) Allocation/Apportionment	\$ 150.0	\$ 150.0	\$ 150.0
Elimination of Regular Place of Business	\$ 60.0	\$ 60.0	\$ 60.0
Elimination of Throw Out (Schedule A-4, Line 7)	\$ 250.0	\$ 250.0	\$ 250.0
Lack of Throw Back			
Double Weighting Receipts (Schedule A-4, Line 8)	\$ 125.0	\$ 125.0	\$ 125.0

* FY10 tax expenditures contain both actual amounts and estimates

[◇] FY11 tax expenditures based on estimates

2) SUMMARY OF IDENTIFIABLE STATE TAX EXPENDITURES
(In millions)

	FY09	FY10*	FY11 [◇]
Tax Credits			
HMO Assistance Fund Tax Credit from Form 310 (Schedule A-3)	\$ 2.3	\$ 2.3	\$ 2.3
New Jobs Investment Tax Credit from Form 304 (Schedule A-3)	\$ 2.9	\$ 2.5	\$ 2.5
Urban Enterprise Zone Employee Tax Credit from Form 330 (Schedule A-3)	\$ 0.04	\$ 0.143	\$ 0.143
Urban Enterprise Zone Investment Tax Credit from Form 301 (Schedule A-3)	\$ 0	\$ 0	\$ 0
Redevelopment Authority Project Tax Credit from Form 302 (Schedule A-3)	\$ 0	\$ 0	\$ 0
Manufacturing Equipment and Employment Investment Tax Credit from Form 305 (Schedule A-3)	\$ 18.5	\$ 15.5	\$ 15.5
Research and Development Tax Credit from Form 306 (Schedule A-3)	\$ 63.2	\$ 57.4	\$ 57.4
Neighborhood Revitalization State Tax Credit from Form 311 (Schedule A-3)	\$ 4.2	\$ 1.8	\$ 1.8
Effluent Equipment tax Credit from Form 312 (Schedule A-3)	\$ 0	\$ 0	\$ 0
Economic Recovery Tax Credit from Form 313 (Schedule A-3)	\$ 0.01	\$ 0.02	\$ 0.02
AMA Tax Credit from Form 315 (Schedule A-3)	\$ 43.4	\$ 40.1	\$ 40.1
Business Retention and Relocation Tax Credit from Form 316 (Schedule A-3)	\$ 2.6	\$ 1.7	\$ 1.7
Sheltered Workshop Tax Credit from Form 317 (Schedule A-3)	\$ 0	\$ 0	\$ 0
Film Production Tax Credit from Form 318 (Schedule A-3)	\$ 0.4	\$ 0.2	\$ 0.2
Alcoholic Beverage Tax			
<i>Exemptions</i>			
Beer and Malt	\$ 18.7	\$ 11.8	\$ 15.8
Liquor	\$ 48.6	\$ 42.6	\$ 56.7
Still Wine	\$ 14.1	\$ 8.9	\$ 11.9
Vermouth/Sparkling Wine/Apple Cider	\$ 0.6	\$ 0.4	\$ 0.6
Cigarette Tax - additional tax expenditure categories listed in Appendix I which begins on page 29			
<i>Credits</i>			
Distributor discounts (N.J.S.A. 54:40A-11; P.L. 1948, c. 65, p. 159, §401)	\$ 1.3	\$ 1.4	\$ 1.4
Domestic Security Fee			
Total deductions	\$ 1.1	\$ 0.8	\$ 0.8
Hotel/Motel Occupancy Fee			
Government exemption	\$ 45.9	\$ 48.5	\$ 50.0
Permanent resident exemption	\$ 73.6	\$ 78.0	\$ 78.7
Rooms for assembly (conferences) exemption	\$ 9.6	\$ 9.7	\$ 9.8

* FY10 tax expenditures contain both actual amounts and estimates

[◇] FY11 tax expenditures based on estimates

2) SUMMARY OF IDENTIFIABLE STATE TAX EXPENDITURES
(In millions)

	FY09	FY10*	FY11 [◊]
Local Property tax support by State government (N.J.S.A. 54:4-8.40 et seq.)			
Senior Citizen \$250 deduction	\$ 18.6	\$ 18.0	\$ 17.5
Veteran's \$250 deduction	\$ 67.4	\$ 65.3	\$ 63.3
Motor Fuels Tax - additional tax expenditure categories listed in Appendix I, which begins on page 29			
Exemptions			
Total exempt government sales - Distributors	\$ 0.1	\$ 0.1	\$ 0.1
Total exempt government sales - Jobbers	\$ 231.0	\$ 231.0	\$ 231.0
Total exempt government sales - Importers	\$ 9.0	\$ 9.0	\$ 9.0
Exemptions – Special Fuels			
Fuel used by certain auto buses (N.J.S.A. 54:39-66(b); P.L. 1935, c. 319, § 1202, p. 1035)	\$ 0.03	\$ 0.02	\$ 0.02
Fuel used by certain agricultural tractors (N.J.S.A. 54:39-66(c); P.L. 1935, c. 319, § 1202, p. 1035)	\$ 0.02	\$ 0.02	\$ 0.02
Fuel used by Farm Machinery. N.J.S.A. 54:39-66(d)			
Fuel used by Aircraft. (N.J.S.A. 54:39-66(e)) (See also N.J.S.A. 54:39-27(a); P.L. 1983, c. 264, § 7)	\$ 0.06	\$ 0.05	\$ 0.05
Fuel used by Ambulances. N.J.S.A. 54:39-66(f)	\$ 0	\$ 0	\$ 0
Fuel used by such highway motor vehicles as are operated exclusively on private property. N.J.S.A. 54:39-66(i)	\$ 0.04	\$ 0.03	\$ 0.03
Fuel used by certain stationary machinery and vehicles (N.J.S.A. 54:39-66(o))	\$ 0.19	\$ 0.14	\$ 0.14
Motor Vehicle Tire Fee			
Exempt tires times \$1.50 tire fee	\$ 4.2	\$ 4.6	\$ 4.6
9-1-1 System and Emergency Response Assessment			
Exempt lines times rate	\$ 1.2	\$ 1.0	\$ 1.0
Nursing Home Assessment			
Exempt days times rate	\$ 39.9	\$ 38.1	\$ 38.1
Petroleum Products Gross Receipts Tax			
Exemptions (sales of or sales to)			
Imported Petroleum Products - Withdrawn for use outside New Jersey	\$ 1.1	\$ 0.63	\$ 0.63
Realty Transfer Fee			
Total Realty Transfer Fee exemption where such fee would have been less than \$100 (sales price known)	\$ 122.1	\$ 122.1	\$ 122.1
Total Realty Transfer Fee exemption where such fee would have exceeded \$100 (sales price known)	\$ 16.8	\$ 16.8	\$ 16.8
Partial Realty Transfer Fee exemption (sales prices known)	\$ 13.1	\$ 13.1	\$ 13.1
Realty transfer fee –exempt sales exceeding \$1million where the grantor pays	\$ 15.5	\$ 15.5	\$ 15.5
Transfer Inheritance and Estate Taxes			
Increasing Class C beneficiary taxes to highest rate	\$ 40.0	\$ 40.0	\$ 40.0
Increasing Class A beneficiary to highest rate – filed returns	\$ 560.0	\$ 560.0	\$ 560.0

* FY10 tax expenditures contain both actual amounts and estimates

◊ FY11 tax expenditures based on estimates

Tax Descriptions

The following tax descriptions were taken from the *2008 Annual Report of the Division of Taxation*. All other sources or references are noted.

3) GROSS INCOME TAX

Description

This is a graduated tax that is levied on gross income earned or received after June 30, 1976, by New Jersey residents and nonresident individuals, estates, and trusts.

Rate

Historically, rates have ranged from a low of 1.44% and a high up to 10.75%.

Exemptions (partial list)

There are additional exemptions, however, below are those for which data is available.

- 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, \$1,500.
- Taxpayer's dependent under age 22 and attending college full time, additional \$1,000.

Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee.
- Unreimbursed medical expenses in excess of 2% of gross income; qualified medical savings account contributions; and for the self-employed, qualified health insurance costs.
- Property tax deduction (or credit).
- Qualified conservation contribution.
- 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.

Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This shall not exceed the proportion of tax otherwise due that the amount of the taxpayer's income 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 (or deduction).
- Sheltered Workshop Tax Credit.

Disposition of Revenues

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

Tax Expenditure Summary

The Division of Taxation's Office of Revenue and Economic Analysis provided actual and estimated totals.

4) SALES AND USE TAX

Sales and Use Tax applies to receipts from 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 less than New Jersey's rate.

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.

Rate

Currently, the rate of tax is 7% on taxable sales occurring on or after July 15, 2006.

Disposition of Revenues

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

Tax Expenditure Summary

The Division of Taxation's Office of Revenue and Economic Analysis provided actual and estimated totals.

5) CORPORATION BUSINESS TAX

Description

The Corporation Business Tax Act imposes a franchise tax on a domestic corporation for the privilege of existing as a corporation under New Jersey law, and on a foreign corporation for the privilege of having or exercising its corporate charter in this State or doing business, employing or owning capital or property, 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 rate is 9% upon entire net income, or the portion of entire net income allocated to New Jersey. For tax years beginning in calendar year 2002 and thereafter, the minimum Corporation Business Tax is \$500 or \$2,000 for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is \$5 million or more. New Jersey S corporations with an entire net income of \$100,000 or less are still subject to the minimum tax, but if entire net income exceeds \$100,000, the rate for periods ending on or before June 30, 2006, is 1.33%. For periods ending on or after July 1, 2006, but on or before June 30, 2007, the rate is 0.67%

For calendar years beginning in 2006 and thereafter, the minimum tax shall be based on New Jersey gross receipts as defined in the Business Tax Reform Act (P.L. 2002, C. 40).

For New Jersey gross receipts of less than \$100,000, the minimum tax is \$500. For New Jersey gross receipts equal to or greater than \$100,000, but less than \$250,000, the minimum tax is \$750. For New Jersey gross receipts equal to or greater than \$250,000, but less than \$500,000, the minimum tax is \$1,000. For New Jersey gross receipts equal to or greater than \$500,000, but less than \$1,000,000, the minimum tax is \$1,500. For New Jersey gross receipts equal to or greater than \$1,000,000, the minimum tax is \$2,000.

The minimum tax for affiliated or controlled groups remains the same, \$2,000 for each member of a group that has a total payroll of \$5,000,000 or more for a privilege period.

Disposition of Revenues

Revenues collected from general business corporations are deposited in the State Treasury for general State use. Revenues collected from banking and financial corporations are distributed 25% to counties, 25% to municipalities, and 50% to the State.

Article 8, Section 2, paragraph 6 of the State Constitution was amended to dedicate 4% of Corporation Business Tax revenue to fund hazardous discharge cleanup, underground storage tank improvements, and surface water quality projects.

Chapter 40, P.L. 2002, Section 32 created within the General Fund a restricted reserve fund to be known as the Corporation Business Tax Excess Revenue Fund.

Tax Expenditure Summary

The Division of Taxation's Office of Revenue and Economic Analysis provided actual and estimated totals.

6) ALCOHOLIC BEVERAGE TAX*

Description

Under the Alcohol Beverage Tax Law at N.J.S.A. 54:43-1 et seq. (P.L. 1933, c. 434, § 301, p. 1165), New Jersey imposes licensing requirements, permit fees and requires taxes to be paid on the manufacture, sale and distribution of alcoholic beverages in New Jersey.

Rates

Alcoholic beverages are subject to excise taxes on each gallon. The tax on beer is imposed at 12 ¢ per gallon. The tax on liquor is imposed at \$5.50 per gallon (\$4.40 prior to August 1, 2009). The tax on wine, vermouth, and sparkling wine is imposed at 87.5 ¢ per gallon (70 ¢ prior to August 1, 2009). Cider containing at least 3 2/10% of alcohol by volume but no more than 7% of alcohol by volume is taxed at the rate of 15 ¢ per gallon (12 ¢ prior to August 1, 2009). (N.J.S.A. 54:43-1; P.L. 1933, c. 434 § 301, p. 1165)

Tax on bitters, grenadine and other mixers: All bitters, grenadine, highballs, cocktails, cordials and other mixes which are classified by the IRS as intoxicating liquors and which require federal strip stamps are taxable at the rate of \$4.40 per gallon. (N.J.A.C. 18:3-3.4)

The tax must be paid once on any alcoholic beverages held within the state. (N.J.S.A. 54:43-3; P.L. 1933, c. 434, § 301, p. 1165) Sales or deliveries of alcoholic beverages to churches, convents or other religious societies and organizations, whether for sacramental purposes or otherwise, are taxable. (N.J.A.C. 18:3-3.5)

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. A small percentage also goes to the New Jersey Wine Promotion Account.

* Narrative provided by the NJ Division of Taxation's Regulatory Services Section

Tax Expenditure Summary

Tax expenditure totals are based on Division of Taxation actual figures and agency estimates.

	2009 out-of-state sales	2010 out-of-state sales (actual and estimated)	2011 out-of-state sales (estimated)
Beer and malt exemption	\$18,716,663	\$11,854,377	\$15,766,321.41
Liquor exemption	\$48,573,154	\$42,648,221	\$56,722,133.93
Still Wine exemption	\$14,073,152	\$8,960,799	\$11,917,862.67
Other exemption	\$641,328	\$426,420	\$567,138.60

7) ATLANTIC CITY CASINO TAXES AND FEES

Description

(P.L. 2003, C. 116) Imposes taxes and fees on multi-casino progressive slot machine revenue; the adjusted net income of casino licensees; casino hotel room occupancies; and casino hotel parking.

Rate

Taxes and fees are assessed at the following rates:

- 4.25% on the value of rooms, food, beverages, or entertainment given away for free or at a reduced price as a complimentary.
- 8.0% on multi-casino progressive slot machine revenue.
- 7.5% on the adjusted net income of casino licensees.
- \$3 per day fee on each hotel room occupied by a guest in a casino hotel.
- \$3 per day minimum casino hotel parking charge.

Disposition of Revenues

All revenues from the taxes and fees are deposited into the Casino Revenue Fund with the exception of the Casino Parking Fee, which is collected and held in a special fund by the State Treasurer. The funds are available to the Casino Reinvestment Development Authority to finance public improvements in the Atlantic City area.

8) CAPE MAY COUNTY TOURISM SALES TAX*

Description

This tax authorizes municipalities in Cape May County to require certain businesses to collect an additional 2% retail sales tax on tourism-related retail sales and/or pay a tourism development fee.

Rate

2% on tourism related retail sales (in addition to the State sales tax)
1.85% on the rent for any occupancy

* Narrative provided by the NJ Division of Taxation's Regulatory Services Section

Disposition of Revenues

The revenues are collected by the State Treasurer and are placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for tourism promotion projects and activities. The 1.85% tourism assessment is administered by the Division of Taxation, and revenues collected are deposited in a tourism assessment fund.

9) CIGARETTE TAX*

Description

Under N.J.S.A. 54:40A-1 et seq., (P.L. 1948, c. 65, p. 153, § 102), the cigarette tax applies to the sale, use or possession for sale of cigarettes in New Jersey. All cigarettes acquiring taxable status in New Jersey are automatically subject to tax. (N.J.S.A. 54:40A-8; P.L. 1948, c. 65, p. 159, § 301)

Rate

The cigarette tax is \$2.70 per pack of 20 cigarettes (13.5¢ per cigarette).

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 1998, C. 264, initial collections of \$155 million are deposited in the Health Care Subsidy Fund.

Tax Expenditure Summary

Distributor discounts for bulk purchases of cigarette stamps are the only estimable tax expenditure.

10) COSMETIC MEDICAL PROCEDURES GROSS RECEIPTS TAX

Description

Cosmetic medical procedures are medical procedures performed in order to improve the human subject's appearance without significantly serving to prevent or treat illness or disease or to promote proper functioning of the body. P.L. 2004, C. 53 imposes a gross receipts tax on the purchase of certain cosmetic medical procedures. The tax also applies to amounts charged for goods or facility occupancies, such as hospitalization or clinic stays, required for or directly associated with the cosmetic medical procedure.

Rate

The rate is 6% on gross receipts from cosmetic medical procedures and related goods and occupancies.

Disposition of Revenues

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

* Narrative provided by the NJ Division of Taxation's Regulatory Services Section

11) DOMESTIC SECURITY FEE

Description

The Domestic Security Fee is imposed under P.L. 2002, C. 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

The fee is assessed at the rate of \$5 per day effective July 8, 2006, on all motor vehicle rental companies doing business in this State for each rental day a motor vehicle is rented under agreements of 28 days or less. 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. Prior to July 8, 2006, the rate was \$2 per day.

Disposition of Revenues

The fee is paid to the Division of Taxation for deposit in the New Jersey Domestic Security Account established in the General Fund.

Tax Expenditure Summary

Total deductions represent the only estimable tax expenditure for this levy.

12) HOTEL/MOTEL OCCUPANCY FEE

(The corresponding Municipal Occupancy Tax is a local tax and does not fall within the scope of this report.)

Description

P.L. 2003, C. 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.

Rate

On or after July 1, 2004 the state fee is reduced to 5% or at a lower rate in cities in which such occupancies are already subject to tax:

- Atlantic City - 1%
- Newark and Jersey City - 1%
- The Wildwoods - 3.15%

The majority of the municipalities that have enacted a municipal occupancy tax have authorized the tax rate to increase to 3%; however, Cape May City (Cape May County), Glassboro Borough (Gloucester County), Berkeley Township (Ocean County), and Somers Point City (Atlantic County) impose the tax at the rate of 2%.

Disposition of Revenues

The monies collected from the State Occupancy Fee are deposited to the General Fund and are statutorily allocated, in varying percentages, to the New Jersey State Council on the Arts for cultural projects; the New Jersey Historical Commission; the New Jersey Commerce and Economic Growth Commission 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.

Tax Expenditure Summary

Tax expenditure totals are based on Division of Taxation actual figures and estimates.

13) INSURANCE PREMIUMS TAX

Description

The Insurance Premiums Tax applies to premiums collected on insurance risks by every insurance company transacting business in New Jersey. The tax base is gross contract premiums less specified deductions. Annuity considerations and reinsurance premiums are not taxed.

Rate

With a few exceptions, the tax rate is 2% of the premiums collected on insurance risks in this State. Major exceptions include group accident and health insurance premiums (1%); ocean marine risks (5% of three-year average of underwriting profits); workers compensation premiums (2.25%). If, for any insurance company, the ratio of New Jersey business to total business is greater than 12.5%, the tax is imposed on only 12.5% of that company's total premiums. Another .05% is imposed on group accident and health premiums and another .1% on all other insurance premiums, the revenues being dedicated to the Department of Insurance.

In 1991 the Life and Health Guaranty Association was formed, supported by assessments of up to 2% each year on defined life insurance, annuity, and health insurance accounts. Each member insurer may offset some portion of its assessment against its Insurance Premiums Tax liability.

Disposition of Revenues

The tax is prepaid based on the previous year's premiums, with payments due March 1 and June 1. Revenues, with the exception of some domestic revenues, are deposited in the State Treasury for general State use.

Municipalities and counties continue to receive payments to replace the revenue from the repealed insurance franchise tax on domestic insurance corporations. The State Treasurer pays an annual amount to each county and municipality in which the principal office of a domestic insurance company is located. Payments are made so long as the principal office of a domestic insurance company remains at the location established on January 1, 1981.

14) LANDFILL CLOSURE AND CONTINGENCY TAX

Description

This tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. In addition, the owner or operator must make a monthly payment of \$1 per ton or \$0.30 per cubic yard for the host community benefit surcharge for all solid waste accepted for disposal.

Rate

The tax rate is \$0.50 per ton or \$0.15 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form is \$0.002 per gallon.

Disposition of Revenues

All tax revenues are credited to the Sanitary Landfill Facility Contingency Fund, administered by the New Jersey Department of Environmental Protection, established to insure the proper closure and operation of sanitary landfill facilities in this State.

15) LITTER CONTROL FEE

Description

The Litter Control Fee is imposed on all gross receipts from sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor, or retailer of such products. Any retailer with less than \$500,000 in annual retail sales of litter-generating products is exempt from this fee. Restaurants are exempt if more than 50% of their food and beverage sales are for on-premises consumption.

Litter-generating products include beer, cigarettes, cleaning agents and toiletries, distilled spirits, food, glass containers, metal containers, groceries, tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products, plastic and fiber containers, soft drinks, and wine.

Rate

Manufacturers, wholesalers, and distributors of litter generating products pay a fee of 3/100 of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are charged at the rate of 2.25/100 of 1% (.0225%) on all gross receipts from retail sales of litter-generating products. The fee is paid annually on March 15th of each year.

Disposition of Revenues

Revenues are deposited in the Clean Communities Program Fund and are used for litter pickup and removal and to provide recycling grants to New Jersey counties and municipalities.

16) LOCAL PROPERTY TAX SUPPORT BY STATE GOVERNMENT

Description

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

The deduction is granted where:

- The senior citizen is 65 years or more and the annual income of the senior citizen and any spouse/civil union partner is not in excess of \$10,000.
- The disabled person is under 65 years and permanently and totally disabled and the annual income of that person and any spouse/civil union partner is not in excess of \$10,000.
- The blind person is under 65 years and permanently and totally disabled and the annual income of that person and any spouse/civil union partner is not in excess of \$10,000.
- The surviving spouse/surviving civil union partner has not remarried/entered into a new civil union partnership and was age 55 or more as of December 31 of the year prior to the tax year and at time of his/her spouse's/civil union partner's death.

Tax Expenditure Summary

- The Division of Taxation maintains records of payments to municipalities for these two programs. Those payments are 102% of the actual benefit amounts due to the qualified taxpayers in each requisite municipality and include an additional 2% of that amount to offset local administrative costs.
- Most information is taken from the tax lists, which must be sent to the Division of Taxation from individual municipalities and which are due on January 10th of the year following the year for which data is recorded.
- Each year there are individual denials of these deductions based on criteria set forth above by individual municipalities. The final results of these are sent to the Division of Taxation on May 30th.
- The checks for the aggregate amounts of these benefits are mailed in November. The FY 2010 checks referenced above will go out in November, 2010.

17) MOTOR FUELS TAX*

Description

The Motor Vehicle Fuels Tax is an excise tax imposed on motor vehicle fuel sold or used in New Jersey. (N.J.S.A. 54:39-27; P.L. 1935, c. 319, § 311, p. 1020)

“Fuels” means (1) any liquid or gaseous substance commonly or commercially known or sold as gasoline regardless of its classification or use; and (2) any liquid or gaseous substance used, offered for sale or sold for use, either alone or when mixed, blended, or compounded, which is capable of generating power for the propulsion of motor vehicles upon the public highways.

Special fuels are also subject to tax. “Special fuels” means any fuel capable of generating power in a diesel type engine (N.J.S.A. 54:39-64.3; P.L. 1992, c. 23, § 54).

Rate

The general motor fuels tax rate is \$0.105 per gallon of gasoline. A tax of \$0.0525 per gallon is imposed on petroleum gas and liquefied or compressed natural gas sold or used to propel motor vehicles on public highways.

No tax is due from sales of motor fuels to the United States or the State of New Jersey; between licensed distributors; between licensed gasoline jobbers; and for export.

Disposition of Revenues

Certain revenues are credited to a special account in the General Fund and are dedicated from the gasoline tax, the petroleum products tax, and the Sales and Use Tax to the Transportation Trust Fund for maintenance of the State’s transportation system. *See* the New Jersey Constitution, Article 8, Section 2, paragraph 4.

Tax Expenditure Summary

Tax expenditure totals are based on Division of Taxation actual figures and estimates.

* Narrative provided by the NJ Division of Taxation’s Regulatory Services Section

	FY 2009	FY 2010	FY 2011
Sales where buyer must apply for refund			
Highway Autobus	\$ 24,767	\$ 17,174	\$17,174
Aircraft	\$ 64,573	\$ 48,365	\$48,365
Agric Farming	\$ 23,623	\$ 19,908	\$19,908
Private Property usage	\$ 43,580	\$ 27,666	\$27,666
Stationary Equipment	\$194,413	\$141,902	\$141,902
Exempt sales to government entities (Non-special fuels)			
Distributors	\$ 119,649	\$ 119,649	\$ 119,649
Importers	\$ 8,984,796	\$ 8,984,796	\$ 8,984,796
Jobbers	\$231,023,667	\$231,023,667	\$231,023,667

18) MOTOR VEHICLE TIRE FEE

Description

P.L. 2004, C. 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 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.

Tax Expenditure Summary

Tax expenditure totals are based on Division of Taxation actual figures and agency estimates.

19) 9-1-1 SYSTEM AND EMERGENCY RESPONSE ASSESSMENT

Description

P.L. 2004, C. 48 concerns certain services, imposes a fee on periodic billings to mobile telecommunications and telephone exchange customers. This fee is charged by mobile telecommunications companies and telephone exchange companies.

The fee is not applicable to the Federal government, its agencies, or instrumentalities. The law also provides an exemption for 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 \$.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 serves to replace the current 9-1-1 infrastructure Statewide with a state-of-the-art enhanced 9-1-1 system. Revenue collected is also applied to pay for costs of funding the State’s capital equipment, facilities, and operating expenses that arise from emergency preparedness, emergency response training, counter-terrorism measures, security at State facilities including transportation infrastructure, preparation for first responders to chemical or biohazard emergencies, and any expenses of the Office of Emergency Management in the Division of State Police in the Department of Law and Public Safety.

20) NURSING HOME ASSESSMENT

Description

The New Jersey Nursing Home Quality of Care Improvement Fund, P.L. 2004, C. 41, establishes 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.

Rate

The current rate is \$11.89 per non-Medicare day to applicable nursing homes. The annual assessment rate is calculated by the Department of Health and Senior Services, and may be up to a maximum of 6% of the aggregate amount of annual revenues received by applicable nursing homes.

Disposition of Revenues

The monies collected from the nursing home provider assessment are statutorily transferred to the General Fund and allocated for the support of nursing home programs designated by the Commissioner of Health and Senior Services. The remaining monies, after the transfer to the General Fund, along with any Federal Medicaid funds received by the Commissioner, are distributed directly to qualifying nursing homes.

Tax Expenditure Summary

Tax expenditure totals are based on Division of Taxation actual figures and agency estimates.

21) PETROLEUM PRODUCTS GROSS RECEIPTS TAX*

Description

The Petroleum Products Gross Receipts Tax is imposed on all companies engaged in refining and/or distributing petroleum products for distribution in this State. (N.J.S.A. 54:15B-3; P.L. 1990, c. 42, § 3)

Petroleum products do not include any finished manufactured products that may include petroleum as an ingredient but are not actually petroleum products. Examples of these manufactured products include plastics, candles, animal feed, anti-freeze, ink, roofing shingles, and synthetic fibers. (N.J.A.C. 18:18A-1.2(4))

* Narrative provided by the NJ Division of Taxation’s Regulatory Services Section

Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. In the case of fuel oils, aviation fuels, and motor fuels, this rate is converted to \$0.04 per gallon pursuant to C. 48, P.L. 2000, adopted on June 30, 2000. Eligible taxpayers may claim the Neighborhood Revitalization State Tax Credit against the petroleum products gross receipts tax pursuant to P.L. 2001, C. 415.

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.

Tax Expenditure Summary

The Division of Taxation only captures gross deductions in two categories; total exemptions/deductions claimed and imported petroleum products which were withdrawn for use outside New Jersey. Only the latter (withdrawn for use) were reported here.

22) PUBLIC COMMUNITY WATER SYSTEM TAX**Description**

The Public Community Water System Tax is levied upon the owner or operator of every public community water system in New Jersey based upon water delivered to consumers, not including water purchased for resale.

Rate

The tax rate is \$0.01 per 1,000 gallons of water delivered to a consumer.

Disposition of Revenues

Revenues are deposited in the Safe Drinking Water Fund administered by the New Jersey Department of Environmental Protection and used to ensure clean drinking water in New Jersey.

23a) PUBLIC UTILITY FRANCHISE TAX**Description**

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

The rate is either 2% or 5% of a proportion of the gross receipts of the taxpayer for the preceding calendar year. The proportion of gross receipts subject to tax is the ratio of the taxpayer's total length of lines or mains which are located along, in, on, or over any street, highway, road, or other public place to the whole length of lines or mains. Measurements of lengths of lines or mains exclude service connections.

Rate

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

Disposition of Revenues

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

23b) PUBLIC UTILITY GROSS RECEIPTS TAX

Description

Public Utility Gross Receipts Tax is in addition to the Franchise Tax and is in lieu of the local taxation of certain properties of sewerage and water companies in New Jersey

Rate

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

Disposition of Revenues

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

23c) PUBLIC UTILITY EXCISE TAX

Description

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

Rate (Calendar Year Basis)

0.625% upon gross receipts subject to the franchise tax (0.25% for taxpayers with gross receipts not in excess of \$50,000 annually); 0.9375% upon gross receipts of all sewerage and water public utilities.

Disposition of Revenues

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

24) RAILROAD FRANCHISE AND PROPERTY TAXES

Description

The Railroad Franchise Tax is levied upon railroads (or systems of railroads) operating within New Jersey. Railroad Tax Law has three classes of property:

- Class I: Main stem – Roadbed not exceeding 100 feet in width.
- Class II: All other real estate used for railroad purposes including roadbed other than main stem.
- Class III: Facilities used for or related to passenger service (N.J.S.A. 54:20A-2).

The Railroad Property Tax is a State tax on Class II property.

Exemptions

Class I (Main stem), tangible personal property, and facilities used in passenger service. Class III (Facilities used in relation to passenger services) is exempt from tax.

Rates

Railroad Franchise Tax is assessed at the rate of 10% upon the net railway operating income of the preceding year allocated to New Jersey.

\$4.75 is assessed for each \$100 of true value of Class II railroad property.

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. However, the municipalities where railroad property is located, are guaranteed the return of certain replacement revenues (it should be noted that no State aid has been paid since calendar year 1984). The Consolidated Municipal Tax Relief Aid Program is administered by the Department of Community Affairs.

25) REALTY TRANSFER FEE*

Description

The Realty Transfer Fee is imposed upon the recording of deeds evidencing transfers of title to real property in the State of New Jersey. The Realty Transfer Fee is calculated based on the amount of consideration stated in the deed. A 1% fee ("mansion tax") is imposed on buyers in transfers of property that is class 2 "residential;" 3A "farm property (regular)"; a cooperative unit, and 4A "commercial property" (property class defined in N.J.A.C. 18:12-2.2 et seq.) for transfers for consideration in excess of \$1 million.

Exemptions

The Realty Transfer Fee does not apply to the following deeds:

- 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;

* Narrative and tax expenditure amounts provided by the NJ Division of Taxation's Local Property Tax Branch

- 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.

Rates

Realty Transfer Fee (RTF) schedules as imposed on sellers are as follows:

1. There is no exemption of the RTF for the seller of property where the consideration is less than \$350,000. Rates in this category range from \$2.00 - \$3.90 for each \$500 of consideration.
2. There is no exemption of the realty transfer fee on the seller if consideration exceeds \$350,000. Rates in this category range from \$2.90 - \$6.05 for each \$500 of consideration.
3. Senior citizen, blind/disabled person, low and moderate income housing, consideration that is less than or equal to \$350,000. Rates in this category range from \$0.50 - \$3.40 for each \$500 of consideration.
4. Senior citizen, blind/disabled person, low and moderate income housing, consideration in excess of \$350,000. Rates in this category range from \$1.40 - \$3.40 for each \$500 of consideration.

Amount per \$500 of consideration, received by State government, is deposited into the Extraordinary Aid Account and the State's General fund.

Tax Expenditure Summary

Tax expenditure totals are based on Division of Taxation actual figures and agency estimates.

26) SOLID WASTE SERVICES TAX

Description

The Solid Waste Services Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal.

Rate

The tax rate in 2007 was \$1.60 per ton or \$0.48 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form was \$0.002 per gallon. On the first of January annually the tax rate increases on solids by \$0.05 per ton or \$0.015 per cubic yard.

Disposition of Revenues

The revenue collected from the Solid Waste Services Tax is deposited in the Solid Waste Services Tax Fund administered by the New Jersey Department of Environmental Protection. Monies in the fund are allocated to the counties based on the amount of waste generated and used for implementing county solid waste management plans.

27) SPILL COMPENSATION AND CONTROL TAX

Description

The Spill Compensation and Control Tax is imposed on owners or operators of one or more major facilities used to refine, store, produce, handle, transfer, process, or transport hazardous substances, including petroleum products, to ensure compensation for cleanup costs and damages due to discharge of hazardous substances.

The tax is also imposed on owners of a hazardous substance which is transferred to a public storage terminal and to any transferor of a previously untaxed nonpetroleum hazardous substance from a major facility to one which is a non-major facility.

Rate

Nonpetroleum hazardous substances	1.53% of fair market value
Petroleum products	\$0.023 per barrel
Precious metals	\$0.023 per barrel
Elemental phosphorus	\$0.023 per barrel
Elemental antimony or antimony trioxide	\$0.023 per barrel, with annual approval

The tax rate may be increased in the case of a major discharge or series of discharges of petroleum products to a rate not to exceed \$0.04 per barrel until the revenue produced by the increased rate equals 150% of the total dollar amount of all pending reasonable claims resulting from the discharge.

Disposition of Revenues

The proceeds are deposited into the New Jersey Spill Compensation Fund to ensure compensation for cleanup costs and damage associated with the discharge of petroleum products and other hazardous substances.

28) TOBACCO PRODUCTS WHOLESALE SALES AND USE TAX

Description

The Tobacco Products Wholesale Sales and Use Tax is imposed on the receipts from every sale of tobacco products, other than cigarettes, by a distributor or a wholesaler to a retail dealer or consumer. Cigarettes are exempt from this tax.

Chapter 448, P.L. 2001 converted the Tobacco Products Wholesale Sales and Use Tax from one imposed on the price that a distributor receives from the sale of tobacco products to a vendor or consumer to one imposed upon the lower price that the distributor pays to buy the products from the manufacturer.

Rate

The Tobacco Products Wholesale Sales and Use Tax is imposed at the rate of 30% on the invoice price the distributor pays to buy the products from the manufacturer.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax of 30% measured by the sales price of a similar tobacco product to a distributor.

The Tobacco Products Wholesale Sales and Use Tax on moist snuff is imposed upon the sale, use, or distribution of moist snuff within this State by a distributor or wholesaler to a retail dealer or consumer at the rate of \$0.75 per

ounce on the net weight as listed by the manufacturer and a proportionate rate on all fractional parts of an ounce of the net weight of moist snuff.

Disposition of Revenues

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

29) TRANSFER INHERITANCE AND ESTATE TAXES*

Description

The Transfer Inheritance Tax applies to the transfer of all real and tangible personal property located in New Jersey and intangible personal property wherever situated in estates of resident decedents. In estates of nonresident decedents, the tax applies to real property and tangible personal property located in the State of New Jersey.

The Estate Tax is imposed in addition to the Transfer Inheritance Tax on the estates of resident decedents. An Estate Tax is payable if the Inheritance Tax paid to New Jersey is less than the portion of the Federal credit for state death taxes which is attributable to New Jersey property.

Rate

The Transfer Inheritance Tax rates depend on the amount received and the relationship between the decedent and the beneficiary. No tax is imposed on the following:

- Class A beneficiaries (father, mother, grandparents, descendants, spouses, civil union partners, or domestic partners).
- Class C beneficiaries (brother or sister of decedent; husband, wife, or widow(er) of a child of decedent; civil union partner or surviving civil union partner of a child of decedent) are taxed at 11% - 16%, with the first \$25,000 exempt.
- Class D beneficiaries, not otherwise classified, are taxed at 15% - 16%, with no tax on transfers having an aggregate value of less than \$500.
- Charitable institutions are exempt from tax.

For decedents dying on or before December 31, 2001, the Estate Tax is based upon the credit for state inheritance, estate, succession, or legacy taxes allowable under the provisions of the Internal Revenue Code in effect on the decedent's date of death. For decedents dying after December 31, 2001, the Estate Tax is based upon the credit for state inheritance, estate, succession, or legacy taxes allowable under the provisions of the Internal Revenue Code in effect on December 31, 2001.

During 2001 there was no Federal estate tax due on Federal estates of less than \$675,000. Under the provisions of the Federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the applicable Federal exclusion amounts were increased to:

2002 and 2003	\$1.0 Million
2004 and 2005	\$1.5 Million
2006, 2007, and 2008	\$2.0 Million
2009	\$3.5 Million
2010	Tax Repealed

*Estimates provided by the NJ Division of Taxation's Inheritance Tax Bureau

The New Jersey Estate Tax exclusion was frozen at the 2001 level for decedents dying in 2002 and thereafter. The Estate Tax is an amount equal to the Federal credit for inheritance, estate, succession, and legacy taxes allowable under provisions of the Internal Revenue Code in effect on December 31, 2001. A reduction is permitted for that portion of the credit which is attributable to property located outside New Jersey plus any Inheritance Tax paid to New Jersey.

Exemptions from Transfer Inheritance Tax

- All transfers having an aggregate value under \$500;
- Life insurance proceeds paid to a named beneficiary;
- Charitable transfers for the use of any educational institution, church, hospital, orphan asylum, public library, etc.;
- Transfers for public purposes made to New Jersey or any political subdivision thereof;
- Federal civil service retirement benefits payable to a beneficiary other than the estate, executor, or administrator;
- Annuities payable to survivors of military retirees; and
- Qualified employment annuities paid to a surviving spouse, civil union partner, or domestic partner.

Disposition of Revenues

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

Tax Expenditure Summary

The largest expenditure in Inheritance Tax is the full exemption of Class A beneficiaries, followed by the partial exemption of Class C. This analysis first computes chargeable tax if all estates were at the Class D level (15%). By multiplying the entire reported net estates for an entire tax year, then reducing by the amount actually charged, and splitting off the increase from 11% to 15% for Class C, the State would possibly realize:

Increase in Class C:	\$40 million
Increase in Class A:	\$560 million

CONCLUSION

This concludes the 2010 Tax Expenditure Report.

APPENDIX I

The following statutory provisions, segregated by tax, have been deemed tax expenditures. This agency cannot make estimates of their value at this time.

3) Gross Income Tax

Exclusions

- Social security income exclusion (N.J.S.A. 54A:6-2) P.L. 1976, c. 47
- Charitable trust or pension/profit sharing plan trust (N.J.S.A. 54A:2-1) P.L. 1976, c. 47
- Railroad retirement exclusion (N.J.S.A. 54A:6-3) P.L. 1976, c. 47
- Employees' death benefits (N.J.S.A. 54A:6-4) P.L. 1976, c. 47
- Life insurance payments (N.J.S.A. 54A:6-4) P.L. 1976, c. 47
- Gifts and inheritances (N.J.S.A. 54A:6-5) P.L. 1976, c. 47
- Damages for personal injury or illness (N.J.S.A. 54A:6-6) P.L. 1976, c. 47
- Insurance payment for personal injury or illness (N.J.S.A. 54A:6-6) P.L. 1976, c. 47
- Temporary disability exclusion (N.J.S.A. 54A:6-6) P.L. 1976, c. 47
- Workers' compensation exclusion (N.J.S.A. 54A:6-6) P.L. 1976, c. 47
- Certain exclusions from military pay (N.J.S.A. 54A:6-7) P.L. 1976, c. 47
- Scholarships and fellowship grants (N.J.S.A. 54A:6-8) P. L. 1976, c. 47
- Personal residence gain exclusion (N.J.S.A. 54A:6-9.1) P.L. 1998, c. 3
- Permanent disability exclusion (N.J.S.A. 54A:6-10) P.L. 1976, c. 47
- Lottery winnings (N.J.S.A. 54A:6-11) P.L. 1976, c. 47; amended P.L. 2009, c.69
- Unemployment insurance exclusion (N.J.S.A. 54A:6-13) P.L. 1976, c. 47
- Employer 401(k) contributions (N.J.S.A. 54A:6-21) P.L. 1983, c. 571
- Employee 401(k) contributions (N.J.S.A. 54A:6-21) P.L. 1983, c. 571
- Employer contributions to retirement plans (N.J.A.C. 18:35-2.5)
- Homeless persons' assistance programs (N.J.S.A. 54A:6-22) P.L. 1988, c.29; amended 2008, c.127
- Commuter transportation benefits (N.J.S.A.54A:6-23) P.L. 1993, c.108; amended 1996, c.121; 2001, c.162
- Cafeteria plan, qualified option (N.J.S.A. 54A:6-24) P.L. 1995, c.111
- Education IRA or State tuition plan Earnings (N.J.S.A. 54A:6-25) P.L. 1997, c. 237; amended P.L. 1999, c.46, c.116, P.L. 2001, c.262
- Loan redemption (N.J.S.A. 54A:6-25.1) P.L. 2005, c.157
- Military pension, survivor's benefit payments (N.J.S.A. 54A:6-26) P.L. 1997, c.409; amended 2001, c.84
- Contributions to medical savings account (N.J.S.A. 54A:6-27) P.L. 1997, c.414
- Roth IRA distributions (N.J.S.A. 54A:6-28) P.L. 1998, c.57
- Holocaust reparations, restitution (N.J.S.A. 54A:6-29) P.L. 1998, c.113.
- Victims of September 11, 2001 terrorist attacks (N.J.S.A. 54A:6-30) P.L. 2003, c.9
- Family leave benefits (N.J.S.A. 54A:6-31) P.L. 2008, c.17
- Welfare assistance payments (N.J.S.A. 54A:6-13)
- Cash or assistance from a charitable organization (N.J.S.A. 54A:6-5, N.J.S.A. 54A:6-22)
- Child Support receipts (N.J.S.A. 54A:5-1(n))

Deductions/Exemptions

- Charitable trust or pension/profit sharing plan trust (N.J.S.A. 54A:2-1)
- Deductions for contributions to medical savings account (N.J.S.A. 54A:3-4) P.L. 1997, c.414, effective January 19, 1998
- Gambling Losses (N.J.S.A. 54A:5-1(g)) P.L. 1976, c.47; amended 1977, c.40, 1977, c.273, 1981, c.423, 1983, c.571, 1987, c.76, 1987, c.310, 1990, c.79, 1993, c.173, 1997, c.414, 1998, c.57

4) Sales and Use Tax

Exemptions

- Durable medical equipment for home use including repair parts and replacement parts (N.J.S.A. 54:32B-8.1)
- Diabetic supplies (N.J.S.A. 54:32B-8.1)
- Tampons or like products (N.J.S.A. 54:32B-8.1)
- Medical oxygen (N.J.S.A. 54:32B-8.1)
- Human blood and its derivatives (N.J.S.A. 54:32B-8.1)
- Mobility enhancing equipment purchased with a prescription including repair parts and replacement parts (N.J.S.A. 54:32B-8.1)
- Prosthetic devices including repair parts and replacement parts (N.J.S.A. 54:32B-8.1)
- Dietary supplements (N.J.S.A. 54:32B-8.2)
- Protective equipment necessary for daily work of the user (N.J.S.A. 54:32B-8.4)
- Sewing materials purchased by non-commercial purchasers (N.J.S.A. 54:32B-8.4)
- Newspapers (N.J.S.A. 54:32B-8.5)
- Magazines and periodicals sold by subscription (N.J.S.A. 54:32B-8.5)
- Membership periodicals (N.J.S.A. 54:32B-8.5)
- Casual Sales (N.J.S.A. 54:32B-8.6)
- Gas (other than natural gas), water, steam and fuel delivered to consumers through mains, lines, pipes and in containers and bulk (N.J.S.A. 54:32B-8.7)
- Motor, airplane and railroad fuels (N.J.S.A. 54:32B-8.8)
- Coin-operated vending machine sales under \$.25 (N.J.S.A. 54:32B-8.9)
- Out-of-State sales (N.J.S.A. 54:32B-8.10)
- Transportation of persons or property other than delivery charges, those provided by a limousine operator, and the transportation of energy (N.J.S.A. 54:32B-8.11)
- Commercial ships including repairs, alterations and conversions (N.J.S.A. 54:32B-8.12)
- Cargo containers (N.J.S.A. 54:32B-8.12)
- Barges (N.J.S.A. 54:32B-8.12)
- Vessels of 50-ton burden or over primarily engaged in interstate or foreign commerce (N.J.S.A. 54:32B-8.12)
- Machinery, apparatus and equipment for use at a marine terminal facility in loading, unloading and handling cargo carried by commercial ships, barges and other vessels (N.J.S.A. 54:32B-8.12)
- Storage and other services rendered with respect to loading, unloading and handling cargo at a marine terminal facility (N.J.S.A. 54:32B-8.12)
- Ferryboats that are primarily engaged in the transportation of passengers during peak hours of commutation (N.J.S.A. 54:32B-8.12)
- Vessels, regardless of tonnage, primarily engaged in commercial fishing or shell fishing, including equipment necessary for harvesting fish, shellfish and other crustaceans and aquatic organisms (N.J.S.A. 54:32B-8.12)
- Vessels primarily engaged in commercial party boat (head boat) sport fishing and subject to annual inspection by the United States Coast Guard (N.J.S.A. 54:32B-8.12)
- Governmentally-owned ships, barges and other vessels and property used by or purchased for the use of such vessels (N.J.S.A. 54:32B-8.12)
- Machinery, apparatus and equipment for fuel, provisions, supplies, maintenance and repairs (other than articles purchased for the original equipping of a new ship) (N.J.S.A. 54:32B-8.12)

- Machinery, apparatus and equipment directly and primarily used in production of tangible personal property by manufacturing, processing, assembling and refining (N.J.S.A. 54:32B-8.13(a))
- Machinery, apparatus and equipment directly and primarily used in the production, generation, transmission and distribution of gas, electricity, refrigeration, steam and water for sale and in the operation of sewerage system (N.J.S.A. 54:32B-8.13(b))
- Machinery, apparatus and equipment sold to a service provider regulated by the BPU or FCC for use directly and primarily in providing telecommunications service (N.J.S.A. 54:32B-8.13(c))
- Machinery, apparatus and equipment, building materials and structures used directly and primarily for cogeneration in a cogeneration facility (N.J.S.A. 54:32B-8.13(d))
- Machinery, apparatus and equipment used by a commercial broadcaster operating under FCC license or provider of cable/satellite services (N.J.S.A. 54:32B-8.13(e))
- Tangible personal property directly and exclusively used in research and development in the experimental or laboratory sense (N.J.S.A. 54:32B-8.14)
- Wrapping supplies used incidentally in delivery of personal property (N.J.S.A. 54:32B-8.15)
- Tangible personal property and production and conservation services to a farmer for use and consumption directly and primarily in the production, handling and preservation for sale of agricultural or horticultural commodities at the farming enterprise does not include automobiles, energy and materials used to construct a building or structure other than a silo, greenhouse, grain bin, or manure handling equipment (N.J.S.A. 54:32B-8.16)
- Tangible personal property sold by a mortician, undertaker or funeral director (N.J.S.A. 54:32B-8.17)
- Films, records, tapes and any transcriptions for use in radio and television broadcasting but not for advertising (N.J.S.A. 54:32B-8.18)
- Materials such as chemicals and catalysts used to induce or cause refining or chemical process but do not become a component part of the finished product (N.J.S.A. 54:32B-8.20)
- Building materials, supplies and services sold to contractors used exclusively in erecting structures or building on and improving, altering and repairing the real property of an exempt entity (i.e., government, housing sponsor, qualified Urban Enterprise Zone business, or exempt non-profit organization) (N.J.S.A. 54:32B-8.22)
- American and New Jersey state flags (N.J.S.A. 54:32B-8.26)
- Locomotives, railroad cars and other railroad rolling stock (N.J.S.A. 54:32B-8.27)
- Buses used for public passenger transportation including repair parts and replacement parts and labor (N.J.S.A. 54:32B-8.28)
- Buses used to transport children to and from school including repair parts and replacement parts and labor (N.J.S.A. 54:32B-8.28)
- Printing and publishing production machinery and equipment (N.J.S.A. 54:32B-8.29)
- Advertising published in a newspaper (N.J.S.A. 54:32B-8.30)
- Gold and silver and storage thereof (N.J.S.A. 54:32B-8.32)
- Solar energy devices and system components (N.J.S.A. 54:32B-8.33)
- Sales of aircraft used as air carriers and repairs to and parts installed thereto (N.J.S.A. 54:32B-8.35(a))
- Repairs to aircraft which have a certified maximum takeoff weight of 6,000 pounds or more and parts installed thereto (N.J.S.A. 54:32B-8.35(b))
- Recycling equipment used exclusively to sort and prepare solid waste for recycling or in the recycling of solid waste (N.J.S.A. 54:32B-8.36)
- Printed advertising material and processing services delivered out-of-State (N.J.S.A. 54:32B-8.39)
- 26,000 pound commercial trucks including repair parts and replacement parts (N.J.S.A. 54:32B-8.43)
- Commercial trucks used for interstate travel including repair parts and replacement parts (N.J.S.A. 54:32B-8.43)
- Farm vehicles over 18,000 pound gross vehicle weight rating including repair parts and replacement parts (N.J.S.A. 54:32B-8.43)

- Salem County - 50% reduction in rate of sales tax on certain tangible personal property (N.J.S.A. 54:32B-8.45)
- Certain electricity (N.J.S.A. 54:32B-8.46)
- Certain energy and utility service (N.J.S.A. 54:32B-8.47)
- Imprinting services performed on manufacturing equipment (N.J.S.A. 54:32B-8.48)
- Tangible personal property purchased for use directly and exclusively in the production of a film or video (N.J.S.A. 54:32B-8.49)
- Firearm safety locks (N.J.S.A. 54:32B-8.50)
- Firearm storage vaults (N.J.S.A. 54:32B-8.51)
- Limousines including repair parts and replacement and labor (N.J.S.A. 54:32B-8.52)
- Rental of tangible personal property to related parties (N.J.S.A. 54:32B-8.53)
- Concession stand sales located at State-owned veterans facilities (N.J.S.A. 54:32B-8.54)
- Zero emission vehicles (N.J.S.A. 54:32B-8.55)
- Prewritten software delivered electronically for business use (N.J.S.A. 54:32B-8.56)
- Sale-leaseback transactions (N.J.S.A. 54:32B-8.57)
- Coin-operated telephone service (N.J.S.A. 54:32B-8.58)

Exclusions

- Tangible personal property and services purchased for resale (N.J.S.A. 54:32B-2(e)(1))
- Professional, insurance, or personal service transactions which involve the transfer of tangible personal property as an inconsequential element, for which no separate charges are made (N.J.S.A. 54:32B-2(e)(4)(A))
- Transfer of tangible personal property to a corporation, solely in consideration for the issuance of its stock, pursuant to a merger or consolidation effected under the laws of New Jersey or any other jurisdiction (N.J.S.A. 54:32B-2(e)(4)(B))
- Distribution of property by a corporation to its stockholders as a liquidating dividend (N.J.S.A. 54:32B-2(e)(4)(C))
- Distribution of property by a partnership to its partners in whole or partial liquidation (N.J.S.A. 54:32B-2(e)(4)(D))
- Transfer of property to a corporation upon its organization in consideration for the issuance of its stock (N.J.S.A. 54:32B-2(e)(4)(E))
- Contribution of property to a partnership in consideration for a partnership interest therein (N.J.S.A. 54:32B-2(e)(4)(F))
- Sale of tangible personal property where the purpose of the vendee is to hold the property transferred as security for the performance of an obligation of the seller (N.J.S.A. 54:32B-2(e)(4)(G))
- Internet access service (N.J.S.A. 54:32B-2(cc)(12))
- Radio and television audio and video programming services including cable and satellite television service (N.J.S.A. 54:32B-2(cc)(13))
- Discounts, including cash, term, or coupons that are not reimbursed by a third party (N.J.S.A. 54:32B-2(oo)(2)(A))
- Interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser (N.J.S.A. 54:32B-2(oo)(2)(B))
- Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser (N.J.S.A. 54:32B-2(oo)(2)(C))
- The amount of sales price for which food stamps have been properly tendered in full or part payment (N.J.S.A. 54:32B-2(oo)(2)(D))

- 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 (N.J.S.A. 54:32B-2(o)(2)(E))
- Occupancy of a hotel by a permanent resident for at least 90 consecutive days (N.J.S.A. 54:32B-2(m))
- Services to exempt medical equipment (N.J.S.A. 54:32B-3(b)(2))
- Resale of taxable services (N.J.S.A. 54:32B-3(b))
- Services rendered by an individual who is engaged directly by a private homeowner or lessee in or about his residence and who is not in a regular trade or business offering his services to the public (N.J.S.A. 54:32B-3(b)(2)(i))
- Laundry and dry cleaning services for clothing (N.J.S.A. 54:32B-3(b)(2)(iii))
- Garment services (N.J.S.A. 54:32B-3(b)(2)(iii))
- Shoe repair (N.J.S.A. 54:32B-3(b)(2)(iii))
- Storing tangible personal property held for sale in the regular course of business (N.J.S.A. 54:32B-3)
- Services rendered by an individual who is not in the regular trade or business offering his services to the public (N.J.S.A. 54:32B-3(b)(2)(v))
- Garbage removal and sewer services performed on a regular contractual basis for a term not less than 30 days (N.J.S.A. 54:32B-3(b)(4))
- Maintaining, servicing or repairing a residential heating system (N.J.S.A. 54:32B-3(b)(4))
- Mail processing services for printed advertising material in connection with distribution of printed advertising material to out-of-State recipients (N.J.S.A. 54:32B-3(b)(5))
- Massage, bodywork of somatic services provided pursuant to a doctor's prescription (N.J.S.A. 54:32B-3(b)(9))
- Transportation services provided by a limousine operator in connection with funeral services (N.J.S.A. 54:32B-3(b)(13))
- Wages, salaries, and other compensation paid by an employer to an employee for performing as an employee a taxable service (N.J.S.A. 54:32B-3)
- Exempt capital improvements performed to real property (N.J.S.A. 54:32B-3(b)(4))
- Food and drink sold by airlines for consumption while in flight (N.J.S.A. 54:32B-3)
- Food that is cut, repacked or pasteurized by the seller (sold without eating utensils) (N.J.S.A. 54:32B-3(c)(3)(i)(B))
- Milk sold through coin-operated vending machine sales (N.J.S.A. 54:32B-3(c)(2))
- Eggs, fish, meat, poultry and food containing these raw animal foods requiring cooking by the consumer (sold without eating utensils) (N.J.S.A. 54:32B-3(c)(3)(i)(B))
- Food sold by a manufacturer (sold without eating utensils) (N.J.S.A. 54:32B-3(c)(3)(ii)(A))
- Food sold in an unheated state by weight or volume as a single item (sold without eating utensils) (N.J.S.A. 54:32B-3(c)(3)(ii)(B))
- Bakery items (sold without eating utensils) (N.J.S.A. 54:32B-3(c)(3)(ii)(C))
- Prepared food delivered to homebound elderly, age 60 or older, and to disabled persons and meals prepared and served at a group-sitting at a location outside of the home to otherwise homebound elderly persons, age 60 or older, and to disabled persons, as all or part of any food service project funded by the government or by a non-profit food service project (N.J.S.A. 54:32B-3(c)(1))
- Admission to athletic games or exhibition for exempt elementary or secondary schools (N.J.S.A. 54:32B-9(f)(2)(A))
- Participatory sporting activities (N.J.S.A. 54:32B-3(e)(1))
- Admission to certain events where proceeds go to exempt organization (N.J.S.A. 54:32B-9(f))
- Admission to combative sports contest if taxed under any other New Jersey law (N.J.S.A. 54:32B-3(e)(1))
- Charges in the nature of initiation fees, membership fees or dues for access to or use of the property or facilities of a health and fitness, athletic, sporting or shopping club or organization in this State, except for

membership in a club or organization whose members are predominantly age 18 or under (N.J.S.A. 54:32B-3(h)(1))

- Charges in the nature of membership fees or dues for access to or use of the property or facilities of a health and fitness, athletic, sporting or shopping club or organization by the State of New Jersey, or any of its agencies, instrumentalities, public authorities, public corporations or political subdivisions (N.J.S.A. 54:32B-3(h)(2))
- Charges in the nature of membership fees or dues for access to or use of the property or facilities of a health and fitness, athletic, sporting or shopping club or organization by religious, charitable, scientific, literary or educational organizations which applied to the Division of Taxation and were granted sales tax exemption. Such organizations qualify for exemption under Internal Revenue Code Section 501(c)(3) and have been issued an Exempt Organization Certificate (ST-5) by the Division. (N.J.S.A. 54:32B-3(h)(2))
- Residential parking (N.J.S.A. 54:32B-3(i))
- Employee parking, when provided by an employer or at a facility owned or operated by the employer (N.J.S.A. 54:32B-3(i))
- Municipal parking, storing and garaging (N.J.S.A. 54:32B-3(i))
- Parking charges subject to the Atlantic City Parking Fee (N.J.S.A. 54:32B-3(i))
- Parking charges imposed pursuant to an agreement between the Casino Reinvestment Development Authority and a casino operator (N.J.S.A. 54:32B-3(i))
- Parking charges subject to tax pursuant to any other law or ordinance (N.J.S.A. 54:32B-3(i))

The Sales and Use Tax Act imposes tax on all retail sales of tangible personal property unless exempted by law. However, only certain services are subject to tax.

Exempt Purchasers

- State of New Jersey or its agencies, instrumentalities, public authorities, public corporations and political subdivisions (N.J.S.A. 54:32B-9(a)(1))
- United States of America, its agencies and instrumentalities (N.J.S.A. 54:32B-9(a)(2))
- United Nations and any international organization of which the United States of America is a member (N.J.S.A. 54:32B-9(a)(3))
- Diplomats, consulates and foreign embassies for purposes approved by the Department of State, Office of Foreign Missions (N.J.S.A. 54:32B-9(a)(3))
- Charitable organizations (Form ST-5 holders) (N.J.S.A. 54:32B-9(b))
- Volunteer fire company, rescue, ambulance, first aid and emergency company or squad (N.J.S.A. 54:32B-9(b))
- National Guard organization, post and association, and as a post or organization of war veterans, and the Marine Corps League, and as an auxiliary unit or society of any such post, organization and association (N.J.S.A. 54:32B-9(b))
- Association of parents and teachers of an elementary or secondary school in a public and private school exempt under N.J.S.A. 54:32B-9 (N.J.S.A. 54:32B-9(b))

5) Corporation Business Tax

Exempt corporations

- Non Profit Corporations
- Tax Business Income of Non Profits (Federal Form 990)
- Agricultural Co Operatives
- Cemetery Corporations not conducted for profit
- Non stock Residential Housing
- Non Profit Retirement Communities

Income Exclusions

- Single-sales fraction

Tax Credits

- Recycling Equipment Tax Credit from Form 303
- Small New Jersey-Based High-Technology Business Investment Tax Credit from Form 308 (Schedule A-3)
- Economic Recovery Tax Credit from Form 313 (Schedule A-3).
- Remediation Tax Credit from Form 314 (Schedule A-3)
- Urban Transit Hub Tax Credit from Form 319 (Schedule A-3)
- Digital Media Production Credit (Schedule A-3)
- Development Credit (Schedule A-3)

9) Cigarette tax

Exemptions

- U.S. Constitution Federal laws (N.J.S.A. 54:40A-8 through N.J.S.A. 54:40A-10, N.J.A.C. 18:5-2.4)
- U.S. V.A. for free distribution to hospitalized veterans. (N.J.S.A. 54:40A-10; P.L. 1948, c. 65, p. 159, § 303)

Credits

- Director's redemption of certain stamps (N.J.S.A. 54:40A-19; P.L. 1948, c. 65, p. 163, §409)

17) Motor Fuels tax

Exemptions

- Sales to the U.S. government for official use (N.J.S.A. 54:39-65; P.L. 1935, c. 319, § 1201, p. 1034)
- Sales to New Jersey and its political subdivisions for their official use (N.J.S.A. 54:39-65; P.L. 1935, c. 319, § 1201, p. 1034)
- Sales to diplomatic missions or diplomatic personnel under a program of the U.S. Department of State (N.J.S.A. 54:39-65; P.L. 1935, c. 319, § 1201, p. 1034)
- Exported fuels are generally exempt from imposition of the tax, with certain limitations ((N.J.S.A. 54:39-28; P.L. 1935, c. 319, § 312, p. 1021 - a special exporter license rules - N.J.A.C. 18:18-9.1)
- Sales by one licensed distributor to another, with limitations (N.J.S.A. 54:39-27; P.L. 1935, c. 319, § 311, p. 1020)
- Fuel imported in fuel tanks (N.J.S.A. 54:39-43; P.L. 1935, c. 319, § 606, p. 1026)

Exemptions – Special Fuels

- Special fuel sold to the U.S. government, with acceptable documentation (N.J.S.A. 54:39-64.3(a); P.L. 1992, c. 23, § 54.)
- Certain special fuel sold in quantities of not more than 150 gallons (N.J.S.A. 54:39-64.3(b); P.L. 1992, c. 23, § 54.)
- Special fuel sold to the State of New Jersey or its political subdivisions, with acceptable documentation (N.J.S.A. 54:39-64.3(c); P.L. 1992, c. 23, § 54.)
- Special fuel sold to diplomatic missions and diplomatic personnel, with limitations (N.J.S.A. 54:39-64.3(d); P.L. 1992, c. 23, § 54.)